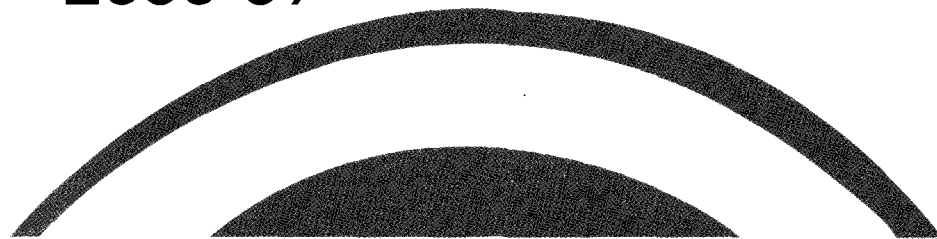


ANNUAL REPORT

2008-09



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KWALITY DAIRY (INDIA) LIMITED

KWALITY DAIRY (INDIA) LIMITED**Corporate Information****Directors**

Mr. Gulshan Kumar(Chairman)
 Mr. Sanjay Dhingra(Managing Director)
 Mr. Arun Srivastava
 Mr. Rajeev Sharma

**Company Secretary &
Compliance Officer**

Ms. Pooja Gupta

Auditors

Mukesh K. Arora & Co.
 Chartered Accountants

Bankers

Hongkong & Shanghai Banking Corp. Ltd.
 Standard Chartered Bank
 Axis Bank Limited
 ICICI Bank Limited

Registered office & Works

Village softa, Tehsil Palwal
 Distt. Faridabad, Haryana – 121 004

Corporate Office

F-82, Shivaji Place, Rajouri Garden,
 New Delhi – 110 027

Registrar and Share Transfer Agents

Skyline Financial Services Pvt. Ltd.
 246, 1st Floor, Sant Nagar,
 East of Kailash, New Delhi – 110065

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KWALITY DAIRY (INDIA) LIMITED**NOTICE**

Notice is hereby given that the Seventeenth Annual General Meeting of the Members of Kwaliti Dairy (India) Ltd. will be held on Wednesday, the 30th day of September 2009 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 31st March, 2009 and Profit & Loss Account for the year ended on that date, together with the reports of the Directors and Auditors thereon.
2. To declare dividend for the financial year 2008-09.
3. To appoint a Director in place of Mr. Rajiv Kumar Sharma, who retires by rotation and being eligible, offers himself for re-appointment.
4. 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.

Place : Faridabad
Date : 4th September, 2009

By Order of the Board
Pooja Gupta
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. This may be taken as notice of declaration of dividend for 2008-09 in accordance with Article 138 of Articles of Association of the Company in respect of dividend for that year when declared.
3. The Register of Members and Share Transfer books of the Company will be closed from Saturday, 26th September, 2009 to Wednesday, 30th September, 2009 (both days inclusive) for the purpose of ascertaining eligibility to dividend.
4. The dividend as recommended by the Board of Directors, if declared at this Annual General Meeting, shall be paid on or after Monday, 5 October 2009.
 - (i) to those shareholders whose names appear on the Company's Register of Members after giving effect to all valid share transfers in physical form lodged with the Registrar and Transfer Agents (R&T Agents) of the Company on or before Friday, 25 September 2009.
 - (ii) in respect of shares held in electronic form, to those "deemed members" whose names appear in the statements of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the end of business on Friday, 25 September 2009 in respect of shares held in demat mode, the dividend will be paid on the basis of beneficial ownership as per details to be furnished by NSDL and CDSL for this purpose.
5. Members are requested to notify any change in their addresses immediately. In any event not later than Friday, 25 September 2009 so as to enable us to dispatch the dividend warrants at the correct addresses:
 - a) In case of physical share to the Registrar and Share Transfer Agent M/s Skyline Financial Services Pvt. Ltd.
 - b) in case of shares held in demat form are requested to update their particulars with their respective Depository Participants.
6. 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.
7. Members are requested to bring their personal copy of Annual Report to the Meeting.
8. 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.
9. Re-appointment of directors: At the ensuing meeting, Mr. Rajiv Kumar Sharma, Director of the Company retire by rotation and being eligible offer himself for re-appointment. The details pertaining to these directors required to be provided pursuant to clause 49 of the Listing agreement are furnished in the statements on Corporate Governance forming part of this Annual Report.

