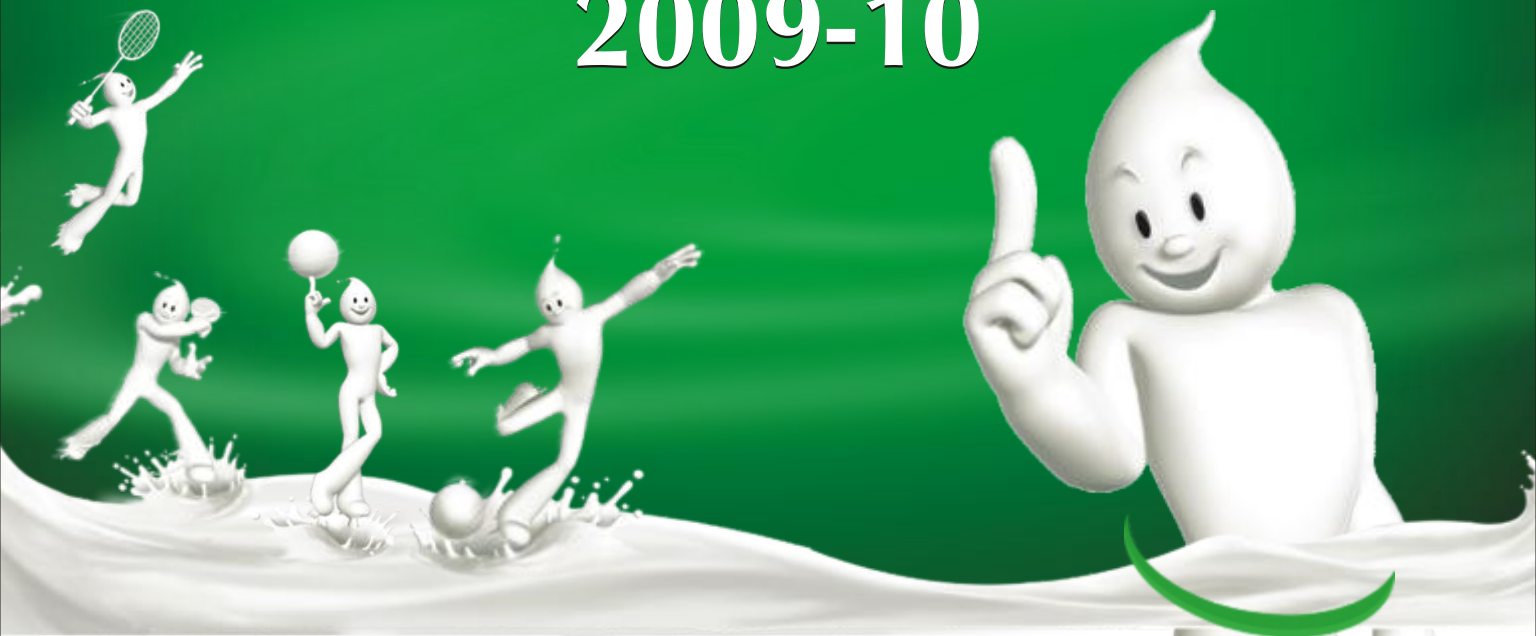




Fabulous Performance. Fantastic Products.

ANNUAL REPORT  
**2009-10**



**KWALITY DAIRY (INDIA) LIMITED**

An ISO 9001 : 2008 & HACCP CERTIFIED COMPANY



**Hon'ble Union Finance Minister Mr. Pranab Mukherjee, Mr. Namo Narain Meena, Minister of State, Ministry of Finance, Govt. of India (Banking) and Mr. R. Gopalan, Secretary Banking, facilitating Mr. Sanjay Dhingra, Managing Director (KDIL)**

# Corporate Information

**Directors**

Mr. Gulshan Dhingra	(Chairman)
Mr. Sanjay Dhingra	(Managing Director)
Mr. Arun Srivastava	(Independent Director)
Dr. R.S. Khanna	(Independent Director)

**Company Secretary & Compliance Officer**

Ms. Pooja Gupta

**Auditors**

Mukesh K. Arora & Co.  
Chartered Accountants,  
64, Adarsh Nagar, Karnal,  
Haryana - 132001

**Bankers**

Allahabad Bank  
Axis Bank Limited  
ICICI Bank Limited  
Indusind Bank  
Punjab National Bank  
Standard Chartered Bank

**Registered office & Works**

Village Softa, Tehsil Palwal,  
Faridabad, Haryana – 121 004, India

**Corporate Office**

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

**Registrar and Share Transfer Agents**

Skyline Financial Services Pvt. Ltd.  
D – 153/A, 1st Floor, Okhla Industrial Area,  
Phase I, New Delhi – 110020







New Products Launches

# Contents

---

Notice	5
Directors' Report	12
Corporate Governance	17
Management Discussion & Analysis	31
Auditors' Report	34
Balance Sheet	37
Profit & Loss Account	38
Cash Flow Statement	39

---





**The Managing Director, Mr. Sanjay Dhingra, inaugurating  
the Product Launch at New Delhi**

## NOTICE FOR EIGHTEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Eighteenth Annual General Meeting of the Members of KWALITY DAIRY (INDIA) LIMITED will be held on Monday, the 27th day of September, 2010 at 11.00 A.M at Registered Office of the Company at Village Softa, Tehsil Palwal, Faridabad, Haryana – 121004, to transact the following business: -

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 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 2009-10.
3. To appoint a Director in place of Mr. Gulshan Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and if thought fit, to pass the following resolution with or without modification(s) the following resolution as ordinary resolution :

“RESOLVED THAT pursuant to the provisions of section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. P.P. Mukerjee & Associates, Chartered Accountants, be and are hereby appointed as Auditors of the Company , to hold the office until the conclusion of this meeting until the conclusion of the next Annual General Meeting at remuneration to be fixed by the Board of Directors and reimbursement of out-of-pocket expenses, travelling and other expenses incurred by them for carrying the audit.”

### SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as ORDINARY RESOLUTION

**RESOLVED THAT** pursuant to Section 260 of the Companies Act, 1956 , Dr. Rattan Sagar Khanna, who was appointed as an Additional Director with effect from 18th May, 2010 and who holds office upto the date of this Annual General Meeting and pursuant to Section 257 and other applicable provisions, if any of the Companies Act, 1956 Dr. Rattan Sagar Khanna be and is hereby elected as a Director of the Company, liable to retire by rotation.

6. To consider and if thought fit to pass with or without modification(s) the following resolution as Special Resolution:

“**RESOLVED THAT** Articles of Association of the Company be amended by substituting the following new Article 94 in the place of the existing Article 94.”

The new Article 94 will read as follows :

“Until otherwise determined by the Company in General Meeting, each Non Executive Director shall be entitled to receive out of funds of the company, for his services in attending meeting of the Board, such sitting fees as may be fixed by the Board from time to time not exceeding ₹ 10,000/- (Rupees Ten Thousand only) (exclusive of travel and out of pocket expenses) per Director for each Meeting of the Board or Committee thereof attended . All other remuneration, if any payable by the Company to each Director, whether in respect of his services as a Managing Director or Director in the whole or part time employment of the Company shall be determined in accordance with and subject to the provisions of these Articles and applicable provisions of the Companies Act 1956. The Director shall be entitled to be paid all fees for filing documents which they may be required to file under the Act and shall also be entitled to be paid their reasonable travelling, hotel and other expenses incurred in consequence of their attending at Board and committee meetings or otherwise incurred in the execution of their duties as Director.

7. To consider and if thought fit to pass, with or without modification(s) the following resolution as Special Resolution:

“RESOLVED THAT pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, (including any modification or re-enactment thereof, for the time being in force), and other applicable laws, rules and regulations and in accordance with the Memorandum and Articles of Association of the Company and the Listing Agreements between the Company and the Stock Exchanges where the Company's shares are listed, and subject to such approvals, permissions and sanctions as may be necessary from the Government of India, Reserve Bank of India, Securities and Exchange Board of India, Registrar of Companies, NCT of Delhi & Haryana and/or any other authorities and subject to such conditions, alterations and modifications as may be prescribed by the concerned authorities while granting such approvals/permissions and sanctions, which the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include any Committee(s) duly constituted/to be constituted by the Board to exercise its powers including the powers conferred by this resolution) is hereby authorized at its discretion to accept, consent of the Company be and is hereby accorded to the offer, issue and allot (including with provisions for reservations on firm and /or competitive basis, of such part of issue



and for such categories of persons including employees of the company as may be permitted) by way of Rights Issue and/or Public Issue and/or Private Placement and/or Qualified Institutional Placements under Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and/or against subscription in foreign/Indian currency, through prospectus and/or offering circular/letter, equity shares in the Company (which shall rank pari-passu with the existing equity shares in the Company) (the “Shares”), and/or any other equity related instrument with or without warrants, NCDs/PCDs with or without warrants and/or Global Depository Receipts (“GDRs/GDSs”) and/or American Depository Receipts (“ADRs/ADSs”) against the issue of underlying Shares and/or Foreign Currency Convertible Bonds (“FCCBs”) convertible into equity shares (herein referred to as the “Securities”), to resident or persons resident outside India including foreign institutional investors/Qualified Institutional Buyers (QIBs)/companies/individuals in India and abroad as may be permitted under applicable laws, rules & regulations and policy whether or not they are members of the Company in such form and terms, including as to pricing, the ratio in which such Securities may be offered, issued and allotted to the existing shareholders, the number of Securities to be issued, face value of the Securities, rate of interest, premium, number of equity shares to be allotted on conversion, exercise of rights attached with warrants, ratio of exchange of shares and/or warrants and/or any other financial instruments, period of conversion/redemption/fixing of record date or book closure and other related or incidental matters as may be decided and deemed appropriate by the Board upto a sum of ₹ 10000 million (inclusive of premium as may be determined by the Board) in one or more tranches, at such price or prices, at a premium or discount to market price or prices and in such manner and on such terms and conditions as the Board may in its absolute discretion think fit, in consultation with the lead managers and / or underwriters and / or other advisers as may be appointed by the Board, whether with or without an option to subscribe for additional Securities.

RESOLVED FURTHER THAT without prejudice to the generality of the above and subject to all applicable laws, the aforesaid issue of Securities may have all or any terms or combination of terms in accordance with Indian Laws and/or international practices including, but not limited to, conditions in relation to payment of interest, additional interest, premium on redemption, prepayment and any other debt service payments whatsoever, and all such terms as are provided in issue of securities of this nature internationally and/or domestically including terms for issue of shares upon conversion of the Securities or variation of the conversion price of the Securities during the term of the Securities as the Board may deem fit and appropriate and the Board is also entitled to enter into and execute all such arrangements/agreements, as the case may be, with any lead managers, managers, underwriters, registrars, advisors, guarantors, depositories, custodians and all such agencies as may be involved or concerned in such offerings of Securities and to remunerate all such agencies including the payment of commissions, brokerage, fees or the like and also to seek the listing of such security or securities representing the same in one or more Stock Exchanges within and/or outside India.

RESOLVED FURTHER THAT the Board may enter into any arrangement with any agency or body for issue and/or allotment of the Securities in such form(s) with such features and attributes as are prevalent in domestic as well as international capital markets for instruments of that nature and to provide for the tradability or free transferability thereof as per the domestic as well as international practices and regulations, and under the norms and practices prevalent in the international markets and the Securities issued in foreign markets and/or Indian market shall be deemed to have been made abroad and/or in the international market and/or at the place of issue of the Securities in the international market and/or Indian market and may be governed by applicable Indian laws and/or foreign laws, as the case may be.

RESOLVED FURTHER THAT in the event of issue of Securities by way of a qualified institutional placement to the QIBs in accordance with Chapter VIII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, the relevant date on the basis of which price of the resultant shares shall be determined as specified under applicable law, shall be the date of the meeting in which the Board or the Committee of Directors duly authorized by the Board decides to open the proposed issue of Securities;

RESOLVED FURTHER THAT in case Securities are offered through Rights Issue, the shareholders shall have the right to renounce all or any of the shares offered, in favour of any other person or persons who are Indian residents, subject to the right of the Board of Directors to refuse allotment to a person, not being a shareholder of the company without assigning any reason. The members can apply for additional shares provided that the members who have renounced their rights in whole or in part may be entitled to allotment of additional shares at the discretion of the Board of Directors and in consultation with the Stock Exchange(s), the allotment of additional shares shall be made on an equitable basis. The renouncees may also apply for additional shares subject to allotment of additional shares at the discretion of Board of Directors in consultation with the Stock Exchange(s).

RESOLVED FURTHER THAT in case of any over subscription of the issue, the Board be and is hereby authorised to retain such of the amount, and issue & allot such securities as may be permitted in accordance with the applicable laws, rules & provisions in consultations with concerned authorities including Stock Exchanges.



RESOLVED FURTHER THAT the Board be and is hereby entitled to vary, modify, alter any of the foregoing terms and conditions in conformity with those as may be approved by SEBI, RBI or any other appropriate authority and/or department.

RESOLVED FURTHER THAT for giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds and things as the Board may, in its absolute discretion, consider necessary, usual or expedient, including without limitation the utilization of issue proceeds, entering into of underwriting, memorandum of understanding, marketing and depository arrangements, and with power on behalf of the Company to settle any question, remove any difficulty or doubt that may arise from time to time in relation to the offer, issue, allotment and utilization of the issue proceeds of the Securities for the Company's projects/expansions/modernizations/acquisitions/direct investments in subsidiary companies/ joint ventures/repayment of debt/other corporate needs, as they may deem fit.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board/Committee be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/issue, allotment and utilization of the proceeds including but without limitation to the creation of such mortgage/charge, if necessary, under Section 293(1)(a) of the Companies Act, 1956 in respect of the aforesaid securities either on pari-passu basis or otherwise, as may be in its absolute discretion deem fit without being required to seek any further consent or approval of the members and the members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT in case of any debt instrument including but without limitation to any debentures, bond; the members shall be deemed to have given their approval under Section 293(1)(d) of the Companies Act, 1956 and other applicable provisions of law."

