

# 15th Annual Report 2006-2007



Kwaliti Dairy (India) Limited

AN ISO 9001 : 2000 & HACCP CERTIFIED COMPANY

**KWALITY DAIRY (INDIA) LIMITED**

# Corporate Information

**Directors****Mr. Gulshan Kumar**

Chairman

**Mr. Sanjay Dhingra**

Managing Director

**Mr. Arun Srivastava****Mr. Rajeev Sharma****Company Secretary**

Mr. Gaurav Jain

**Auditors**

Mukesh K. Arora &amp; Co.

Chartered Accountants

**Bankers**

Indian Overseas Bank

UTI Bank

CITI Bank

**Registered Office & Works**

Village Softa, Tehsil Palwal,

Distt. Faridabad,

Haryana - 121 004

**Corporate Office**

5/1B, Ramesh Nagar,

New Delhi - 110 015

**Registrar and Share Transfer Agents**

Skyline Financial Services Pvt. Ltd.

246, 1st Floor, Sant Nagar,

East of Kailash,

New Delhi - 110 065

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**KWALITY DAIRY (INDIA) LIMITED****NOTICE**

Notice is hereby given that the Fifteenth Annual General Meeting of the Members of Kwaliti Dairy (India) Ltd. will be held on Saturday, the 29<sup>th</sup> day of September 2007 at 11.00 A.M at Registered Office of the Company at Village Softa, Tehsil Palwal, Dist. Faridabad, Haryana 121004, to transact the following business: -

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2007 and Profit & Loss Account for the year ended on that date, together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Gulshan Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

**By Order of the Board**

New Delhi  
September 04, 2007  
**Corporate Office:**  
5/1B, Ramesh Nagar,  
New Delhi - 110015

**Gaurav Jain**  
**Company Secretary**

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, to be effective, must be received, duly filled and authenticated at the Registered office of the Company not less than 48 hours before the scheduled time of the Meeting.
2. The Register of Members and Share Transfer books of the Company will be closed from Wednesday, 26<sup>th</sup> September, 2007 to Saturday, 29<sup>th</sup> September, 2007 (both days inclusive)
3. Members are requested to intimate immediately any change in their registered address to the Company's Registrar and Share Transfer Agent M/s Skyline Financial Services Pvt. Ltd. Shareholders who hold shares in demat form are requested to update their particulars with their respective Depository Participants.
4. The shares of the Company are being traded compulsorily in demat form only, members who still hold the shares of the Company in physical form are advised to have their holdings dematerialized in their own interest through authorized depository participant.
5. Members are requested to bring their personal copy of Annual Report to the Meeting.
6. Members desiring any information as regards accounts in the meeting are requested to write to the Company at least seven days before the date of Annual General Meeting so as to enable the Company to keep the information ready.
7. As per the Articles of Association of the Company and relevant provisions of the Companies Act, 1956, Mr. Gulshan Kumar, Director is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Brief resume of the Director seeking reappointment together with the nature of his expertise in specified functional areas and names of the Companies in which he hold the directorship and membership/chairmanship of Committees of the Board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange, is provided in the report on Corporate Governance forming part of the Annual Report.

**By Order of the Board**

New Delhi  
September 04, 2007

**Gaurav Jain**  
**Company Secretary**



**KWALITY DAIRY (INDIA) LIMITED****DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the 15<sup>th</sup> Annual Report of your Company together with Audited Accounts for the year ended 31<sup>st</sup> March 2007.

**FINANCIAL RESULTS**

(Rs. in Lacs)

Particulars	Year ended 31.03.2007	Year ended 31.03.2006
Turnover	14958.69	9913.72
Profit before Interest, Depreciation & Tax	836.02	760.46
Interest & Fin. Charges	180.41	156.33
Depreciation	89.17	90.59
Profit before Tax	566.44	513.54
Provision for Tax including FBT and Deferred Tax	193.35	243.44
Profit/(Loss) after tax	373.09	270.10

**FINANCIAL HIGHLIGHTS**

Your Company has shown all round growth in the year under review, the financial figures of current year affirms the Company's strength and its growth. The gross turnover of the company for the year is Rs. 149.59 Crores as against Rs. 99.14 Crores in the previous year showing an impressive growth of 50.89.%. Profit after Tax (PAT) of Rs 3.73 Crores showed a growth of 38.13% over the previous year figure of Rs 2.70 Crores

**STRATEGIC ALLIANCES**

For nearly four years, your Company is engaged in the process of pasteurising and packing of milk for Gujarat Co-operative Milk Marketing Federation Ltd. under the brand name of 'AMUL', which is being supplied to Delhi and National Capital Region markets.

