

Annual Report
—2011—



KWALITY DAIRY (INDIA) LTD.

Letter to Shareholders



Mr. Sanjay Dhingra
(Chairman &
Managing Director)

In this year of 2010 – 2011 our Company KDIL has achieved unprecedented growth over & above the last year's exemplary performance. This year we have achieved many milestones crossing Rs. 1600 crores turnover and growth of over 150% in Profits after Tax over last year being some of them.

I congratulate you and the whole team of KDIL on achieving such high growth even in turbulent times. Today we are one of the fastest growing Dairy companies in India. There is a tremendous scope of growth in our industry as it is the highest contributor to the rural Indian economy and as we know, 70% population of India still resides in our villages.

The dairy sector needs to be in the forefront of our social life. There is need to identify the foods that can improve human health. This topic isn't strange to our Indian society. Consumption of milk and milk products have been an integral part of every Indian. Indian civilization is perhaps the first one to have laid significant importance on the inclusion of milk in daily diet. The need for fresh discussion is arising from the fact that with the growing affluence in the society there is increasing incidence of lifestyle diseases. The current rate at which our health is showing decline, it requires pointed attention of all the learned: researchers, health experts and dieticians. It is this agenda that put the onus on the dairy sector. There is a need to re-emphasize and highlight advantages of Dairy food.

I hold the agenda on behalf of thousands of shareholders of Kwaliti Dairy. I wish to fulfill the expectations of the shareholders for that I have to dream and have a vision. It is a daunting task. But I dare to vision because I feel strengthened by the positive aura that is reflected on me.

Our group has expanded operation of dairy at a rapid pace. From a capacity to handle 50,000 litres daily to 17 lakh litres daily. From a pilot project of setting up a rural network of just a 100 villages and a few thousand farmers in Haryana, Kwaliti is venturing into all the neighboring states investing Rs. 1000 crores over a period of next five years. It is not a mere expansion in terms of capacities and content. Kwaliti has an eye for quality of all consumer products. That is what draws us to buy milk directly from the milk producer.

Kwaliti Dairy also stands for bringing more and more health food for human consumption. We are very grateful to the National Dairy Research Institute for the developmental and applied research that they are carrying on. It is their research on establishing a laboratory scale method to produce low-cholesterol ghee that caught our attention. We decided to associate with their scientists in venturing into commercial production. We jointly developed the technique, technology and processes to help us standardize production of ghee with 85% less cholesterol. This has given advantage to Kwaliti Dairy, being the first in the dairy sector, to have ventured into launching "Dairy Best Livlite". I invite all of you to test "Dairy Best Livlite" low-cholesterol ghee and give us your voluntary feedback.

We shall provide best quality products to improve the health of India and thus fulfilling our social responsibility along with our economic responsibility to make profits for our stakeholders thus making inclusive growth.

I would also like to inform you that your company has decided to increase its global footprint and open a wholly owned subsidiary in Dubai that will open new markets for our products.

At last I would like to congratulate you on listing of your company's stock on NSE Ticker.

Thank You

Corporate information

Directors

Mr. Sanjay Dhingra	(Chairman & Managing Director)
Mr. Sidhant Gupta	(Executive Director)
Mr. Arun Srivastava	(Independent Director)
Dr. Rattan Sagar Khanna	(Independent Director)

Compliance Officer

Ms. Deepa Kapoor

Auditors

P.P. Mukerjee & Associates
Chartered Accountants,

Bankers

Bank of India
Bank of Baroda
Andhra Bank
Allahabad Bank
Corporation Bank
ICICI Bank Limited
IDBI Bank
Catholic Syrian Bank