Place : Faridabad  
Date : August 30, 2010

By Order of the Board  
Pooja Gupta  
Company Secretary

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING 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, in order to be effective, must be received, duly filled and authenticated at 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 financial year 2009-10 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 remain closed from Thursday, 23rd September, 2010 to Monday 27th September, 2010 (both days inclusive) for the purpose of ascertaining eligibility to dividend, if declared.
4. The dividend as recommended by the Board of Directors, if declared at this Annual General Meeting, shall be paid on or after Saturday, 2nd October 2010:
  - (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 Wednesday, 22nd September 2010.
  - (ii) in respect of shares held in electronic form (demat mode), dividend will be paid 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 close of business hours on Wednesday, 22nd September 2010.
  - (iii) Physical shares – Payment of dividend through NECS: Members holding shares in physical form are advised to submit particulars of their bank account, viz. name and address of the branch of the bank, MICR Code of the branch, type of account and account number at the earliest to our Registrar and Share Transfer Agent, M/s Skyline Financial Services Pvt. Ltd.
5. Members are requested to notify any change in their addresses immediately. In any event not later than Wednesday, 22nd September 2010 so as to enable us to dispatch the dividend warrants at the correct addresses:
  - a) In case of shares held in physical form, to the Registrar and Share Transfer Agent M/s Skyline Financial Services Pvt. Ltd.
  - b) in case of shares held in demat form, Members 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. Pursuant to Section 205A read with Section 205C of the Companies Act, 1956, the dividend amounts which remain unpaid/unclaimed for a period of seven years, are required to be transferred to the Investor Education and Protection Fund of the Central Government. After such transfer no claim of the members whatsoever shall subsist on the said amount. Therefore, members are requested to encash their dividend warrants on priority within the validity period.
8. Members are requested to bring their personal copy of Annual Report to the Meeting.
9. Members desiring any information regarding 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.
10. The Statutory Register under the Companies Act, 1956 (Register under Section 307 and Section 301 of the Companies Act, 1956) is available for inspection at the Registered Office of the Company during business hours between 11.00 am to 1.00 pm except on holidays.
11. The Securities and Exchange Board of India (SEBI) vide circular ref no. MRD/DoP/CIR-05/2007 dated April 27, 2007 made PAN the sole identification number for all participants transacting in the securities market, irrespective of the amount of such transaction. In Continuation of the aforesaid circular, it is hereby clarified that for securities market transactions and off market/private transactions involving transfer of shares of listed companies in physical form, it shall be mandatory for the transferee(s) to furnish copy of PAN Card to the Company/ RTAs for registration of such transfer of shares.

**12. Information under the listing agreement of the Directors proposed to be appointed /re-appointed:**

- (I) Director seeking appointment /re-appointment in the Annual General Meeting schedule to be held on September 27, 2010

(Pursuant to clause 49(iv)(E) and 49(G)(i) of the listing agreement)

Name of Director	Dr. Rattan Sagar Khanna	Mr. Gulshan Kumar
Date of Birth	12.04.1945	01.05.1964
Age(Year)	65 years	46 years
Date of Appointment	18.05.2010	18.06.2003
Qualification	B.V.Sc.& AH, M.Sc. (H)	B. Com, ICWA (Inter)
Expertise in specific functional area	Dairy and Agricultural area	General Administration and Management
Directorship held in other Companies as on date	Nil	M/s. Super Veg Oils Pvt. Ltd. M/s. JMD Veg Oil Pvt. Ltd.
Chairman/Member of the committee of the Board of Directors of the Company as on 31 March 2010	N.A.	Member of Audit Committee, Remuneration Committee and Shareholders/Investors Grievance Redressal Committee
Chairman/Member of the committee of the Director of the other companies in which he is a director as on 31 March 2010 :		
- Audit Committee	Nil	Nil
- Shareholder's Grievances Committee	Nil	Nil
- Board governance and Nomination Committee	Nil	Nil
- Compensation Committee/ Remuneration Committee	Nil	Nil
- Other Committees	Nil	Nil

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**
**Item No. 4**

M/s Mukesh K. Arora & Co., Chartered Accountants , retiring auditors of the Company have expressed their inability for re-appointment as Auditor of the Company and have requested not to consider the same for FY 2010-11.

M/s P. P. Mukerjee & Associates, Chartered Accountants have expressed their willingness to act as Statutory Auditor of the Company. The Board of Directors have accordingly approved nomination of M/s P. P. Mukerjee & Associates, Chartered Accountants, as Statutory Auditors of the Company from the conclusion of this meeting untill the conclusion of next Annual General Meeting of the Company.

None of the Directors of the Company are in any way, concerned or interested in the resolution.

The Board recommends the resolution set forth in Item No. 4 for the approval of the members.

**Item No.5 :**

Dr. Ratan Sagar Khanna who has been appointed as an Additional Director at the Board Meeting held on 18th May, 2010, vacates Office at this Annual General Meeting under Section 260, of the Companies Act, 1956. He is being

proposed to be appointed as a Director and necessary notice has been received under Section 257 from a Member, proposing his candidature together with the required deposit.

Dr. Ratan Sagar Khanna is a Director General of M/s Ganesh Scientific Research Foundation New Delhi. He is M.Sc. (Hons) from Punjab Agri University. He is Diploma holder in Semen Freezing Gynecology & Andrology from Royal Veterinary and Agriculture University, Copenhagen, Diploma in Farm & Science Journalism from Institute of Farm & Science Journalism, New Delhi.

Dr. Ratan Sagar Khanna has around 40 years of experience in Dairy, Farming and in Agriculture Sector. His stints include Consultant of Department of Animal Husbandry, Fisheries & Veterinary Services, Chief Executive Officer Animal Feeds Business in Dabur Ayurvet Limited., Advisor to the GCMMF, General Manager in Gujarat Co-operative Milk Marketing Federation, New Delhi, Managing Director of Rajasthan Co-operative Dairy Federation, Jaipur, Resident Representative (Northern Region) of National Dairy Development Board, New Delhi, and Head (Projects) of Indian Dairy Corporation, Baroda. Dr. Ratan Sagar Khanna has an impressive track record of having memberships & chairmanships of various Dairy Associations. At present he is Director General of M/s Ganesh Scientific Research Foundation New Delhi, Chief Executive of the Trust, Consultant of Namastey India Foods, Kanpur, Council Member and Consultant of Gerson Lehrman Group, New York, USA, Vice Chairman & Consultant of Centre for Institute of Animal Husbandry and Dairy Development, Noida, Member, Research Advisory Council, World Buffalo Trust, Noida.

His appointment as a Director shall be in the interest of the Company.

The Director recommend the resolution for approval as an Ordinary Resolution.

Dr. Rattan Sagar Khanna is interested in the resolution as it relates to his appointment. None of the other Directors of the Company are, in any way, concerned or interested in the said resolution.

#### **Item No.6 :**

Presently the Articles of Association of the Company provides for the payment of Directors Sitting Fees not exceeding ₹ 250/- (Rupees Two Hundred and Fifty only) per Director for each Meeting attended. It is proposed to increase the Sitting Fees to ₹ 10,000/- (Rupees Ten Thousand only) (exclusive of travel and out of pocket expenses) per Director, per Meeting of the Board or the Committee.

The Rules framed under Section 310 of the Companies Act, 1956, permits the payment of higher Sitting Fees to the Directors not exceeding ₹ 20,000/- in case of a Company having Paid-Up Capital and Free Reserves of ₹ 10 Crores or above or a turnover of ₹ 50 Crores and above.

All the Directors for the time being would be deemed to be interested in passing of the relevant Resolutions.

#### **Item No.7 :**

The Company has taken up several growth initiatives like expansions, acquisitions, modernizations, diversifications, direct investment in subsidiary companies/joint ventures etc. and therefore, there is a need to strengthen its financial position by augmenting long-term resources. The Company plans to achieve this by issue of securities in international markets and/or in domestic markets.

Several modes are available for raising capital – by way of Public Issue, Rights Issue, QIPs under Chapter VIII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, Private Placement, Global Depository Receipts/Shares, American Depository Receipts, Foreign Currency Convertible Bonds or other equity related instruments in the domestic and in international market.

The Company is consulting various investment bankers for raising capital through one or more such manner or such instruments upto a sum of ₹ 10000 million in one or more tranches, whether with or without an option to subscribe for additional securities.

The Company intends to use the funds so raised for making acquisitions, expansions, modernization, new projects, capital expenditure, direct investment in subsidiary companies/joint ventures, other corporate purposes, repayment of debt obligations, working capital requirements or any other corporate use which may be required in the normal business and as permitted under applicable law or regulations from time to time or as it may deem fit by the Board or Committee thereof.

The detailed terms and conditions for the offer and the rights and privileges of the holders of equity related instruments, with or without warrants, NCDs/PCDs with or without warrants and/or Global Depository Receipts/Shares ("GDRs/GDSs") and/or American Depository Receipts/Shares ("ADRs/ADSs") against the issue of underlying Shares and/or Foreign Currency Convertible Bonds ("FCCBs") convertible at the option of the holder into equity shares (herein referred to as the "Securities"), to resident or foreign institutional investors including Qualified Institutional Buyers (QIBs) will be determined in consultation with the Investment Bankers, advisors and underwriters to be appointed by



the Company considering the prevailing market conditions and other relevant factors. Since the pricing of the offering could be decided only at a later stage, the resolution does not state the issue price or the precise number of securities to be issued. The resolution seeks to afford discretion to the Board (including a Committee thereof) to finalise these terms in consultation with the agencies aforesaid in accordance with the Indian laws and/or international laws. The conversion of any of the securities into equity shares at a later stage, if any, shall not be less than the minimum price as calculated as per SEBI Regulations and/or any other authority concerned.

The proposed resolution may not result in the issue of shares of the Company strictly in accordance with the provisions of section 81 (1) of the Companies Act 1956 and therefore, the consent of the shareholders is being sought, by way of a Special Resolution, pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the Listing Agreement executed by the Company with the Stock Exchanges where the equity shares of the Company are listed. The Equity Shares arising out of issue of Securities pursuant to this Resolution shall rank pari-passu in all aspects with the Existing Equity Shares of the Company.

Section 81(1A) of the Companies Act, 1956 and the relevant clause of the Listing Agreement with the Stock Exchanges where the equity shares of the Company are listed provides, inter-alia, that when it is proposed to increase the issued capital of the Company by allotment of further shares, such further shares shall be offered to the existing shareholders of such Company in the manner laid down in Section 81, unless the shareholders in a general meeting decide otherwise. The Listing Agreement entered into by the Company with the various Stock Exchanges also provide that the Company shall issue or offer in the first instance all Specified Securities to the existing equity shareholders, unless the members decide otherwise. This resolution seeks the consent and authorization of the members, to the Board, to make the proposed issue of Specified Securities in accordance with the terms of the issue.

In view of the reasons aforesaid, an enabling resolution is proposed for consideration of the shareholders to give adequate flexibility and discretion to the Board to finalize the terms of the issue of Specified Securities.

None of the Directors of the Company is concerned or interested in the resolution except to the extent of their shareholding.

Place : Faridabad  
Date : August 30, 2010

By Order of the Board  
Pooja Gupta  
Company Secretary

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting their Eighteenth Annual Report together with Audited Accounts of the Company for the financial year ended 31st March 2010.

### FINANCIAL HIGHLIGHTS

( ₹ in Lacs)

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
Turnover	105412.45	58280.28
Profit before Interest, Depreciation & Tax	<b>5022.52</b>	2637.87
Interest & Finance Charges	<b>1865.14</b>	1111.74
Depreciation	<b>182.61</b>	124.03
Profit before Tax	<b>2974.77</b>	1402.09
Provision for Tax including FBT and Deferred Tax	<b>1180.11</b>	463.73
Profit/(Loss) after tax	<b>1794.65</b>	938.36

### Results of Operations

The year under review was a transformational year for the Company. This was a landmark year for the Company as it delivered record financial and operating performance amidst challenging and volatile market conditions.

During the year, your Company has scaled new heights and set several new benchmarks in terms of sales, profits, networth and assets. Turnover for the year was ₹ 1054.10 crore against ₹ 582.80 crore in the previous year, reflecting a growth of 81%.

Profit after tax, for the year was ₹ 17.94 crore as against ₹ 9.38 crores for the previous year, registering an increase of 91%.

### LAUNCHING OF A SUPER BRAND "DAIRY BEST"

Your Company has launched a Super Brand "Dairy Best" to deliver premium quality dairy products. Initially your Company has introduced a New Premium Quality Product: "Dairy Best - Desi Ghee". The "Dairy Best" Brand products are made of the best quality fresh milk procured directly from the Dairy owners through the village level milk collection centers. The "Dairy Best" Brand is packed in tamper proof packaging. It is rich in antioxidants and act as an aid in absorption of vitamins and minerals from other food, feeding all layers of body tissues and serving to strengthen the immune system. A high concentration of butyric acid, a fatty acid that contains anti-viral properties, is believed to inhibit the growth of cancerous tumors. It is used in Indian beauty creams to help soften skin, and as typical for the treatment of burns and blisters. The tamper proof packaging ensures that the consumer gets the original quality products.

### FUTURE PROSPECTS

Kwality Dairy plans to procure milk through village level milk collection network by setting up Milk Chilling Centres (MCC). Each center covers about 100 villages spread over 8-10 procurement routes. Each village level milk collection point has 90-100 farmers pouring milk. Each centre generates avenues for earning livelihood for about 9000 farmers, thus bringing economic upliftment in the area.

The total projected milk collection in the next three years through this network will be 18-20 Lac Litres Per Day (LLPD), from about 3,50,000 farmers from 5000-6000 villages. KDIL further plans to augment the processing facilities accordingly and enhance the plant capacity to match the available milk quantities by installing new and latest machinery in the corresponding period.

KDIL will work towards achieving the objectives of ensuring remunerative prices for milk producers through the efforts in milk procurement by directly associating with the farmers in a mutually beneficial relationship.

KDIL is sourcing the good quality feed to be supplied to the farmers and is working with experts in the field to see the possibilities of increasing productivity.

Your Company has launched a Project which provides technical inputs to dairy farmers to improve the yield per animal, and to make the dairy operations, as an occupation viable and profitable.

KDIL organizes various camps and village meetings regularly to discuss the requirements of the farmers and fulfilling the needs for Vaccination, AI, Cattle feed and facilitating the loan requirements of the farmers through financial

institutions. Further these camps also educate the farmers on the general quality of life improvement and hygienic living standards alongwith other social issues.

Your Company is working towards raising the quality and hygiene of raw milk and improve the health and life style of the farmers. KDIL's contributions to the creation of prosperity on an ongoing and sustainable basis will transform the milk procurement area in prosperous and vibrant milk shed.

KDIL plans to put up modern Dairy Farms with a vision to produce good quality milk at large Dairy Farms which are professionally managed thereby resulting in economical milk production. The Dairy Farms will be equipped with modern techniques, to efficiently handle and manage up to 10000 cows at one farm, and automatic milking parlours for clean milk production. Such farms will even out the seasonal fluctuations and assure supplies round the year.