Place : Faridabad
Date : 4th September, 2009

By Order of the Board
Pooja Gupta
Company Secretary

KWALITY DAIRY (INDIA) LIMITED

DIRECTORS' REPORT

Dear Shareholders,

The Directors are pleased to present the seventeenth Annual Report and Audited Accounts of Kwaliti Dairy (India) Limited for the financial year ended 31st March 2009.

FINANCIAL HIGHLIGHTS

(Rs. In Lacs)

Details	Years Ended 31.03.2009	Years Ended 31.03.2008
Turnover	58280.28	33300.15
Profit before Interest, Depreciation & Tax	2720.28	1284.53
Interest & Fin. Charges	1194.27	475.72
Depreciation	124.03	104.76
Profit before Tax	1401.88	704.05
Provision for Tax including FBT and Deferred Tax	463.52	242.42
Profit/(Loss) after tax	938.36	461.63

Results of Operations

During the year, the Company has scaled new heights and set several new benchmarks in terms of sales, profits, network and assets. This was a landmark year for the Company as it delivered record financial and operating performance amidst challenging and volatile market conditions. Turnover for the year was Rs. 582.80 crore against Rs. 333 crore in the previous year, reflecting a growth of 75%. During the year, Profit after tax, for the year was Rs.9.38 crore as against Rs.4.61 crores for the previous year, registering an increase of 103.72%. It has resulted in tremendous value addition for its share holders. We are exploring new markets, diversified product range & government supplies such as CSD (Canteen Store Department) and we are proud to say that we are one of the biggest supplier to CSD for Pure Ghee.

STRATEGIC VENTURE

The Company has set up village level milk collection network by setting up its first Milk Chilling Centres (MCC) which covers 30 villages through which 2000 Milk Producers' connected to the company by latest automation system.

FUTURE PROSPECTS

The management has taken a conscious decision to explore new ventures and backward integration for unlocking the potential of dairy industry.

The company is doing backward integration, for this company has already set up a village level milk collection centre in Haryana, which has connected 30 villages adding 2000 milk producers' to the company by the latest automation system. Moreover company is going to add three MCC's in the coming financial year which will connect 390 villages approximately adding over 35000 milk producers to the Kwaliti Dairy family. This will help the company in procuring uninterrupted better quality milk resulting in better realization of the final product.

The Company is venturing into new product lines by strengthen dealer network in existing states and creating further dealer network in new geographical areas, thus improving the profitability by consolidation of its operation.

The Company is aggressively scouting for new alliances to synergise the operations.

DIVIDEND

The Board of Directors of the Company is pleased to recommend a dividend of Rs.1.00 per equity share for the financial year ended 31 March 2009. The dividend will be declared in the ensuing Annual General Meeting based on approval by the Shareholders. The total payment on account of dividend (including Dividend tax) shall be Rs.182.00 lacs.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis of financial condition of the Company for the year under review, as required under clause 49 of the listing agreement with the stock exchange, is given as a separate statement in Annual Report.

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 confirmed on 27th January, 2009. The equity shares of the company are now listed on Bombay Stock Exchange Ltd, Mumbai.

KWALITY DAIRY (INDIA) LIMITED

DIRECTORS

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

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:

- In the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departure;
- 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;
- 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
- They have prepared the annual accounts on a going concern basis.

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.

AUDITORS

The Company's Statutory Auditors, M/s Mukesh K. Arora & Co., Chartered Accountants, holds office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The Company has received a certificate from them that their reappointment, if made, would be within the limits specified under section 224(1B) of the Companies Act, 1956.