Your Company has now entered into another strategic alliance with 'BRITANNIA INDUSTRIES LTD' for manufacturing and supplying of Cultured Dairy Products under the brand name 'Britannia Milkman Daily Fresh Dahi' which is also being supplied to Delhi and National Capital Region markets. The same has been put into operation with effect from July 2007.

**FUTURE PROSPECTS**

Your Company is committed and focused to provide quality dairy products to the consumers. It has planned to add other dairy products like flavoured milk, cheese and buttermilk etc. to its product range. The Company is aggressively scouting for alliances and joint venture partners for its dairy business.

**DIVIDEND**

The directors are pleased to state that all the brought forward losses/ unabsorbed depreciation have been wiped off. However, in order to strengthen the capital base the Board of Directors has not recommended any dividend in this year.

**DELISTING OF EQUITY SHARES**

An application for voluntary de-listing from The Calcutta Stock Exchange Association Limited, Kolkata, filed by Company, with the said Stock Exchange is pending confirmation. The equity shares of the company are currently listed on Bombay Stock Exchange Ltd, Mumbai.

**DIRECTORS**

As per the Articles of Association of the Company and relevant provisions of the Companies Act, 1956, Mr. Gulshan Kumar, Director of the Company is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Brief resume of the Director seeking reappointment together with the nature of his expertise in specified functional areas and names of the Companies in which he hold the directorship and membership/chairmanship of Committees of the Board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange, is provided in the report on Corporate Governance forming part of the Annual Report.

**KWALITY DAIRY (INDIA) LIMITED****AUDITORS**

M/s Mukesh K. Arora & Co., Chartered Accountants, who are to retire at the conclusion of the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment. Your Company has received from M/s Mukesh K. Arora & Co., a certificate indicating that, their appointment, if made will be in accordance with the limits specified under section 224(1B) of the Companies Act, 1956.

**DIRECTORS' RESPONSIBILITY STATEMENT**

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors state and confirm as under that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departure;
- b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial year and the Profit of the Company for that period;
- c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) they have prepared the annual accounts on a going concern basis.

**CORPORATE GOVERNANCE**

A report on Corporate Governance is attached to this report along with a Management Discussion and Analysis statement

**FIXED DEPOSITS**

Your Company has not accepted any public deposits and, as such, no amount on account of principal or interest on public deposits was outstanding on the date of the Balance Sheet.

**PARTICULARS OF EMPLOYEES**

During the year under review no employee of the Company is covered under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

The particulars as prescribed under Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 are set out in an Annexure to this report.

**ACKNOWLEDGEMENTS**

Your Directors place on record their gratitude & appreciation to the Company's Customers, Shareholders, Bankers, Government Departments, Suppliers, Distributors and other business associates for their continued support & co-operation. They also wish to convey their gratitude and appreciation to the employees of the Company for their sincerity, dedication and valuable contribution during the year.

**For & on behalf of the Board of Directors**

New Delhi  
September 04, 2007

**(Gulshan Kumar)**  
**CHAIRMAN**

**KWALITY DAIRY (INDIA) LIMITED****ANNEXURE TO THE DIRECTORS' REPORT**

STATEMENT CONTAINING PARTICULARS PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

The Company continues to envisage and implement energy conversion measures in various manufacturing operations leading to savings in quantitative consumption of power, fuel, oil etc.

During the year under review the Company has consumed more of low cost Burada and Husk and reduced fuel unit cost from Rs.3.38 to Rs. 3.03 per unit.