Further the Farms will also be used for production of Organic Milk in the near future and KDIL plans to explore the market potential for organic milk products.

KDIL has been engaged in the R&D of various value added products and will be launching these products shortly in the Indian market. The new dairy products will be added to the current product mix and a complete range of these products will be tailored to meet the expectations of Gen-Next. The new products range will include products such as high fruit yogurts, sterilized flavoured milk in HDPE bottles, long life milk in tetrapacks, plain curd, paneer, white and salted butter in tubs, ready tea and coffee premixes, instant health drink premixes, liquid milk in pouches and Low Cholesterol Ghee.

KDIL has immediate plans of foraying in the nutraceuticals market and introduce products to meet the national health requirements.

Your Company is stable and focused on long term, sustainable and profitable growth. This stability lies in the strength of its brands, in its varied portfolio, which have over the years built a relationship of trust and confidence with consumers. The geographical extension of the markets along with the complete range of dairy products expansion will increase the market share substantially. The products meeting international standards of quality will be shortly launched overseas to exploit the international markets and contribute to exports and foreign exchange earnings.

Your Company is poised to take the rightful position, as one of the leading players, in the Indian Dairy Industry.

## **DIVIDEND**

Your Directors are pleased to recommend a final dividend of ₹ 0.10 per equity share of ₹ 1 each, i.e. 10% which will be paid after your approval at the ensuing Annual General Meeting. The final dividend will absorb an amount of ₹ 201.38 lacs (excluding dividend tax of ₹ 34.53 lacs). The dividend will be paid to members 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 September 22, 2010; in respect of shares held in electronic form (demat mode), dividend will be paid 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 close of business hours on September 22, 2010.

## **SUB-DIVISION OF SHARES**

Pursuant to the approval by shareholders by Postal Ballot, the face value of the equity share has been split from ₹ 10/- to ₹ 1/- sub dividing each equity share of ₹ 10/- each into 10 equity shares of ₹ 1/- each. As a result of sub-division the number of paid up equity shares have increased from 1, 82, 00,000 to 18, 20, 00, 000 equity shares of ₹ 1/- each, though the total paid up capital amount remains the same.

## **INCREASE IN AUTHORISED CAPITAL**

During the year Company has initiated process to increase its Authorised Share Capital from ₹ 20,00,00,000/- (Rupees Twenty Crores) divided into 20,00,00,000 (Twenty Crores) Equity shares of rupee one each to ₹ 100,00,00,000/- (Rupees One Hundred Crore only) divided into 100,00,00,000 (One Hundred Crore) Equity Shares of rupee one each ranking pari-passu with the existing Equity Shares. For shareholder's approval the Company dispatched the Postal Ballot Notice dated March 29, 2010. The result of the Postal Ballot was declared on May 7, 2010 for approving the same.

## **BONUS ISSUE**

Promoters of your Company are totally committed to uphold and protect the interests of shareholders. To deliver and create best possible value addition for shareholders, Directors had proposed and after shareholders' approval, issued bonus shares to shareholders. Moreover in line with strict discipline & in tune with best possible Corporate Governance Practices, Promoters of your Company have voluntarily sacrificed by not entitling themselves bonus shares. As a result bonus shares have been issued only to non promoter shareholders. This is a clear gesture justifying intention of the Promoters and Management that the shareholders are an essential part of the Kwaliti Dairy Family and shareholders must receive the benefits of progress & success achieved by the Company. Thus Board had approved and recommends

issue and allotment of Bonus shares by capitalization of Reserves and Surplus of the Company vide Postal Ballot Notice dated April 19, 2010.

Bonus shares issued and allotted to equity shareholders (except to shareholders belonging to promoter and promoter group) of Company in proportion of five new fully paid up equity shares of ₹ 1 (Rupees One Only) each for every seven fully paid equity shares of ₹ 1 (Rupees One Only) each held. The record date for the same was June 16, 2010.

As a result the Company's issued, subscribed and paid up equity share capital has increased from ₹ 18,20,00, 000/- (18,20,00,000 equity shares of ₹ 1/- each) to ₹ 20,31,86,434/- (20,31,86,434 equity shares of ₹ 1 /- each).

## **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.

## **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.

Mr. Rajiv Sharma resigned from the Board of Directors with effect from 18th May, 2010. The Board expressed its sincere appreciation and thanks for the services rendered by Mr. Rajiv Sharma to the Company.

Pursuant to Section 260 and other applicable provisions of Companies Act, 1956, Dr. Rattan Sagar Khanna was appointed as an Additional Director of the Company with effect from May 18, 2010. Dr. Rattan Sagar Khanna would hold office till the conclusion of the Annual General Meeting of the Company scheduled to be held on September 27, 2010. The requisite notices together with necessary deposits have been received from a member pursuant to Section 257 of the Companies Act, 1956, proposing the election of Dr. Rattan Sagar Khanna as a Director of the Company.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement of Section 217(2AA) of the Companies Act 1956 with respect to Directors' Responsibility Statement, and based on the representation received from operating management, the Directors hereby confirm :

- that in the preparation of the annual accounts for the period ended on March 31, 2010, the applicable accounting standards have been followed and there are no material departure;
- that the directors had selected appropriate accounting policies and applied them consistently and that the judgements 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 March 31, 2010 and the Profit of the Company for that period;
- that the directors had 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
- that the directors had prepared the annual accounts for the period ended on March 31, 2010 on a going concern basis.

## **FIXED DEPOSITS**

Your Company has not raised any public deposit during the period under review. There was no public deposit outstanding as at the beginning or at the end of the period.

## **AUDITORS**

M/s Mukesh K. Arora & Co., Chartered Accountants, retiring auditors of the Company have expressed their inability to continue as Auditor of the Company and have requested not to consider their reappointment for Financial Year 2010-11. The Board of Directors have accordingly approved nomination of M/s P. P. Mukerjee & Associates, Chartered Accountants, as Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting. The Company has received a letter from them that their appointment, if made, would be within the limits specified under Section 224(1B) and other applicable provisions of the Companies Act, 1956.

## **LISTING**

The shares of your Company are listed at The Bombay Stock Exchange Limited, Mumbai. The Company has made an application for listing of its shares on National Stock Exchange of India Limited.

## **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 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.

**APPRECIATION**

Your Directors acknowledge with gratitude the continuing co-operation and assistance rendered by the Central Government, State Government, Financial Institutions, Banks, Suppliers, and other organizations in the working of the Company.

The Directors also wish to place on record their deep sense of appreciation for dedicated services rendered by officers, staff and workmen of the Company.

The Board taken this opportunity to express its gratitude for the continuous support received from shareholders.

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

Place : Faridabad  
Date : August 30, 2010

**Gulshan Kumar**  
**Chairman**

**ANNEXURE TO THE DIRECTORS' REPORT**

INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTOR'S REPORT FOR THE YEAR ENDED MARCH 31, 2010

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

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.

**A. Power and Fuel Consumption:**

<b>A. Electricity</b>	<b>2009-10</b>	<b>2008-09</b>
Purchased		
Units	<b>1966059</b>	1980993
Total Amount (₹)	<b>8931914</b>	8866744
Rate Per Unit (₹)	<b>4.54</b>	4.48
<b>B. Fuels</b>		
(Diesel, FO, Burada, Husk & Turi)		
Quantity (ltrs/Kgs)	<b>9823797</b>	8415690
Total Amount (₹)	<b>39039901</b>	36542329
Rate per Unit (₹)	<b>3.97</b>	4.34

**TECHNOLOGY ABSORPTION**
**R & D / PRODUCT DEVELOPMENT**

The Company has an in-house R & D / Product Development Laboratory to develop clean, hygienic, and healthy products adhering to best Quality Standards. Continuous efforts are made to ensure qualitative improvement in products and efficiency in operations.

Specific Areas in which R & D / Product Development undertaken

- Processing of Fresh Raw Milk.
- Tamper Proof Packaging of Products.

Benefit Derived

- Enhanced Life of the Products.
- Upgraded Products have allowed Company to expand its market share.

Future plan of action

- Manufacturing of Low Cholesterol Pure Desi Ghee.
- Devise & develop new healthy products.
- Foraying in the nutraceuticals market.

**FOREIGN EXCHANGE EARNINGS & OUTGO:**

Total foreign exchange earned and used:

		(₹ in Lacs)	
		<b>2009-10</b>	<b>2008-09</b>
(I)	Earnings:	<b>283.97</b>	-
(ii)	Expenditure:		
	CIF Value of Imports	<b>73.84</b>	172.84

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

Place : Faridabad  
Date : August 30, 2010

**Gulshan Kumar**  
**Chairman**

## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Kwality 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 judgements to the Board's deliberations and decisions. Mr. Sanjay Dhingra is Executive Director of the Company designated as Managing Director of the Company.

The primary role of the Board is that of, trusteeship to protect and enhance shareholders' 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 March 31, 2010, total number of Directors of the Company was four comprising of one Executive Director and three Non-Executive Directors including two Independent Directors.

The name and categories of the directors on the Board, their attendance at the board meeting held during the year and the number of directorship and committee chairmanship/membership held by them in other companies is given below.:

Name of the Director	Category	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
1. Mr. Gulshan Kumar	Non Executive Director	Chairman	25	Yes	NIL	NIL	NIL
2. Mr. Sanjay Dhingra	Executive Director	Managing Director	27	Yes	NIL	NIL	NIL
3. Mr. Arun Srivastava	Non Executive Independent Director	Director	22	Yes	NIL	NIL	NIL
4. Mr. Rajeev Sharma*	Non Executive Independent	Director	24	Yes	NIL	NIL	NIL
5. Dr. Rattan Sagar Khanna**		Additional Director	NA	NAI			

\* Mr. Rajeev Sharma resigned from the post of directorship with effect from May 18, 2010.

\*\* Dr. Ratan Sagar Khanna was appointed as the additional director of the company with effect of May 18, 2010

None of the Non Executive Director of the company has any material pecuniary relationship or transaction with the company.

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, as specified in clause 49 across all public companies in which he is a Director. The Company is notified by Directors, from time to time, status of committee positions he 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 2009-10, twenty seven Board Meetings were held and the gap between two meetings did not exceed four months. The dates of such Board meetings were:

16/04/09	20/04/09	30/04/09	22/05/09	25/05/09	25/06/09
4/07/09	16/07/09	31/07/09	24/08/09	4/09/09	16/09/09
1/10/09	10/10/09	12/10/09	31/10/09	18/11/09	21/11/09
12/12/09	19/12/09	4/01/10	21/01/10	25/01/10	30/01/10
3/03/10	23/03/10	& 29/03/10			

The Board periodically review compliance report of all laws applicable to the company, prepared by the company as well as steps taken by the company to rectify instances of non compliance

#### **Details of Directors seeking re-appointment:**

Mr. Gulshan Kumar aged 46 years is a Graduate in Commerce and ICWA (Inter), He has more than 27 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 Chairman of the Board since his appointment. Under his leadership, the company has achieved 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 : 49750000

Necessary information as mention in Annexure 1A to clause 49 of the listing agreement has been placed before the board for their consideration.

Some of the items discussed at the board meetings are listed below:

- Annual operating plans, budgets and their updates.
- Capital budgets and their updates.
- Quarterly results for the company and its operations.
- Minutes of meeting of audit committee and other committee of the Board.
- Review of related party transactions including transaction under section 297 of the companies Act 1956.
- Review of statutory compliances.
- Acquisition of properties.
- Review of risk management procedures.
- Discussion on business operations.
- Discussion on economic conditions & business outlook.
- Approval for increasing managerial remuneration.

### **3. AUDIT COMMITTEE:**

The Accounts and Audit committee of the company was constituted in line with the provision of clause 49 of listing agreement with the stock exchange read with the section 292A of the companies Act 1956.

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.



**SCOPE/TERM OF REFERENCE OF AUDIT COMMITTEE**

Terms of reference / powers of Audit Committee has been specified by Board of Directors in consonance with clause 49 II D of Listing Agreement.

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the board, the appointment, re appointment and, if required, the replacement and removal of the statutory auditors and the fixation of audit fee.
- Approval of payment to statutory auditor for any other services rendered by the statutory auditors.
- Reviewing with the management, the quarterly financial statement before submission to the board for approval.
- Reviewing with the management, performance of the statutory internal auditor and adequacy of the internal control system.
- Reviewing the adequacy of internal audit function if any,
- Discussion with the internal auditor any significant finding and follow up there on.
- Reviewing the findings of any internal investigation by the internal auditor into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the board.
- Discussion with the statutory auditor before the audit commences about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.

Minutes of meeting of Audit committee are circulated to the member of the committee and the Board.

Details of meeting attended by its members for financial year 2009-2010 are given below:

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

Mr. Arun Srivastava, Chairman of the Audit Committee, was present at last Annual General Meeting held on September 30, 2009.

During the year, five Committee Meetings were held on 22/04/09, 24/07/09, 26/08/09, 30/10/09 and 29/01/10.

**4. REMUNERATION COMMITTEE**

The Remuneration committee, was constituted by the Board to recommend & review Remuneration package for Executive Directors including pension rights and any compensation payment, during the year. The Committee comprises of three Directors and all of whom are Non- Executive Directors (including two Independent Directors). Chairman of the Remuneration committee is an Independent Director:

Mr. Rajiv Sharma – Chairman

Mr. Arun Srivastava (Independent Director)

Mr. Gulshan Kumar (Non-Executive Director)

During the year only one meeting of the Committee was held on 29/03/2010 which was attended by all the members. The members discussed remuneration by way of salary, perquisites and allowances to the Managing Director, within the prescribed ceiling.

The details of Remuneration of directors during the year ended 31st March 2010 are as follows:

Name	Gross Remuneration	Sitting Fees	Total
Mr. Sanjay Dhingra (Managing Director)	₹ 7,20,000/-	NIL	₹ 7,20,000/

Remuneration paid to Non Executive Directors comprises of sitting fee.

**Details Of Shares Held By Non-Executive Directors**

Name of the Member	Designation	Number of Shares Held
1. Mr. Gulshan Kumar	Chairman	49750000
2. Mr. Arun Srivastava	Independent Director	Nil
3. Mr. Rajeev Sharma	Independent Director	Nil

**5. SHAREHOLDERS' / INVESTORS' GRIEVANCE REDRESSAL COMMITTEE:**

The Shareholders' and Investors' Grievance Redressal Committee has been constituted as per the provisions of listing agreement.