POST BALANCE SHEET EVENTS

Increase in the Borrowing Powers of the Company

The company has increased its borrowing powers u/s 293(1) (d) of the companies Act, 1956 upto Rs. 200 crores and mortgaging and /or charge of movable and immovable properties of the company u/s 293 (1) (a) of the Companies Act, 1956 for securing any loan pursuant to shareholders' approval granted through Postal Ballot on 8th May, 2009, the notice of which were issued to the shareholders on 28th March 2009.

About Corporate Announcement

The Company made arrangement for acquisition of a dairy plant in uttaranchal to enhance the production capacity of the Company. But in view of amendments made in the Finance (No. 2) Act, 2009 in which the benefits of setting up a new undertaking engaged in dairy products is not restricted to Uttaranchal only, but available in other parts of India also, the management is evaluating other options to maximize the interest of stakeholders.

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.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND 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.

CORPORATE GOVERNANCE

A report on corporate governance, along with a certificate from the auditors of the Company, regarding the compliance of conditions of corporate governance as stipulated under Clause 49 of the Listing Agreement, are annexed to this report.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation for the continued support and co-operation of the Company's Customers, Shareholders, Bankers, Government Departments, Suppliers, Distributors & other Business Associates and for the valuable contributions made by the employees of the Company.

For & on behalf of the Board of Directors

Place : Faridabad

Date : 4th September, 2009

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.

Power and Fuel Consumption:

A. Electricity	2008-09	2007-08
Purchased		
Units	1980993	1979520
Total Amount (Rs.)	8866744	8524694
Rate Per Unit (Rs.)	4.48	4.31
B. Fuels		
(Diesel, FO, Burada & Husk)		
Quantity (ltrs/Kgs)	8415690	11416993
Total Amount (Rs.)	36542329	37321459
Rate per Unit (Rs.)	4.34	3.27

Research & Development

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

Foreign Exchange Earnings & Outgo:

	2008-09	(Rs. in Lacs) 2007-08
CIF Value of imports	-	-
Foreign Exchange Earning		422.79

For & on behalf of the Board of Directors

Place : Faridabad

Date : 4th September, 2009

Gulshan Kumar

Chairman

KWALITY DAIRY (INDIA) LIMITED

REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on Corporate Governance

M/s Kwaliti Dairy (India) Limited has been practicing the principles of good corporate governance, disclosure and transparency right from its incorporation. It has been a core belief and practice with the Company to consider itself as the custodian and trustee of all the constituencies of its businesses – customers, business associates, shareholders and society. The Company has sought and will continue to seek corporate excellence and profits through ethics, passion and perseverance.

A report on compliance with the Code of Corporate Governance as prescribed by the Securities and Exchange Board of India and incorporated in the Listing Agreement is given below.

2. Board of Directors

The composition of the Board is in accordance with Clause 49 of the Listing Agreement, as amended from time to time. The Company has a Non-Executive Chairman. The number of Non-Executive Directors is more than 50% of the total number of Directors. The Non-Executive Directors bring wide range of experience and independent judgement to the Board's deliberations and decisions. Mr. Sanjay Dhingra is the Executive Director of the Company designated as Managing Director of the Company.

The primary role of the Board is that trusteeship to protect and enhance shareholder value through strategic supervision of company's operations. The Board also provides direction and exercises appropriate control to ensure that the Company fulfills the stakeholders' aspirations and societal expectations.

Composition Of The Board

As on 31st March 2009, 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 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	Designation	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
Non Executive Director						
1. Mr. Gulshan Kumar	Chairman	18	Yes	NIL	NIL	NIL
Executive Director						
2. Mr. Sanjay Dhingra	Managing Director	18	Yes	NIL	NIL	NIL
Non Executive-Independent Director						
3. Mr. Arun Srivastava	Director	15	Yes	NIL	NIL	NIL
4. Mr. Rajeev Sharma	Director	16	Yes	NIL	NIL	NIL

None of the Directors of the Company is a member in more than ten committees or acts as a Chairman of more than five committees across all public companies in which he/she is a Director. The Company is notified by the Directors, from time to time, the status of committee positions he/she occupies in other companies.