Corporate Office

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

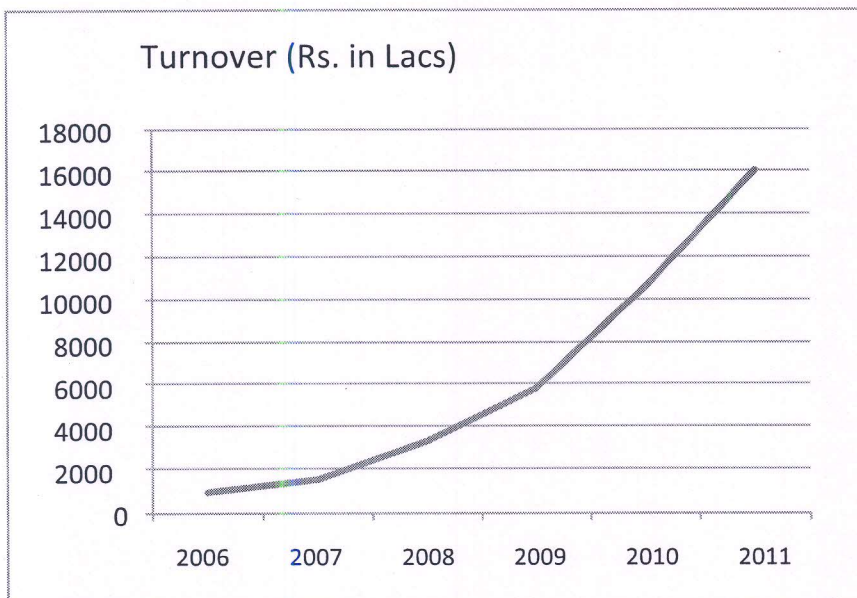
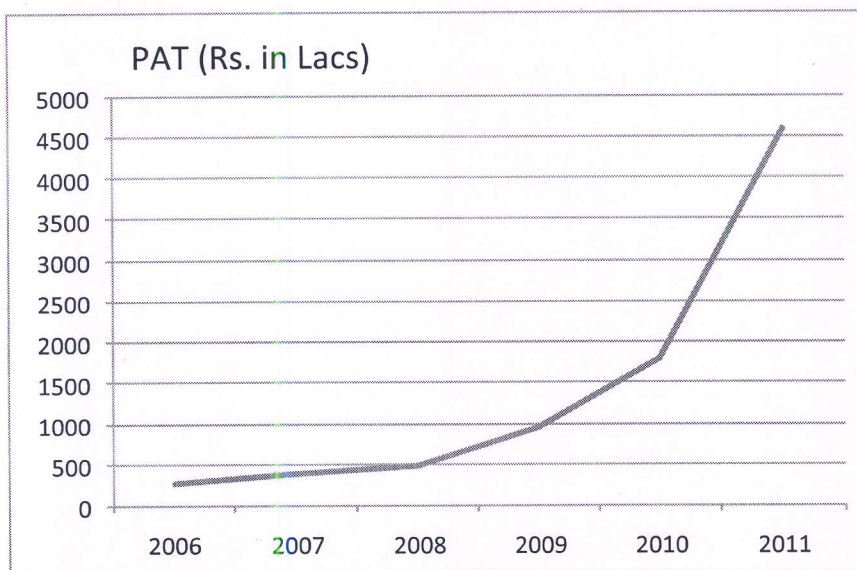
Registered office & Works

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

Registrar and Share Transfer Agents

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

Stock & Financial Trends



Vision 2020

Innovation & Technology has been defining our way of working here at Kwality Dairy (India) Limited

At the onset of a new decade in the 21st Century, we are committed to work towards becoming the leader in the dairy food business and establishing the industry benchmarks for others to follow.

We are committed to increase all the stakeholders value by creating an organization that's respected and envied at the same time.

Industry Outlook

"By 2020 India will challenge the European Union for top rank amongst world dairy producers, with a growth of nearly 3% a year over this decade taking its output to some 150m tonnes."

- The United Nations Food Agency & OECD

"The Indian food industry currently valued at \$ 181 billion, is estimated to grow to \$258 billion by 2015"

- Ernst & Young & FICCI

Dairy industry is the single largest contributor to the rural incomes amounting to almost 1% of GDP and thus touches the lives of maximum families in rural India.

CONTENTS

Notice.....	14
Directors' Report.....	22
Corporate Governance.....	26
Management Discussion & Analysis.....	39
Auditor's Report.....	42
Balance Sheet.....	46
Profit & Loss Account.....	47
Cash Flow Statement.....	48



Journey of "Dairy Best" so far...

With the successful launch of Super Brand Dairy Best, the products have been widely distributed and accepted by the consumers. Post the acceptance, KDIL thought of sustaining the demand by getting into an agreement with Grey Worldwide as their creative agency, one of the leading Ad agencies in World. KDIL began its promotion for "Dairy Best" Pure Ghee with a message of Purity with a very catchy radio jingle which was aired on leading radio stations. Print ads were also released in the leading dailies like The Times of India, Hindustan Times, Punjab Kesari, Nav Bharat Times and more for creating consumer awareness. The promotion was done in Delhi, Rajasthan, Punjab and Haryana.