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

Names	Category
1. Mr. Gulshan Kumar, Chairman	Non Executive director
2. Mr. Arun Srivastava (Member)	Non Executive & Independent Director
3. Mr. Rajeev Sharma (Member)	Non Executive & Independent Director

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

**THE TERMS OF REFERENCE OF THE SHAREHOLDER AND INVESTORS GRIEVANCES REDRESSAL COMMITTEE ARE AS UNDER:**

1. Approve, inter alia, transfer, transmission, issue of duplicate certificate, transposition, change of address.
2. Review complaints of shareholders and action taken thereon.

Composition of Shareholders/ Investors Grievances Committee and details of meeting attended by members for financial year 2009-10 are given below:

Name of the Member	Category	No. of Meetings Held	No. of Meetings Attended
1. Mr. Gulshan Kumar (Chairman)	Non Executive Director	4	4
2. Mr. Arun Srivastava (Member)	Non Executive & Independent Director	4	4
3. Mr. Rajeev Sharma (Member)	Non Executive & Independent Director	4	4

During the financial year 2009-2010, The Committee met 4 times. The committee Meetings was held on the following dates 15/04/09, 7/07/09, 16/10/09 and 7/01/10.

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

F – 82, Shivaji Place, Rajouri Garden,  
New Delhi – 110027

Ph: 011-47006500-01

## 6. CODE OF BUSINESS CONDUCT AND ETHICS FOR DIRECTORS AND SENIOR MANAGEMENT:

The company has adopted a comprehensive code of conduct for its directors and senior management, which lays the standard of business conduct, ethics and governance. The code has been circulated to all members of the board and senior management and they have affirmed compliance of same.

A declaration to this effect signed by the Managing Director is appended at the end of this report.

## 7. 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
2008-2009	30.09.2009	11.00 A.M.	Village Softa, Tehsil Palwal, Faridabad, Haryana
2007-2008	30.09.2008	11.00 A.M.	Village Softa, Tehsil Palwal, Faridabad, Haryana
2006-2007	29.09.2007	11.00 A.M.	Village Softa, Tehsil Palwal, Faridabad, Haryana

### (ii) Special Resolution:

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

### (iii) Detail of Resolutions passed last year through Postal Ballot:

During the year ended March 31, 2010 the company sought approval from its shareholders for passing special and Ordinary resolution through the process of Postal ballot in accordance with provisions of section 192A of the companies Act 1956 read with the companies (passing of the Resolution by Postal Ballot) Rules 2001. The declared results of the Postal Ballot were announced through newspapers and were also displayed on the website of the company. [www.kdil.in](http://www.kdil.in). Details of the same are given below.

(A) Resolutions passed on May 8, 2009 (Notice dated March 28, 2009)

S.No	Particulars	Details/Dates
1	Date of Board Meeting	March 28, 2009
2	Scrutinizer appointed by the BOD at its Meeting	Mr. Vineet Kumar Chaudhary, FCS, PCS
3	Date of Notice Seeking share Holders approval	March 28, 2009
4	Date of Completion of Dispatch of Notice	April 8, 2009
5	Last Date of Receipt of duly filled Postal Ballot Form	May 7, 2009
6	Date of submission of Scrutinizer's Report to the Chairman	May 8, 2009
7	Date of Declaration of Result	May 8, 2009

Particulars of Resolutions Passed-

Special

1	Nil
---	-----

Ordinary

1	Increase in borrowing Powers of the Board.
2	Mortgage and /or charge on movable and immovable properties of the Company.

**Voting Pattern**

Particulars	Total Votes	Total Valid Votes cast	Total Valid Votes cast in favour of the Resolution	Total Valid Votes cast against the Resolution
Resolution 1	15277951	15277251	15276851	400
			(83.939%)	(0.002%)
Resolution 2	15277951	15277251	15276501	750
			(83.937%)	(0.004%)

(B) Resolutions passed on November 21, 2009 (Notice dated October 12, 2009)

S.No	Particulars	Details/Dates
1	Date of Board Meeting	October 12, 2009
2	Scrutinizer appointed by the BOD at its Meeting	Mr. Vineet Kumar Chaudhary, FCS, PCS
3	Date of Notice Seeking share Holders approval	October 12, 2009
4	Date of Completion of Dispatch of Notice	October 19, 2009
5	Last Date of Receipt of duly filled Postal Ballot Form	November 18, 2009
6	Date of submission of Scrutinizer's Report to the Chairman	November 21, 2009
7	Date of Declaration of Result	November 21, 2009

Particulars of Resolutions Passed-

Special

1	Sub-Division of Equity Shares of the company.
---	---

Ordinary

1	Enhancement of Borrowing limits of the Company.
---	---

**Voting Pattern**

Particulars	Total Votes	Total Valid Votes cast	Total Valid Votes cast in favour of the Resolution	Total Valid Votes cast against the Resolution
Resolution 1	15362909	15261071	15260771	300
			(99.998%)	(0.0019%)
Resolution 2	15362909	15261171	15260807	364
			(99.998%)	(0.002%)

(C) Resolutions passed on May 7, 2010 (Notice dated March 29, 2010)

S.No	Particulars	Details/Dates
1	Date of Board Meeting	March 29, 2010
2	Scrutinizer appointed by the BOD at its Meeting	Mr. Vineet Kumar Chaudhary, FCS, PCS
3	Date of Notice Seeking share Holders approval	March 29, 2010
4	Date of Completion of Dispatch of Notice	April 5, 2010
5	Last Date of Receipt of duly filled Postal Ballot Form	May 5, 2010
6	Date of submission of Scrutinizer's Report to the Chairman	May 7, 2010
7	Date of Declaration of Result	May 7, 2010



**Particulars of Resolutions Passed-**
**Special**

1	Alteration in main object clause of the Memorandum of Association of the Company
2	Alteration in main object clause of the Memorandum of Association of the Company

**Ordinary**

3	Increase in borrowing Powers
4	Mortgage and/or charge on movable and immovable properties of the Company
5	Increase in Authorised Capital of the Company

**Voting Pattern**

Particulars	Total Votes	Total Valid Votes cast	Total Valid Votes cast in favour of the Resolution	Total Valid Votes cast against the Resolution
Resolution 1	153478292	153336208	153332732	3476
			(99.998%)	(0.002%)
Resolution 2	153478292	153336058	153333482	2576
			(99.998%)	(0.002%)
Resolution 3	153478292	153337208	153333198	4010
			(99.997%)	(0.003%)
Resolution 4	153478292	153337208	153331998	5210
			(99.997%)	(0.003%)
Resolution 5	153478292	153336208	153335098	1110
			(99.999%)	(0.001%)

**(D) Resolutions passed on May 28, 2010 (Notice dated April 19, 2010)**

S.No	Particulars	Details/Dates
1	Date of Board Meeting	April 19, 2010
2	Scrutinizer appointed by the BOD at its Meeting	Mr. Vishal Rai, PCS
3	Date of Notice Seeking share Holders approval	April 19, 2010
4	Date of Completion of Dispatch of Notice	April 26, 2010
5	Last Date of Receipt of duly filled Postal Ballot Form	May 26, 2010
6	Date of submission of Scrutinizer's Report to the Chairman	May 28, 2010
7	Date of Declaration of Result	May 28, 2010

**Particulars of Resolutions Passed-**
**Special**

1	Alteration of AOA of Company pursuant to section 31 of the Companies Act, 1956
2	Issue of Bonus Shares to the Public Shareholders
3	Increase in Managerial Remuneration of Mr. Sanjay Dhingra, Managing Director of the Company

**Ordinary**

1	Nil
---	-----

**Voting Pattern**

Particulars	Total Votes	Total Valid Votes cast	Total Valid Votes cast in favour of the Resolution	Total Valid Votes cast against the Resolution
Resolution 1	154323706	154311783	154300053	11450
			(99.992%)	(0.007%)
Resolution 2	154323706	154311783	154310783	1000
			(99.9994%)	(0.0006%)
Resolution 3	154323706	154311783	154290537	20996
			(99.986%)	(0.014%)

**8. DISCLOSURES:**
**(i) 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 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.

**(ii) 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 50,000,000 equity shares of ₹ 1/- each with The Bombay Stock Exchange Ltd, Mumbai.

**(iii) Disclosure of accounting treatment**

There has not been any significant change in the accounting policies during the year.

**(iv) Board disclosure - risk management.**

The company has a policy to inform the board about Risk management, Risk assessment & Minimization procedure. The Board of Directors periodically review risk management framework of the company.

**9. THE COMPANY HAS COMPLIED WITH ALL MANDATORY REQUIREMENTS AND HAS ADOPTED NON MANDATORY REQUIREMENT AS PER DETAIL GIVEN BELOW:**
**(i) Remuneration committee**

The company has constituted Remuneration committee. Chairman of the remuneration committee is an independent director and was present at Last Annual General Meeting.

**(ii) Shareholder rights**

Quarterly financial results of the company are published in newspapers and also displayed on web site of the company, the results are not separately circulated to the shareholders.

**(iii) Training to Board members**

At present the company does not have such a training programme for the Board members.

**(iv) Mechanism for evaluating non executive Board members**

The company has not adopted any mechanism for evaluating Non Executive Directors.

**(v) Whistle blower policy**

The Company does not have any whistle blower policy as of now but no personnel is being denied any access to the Audit Committee.

**10. MEANS OF COMMUNICATION:**

In compliance with the requirements of Listing Agreement, the Company regularly intimates unaudited as well as audited 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 and Jan Satta. The same were sent to stock exchange and were also displayed on the website of the Company, [www.kdil.in](http://www.kdil.in).

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

**11. GENERAL SHAREHOLDER INFORMATION:**
**(i) 18th Annual General Meeting:**

Date September 27, 2010  
Time 11 A.M.  
Venue Village Softa, Tehsil Palwal,  
Faridabad, Haryana – 121 004

**(ii) Financial Calendar**

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

Key Financial Reporting Dates for the Financial Year 2010-11:

1st Quarter ending 30-06-2010	On or before August 15, 2010
2nd Quarter ending 30-09-2010	On or before November 15, 2010
3rd Quarter ending 31-12-2010	On or before February 15, 2011
4th Quarter ending 31-03-2011	On or before May 15, 2011 or if audited, on or before May 30, 2011

**(iii) Date of Book Closure**

September 23, 2010 to September 27, 2010 (Both days inclusive)

**(iv) Dividend Payment Date**

The Final Dividend recommended at ₹ 0.10 per share of ₹ 1 each, the Company has fixed September 23, 2010 to September 27, 2010 (both days inclusive) as the Book Closure dates and Dividend shall be paid after shareholders' approval at the ensuing Annual General Meeting.

**(v) Listing on Stock Exchanges**

Equity shares of the Company are currently listed on Bombay Stock Exchange Limited, Mumbai. The Company has paid annual listing fees for the year 2009-10. The Company has made an application for listing of its shares on National Stock Exchange of India Limited.

**(vi) Stock Code**

BSE - 531882

**(vii) Market Price Data And Performance In Comparison To Index**

The high and low of share price of the Company during each month in last financial year at BSE were as under:  
(Face value of each Share is ₹ 1 after splitting of share value from ₹ 10 to ₹ 1 as on 12th December, 2009)

Month	High ( ₹ )	Low ( ₹ )	Volume
April 2009	143.45	92.10	543955
May 2009	163.90	131.55	505607
June 2009	173.10	139.15	471966
July 2009	348.50	181.75	311436
August 2009	497.40	315.05	279235
September 2009	660.90	481.15	914944
October 2009	1018.00	627.30	1452345
November 2009	1360.70	975.05	1516758
December 2009	1324.90	102.05	9804585
January 2010	190.35	133.00	14485112
February 2010	228.30	161.05	6949101
March 2010	159.90	130.10	1671011

**(viii) Registrar and Share Transfer Agents**

M/s Skyline Financial Services Private Limited,  
D – 153/A, 1st Floor, Okhla Industrial Area,  
Phase I, New Delhi – 110020  
Tel No. : 011- 26812682-83  
Fax No. : 011- 26292681  
E-mail : admin@skylinerta.com

**(ix) Share Transfer System:**

The shares in physical mode received for transfer are transferred expeditiously subject to completion appropriate regulatory formalities. Confirmations in respect of the requests for dematerialization of shares are expeditiously sent to the respective depositories i.e. NSDL and CDSL.

**(x) Distribution of Shareholding as on 31st March 2010**

No. of Shares	No. of Shareholders		No. of Equity Shares	
	Total	% of Share-Holders	Total	% of Share Capital
1-500	6987	62.06	732659	0.40
501-1000	2265	20.12	2176869	1.20
1001-2000	1319	11.72	2513607	1.38
2001-3000	289	2.57	831188	0.46
3001-4000	102	0.91	395535	0.22
4001-5000	56	0.50	269488	0.15
5001-10000	100	0.89	764916	0.42
10001& above	141	1.25	174315738	95.78
<b>TOTAL</b>	<b>11259</b>	<b>100.00</b>	<b>182000000</b>	<b>100.00</b>

**(xii) SHAREHOLDING PATTERN**

The shareholding pattern as on 31st March, 2010:

	Category	No. of Shares held	Percentage of Shareholding
<b>A.</b>	<b>Shareholding of Promoter and Promoter Group</b>		
(1)	Indian	152339000	83.70
(2)	Foreign		
	<b>Total</b>	152339000	83.70
<b>B.</b>	<b>Public Shareholding</b>		
(1)	Institutions		
(a)	Mutual Funds/UTI		
(b)	Financial Institutions/Banks		
(c)	Foreign Institutional Investors		
(d)	Any Other (Trust)		
	<b>Sub Total</b>		
(2)	Non-Institutions		
(a)	Bodies Corporate	3557270	1.95
(b)	Individuals	26052926	14.32
(c)	Any Other (Specify)		
	i. NRI	50804	0.03
	ii. Foreign National		
	iii. OCB		
	<b>Sub Total</b>	29661000	16.30
	<b>Total</b>	29661000	16.30
	<b>Grand Total</b>	182000000	100.00

**(xiii) Detail of Directors Appointing and Re-appointing**

<b>Name of Director</b>	<b>Dr. Rattan Sagar Khanna</b>	<b>Mr. Gulshan Kumar</b>
<b>Date of Birth</b>	12-04-1945	01-05-1964
<b>Age (Year)</b>	65 years	46 years
<b>Date of Appointment</b>	18-05-2010	18-06-2003
<b>Qualification</b>	B.V.Sc & AH, M.Sc. (H)	B.Com, ICWA (Inter)
<b>Expertise in specific Functional Area</b>	Dairy and Agricultural area	General Administration and Management
<b>Directorship held in other Companies as on date</b>	Nil	M/s. Super Veg Oils Pvt. Ltd. M/s. JMD Veg Oil Pvt. Ltd.
<b>Chairman/Member of the committee of the Board of Directors of the Company as on 31 March 2010</b>	N.A.	Member of Audit Committee, Remuneration Committee and Shareholders/Investors Grievance Redressal Committee.
<b>Chairman/Member of the committee of the Director of the other companies in which he is a director as on 31 March 2010:</b>		
- Audit Committee	Nil	Nil
- Shareholder's Grievances Committee	Nil	Nil
- Board governance and Nomination Committee	Nil	Nil
- Compensation Committee/ Remuneration Committee	Nil	Nil
- Other Committees	Nil	Nil

**(xiv) Dematerialization of equity shares and liquidity**

The shares of the company are in compulsory demat segment and are available for trading in the both depository system, i.e. NSDL and CDSL. As on 31st March 2010, 96.45 % of the Company's total Listed capital representing 12,73,06,966 share were held in dematerialized form and the balance 3.55% comprising 46,93,034 shares were held in physical form.