The Board meets at regular intervals and a detailed agenda is sent to each Director prior to Board and Committee Meetings. During the financial year 2008-09, twenty three Board Meetings were held and the gap between two meetings did not exceed four months. The dates of such Board meetings were:

8th April 2008,	30th April 2008,	30th May 2008,	14th July 2008	23rd July 2008,
31st July 2008,	18th August 2008,	4th September 2008,	23rd September 2008,	31st October 2008,
3rd December 2008,	6th January 2009,	31st January 2009,	1st February 2009,	12th February 2009,
17th February 2009,	18th February 2009,	2nd March 2009,	7th March 2009,	20th March 2009,
24th March 2009,	26th March 2009 &	28th March 2009.		

KWALITY DAIRY (INDIA) LIMITED

Details of Directors seeking re-appointment:

Mr. Rajiv Kumar Sharma, is having an experience of over twelve years in the field of sales & marketing. He has been on the Board of Directors of the Company since 2003. He has experience in varied fields such as Sales, Sales Development and Materials Dispatch Management. During his tenure as director, he has taken care of all the sales & marketing activities of the Company starting from decision making to channel sales. Through his contributions the Company has been able to grow in terms of its market share & reputation for its products.

He is also a Director of JMD Beverages Private Limited.

Mr. Rajiv is not a Member/Chairman of any Committee in any Company.

Mr. Rajiv does not hold any shares in the Company.

3. Audit Committee:

The Audit Committee of the Company comprises of three Non-Executive Directors out of which two are independent Directors.

The Committee comprises the following Non-Executive Directors:

- Mr. Arun Srivastava, Chairman (Independent)
- Mr. Gulshan Kumar (Non-Independent)
- Mr. Rajeev Sharma (Independent)

As and when necessary, senior functionaries are invited to the meeting. The Company Secretary acts as Secretary of the Committee.

The role, terms of reference and the authority and powers of this Committee are in conformity with the requirements of the Companies Act, 1956 and the Listing Agreements. The Audit Committee generally provides direction to the audit function in the Company and also monitors the quality of internal audit. The responsibilities of the Audit Committee include overseeing the financial reporting process to ensure proper and smooth functioning and proper disclosure of financial statements, reviewing adequacy of internal audit control system, etc.

The Committee oversees, inter alia, the financial reporting system, disclose requirements and matters relating to appointment of statutory auditors, their fees and reviews with management quarterly/annual financial statements before submission to the Board. The Committee also reviews periodically the financial accounts, internal control systems, financial and risk management policies of the Company. Thus the terms of reference / powers of the Audit Committee has been specified by the Board of Directors in consonance with clause 49 II D of the Listing Agreement. The Audit Committee has been granted powers as prescribed under Clause 49 II C of the Listing Agreement.

Mr. Arun Srivastava, Chairman of the Audit Committee, was present at the last Annual General Meeting held on 30th September, 2008.

During the year, five Committee Meetings were held on 24th April 2008, 28th July 2008, 30th August 2008, 27th October 2008 and 27th January 2009.

The attendance record of the members of the Audit Committee for the FY 2008-09 is as under:

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

4. Remuneration Committee

The Remuneration committee, was constituted by the Board to recommend/ review the Remuneration package of the Managing Director, during the year. The Committee comprises following three Non- Executive Directors of which two are independent, including the Chairman of the Committee:

- Rajiv Sharma – Chairman
- Arun Srivastava (Independent Director)
- Gulshan Kumar (Non-Executive Director)

The one meeting of the Committee was held on 14/07/2008 which was attended by all the members. The members discussed and approved within the prescribed ceiling, the revised remuneration by way of salary, perquisites and allowances to the Managing Director, on being reappointment during the year. The salary is paid as approved by the shareholders.