**Power and Fuel Consumption:**

<b>A. Electricity</b>	<b>2006-07</b>	<b>2005-06</b>
Purchased		
Units	<b>1684643</b>	1842999
Total Amount (Rs.)	<b>6890188</b>	7537867
Rate per Unit (Rs.)	<b>4.09</b>	4.09

**B. Fuels**

(Diesel, FO, Burada & Husk)

Quantity (ltrs/Kgs)	<b>8362577</b>	4521622
Total Amount (Rs.)	<b>25351802</b>	15264697
Rate per Unit (Rs.)	<b>3.03</b>	3.38

**Research & Development**

The Company has an in-house Research and Product Development Laboratory for maintenance of strict quality control. Continuous efforts are made to ensure qualitative improvement in products and efficiency in operations.

**Foreign Exchange Earnings & Outgo:**

	<b>2006-07</b>	(Rs. in Lacs) <b>2005-06</b>
CIF Value of imports	<b>19.08</b>	Nil
Foreign Exchange Earning	<b>300.99</b>	546.15

**For & on behalf of the Board of Directors**

New Delhi  
September 04, 2007

**(Gulshan Kumar)**  
**CHAIRMAN**

**KWALITY DAIRY (INDIA) LIMITED****REPORT ON CORPORATE GOVERNANCE****1. Company's philosophy on Corporate Governance**

Corporate Governance has been a high priority at Kwaliti Dairy (India) Ltd. both in letter and in spirit. The Company believes that good Corporate Governance strengthens the investors' trust and ensures a long-term partnership that helps in company's objectives. The Company's philosophy on Corporate Governance lays strong emphasis on transparency, accountability and integrity. The philosophy is manifested in its operations through exemplary standards of ethical behaviour, both within the organisation as well as in external relationships.

**2. Board of Directors**

The Composition of Board of Directors comprised Executive and Non-Executive Directors.

As on 31<sup>st</sup> March 2007, the total number of Directors of the Company was four comprising of one Executive Director and three Non-Executive Directors including two Independent Directors. The Chairman of the Board is Non-Executive.

During the year fifteen meetings of the Board were held and the gap between two meetings did not exceed four months. The dates of such Board meetings were:

29 <sup>th</sup> April 2006,	25 <sup>th</sup> July 2006,	25 <sup>th</sup> August 2006,
29 <sup>th</sup> August 2006,	18 <sup>th</sup> September 2006,	26 <sup>th</sup> September 2006,
31 <sup>st</sup> October 2006,	2 <sup>nd</sup> December 2006,	8 <sup>th</sup> December 2006,
11 <sup>th</sup> December 2006,	5 <sup>th</sup> January 2007,	25 <sup>th</sup> January 2007,
31 <sup>st</sup> January 2007,	1 <sup>st</sup> February 2007 and	26 <sup>th</sup> March 2007.

The details of composition, attendance record and directorship held in other companies/Board Committees by each member of the Board of Directors of the Company is given as follows:

Name of the Director	Category (Independent/ Non-executive /executive)	Board Meetings attended During the year	Attendance at the Last AGM	Number of Directorship In other Public Companies	Number of other Committee memberships	
					As Chairman	As Member
1. Mr. Gulshan Kumar (Chairman)	Non Executive Director	13	Yes	NIL	NIL	NIL
2. Mr. Sanjay Dhingra (Managing Director)	Executive Director	14	Yes	NIL	NIL	NIL
3. Mr. Arun Srivastava	Non Executive- Independent Director	12	Yes	NIL	NIL	NIL
4. Mr. Rajeev Sharma	Non Executive- Independent Director	12	Yes	NIL	NIL	NIL

**Details of Director seeking re-appointment at the Annual General Meeting:**

Mr. Gulshan Kumar aged 43 years is a Master in Commerce and ICWA (Inter), He has more than 24 years of experience in the business of FMCG products, including dairy industry, with expertise in the finance, accounts and management.

Mr. Gulshan Kumar, has been on the Board of the Company since June 2003 . He is also the Chairman of the Board since his appointment. Under his leadership, the company could achieve progressive growth and shape through unique business models

Other Directorship : Super Veg Oils Pvt Ltd and JMD Veg Oil Pvt Ltd

Committee Membership of other Companies : Nil

Number of Shares held in the Company : 4990000

**KWALITY DAIRY (INDIA) LIMITED****3. Committees of the Board****(i) Audit Committee:**

The Board has constituted an Audit Committee in accordance with the requirements of section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement entered with the stock exchanges. Statutory Auditors and Internal Auditors were regular invitees to the committees meetings.