Under the depository system, the International Securities Identification Number (ISIN) allotted to the Company is INE775B01025.

**(xiv) Outstanding ADR's/GDR's/Warrants/Convertible Instruments**

Not Applicable

**(xv) Registered office & Plant Location**

Kwality Dairy (India) Limited  
Village Softa, Tehsil Palwal,  
Distt. Palwal,  
Haryana – 121004



**(xvi) Address for correspondence**

The Company Secretary  
Kwality Dairy (India) Limited  
KDIL House  
F-82, Shivaji Place, Rajouri Garden,  
New Delhi – 110 027  
Tel No. : 011-47006500 (100 lines)  
Fax No. : 011-25191800  
Designated exclusive e-mail for investors: investor@kdil.in  
Website: www.kdil.in

**Any shareholder complaints/queries may be addressed to:**

Registrar and Share Transfer Agent  
M/S. Skyline Financial Services Private Limited  
D – 153/A, 1st Floor, Okhla Industrial Area,  
Phase I, New Delhi – 110020  
Tel No. : 011- 26812682-83  
Fax No. : 011- 26292681  
E-mail : admin@skylinerta.com

**Certificate by Chief Executive Officer on compliance with the conditions of  
Corporate Governance under Clause 49 of the Listing Agreement(s)**

The Board of Directors  
Kwality Dairy (India) Limited

We hereby certify that for the Financial Year 2009-10:

1. We have reviewed the financial statements and the cash flow statement and that to the best of our knowledge and belief :-
  - a. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - b. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are no transactions entered into by the Company which are fraudulent, illegal or violate the Company's code of conduct to the best of our knowledge and belief.
3. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of internal control systems of the Company and we have disclosed to auditors and Audit Committee those deficiencies, of which we are aware, in the design or operation of the internal control systems and that we have taken the required steps to rectify these deficiencies.
4. We further certify that:-
  - a. there have been no significant changes in internal control during this year.
  - b. there have been no significant changes in accounting policies during this year.
  - c. there have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having a significant role in the Company's internal control system.

Place : Faridabad  
Dated : August 30, 2010

**Sanjay Dhingra**  
**CEO & Managing Director**

---

**DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

As per the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges, the Company has laid down a Code of Conduct for its Board of Directors and Senior Management.

I, Sanjay Dhingra, Managing Director of the Company confirm the compliance of this Code of Conduct by myself and other members of the Board of Directors and Senior Managerial personnel as affirmed by them individually, for the year ended 31st March, 2010.

Place : Faridabad  
Dated : August 30, 2010

**Sanjay Dhingra**  
**CEO & Managing Director**

**AUDITORS' CERTIFICATE UNDER CLAUSE 49 OF THE LISTING  
AGREEMENTS COMPLIANCE CERTIFICATE**

To the members of  
Kwality Dairy (India) Limited

We have examined the compliance of the conditions of Corporate Governance by Kwality Dairy (India) Ltd. for the year ended 31st March 2010, as stipulated in clause 49 of the Listing Agreement of the said company with the stock exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement(s).

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Faridabad  
Dated: 30th August, 2010

**For Mukesh K Arora & Co.**  
**Chartered Accountants**

**P.P Mukerjee**  
**Partner**

Membership No.089854

## MANAGEMENT DISCUSSION & ANALYSIS

Management Discussion and Analysis detailing the Company's objectives and expectations is a "forward looking statement" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied depending upon global and Indian demand-supply conditions, changes in Government regulations, tax regimes, economic developments within India and overseas.

### INDUSTRY STRUCTURE AND DEVELOPMENT

The dairy industry plays an important role in the socio-economic development of India. The dairy industry in India is instrumental in providing cheap nutritional food to the vast population of India and also generates huge employment opportunities for people in rural places.

The main aim of National Dairy Development Board (NDDB) is to accelerate the pace of dairy development in the country and attract new investments.

India is a wonderland country for investors looking for investment opportunities in the dairy industry. The dairy industry holds great potential for investment in India and promises high returns to the investors.

There are different sectors within the dairy industry that promise great business investment opportunities as the Indian cattle yield less milk as compared to their foreign counterparts. The Indian cattle breeders are looking for ways to improve milk yield through improved breeding practices. Thus, there is a huge potential available for foreign investors to invest in dairy sector for breeding of high-quality buffaloes as well as cows. There is also great scope for investment in milk based value added food products through biotech interventions particularly the introduction of dairy biologics, enzymes, pro-biotics, coloring and flavoring materials for food processing. Producing bio-preservative ingredients based on dairy fermentation, such as pediococin, aciophilin, bulgarican, and Nisin contained in dairy powder, present a great promise as investment opportunity.

Thus, the dairy industry in India has huge investment opportunities in a variety of sectors. The investors are all set to gain profitable returns on their investment.

### QUALITY & FOOD SAFETY POLICY

The Company being an ISO 9001:2000, HACCP-IS: 15000 and Agmark approved company, the Company's Quality Policy is:-

"Company is committed to manufacture and supply nutritional and safe products to satisfy customer requirements by a motivated team using eco-friendly measures with continual improvement in quality and food safety"

The Company has consistently shown quality improvement with regard to various processes, keeping strict control on deviations. Customer complaints are resolved using laid down systems of quality assurance. Several initiatives are being taken to further improve customer satisfaction in consonance with the Company's quality policy.

### FINANCIAL PERFORMANCE

During the year, your Company has scaled new heights and set several new benchmarks in terms of sales, profits, networth and assets. Turnover for the year was ₹ 1054.10 crore against ₹ 582.80 crore in the previous year, reflecting a growth of 81%.

Profit after tax, for the year was ₹ 17.94 crore as against ₹ 9.38 crores for the previous year, registering an increase of 91%.

### OPPORTUNITIES & THREATS

#### **Strengths and Opportunities:**

- Great potential for export of milk products.
- Established and expanding domestic market for dairy products.
- Increasing demand for fluid milk as well as value added Products.
- By product Utilization for import substitution.
- Huge Employment generation & opportunities for Self employment.
- Liberalized Government policies in dairy sector.
- Availability of large resources of unconventional feeds and fodders for Dairy owners.
- Availability of diverse germplasm of dairy cattle and buffaloes that have unique features like heat tolerance, disease resistance, draft ability and ability to survive, breed and produce under stress conditions.
- Availability of animal production technologies for faster development and effective implementation.
- Integrated structure for marketing of milk and milk products.
- Integrated structure for livestock marketing through regulated markets.
- Market information intelligence system for milk and milk products.

**Weaknesses and Threats:**

- Entry of Multi National Companies manufacturing dairy products in Domestic market.
- Increasing chemical contaminants as well as residual antibiotics in milk.
- Poor microbiological quality of milk.
- Incentive on export of quality feed ingredients particularly cakes.
- Deficiency of molasses, a rich source of energy and binding agent in feed industry and constituent of urea molasses mineral lick.
- Excessive grazing pressure on marginal and small community lands resulting in complete degradation of land.
- Extinction of the indigenous breeds of cattle due to indiscriminate use of crossbreeding programme to enhance milk production.
- The liberalization of the Dairy Industry is likely to be exploited by multi-nationals. They will be interested in manufacturing milk products which yield high profits. It will create milk shortage in the country adversely affecting the consumer.

The analysis also shows that the 'strengths' and 'opportunities' far outweigh 'weaknesses' and 'threats'. Strengths & opportunities are fundamental and weaknesses & threats are transitory.

**SEGMENT WISE / PRODUCT WISE REPORTING**

The Company is primarily engaged in the business of manufacture, purchase and sales of a wide range of Dairy products like ghee, skimmed milk powder, curd, whole milk powder, dairy whitener, lactose and milk. The income from these activities and export of dairy products is not materially significant in financial terms. Accordingly segment information has not been disclosed.

**RISK AND CONCERNS**

The major risk and concerns attributed to the performance of the company are:

- a. Although the export sales are less in comparison to domestic sales, fluctuation in foreign exchange rates and international prices of dairy products may influence the performance of the company.
- b. Increase in input costs, change in tax structure, change in interest rates, changes in Government policies/ laws of land, development and stability of Indian economy against the negative external and internal forces may also impact the overall performance of the company.
- c. Profitability may be affected on account of competition from existing and prospective manufacturers of the company's products.
- d. Dairy business is primarily influenced by monsoon. Unfavorable monsoon may affect the milk availability and Company may not get milk upto installed capacity and demand.

**ADEQUACY OF INTERNAL CONTROL SYSTEMS**

The Company has in place the proper and adequate systems of internal controls. Such internal controls are according to the nature of its business and size of its operations, in order to ensure that all assets are safeguarded against loss from unauthorized use or disposition and that all transactions are authorized, recorded and reported correctly and adequately.

The performance of the Company is regularly reviewed by the Audit Committee and/or the Board of Directors to ensure that it is in consonance with the overall corporate policy and in line with pre-set objectives. The Audit Committee of the Board is headed by a non-executive independent Director and all audit findings are reported on a quarterly basis to it.

**HUMAN RESOURCE DEVELOPMENT**

Being a manufacturing Company, workers form an important link in the chain of growth. The Company maintained a cordial relationship with its personnel during the year under review. The workers are motivated with better service conditions, which is at par with the best in the industry. During the year under review, the Company had undertaken extensive steps for optimizing the use of its manpower through, productivity improvement, and role enrichment. There is a continuous focus on enhancing productivity in all facets of our operations.

**INDUSTRIAL RELATIONS**

The industrial relations in the Company with the workers at all levels are very cordial and are expected to remain cordial in future as well. The Management acknowledges the contribution of all employees in increasing its turnover manifolds.

**CORPORATE SOCIAL RESPONSIBILITY**

The Company is presently operating four Milk Chilling Centres (MCCs) in Haryana, each centre covers about 100 village spread over 8-10 procurement routes. Each village level milk collection point has 80-90 farmers pouring milk. Each



centre generates avenues for earning livelihood for about 8000 farmers, thus bringing economic upliftment in the area.

The Company organizes various animal health and fertility camps and village meetings regularly to discuss the requirements of the farmers and fulfilling the needs for Vaccination, AI, Cattle feed and facilitating the loan requirements of the farmers through financial institutions. Further these camps also educate the farmers on the general quality of life improvement and hygienic living standards, other social issues will be subsequently addressed. The milk procurement team broadly advises and provides guidelines to the participating farmers as under:

**Animal Health:** In order to increase the milch animal productivity, the veterinarians of the Company based in the rural areas look after the health of the animals, and advise the farmers on latest practices of livestock diseases, health and management.

**Artificial Insemination (AI):** The doctor also takes care of AI needs of the farmer's animals. Semen and facilities for artificial insemination are procured from the best and the reputed sources producing semen in India.

**Cattle Feed:** the Company provides good quality and balanced cattle feed at cost price to take care of nutrition needs of the milk animals.

**FMD vaccination:** An annual FMD vaccination program is organized for vaccination of animals to protect them against Foot and Mouth disease. The vaccinations are done at subsidized cost.

#### **DISCLAIMER STATEMENT**

Statements in this report describing the current industry structure, outlook, opportunities etc. reflect the assessment and perception of the Company, which are based on certain assumptions, and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate. The Company's actual results, performance, or achievements could thus differ materially from those projected in any such forward-looking statements.

## AUDITOR'S REPORT

To the Members of

**KWALITY DAIRY (INDIA) LIMITED**

We have audited the attached Balance Sheet of Kwaliti Dairy (India)Limited , as at 31st March, 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003,as amended by the Companies (Auditor's report) amendment Order 2004 issued by the Central Government of India in terms of sub- section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records as we considered appropriate and according to the information and explanation given to us , we set out in the Annexure a statement on the matters specified in Paragraphs 4 and 5 of the said Order to the extent applicable to the Company.

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (iii) The Balance Sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- (iv) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010; and
  - b) in the case of the Profit and Loss Account of the Profit for the year ended on that date.
  - c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Faridabad

Date : August 30, 2010

**For & On Behalf of**  
**Mukesh K Arora & Co.**  
**Chartered Accountants**  
**Firm's Registration No.016877N**  
  
**P. P. Mukerjee**  
**Partner**  
**Membership Number: 089854**

**ANNEXURE TO THE AUDITOR'S REPORT OF KWALITY DAIRY (INDIA)  
LIMITED FOR THE YEAR ENDED 31ST MARCH 2010**

- 1.a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- 1.b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification of its fixed assets in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- 1c) During the year, the Company has not disposed off a substantial part of the fixed assets. Based on the information and explanation given by the management and on the basis of audit procedures performed by us, we are of the opinion that the sale of the fixed assets, if any, has not affected the going concern status of the Company.
- 2 The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- 2a) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- 2b) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- 3a) The Company has not granted loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- 3b) The Company has taken unsecured loans from two companies covered in the register maintained under section 301 of the Companies Act 1956. The maximum amount involved during the year and year end balances of such loans aggregates to ₹ 4500.00 lacs. Besides the company has also received amounts under current account from three companies covered in the Register maintainer under section 301 of the Companies Act, 1956. The maximum amount involved during the year ₹ 3387.80 Lacs and year end balances of amount received from such companies were ₹ Nil.
- 3c) The Company had taken interest free loans from the parties covered in the register maintained under section 301 of the Companies Act, 1956. In our opinion and according to the information and explanation given to us, the terms and conditions on which above mentioned loans have been taken from companies, firms or other parties listed in the registers maintained under Section 301 of the Companies Act, 1956, are not, prima facie, prejudicial to the interest of the Company.
- 3d) The Company is regular in repaying the principal amounts as stipulated and has been regular in the payment of Interest wherever agreed.
- 3e) There is no overdue amount of loans received from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control systems.
- 5a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- 5b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, there are transactions referred to in above (a) above did not exceed the value of Rupees Five Lac in respect of any party during the year.
- 6 In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits covered by the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 and hence the provisions of clause 4 (vi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business. We recommend the enlargement of scope of work and frequency of internal audit of the Company.
8. We have broadly reviewed the books of accounts maintained by the company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section 209 of the Companies Act, 1956 and are of opinion that prima

facie, prescribed accounts and records have been maintained. We have not, however carried out a detailed examination of the same.