KWALITY DAIRY (INDIA) LIMITED

The details of remuneration of directors during the year ended 31st March 2009 are as follows:

Name	Gross Remuneration	Sitting Fees	Total
Mr.Sanjay Dhingra (Managing Director)	Rs. 6,80,000/-	NIL	Rs. 6,80,000/-

Details of Shares held by Non-executive Directors

Name of the Member	Designation	Number of Shares Held
1. Mr. Gulshan Kumar	Chairman	4975000
2. Mr.Arun Srivastava	Independent Director	Nil
3. Mr. Rajeev Sharma	Independent Director	Nil

5. Shareholders' / Investors' Grievance Redressal Committee:

The Shareholder/Investor Relations Committee of the Company functions under the Chairmanship of Mr. Gulshan Kumar, Non-Executive Director and comprises following Directors:

- Mr. Gulshan Kumar, Chairman
- Mr. Arun Srivastava (Independent)
- Mr. Rajeev Sharma (Independent)

The Company Secretary of the Company acts as the Compliance Officer for the purpose of Shareholders'/ Investors' Grievance Redressal Committee.

The Committee meets at periodic intervals, to approve inter-alia, transfer/transmission of shares, issue of duplicate share certificates and review status of investors' grievances and the functioning of the Share Department/Registrar & Share Transfer Agents to render effective and quality services to investors.

During the financial year, four Committee Meetings were held on 24th April 2008, 29th July 2008, 28th October 2008 and 27th January 2009.

The attendance record of the Shareholder/Investor Grievance Redressal Committee for FY 2008-09 is as under:

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

The Company had received 14 complaints from the investors and all of them have been properly resolved and/or replied by the Company/RTA .

As on date, there are no shares pending for transfer received during the year under review.

Name, Designation and Address of Compliance Officer:

Ms. Pooja Gupta, Company secretary & Compliance Officer (w.e.f. from 21st July, 2008)
F-82, Shivaji Place, Rajouri Garden, New Delhi 110027

6.General Body Meetings

(i) General Meetings:

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

YEAR	DATE	TIME	LOCATION
2005-2006	29.09.2006	03.30 P.M	Village Softa, Tehsil Palwal, Dist.Faridabad, Haryana
2006-2007	29.09.2007	11.00 A.M	Village Softa, Tehsil Palwal, Dist.Faridabad, Haryana
2007-2008	30.09.2008	11.00 A.M	Village Softa, Tehsil Palwal, Dist. Faridabad, Haryana

KWALITY DAIRY (INDIA) LIMITED**(ii) Special Resolution:**

No Special Resolution was passed in the previous three Annual General Meetings.

(iii) Pursuant to the provisions of section 192A of the Companies Act, 1956, there was no matter which required to be dealt by the Company to be passed through postal ballot during the financial year 2008-09.**7. 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.

8. Means of Communication:

In compliance with the requirements of the Listing Agreement, the Company regularly intimates financial results to the Stock Exchanges immediately after they are taken on record by the Board. These financial results were published in the leading newspapers which included The Financial Express, Jan Satta and Business Standard. The same were sent to stock exchange and were also displayed on the website of the Company, www.kdil.in. Moreover, pursuant to clause 51 of the listing agreement, financial results and shareholding pattern are also available on SEBI website www.sebiedifair.nic.in

Management Discussion and Analysis Report

Management Discussion and Analysis Report has been attached to the Director's Report and forms part of this Annual Report.

➤ 9. General Shareholder Information:**➤ 17th Annual General Meeting:**

Date	30th September 2009
Time	11.00 A.M
Venue	Village Softa, Tehsil Palwal, Distt. Faridabad, Haryana - 121 004

➤ Financial Calendar

The Financial year covers the period from 1st April to 31st March.

Key Financial Reporting Dates for the Financial Year 2009-10:

1st Quarter ending 30-06-2009	On or before 31st July, 2009
2nd Quarter ending 30-09-2009	On or before 31st October, 2009
3rd Quarter ending 31-12-2009	On or before 31st January, 2010
4th Quarter ending 31-03-2010	On or before 30th April, 2010 or if audited, on or before 30th June, 2010

➤ Date of Book Closure

26th September 2009 to 30th September 2009 (Both days inclusive)