The Company Secretary acts as Secretary of the Committee.

The composition of the Audit Committee and particulars of meetings attended by the members of the Committee are given below:

Name of the Member	Category	No. of Meetings Held	No. of Meetings Attended
1. Mr. Arun Srivastava, Chairman	Independent	5	5
2. Mr. Gulshan Kumar	Non-Independent	5	5
3. Mr. Rajeev Sharma	Independent	5	5

During the year, five Committee Meetings were held on 27<sup>th</sup> April 2006, 24<sup>th</sup> July 2006, 25<sup>th</sup> August 2006, 31<sup>st</sup> October 2006 and 31<sup>st</sup> January 2007.

**Terms of Reference**

The terms of reference / powers of the Audit Committee has been specified by the Board of Directors in consonance with clause 49 of the Listing Agreement, which inter alia includes

- 1) Oversight of Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- 2) Reviewing with the management the quarterly and annual financial statement before submission to the Board of Directors focusing primarily on:
  - i) Any changes in accounting policies and practices.
  - ii) Major accounting entries based on exercise of judgment by management.
  - iii) Significant adjustments arising out of audit.
  - iv) The going concern assumption and compliance with accounting standards.
  - v) Compliance with stock exchange and legal requirements concerning financial statements.
  - vi) Any related party transactions i.e. transactions of the Company of material nature, that may have potential conflict with the interest of the company at large.
- 3) Reviewing with the management, statutory and internal Auditors, the adequacy of internal control system.
- 4) Recommending the appointment and removal of statutory auditors, and terms of remuneration.
- 5) Discussing with the internal auditors any significant findings and follow-up thereon.
- 6) Discuss with the statutory Auditors before the Audit commences, about the nature and scope of audit as well as post audit discussion any area of concern.
- 7) Reviewing the companies financial and risk management policies.
- 8) Carrying out such other function as may be specifically referred to the committee, by the Board of Directors.

**(ii) Shareholders / Investors' Grievance Redressal Committee:**

The Committee oversees and reviews all matters concerned with shareholders grievances. The committee also looks into the redressal of shareholders and investor grievance related to transfer of shares, non receipt of annual report, etc. the Committee oversees the performance of the registrars and transfer agent of the Company and recommends measures for overall improvements in the quality of investor services

The composition of the Shareholders Grievance Redressal Committee and particulars of meetings attended by the members of the Committee are given below:

Name of the Member	Category	No. of Meetings Held	No. of Meetings Attended
1. Mr. Gulshan Kumar, Chairman	Non-Independent	4	4
2. Mr. Arun Srivastava	Independent	4	4
3. Mr. Rajeev Sharma	Independent	4	4



**KWALITY DAIRY (INDIA) LIMITED**

During the year, four Committee Meetings were held on 27<sup>th</sup> April 2006, 24<sup>th</sup> July 2006, 31<sup>st</sup> October 2006 and 31<sup>st</sup> January 2007. During the period under review, 22 complaints were received from investors, which were replied / resolved to the satisfaction of the complainants. No investor complaint was pending for a period exceeding one month.

**Name, Designation and Address of Compliance Officer:**

Mr. Gaurav Jain, Company Secretary  
5/1B, Ramesh Nagar, New Delhi 110015  
Ph: 011-25168100, 25168200, Fax: 011-25177900  
E-mail: info@kwalitydairyindia.com

**4. Remuneration of Directors:**

The details of remuneration of directors during the year ended 31<sup>st</sup> March 2007 are as follows:

<b>Name</b>	<b>Gross Remuneration</b>	<b>Sitting Fees</b>	<b>Total</b>
Mr. Sanjay Dhingra (Managing Director)	Rs 4,80,000	NIL	Rs 4,80,000

**5. General Body Meetings****(i) General Meetings:**

The particulars of the last three Annual General Meetings of the Company are as under:

<b>YEAR</b>	<b>DATE</b>	<b>TIME</b>	<b>LOCATION</b>
2003-2004	30.09.2004	11.00 A.M.	Village Softa, Tehsil Palwal, Dist. Faridabad, Haryana
2004-2005	30.09.2005	10.00 A.M.	Village Softa, Tehsil Palwal, Dist. Faridabad, Haryana
2005-2006	29.09.2006	03.30 P.M.	Village Softa, Tehsil Palwal, Dist. Faridabad, Haryana

**(ii) Postal Ballot:**

No ordinary or special resolution was passed through postal ballot during the last year. Similarly no ordinary or special resolution requiring a postal ballot is being proposed at the ensuing Annual General Meeting.