- 9a). According to the records of the Company examined by us, the Company has been generally regular in depositing with appropriate authorities undisputed statutory dues including, investor educations protection fund, employees' state insurance, sales tax ,Vat, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues with appropriate authorities. There have been delays in depositing undisputed Advance Income Tax and the amount outstanding as at the last day of the financial year for a period exceeding six months from the date they become payable , amounts to ₹ 467.65Lacs (prev year ₹ 206.38 Lacs) . There were no dues during the year towards Investor Education and Protection Fund and Excise Duty.
- 9b). According to the records of the Company examined by us and according to the information and explanations given to us, there are no dues of income-tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute, except

Nature of Statute	Nature of dues	Amount unpaid ( ₹ in lakhs)	Year to which the amount relates	Forum Where pending
Haryana Livestock Development Board, Gurgaon	Milk cess	221.39	2002-2010	High Court

10. The company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
11. Based on our audit procedures and in our opinion and according to the information and explanations given by the management, except for some delays in few cases the Company has not defaulted in repayment of dues to banks and financial institutions. The company has not issued any debenture.
12. As the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities the provisions of clause 4 (xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society, hence the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. According to the information and explanation given to us , the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause (xiv) of paragraph 4 of the Companies (Auditor's Report) order 2003 ( as amended) are not applicable to the Company.
15. According to the information and explanation given to us , the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. In our opinion and according to the information and explanations furnished to us, the term loans have been applied for the purpose for which they were obtained.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
18. The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. As the Company has not issued any debentures the provisions of clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
20. As the Company has not raised any money by public issue the provisions relating to end use thereof as per clause 4 (xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
21. Based upon the audit procedures performed and according to the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

Place : Faridabad

Date : August 30, 2010

**For & On Behalf of**  
**Mukesh K Arora & Co.**  
**Chartered Accountants**  
**Firm's Registration No.016877N**

**P. P. Mukerjee**  
**Partner**  
**Membership Number: 089854**

**BALANCE SHEET AS AT 31.03.2010**

Schedule		As at March 31, 2010 Amount ₹		As at March 31, 2009 Amount ₹
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Funds</b>	A			
Share Capital		182,000,000.00	182,000,000.00	
Reserves & Surplus		292,823,905.80	474,823,905.80	138,630,438.21
<b>LOAN FUNDS</b>				
<b>Secured Loans</b>	B	1,682,582,130.28	602,371,703.56	
<b>Unsecured Loans</b>	C	506,404,189.18	2,188,986,319.46	305,604,189.18
<b>Deferred tax Liability</b>			5,564,969.00	4,629,824.00
<b>TOTAL</b>			2,669,375,194.26	1,233,236,154.95
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>	D			
At Cost		322,060,149.38	213,766,542.37	
Less: Accumulated depreciation		143,528,711.82	125,267,398.38	
Net book value		178,531,437.56	88,499,143.99	
Capital work-in-progress		3,906,252.00	182,437,689.56	2,221,286.00
<b>Current Assets and Loans &amp; Advances</b>	E			90,720,429.99
<b>Current Assets</b>				
Inventories		485,758,079.33	335,194,673.24	
Sundry Debtors		2,618,024,570.18	1,539,748,827.74	
Cash & Bank Balances		21,779,016.99	19,988,110.40	
Other Current Assets		1,471,500.00	2,971,500.00	
		3,127,033,166.50	1,897,203,111.38	
<b>Loans and Advances</b>		110,173,951.52	213,043,850.03	
<b>Sub Total</b>		3,237,207,118.02	2,110,946,961.41	
<b>Less: Current Liabilities &amp; Provisions</b>	F			
Current Liabilities		615,322,806.22	899,546,520.41	
Provisions		134,946,807.10	68,884,716.03	
<b>Sub Total</b>		750,269,613.32	968,431,236.44	
<b>Net Current Assets</b>			2,486,937,504.70	1,142,515,724.96
<b>TOTAL</b>			2,669,375,194.26	1,233,236,154.95

Significant Accounting Policies and notes to accounts M

As per our Report of even date

ON BEHALF OF BOARD OF DIRECTORS

FOR MUKESH K ARORA & CO  
CHARTERED ACCOUNTANTS  
Firm's Registration No.016877N

(GULSHAN KUMAR)  
Chairman

(SANJAY DHINGRA)  
Managing Director

(POOJA GUPTA)  
Company Secretary

CA P.P. Mukerjee  
Membership No.:089854  
PARTNER

PLACE :- FARIDABAD  
DATED :- August 30, 2010



**PROFIT AND LOSS ACCOUNTS FOR THE YEAR ENDED 31.03.2010**

	Schedule	As at March 31,2010 Amount ₹	As at March 31,2009 Amount ₹
<b>INCOME</b>			
Turnover	<b>G</b>	<b>10,541,245,677.78</b>	5,828,028,008.35
Other Income	<b>H</b>	<b>967,566.94</b>	977,375.19
		<b>10,542,213,244.72</b>	5,829,005,383.54
<b>EXPENDITURE</b>			
Material Costs	<b>I</b>	<b>9,787,892,060.77</b>	5,375,794,775.05
Employee Costs	<b>J</b>	<b>21,857,038.00</b>	15,792,732.00
Other Expenses	<b>K</b>	<b>230,211,345.70</b>	173,630,688.23
		<b>10,039,960,444.47</b>	5,565,218,195.28
<b>Profit before interest, depreciation and tax(PBIDT)</b>			
		<b>502,252,800.25</b>	263,787,188.26
Less : Interest and Finance Charges	<b>L</b>	<b>186,514,326.53</b>	111,174,938.70
: Depreciation	<b>D</b>	<b>18,261,313.41</b>	12,402,827.62
<b>Profit before Tax (PBT)</b>		<b>297,477,160.31</b>	140,209,421.94
LESS : Provision for Current Tax	110,971,735.35		47,668,462.00
Short Provision for taxes for earlier years	6,102,802.96		(1,388,528.09)
Fringe Benefits Tax	-		376,445.00
Wealth Tax	2,212.00		4,373.00
Deferred Tax	935,145.00	<b>118,011,895.31</b>	(287,383.00)
<b>Profit after Tax (PAT)</b>		<b>179,465,265.00</b>	93,836,053.03
Add :Brought forward Profit/(Loss) from Previous's years Account		<b>137,130,438.19</b>	64,588,385.18
<b>Amount Available For Appropriations</b>	-	<b>316,595,703.19</b>	158,424,438.21
Less :Proposed Dividend		<b>20,318,643.40</b>	18,200,000.00
:Tax on Dividend		<b>3,453,154.00</b>	3,094,000.00
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>292,823,905.80</b>	137,130,438.21

<b>Basic Earnings per Share of face value of ₹ 1 each (Prev. Yr. ₹ 10/-each)</b>	<b>0.99</b>	5.16
<b>Diluted Earnings per Share of face value of ₹ 1 each (Prev. Yr. ₹ 10/-each)</b>	<b>0.99</b>	5.16

**(Considering Taxation for Previous Years)**

**(Refer Note 9, Schedule M)**

Significant Accounting Policies and notes to accounts **M**

As per our Report of even date

ON BEHALF OF BOARD OF DIRECTORS

FOR MUKESH K ARORA & CO  
CHARTERED ACCOUNTANTS  
Firm's Registration No.016877N

(GULSHAN KUMAR)  
Chairman

(SANJAY DHINGRA)  
Managing Director

(POOJA GUPTA)  
Company Secretary

CA P.P. Mukerjee  
Membership No.:089854  
PARTNER

PLACE :- FARIDABAD  
DATED :- August 30, 2010

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH,2010**

	2009-2010	2008-2009
	₹	₹
<b>A. Cash Flow from Operating Activities :</b>		
Net Profit/(Loss) before Tax	297,477,160.31	140,209,421.94
Adjustment for :		
Prior Period & Extra Ordinary Items	-	-
Depreciation for the year	18,261,313.41	12,402,827.62
(Profit)/loss on sale of Fixed Assets	-	56,143.70
Interest for the period	186,514,326.53	119,426,664.18
<b>Operating Profit before Working Capital Changes</b>	<b>502,252,800.25</b>	<b>272,095,057.44</b>
<b>Adjustment for changes in Working Capital :</b>		
(Increase)/Decrease in Trade & Other Receivable	(973,905,843.93)	(890,253,474.19)
(Increase)/Decrease in Inventories	(150,563,406.10)	(70,347,440.38)
Increase /(decrease) in Trade payable	(283,694,191.19)	286,768,568.86
<b>Cash Generated from operation</b>	<b>(905,910,640.96)</b>	<b>(401,737,288.27)</b>
Taxes Paid	(54,022,889.64)	(23,018,149.95)
<b>Net Cash flow from operating Activities</b>	<b>(959,933,530.60)</b>	<b>(424,755,438.22)</b>
<b>B. Cash flow from investing Activities :</b>		
Advances for Capital Assets	(1,684,966.00)	(2,221,286.00)
Sale of Fixed Assets	-	790,000.00
Purchase of Fixed Assets	(109,793,607.00)	(18,036,489.00)
<b>Net Cash used in Investing Activities</b>	<b>(111,478,573.00)</b>	<b>(19,467,775.00)</b>
<b>C. Cash flow from Financing Activities :</b>		
Increase/(decrease) in Secured Loans	1,080,210,426.72	419,967,170.04
Increase/(decrease) in UnSecured Loans	200,800,000.00	145,150,623.41
Interest	(186,514,326.53)	(119,426,664.18)
Dividend Paid	(18,200,000.00)	-
Tax on Dividend	(3,093,090.00)	-
<b>Net Cash from Financing Activities</b>	<b>1,073,203,010.19</b>	<b>445,691,129.27</b>
<b>Net increase in Cash or Cash Equivalents</b>	<b>1,790,906.59</b>	<b>1,467,916.05</b>
<b>Cash and Cash Equivalent at 1st April, 2009</b>	<b>19,988,110.40</b>	<b>18,520,194.35</b>
<b>Cash and Cash Equivalent at 31st March, 2010</b>	<b>21,779,016.99</b>	<b>19,988,110.40</b>
<b>Cash and Cash Equivalents comprise</b>	<b>21,779,016.99</b>	<b>19,988,110.40</b>
Cash in Hand and on Imprest Account	889,952.67	1,430,376.67
Balance with Scheduled Banks in Current Account	7,376,812.02	1,559,608.97
Balance with Scheduled Banks in Deposit Account	13,512,252.30	16,998,124.76

Notes :

- The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard -3 on "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.
- Figures in brackets indicate cash outflow.

This is the Cash Flow Statement referred to in our report of even date.

FOR MUKESH K ARORA & CO  
CHARTERED ACCOUNTANTS

Firm's Registration No.016877N

(GULSHAN KUMAR)  
Chairman

ON BEHALF OF BOARD OF DIRECTORS

(SANJAY DHINGRA)  
Managing Director

(POOJA GUPTA)  
Company Secretary

CA P.P. Mukerjee  
Membership No.:089854  
PARTNER

PLACE :- FARIDABAD  
DATED :- August 30, 2010

**SCHEDULE - A**

	As at March 31, 2010 Amount ₹	As at March 31, 2009 Amount ₹
<b>SHARE HOLDERS' FUND</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
20,00,00,000 Equity Shares of ₹ 1/- each	200,000,000.00	200,000,000.00
*(2,00,00,000 Equity Shares of ₹ 10/- each)		
<b>Issued, Subscribed and Paid up :</b>		
1820,00,000 Equity Shares of ₹ 1/- each fully paid	182,000,000.00	182,000,000.00
** (1,82,00,000 Equity Shares of ₹ 10/- each fully paid)		
Sub-total - I	182,000,000.00	182,000,000.00
<b>RESERVE &amp; SURPLUS</b>		
Capital Subsidy	-	1,500,000.00
Profit & Loss Account	292,823,905.80	137,130,438.21
Sub-total - II	292,823,905.80	138,630,438.21
 TOTAL (I + II)	 <b>474,823,905.80</b>	 <b>320,630,438.21</b>

\* Authorised Capital has been increased to 100,00,00,000 Equity Shares of ₹ 1/- Each on 17th June 2010.

\*\* Company has issued and allotted 5 Bonus Equity shares to every Non Promoter shareholder holding 7 Equity Shares on 17th June 2010.

As a result Paid up Capital of the Company is ₹ 203186434.