**(iii) Special Resolution:**

At the 12<sup>th</sup> Annual General Meeting of the Company held on 30.9.2004, Special Resolution was passed for voluntary delisting of equity shares from Delhi Stock Exchange Association Ltd., Delhi and Calcutta Stock Exchange Association Ltd., Kolkata.

**6. Disclosures:****Disclosure on materially significant Related Party Transactions:**

Disclosures regarding related party transactions have been made under Notes to Accounts, which form part of this Annual Report.

None of the transactions of the Company of material nature, with its promoters and their relatives, the directors or the management and their relatives or any other related parties were in conflict with the interest of the Company.

**Disclosure on non-compliance on any matter related to capital markets during last three years:**

No penalties and strictures have been imposed on the Company by SEBI or Stock Exchanges or any other Statutory Authority on any matter related to capital markets, as there was no non-compliance in general.

The Company is pursuing for listing of 50,00,000 equity shares of Rs. 10/- each arising on conversion of 5,00,000 convertible preference shares of Rs. 100/- each, pending with The Bombay Stock Exchange Ltd, Mumbai.

**7. CEO and CFO Certification**

The Managing Director and the Chief Financial Officer of the Company give certification on financial reporting and internal controls to the Board in terms of Clause 49 of the Listing Agreement.

**8. Means of Communication:**

The financial results of the Company are generally published in The Financial Express and Jan Satta. The financial results are also furnished to stock exchanges.

## KWALITY DAIRY (INDIA) LIMITED

The company is registered with Electronic Data Information Filing and Retrieval System (EDIFAR) website maintained by National Informatics Centre (NIC), Delhi. The Company's relevant information is also available at the website [www.sebidifar.nic.in](http://www.sebidifar.nic.in)

A Management Discussion and Analysis is a part of this Annual Report.

### 9. General Shareholder Information:

- Ø **15<sup>th</sup> Annual General Meeting:**  
**Date, Time & Venue** Saturday, 29<sup>th</sup> September 2007, at 11.00 A.M.  
 At Regd. Office at Village Softa, Tehsil Palwal,  
 Distt. Faridabad, Haryana 121 004
- Ø **Financial Calendar 2007-08**  
 First Quarterly results - July 2007  
 Second Quarterly results - October 2007  
 Third Quarterly results - January 2008  
 Fourth Quarterly results - April 2008
- Ø **Date of Book Closure** 26<sup>th</sup> September 2007 to 29<sup>th</sup> September 2007 (Both days inclusive)
- Ø **Dividend Payment Date** NA
- Ø **Listing on Stock Exchanges** The equity shares of the company are listed on Bombay Stock Exchange Ltd, Mumbai (BSE). Annual listing fees as applicable has been paid  
 Application for voluntary de-listing from The Calcutta Stock Exchange Association Limited, Kolkata filed by Company, is awaiting approval.
- Ø **Stock Code**  
 Bombay Stock Exchange Limited 531882
- Ø **Market Price Information**  
 Market price data of equity shares traded on Bombay Stock Exchange Ltd:

Month	High (Rs.)	Low (Rs.)	No. of Shares Traded
April 2006	22.50	17.65	117761
May 2006	27.00	18.50	331048
June 2006	20.50	10.20	209474
July 2006	14.65	12.05	55298
August 2006	17.00	12.60	98277
September 2006	17.00	14.25	95234
October 2006	17.50	15.20	95139
November 2006	24.30	13.60	276425
December 2006	32.30	21.25	424978
January 2007	25.30	21.20	128461
February 2007	28.10	20.00	103575
March 2007	21.20	16.25	54300