**SCHEDULE - B**
**SECURED LOANS**
**a) Short Term / Working Capital Loans**

<b>i. From Banks</b>	1,580,317,916.74	600,121,351.62
(Refer Note 11)		
<b>ii. Other</b>	100,000,000.00	
Interest Accured on above	543,699.00	
	<b>1,680,861,615.74</b>	

**b) Vehicle Loans from Banks**

<b>1,720,514.54</b>	2,250,351.94
<b>1,682,582,130.28</b>	602,371,703.56

**SCHEDULE - C**
**UNSECURED LOANS**
**a) Sales Tax Deferment Loan**

(Refer Note 11b)	8,904,189.18	9,604,189.18
<b>ii. Other</b>	497,500,000.00	296,000,000.00
	<b>506,404,189.18</b>	305,604,189.18

**SCHEDULE D**
**SCHEDULE OF FIXED ASSETS - AS PER COMPANIES ACT**

DESCRIPTION	GROSS BLOCK			DEPRECIATION				WDV As On 31.3.2010	WDV As On 31.3.2009
	Opening As at 01.04.09	Additions During the Year	Deduction/ Adjustment during the year	Closing As at 31.03.10	Opening As at 01.04.09	For the Year	Adjustment on account of sales/transfer		
Land	5,807,757.60	-	-	5,807,757.60	-	-	-	5,807,757.60	5,807,757.60
Computer	2,102,679.20	3,968,833.00	-	6,071,512.20	503,385.21	1,513,892.63	-	4,054,234.35	1,599,293.99
Building	32,031,330.62	15,824,552.00	-	47,855,882.62	21,490,854.24	1,212,580.13	-	25,152,448.25	10,540,476.38
Plant & Machinery	166,611,374.04	87,141,716.00	-	253,753,090.04	100,317,438.17	14,251,907.56	-	139,183,744.32	66,293,935.87
Furniture & Fixture	498,331.91	700,900.00	-	1,199,231.91	381,865.49	95,934.17	-	721,432.25	116,466.42
Vehicles	6,715,069.00	657,606.00	-	7,372,675.00	2,573,855.27	1,186,998.94	-	3,611,820.80	4,141,213.73
<b>Figures for the Current Year</b>	<b>213,766,542.37</b>	<b>108,293,607.00</b>	<b>-</b>	<b>322,060,149.37</b>	<b>125,267,398.38</b>	<b>18,261,313.42</b>	<b>-</b>	<b>178,531,437.56</b>	<b>88,499,143.99</b>
Figures for the Previous Year	197,034,197.37	18,036,489.00	1,304,144.00	213,766,542.37	113,322,571.06	12,402,827.61	458,000.30	88,499,143.99	83,711,626.31

**2008-09**
**2009-10**

2,221,286.00

3,906,252.00

Capital Work in Progress

**SCHEDULE - E**

	As at March 31, 2010 Amount ₹	As at March 31, 2009 Amount ₹
<b>A) INVENTORIES:</b>		
Raw Materials	3,963,625.00	3,099,900.00
Packing & Consumable Stores	9,643,383.00	6,641,590.00
Stock-in-Process	50,111,780.00	36,040,015.50
Finished Goods	422,039,291.33	273,503,755.19
Goods-in-transit (at cost)	-	15,909,412.55
Sub-total of A	<u>485,758,079.33</u>	<u>335,194,673.24</u>
<b>B) CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>Unsecured-Considered good</b>		
Sundry Debtors (net of advances)		
Over six months	519,592.00	620,611.00
Others	2,617,504,978.18	1,539,128,216.74
Sub-total of B	<u>2,618,024,570.18</u>	<u>1,539,748,827.74</u>
<b>C) CASH &amp; BANK BALANCES</b>		
a) Cash in Hand	889,952.67	1,430,376.67
b) Balance with scheduled banks		
- In Current Accounts	7,376,812.02	1,559,608.97
- In Fixed Deposits Accounts (including Interest accrued)	12,749,628.79	15,887,040.25
- Margin Money	762,623.51	1,111,084.51
Sub-total of C	<u>21,779,016.99</u>	<u>19,988,110.40</u>
<b>D) OTHER CURRENT ASSETS</b>		
a) Grant-in-Aid receivable	1,471,500.00	1,471,500.00
b) Capital Subsidy Receivable	-	1,500,000.00
Sub-total of D	<u>1,471,500.00</u>	<u>2,971,500.00</u>
<b>Total of A+B+C+D</b>	<u>3,127,033,166.50</u>	<u>1,897,903,111.38</u>
<b>E) LOANS &amp; ADVANCES</b>		
Unsecured - considered good		
a) Advances Recoverable in cash or in kind for value to be received	100,397,095.27	204,319,300.17
b) Deposit with Haryana Livestock Development Board (Milk Cess)	7,296,047.00	6,210,422.00
c) Balance with Revenue Authorities	658,545.25	676,927.86
d) Duty Draw Back Receivable	141,984.00	-
e) Other Deposits	1,680,280.00	1,837,200.00
<b>Total</b>	<u>110,173,951.52</u>	<u>213,043,850.03</u>



**SCHEDULE - F**

	As at March 31, 2010 Amount ₹	As at March 31, 2009 Amount ₹
<b>A) CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A. Current Liabilities</b>		
Acceptances	-	351,708,438.34
Sundry Creditors	<b>605,924,136.67</b>	542,851,835.00
Other Liabilities	<b>9,398,669.55</b>	4,986,247.07
Sub Total- A	<b><u>615,322,806.22</u></b>	<u>899,546,520.41</u>
<b>B) Provisions</b>		
Income Tax -(Net of TDS)	<b>109,295,968.70</b>	45,862,592.03
Wealth Tax	<b>2,212.00</b>	4,373.00
Fringe Benefits Tax	-	376,445.00
Proposed dividend	<b>20,318,643.40</b>	18,200,000.00
Tax on proposed dividend	<b>3,453,154.00</b>	3,094,000.00
Leave encashment/Gratuity	<b>1,876,829.00</b>	1,347,306.00
Sub Total - B	<b><u>134,946,807.10</u></b>	<u>68,884,716.03</u>
<b>Total A + B</b>	<b><u><u>750,269,613.32</u></u></b>	<u><u>968,431,236.44</u></u>

**SCHEDULE - G**
**TURNOVER**

Sales of Goods	<b>10,466,869,640.78</b>	5,756,758,396.35
Sales of Services	<b>74,092,069.00</b>	71,269,612.00
Export Incentives	<b>283,968.00</b>	-
	<b><u><u>10,541,245,677.78</u></u></b>	<u><u>5,828,028,008.35</u></u>

**SCHEDULE - H**
**OTHER INCOME**
**INTEREST INCOME**

Interest on FDR	<b>687,596.94</b>	734,375.19
(TDS deducted ₹ 86124/- (Previous year ₹ 164123/-)		
Misc. Income	<b>279,970.00</b>	243,000.00
(TDS deducted ₹ 28060/- (Previous year ₹ 25029/-)		
	<b><u><u>967,566.94</u></u></b>	<u><u>977,375.19</u></u>

**SCHEDULE - I**
**MATERIAL COSTS**

Raw Materials Consumed		
Consumption of raw material & packing	<b>8,253,812,830.51</b>	4,349,372,738.21
Purchase and contract manufacturing charges	<b>1,680,777,118.35</b>	1,095,852,247.21
Net (Increase) /Decrease in Inventories of work in Process	<b>(14,071,764.50)</b>	(8,037,185.50)
Net (Increase) /Decrease in Inventories of finished goods	<b>(132,626,123.59)</b>	(61,393,024.87)
	<b><u><u>9,787,892,060.77</u></u></b>	<u><u>5,375,794,775.05</u></u>

**SCHEDULE - J**

	As at March 31,2010 Amount ₹	As at March 31,2009 Amount ₹
<b>Employees Cost</b>		
Salaries , Wages & Bonus	<b>20,031,839.00</b>	13,629,654.00
Contribution to Provident and Other Funds	<b>622,373.00</b>	688,581.00
Gratuity & Leave Encashment	<b>548,535.00</b>	853,846.00
Employee Welfare and other amenities	<b>654,291.00</b>	620,651.00
	<b><u>21,857,038.00</u></b>	<b><u>15,792,732.00</u></b>

**SCHEDULE - K**
**OTHER EXPENSES**

Power & Fuel	<b>47,979,816.00</b>	45,409,073.50
Packing Expenses	<b>13,641,075.00</b>	7,228,570.00
Repair & Maintenance		
- Plant & Machinery	<b>10,710,388.49</b>	11,779,485.80
- Building	<b>2,105,526.00</b>	2,402,206.00
Processing Charges	<b>34,265,709.00</b>	14,097,189.00
Consumable Stores	<b>2,825,938.00</b>	3,559,774.00
Advertisement & Sales Promotion	<b>524,303.00</b>	1,297,750.00
Auditors' Remuneration	<b>125,000.00</b>	100,000.00
Bank Charges	<b>20,256,316.60</b>	8,251,725.48
Conveyance & Travelling	<b>1,156,694.00</b>	808,802.00
Commission & Brokerage	<b>3,008,242.20</b>	1,835,113.96
Charity and Donation	<b>54,300.00</b>	5,100.00
Transportation Charges	<b>13,612,910.50</b>	6,998,740.75
Fees & Subscription	<b>404,611.00</b>	246,820.00
Insurance	<b>647,935.00</b>	602,473.00
Legal & Professional Expenses	<b>3,372,132.00</b>	1,091,924.00
Rebate & Discount	<b>61,600,561.31</b>	58,577,299.93
Royalty Expenses	<b>1,455,960.00</b>	1,483,152.00
Misc Expenses	<b>5,016,379.56</b>	922,436.35
Printing & Stationery	<b>463,133.00</b>	485,184.00
Rent , Rates & Taxes	<b>2,207,789.00</b>	2,198,756.00
Security Expenses	<b>1,798,036.00</b>	1,990,476.00
Telephone & Cellular Expenses	<b>1,154,421.04</b>	898,965.76
Car Running & Maintenance	<b>1,770,346.00</b>	1,234,559.00
Loss on sale of Fixed Assets	-	56,143.70
Exchange Difference	<b>53,823.00</b>	68,968.00
	<b><u>230,211,345.70</u></b>	<b><u>173,630,688.23</u></b>

**SCHEDULE - L**
**INTEREST AND FINANCE CHARGES**

Interest on Loans	<b>186,514,326.53</b>	111,174,938.70
	<b><u>186,514,326.53</u></b>	<b><u>111,174,938.70</u></b>

**SCHEDULE - M**
**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010**
**1 SIGNIFICANT ACCOUNTING POLICIES**
**i) Basis of Preparation of Accounts**

The financial statements of the Company are prepared under the historical cost on accrual basis of accounting in all material respects in accordance with the notified accounting standards by Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied by the company and are consistent with those used in previous year.

**ii) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumption that effect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

**iii) Fixed Assets**

Fixed Assets (except freehold land which is carried at cost) are stated at cost less accumulated depreciation and impairment losses where applicable. Cost includes purchase price and all direct / indirect costs incurred to bring the assets to its working condition for its intended use. Assessment of indication of impairment of an asset is made at the year end and impairment loss, if any, recognized.

**iv) Borrowing Costs**

Borrowing Costs that are attributable to the acquisition, construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue in the period in which these are incurred.

**v) Revenue recognition**
**Sale of Goods**

Sale is recognized when the significant risks and rewards of ownership of the goods have passed to the customer. Sale comprise amounts invoiced for goods sold and does not include sales tax/vat or any other tax levied on sales, and are net of sales returns, trade discounts and rebates.

**Income from Services**

Revenue from Milk Processing services are recognized as and when services are rendered, and are accounted for an accrual basis.

**Dividend Income**

Dividend income from investments is recognised when the Company's, right to receive dividend is established.

**Interest Income**

Interest Income is accounted for on a time proportion basis taking into account the amount outstanding and the rate applicable.

**Other Income & Expenditure**

Other Income & expenditure are accounted for an accrual basis except where the receipt of income is uncertain in which case it is accounted for on receipt basis.

**vi) Depreciation**

Depreciation on fixed assets have been provided on written down value method at the rates and in the manner prescribed in schedule XIV to the Companies Act, 1956. Assets individually costing ₹ 5000/- or less are depreciated fully in the year when the assets are put to use.

**vii) EMPLOYEE BENEFITS**
**A. SHORT TERM EMPLOYEE BENEFITS**

Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account for the year in which employee renders the related service.

**B. Post Employment Benefits**
**(i) Defined Contribution Plans:**

Company's contribution to state governed Provident Fund Scheme & Employees State Insurance Contribution Scheme are charged to the revenue of the year when the contribution to the respective fund is due.

**(ii) Defined benefit plans:**

The present value of gratuity obligation is determined based on an actuarial valuation using the Projected Unit Credit Method. Actuarial gains and losses arising on such valuation are recognized immediately.

(iii) **Other Defined Plans:**

Other long term benefits (leave entitlement) are recognized in a manner similar to defined benefit plans:

Termination Benefits are recognized as an expense in the year in which they are incurred.

**(viii) Inventories**

Inventories are valued at the lower of cost, computed on weighted average basis and estimated net realizable value. Cost of work-in-process and finished goods includes manufacturing overheads.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated cost necessary to make the sale.

**ix) Income and Deferred Taxes**

Income Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current timing differences between taxable and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient taxable income will be available against such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the company reassesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**x) Impairment**

The Carrying amounts of assets are reviewed at each balance sheet date for any indication of impairment based on internal/external factors. Where the carrying value exceeds the estimated recoverable amount, provision for impairment is made to adjust the carrying value to the recoverable amount. The recoverable amount is the greater of the assets estimated net realizable value and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate discounting rate.

**xi) Foreign Exchange Transactions**

Foreign currency transactions during the year are recorded at the rates of exchange prevailing on the date of the transaction. Foreign currency monetary assets and liabilities are translated into rupees at the rates of exchange prevailing on the date of the Balance Sheet. All exchange differences are dealt with in the statement of Profit and Loss account.

**xii) Government Grants**

Government grants are recognized in profit and loss account and/or to fixed assets in accordance with the related scheme and in the period in which these are accrued.

**xiii) Contingencies / Provisions**

a) In terms of the requirement of the Accounting Standard-29 (AS-29) on "Provisions, Contingent Liabilities and Contingent Assets"

A provision is recognized when the Company has a present obligation as a results of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provision are not discounted to its present value and are determined based on management estimate require to settle the obligation at the balance sheet date. Contingent liability is disclosed unless the possibility of an outflow of resource embodying the economic benefit is remote. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

b) Where as a result of past events, there is a possible obligation that may, but probably will not require an outflow of resources, no provision is recognized but appropriate disclosure made as contingent liability unless the possibility of outflow is remote.

**2 Contingent Liabilities:**

	Current Year ₹ in Lacs	Previous Year ₹ in Lacs
a) Claim against the company not acknowledged as debts		
i) Milk Cess disputed by the company relating to issue of applicability, against which the company has filed an appeal with High Court, Punjab & Haryana (A sum of ₹ 72.96 lacs (Pre.Yr. ₹ 62.10 Lacs) deposited under protest)	<b>221.39</b>	196.18
ii) Other matters	<b>156.97</b>	156.97
b) Contingent Liability for Bills Discounted	<b>3,508.23</b>	4,163.44
c) Liability under Bank Guarantee	<b>44.85</b>	44.85
d) Estimated amount of Contracts remaining to be executed on capital account and not provided for	<b>124.16</b>	227.79

**3 Segment Reporting**

The Company is primarily engaged in the business of manufacture, purchase and sale of ghee, skimmed milk powder, Lactose and milk ("Dairy Products"). The other activities of the company comprise pasteurising and packing of fresh milk on job work basis and manufacturing of curd.

The income from these activities and export of dairy products is not material (less than 10%) in financial terms. Accordingly segment information as per AS-17 has not been disclosed.

**4 The deferred tax liability comprise of the following :**

	As at 31st March, 2010	As at 31st March, 2009
<b>a) Deferred Tax Liability</b>		
Related to Fixed Assets	<b>(5,734,466)</b>	(4,920,046)
<b>b) Deferred Tax Assets</b>		
Due to Disallowance under the Income Tax Act, 1961	<b>169,497</b>	290,222
	<b>(5,564,969)</b>	(4,629,824)

**5 The Company has not received information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amounts unpaid as at the year end together with interest paid / payable under this Act have not been given.**
**6 ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3,4C AND 4D OF VI OF THE COMPANIES ACT,1956.**

Note: Previous year figures have been mentioned in brackets

**A Licensed Capacity and Installed Capacity and Actual Production**

PRODUCTS	UNIT	LICENSED CAPACITY	INSTALLED CAPACITY	ACTUAL PRODUCTION
Fat/Butter/Cream/Ghee	Tonnes	N/A	*	<b>17,032</b> (5,112)
SMP/WMP/DW/DC/SNF	Tonnes	N/A	*	<b>13,594</b> (4,866)
Milk / Skimmed Milk / Toned/ Double Toned Pasteurized/Processed	Tonnes	N/A	*	<b>205,442</b> (204,059)
Curd	Tonnes	N/A	*	<b>655</b> (832)

\* In view of leverage of multiple items of Dairy Products the installed capacity has not been mentioned.

**B Particulars in respect of sales**

	Unit of Quantity	QUANTITY	VALUE ₹ in Lacs
Fat/Butter/Cream/Ghee	Tonnes	<b>18,821</b> (6,834)	<b>43,908</b> (11,932)
SMP/WMP/DW/DC/SNF	Tonnes	<b>25,196</b> (12,631)	<b>28,489</b> (13,829)
Milk / Skimmed Milk / Toned/ Double Toned Pasteurized/ Processed	Tonnes	<b>205,442</b> (204,059)	<b>32,038</b> (31,472)
Curd	Tonnes	<b>655</b> (832)	<b>233</b> (317)

**C Details of Finished Goods**

PRODUCTS	Unit of Quantity	OPENING STOCK		Closing Stock		Purchases and contract manufacturing	
		Quantity	Value ₹ in lacs	Quantity	Value ₹ in lacs	Quantity	Value ₹ in lacs
Fat/Butter/Cream/Ghee	Tonnes	826 (752)	1,355 (1,080)	1,150 (826)	2,474 (1,355)	2,113 (1,796)	4,611 (2,930)
SMP/WMP/DW/DC/SNF	Tonnes	1,731 (1,203)	1,380 (1,200)	1,811 (1,731)	1,746 (1,380)	11,682 (8,292)	12,191 (8,031)
		-	-	-	-	-	-
TOTAL		2,557 (1,956)	2,735 (2,280)	2,961 (2,557)	4,220.39 (2,735)	13,795 (10,088)	16,801 (10,960)

**D Details of Raw materials (Indigenous) consumed during the year**

PRODUCTS	Unit of Quantity	2009-10		2008-09	
		Quantity	Value ₹ in lacs	Quantity	Value ₹ in lacs
Milk	Tonnes	<b>280763.86</b>	<b>60863.86</b>	160,714	28,829.90
Butter Fat/Ghee	Tonnes	<b>2118.82</b>	<b>4525.26</b>	2,565	3,831.98
Others	Tonnes	<b>14486.47</b>	<b>16685.64</b>	9,337	10,421.54
			<b>82074.76</b>		43,083.42

**E Earnings etc. in foreign exchange during the year**

	(₹ In Lacs)
<b>2009-10</b>	<b>2008-09</b>
Export of Goods -FOB Value	<b>283.97</b>

**F Foreign Exchange Outgo  
CIF Value of Imports**

	₹ in Lacs
<b>2009-10</b>	<b>2008-09</b>
Capital Goods	-
Raw Material	<b>73.84</b>
	<b>73.84</b>

**7 Payment to Auditors :**

	<b>2009-10</b>	<b>2008-09</b>
i Audit Fees	<b>1.00</b>	0.80
ii Tax Audit Fees	<b>0.25</b>	0.20



**8 Managerial Remuneration**

Salaries and Allowances

2009-10	2008-09
7.20	6.40

**9 Statement of Earning Per Share**

- i Net Profit after tax attributable as per account ( ₹ in lacs)
- ii {Excess}/ short provision for tax of earlier year ( ₹ in lacs)
- iii Net Profit attributable to Equity Shareholders ( ₹. In lacs)
- iv Weighted Average Number of Equity Shares used as denominator for calculating EPS
- Nominal value per share (in ₹ )
- Basic/Diluted Earning Per Share (in ₹ )

2009-10	2008-09
1855.68	952.46
61.03	(14.09)
1794.65	938.36
182,000,000	18,200,000
1.00	10.00
0.99	5.16

**10** As required by Accounting Standard- AS 18 "Related Parties Disclosure" issued by The Institute of Chartered Accountants of India is as follows :

**List of Related Parties :**
**a) Key managerial personnel**

- Sh. Sanjay Dhingra

**b) Major Shareholders**

- Sh. Sanjay Dhingra
- Sh. Gulshan Kumar
- Sh. Kishan Dhingra
- Sh. Naresh Dhingra

**c) Relatives of Major Shareholders/Key managerial personnel**

- Ms. Seema Dhingra
- Ms. Pinki Dhingra

**d) Enterprises of Major Shareholder/Key Management Personnel or their relatives**

- JMD Proteins Pvt. Ltd.
- Super Veg Oils Pvt Ltd
- JMD Oils Pvt Ltd
- JMD Veg Oils Pvt Ltd
- JTPL Townships Pvt Ltd

Details of Transactions/Balances are as follows:

		₹ in Lacs			
		Major Shareholders/KMP			
	Key Management Personnel(KMP)	Major Shareholders	Relatives	Enterprises	
<b>I Transactions with related parties during the year</b>					
a Managerial Remuneration	7.20 (6.40)				
b Rent			- (1.20)		
c Loans and advances received					2000.00 (2,500.00)
Year End Balances	5.92 (1.40)		3.40 (3.40)		4500.00 (2,500.00)

d	Collateral Security/guarantee against loan availed by Company	<b>1,000.00</b>	<b>6,100.00</b> (5,100.00)
e	Guarantee taken for Financial Limits enjoyed from banks	22,000.00 (7,200.00)	<b>20,000.00</b> (5,700.00)
f	Current Account Transactions Amount Received /(given)		
i)	Maximum Balance at any time		<b>3387.80</b> (4,177.91)

Note: Previous year figures have been mentioned in brackets

**II** Disclosure in respect of transactions which are more than 10% of the total transactions of the same type during the year

	<b>2009-10</b>	<b>2008-09</b>
Inter Corporate Loans received		
JMD Proteins Pvt Ltd	<b>1000.00</b>	1,500.00
JMD Veg Oils Pvt Ltd	<b>1000.00</b>	1,000.00
Current Account Transactions Amount Received /(given)		
Maximum amount at any time		
- JMD Oils Pvt Ltd	<b>1525.68</b>	3,068.46
- Super Veg Oils Pvt Ltd	<b>1125.62</b>	1,109.45
- JMD Veg oils Pvt Ltd	<b>736.50</b>	-
<b>Amount outstanding as at year end</b>	<b>-</b>	<b>-</b>
Inter Corporate Loans received		
JMD Proteins Pvt Ltd	<b>2500.00</b>	1500.00
JMD Veg Oils Pvt Ltd	<b>2000.00</b>	1000.00
Current Account Transactions Amount Received /(given)		
- JMD Oils Pvt Ltd	<b>NIL</b>	NIL
- Super Veg Oils Pvt Ltd	<b>NIL</b>	NIL
Guarantee obtained for limits enjoyed by the Company		
Super Veg Oils Pvt Ltd	<b>19000</b>	5,700.00
JTPL Townships Pvt Ltd	<b>15600</b>	5,100.00

**11 Detail of Security given against :**

- Secured Loans availed : Short term / Working Capital Loans from banks are secured against hypothecation of stock, book-debts, plant & Machinery and additionally secured by equitable mortgage of factory land & building. The said loans are further secured by way of personal guarantee of major shareholders and corporate guarantee of M/s. Super Veg Oils Pvt Ltd & M/s. JTPL Townships Pvt Ltd( Refer Note 10 e )
- Unsecured Loan : Sales Tax Deferment Loan Secured by Bank Guarantee of ₹ 15.97 lacs and Surety Bond by Director of the Company.
- Contingent Liability for Bills Discounted and Sundry Creditors (Under Trade Finance Facility) include the sum of ₹ 2750.00 Lacs and ₹ 2350.00 Lacs respectively , secured against equitable mortgage of land owned by JTPL Townships Pvt Ltd, (Refer Note 10 d )

**12** In accordance with the provisions of the AS-28 issued by Institute of Chartered Accountants of India on Impairment of Assets, the Company has carried out an impairment test in respect of all assets. On the basis of such exercise the company has determined that for the year ended 31st March 2010, no impairment / reversal of loss is required.

**13 EMPLOYEE BENEFITS**

In accordance with the Accounting Standard 15 (AS-15) (Revised) 'Employee benefits' the Company has provided for gratuity and leave encashment based on actuarial valuation done as per Projected Unit Credit Method.

	In ₹	In ₹
	<b>2009-10</b>	<b>2008-09</b>
a) Defined Benefit Plan		
I Change in Benefit Obligation	<b>Gratuity &amp; Leave Encashment</b>	Gratuity & Leave Encashment
Liability at the beginning of the year	<b>1347306</b>	528,708
Interest Cost	<b>107489</b>	-
Current service cost	<b>608789</b>	480,874
Benefit Paid	<b>(19,012)</b>	(35,248)
Actuarial (gain)/loss on obligation	<b>(167,743)</b>	372,972
Liability at the end of year-recognized in the Balance Sheet	<b>1876829</b>	1,347,306
II Expenses recognized in the Income statement		
Current service cost	<b>716278</b>	480,874
Net Actuarial (gain)/loss to be recognized	<b>(167,743)</b>	372,972
Expenses recognized in Profit and loss Account	<b>548,535</b>	853,846
III Actuarial Assumptions		
Discount rate current	<b>8% per annum</b>	7% per annum
Salary escalation current	<b>5% per annum</b>	5% per annum
Mortality	<b>LIC 94-96 Ultimate</b>	LIC 94-96 Ultimate
Withdrawal rate 18 to 60 Years	<b>2% per annum</b>	2% per annum
An amount of ₹ 548535/-(PY. - ₹ 853846/-) as contribution towards defined contribution plan is recognized as expense in the Profit & Loss Account.		

**14 Future commitments in respect of assets acquired under Finance Scheme :**

	₹ In Lacs	₹ In Lacs
	<b>2009-10</b>	<b>2008-09</b>
a) Minimum Installments		
Payable within one year	11.58	12.10
Later than one year but not later than 5 years	12.66	14.40
b) Present Value of minimum installments		
Payable within one year	10.03	9.84
Later than one year but not later than 5 years	11.11	12.66

**15 Previous Year's figures have been reworked, rearranged, reclassified and regrouped where considered necessary to make them comparable with the current year's figure.**

As per our Report of even date

FOR MUKESH K ARORA & CO

CHARTERED ACCOUNTANTS  
Firm's Registration No.016877N

CA P.P. Mukerjee  
Membership No.:089854  
PARTNER

PLACE :- FARIDABAD  
DATED :- August 30, 2010

ON BEHALF OF BOARD OF DIRECTORS

(GULSHAN KUMAR)  
Chairman

(SANJAY DHINGRA)  
Managing Director

(POOJA GUPTA)  
Company Secretary









**Signing of MOU with National Research Development Corporation, Govt. of India  
for Technology Transfer of Low Cholesterol Pure Ghee**



**KWALITY DAIRY (INDIA) LIMITED**

Registered Office: Village Softa, Tehsil Palwal, Faridabad, Haryana – 121 004

**ATTENDANCE SLIP****18TH ANNUAL GENERAL MEETING****Monday, 27th September 2010 at 11.00 a.m.****VENUE: Village Softa, Tehsil Palwal, Faridabad, Haryana – 121 004**

DP Id. \_\_\_\_\_

Folio No. \_\_\_\_\_

Client ID. \_\_\_\_\_

No. of Shares held \_\_\_\_\_

Member's Name \_\_\_\_\_

Complete Address \_\_\_\_\_

I hereby record my presence at the 18th Annual General Meeting of the Company to be held on Monday, 27th September 2010, at 11.00 a.m., at Village Softa, Tehsil Palwal, Distt. Faridabad, Haryana – 121 004

\_\_\_\_\_  
Member's Signature

If proxy attends instead of Member :

Proxy's Name \_\_\_\_\_

Proxy's Signature \_\_\_\_\_

Note:

Members/Proxy holders wishing to attend the meeting must bring their duly filled and signed Attendance Slip with them. NO GIFT/COUPON WILL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.

**KWALITY DAIRY (INDIA) LIMITED**

Registered Office: Village Softa, Tehsil Palwal, Faridabad, Haryana – 121 004

**PROXY FORM**

I/We.....

R/o..... being a member/members of

Kwaliti Dairy (India) Limited, hereby appoint Mr./Ms.....

R/o..... or failing him/her,

Mr./Ms.....R/o.....

as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the 18th Annual General Meeting of the Company to be held on Monday, 27th September, 2010 at 11.00 a.m, at Village Softa, Tehsil Palwal, Faridabad, Haryana – 121 004, and at any adjournment thereof.

DP Id. \_\_\_\_\_

Folio No. \_\_\_\_\_

Client ID. \_\_\_\_\_

No. of Shares held \_\_\_\_\_

Proxy's Name \_\_\_\_\_

Proxy's Signature \_\_\_\_\_

Signed this .....day of.....2010 Signature of the Member\_\_\_\_\_

Note:

The proxy form, to be effective, must be deposited, duly filled and authenticated at the Registered office of the Company not less than 48 hours before the scheduled time of the Meeting.

Affix 1 Rupee  
Revenue  
Stamp



## CSR Initiatives of Kwaliti Dairy (India) Limited



**Company provides Self Employment Opportunities  
for Women Dairy Owners at village level.**



**Company organizes Animal Health and Fertility Camp.**



Inauguration of New Milk Chilling Centre  
at Rania (Haryana)





## KWALITY DAIRY (INDIA) LIMITED

An ISO 9001 : 2008 & HACCP CERTIFIED COMPANY

Corporate Office: KDIL House, F-82, Shivaji Place, Rajouri Garden, New Delhi-110027

Tel.: 011-47006500 (100 Lines) Fax: 011-25191800

Regd. Office & Works: Village Softa, District Palwal, Haryana E-mail: [info@kdil.in](mailto:info@kdil.in) Website: [www.kdil.in](http://www.kdil.in)