KDIL then introduced 100% pure Cow Ghee a product well-regarded & valued in the Indian tradition. Its uses have been described in our historic Vedas & Upnishads. Apart from traditional value, it has scientific research to back its claim as a very useful product.

Regular use of Cow Ghee can prevent Breast Cancer - NDRI

After 100% pure Cow Ghee, KDIL introduced a revolutionary product in the market in collaboration with NDRI "Dairy Best Livlite". To launch the product after many deliberations as to who can truly represent the Brand. KDIL signed Bollywood Diva, Bipasha Basu as their brand ambassador to launch its revolutionary product in the market. The USP of the product is that it has 85% Less Cholesterol than any other Pure Ghee available in the market. The product is unique and that makes it one-of-its-kind. Livlite has been developed and patented by National Dairy Research Institute (NDRI), Karnal of ICAR and licensed by National Research and Development Corporation (NRDC).

Company did a 360 degree promotional campaign for "Dairy Best Livlite" with all the mediums namely electronic, print, outdoors and digital. The radio campaign was aired on leading radio channels to educate consumer about the healthy living in the fast moving world and lifestyles. At the same time, the company started its promotion in the leading General Entertainment Channels (GEC's) namely Colors, ZEE and Star Plus with their leading programs Balika Vadhu, Pavitra Rishta and Pratigya to name some.

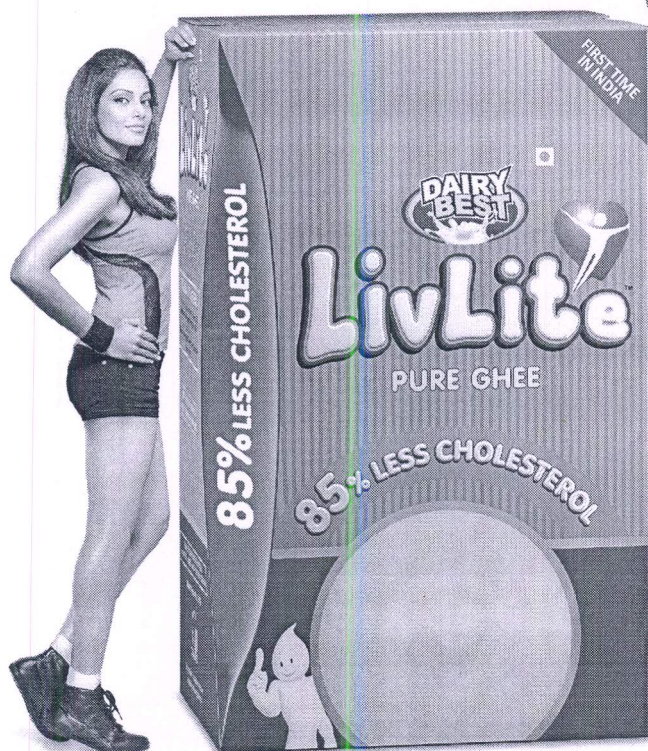
As we all know that cricket is regarded as religion in India, with ICC World Cup happening in India, KDIL sponsored its ad during the matches. The company was associate sponsor of Star Parivaar Awards which were held in Macau.

Simultaneously, all the leading dailies of different states were taken to promote the product in different regions. Company also promoted its product heavily in Delhi through outdoor sites in Delhi & NCR. Different sites sizing from 20sq fts to 800sq fts were taken to make consumer aware about the product. Moreover, Press Conference was organized in Ashoka Hotel wherein Bipasha herself spoke about the product and also how she is associated with "Dairy Best Livlite" in her daily routine.

The company wanted consumer to be aware of goodness of ghee. In this regard BTL activities like canopies were installed at different retail locations. Consumers were made to taste the product by getting a dish prepared in "Dairy Best Livlite", so that, there are no queries in terms of different taste, color, texture and aroma. Leaflets were distributed at consumer's doorsteps educating them about the different cooking mediums and the advantages of ghee in today's lifestyle.



Kwality Dairy presents **LivLite**
India's First Pure Ghee with
85% less
cholesterol.



A morning jog. Meals on time. Avoiding junk food. And a 6-hour sleep at night. You know that following simple tips like these help you in leading a healthy lifestyle.

But your hectic lifestyle hardly gives you a moment to pay attention to your health. That's why, we at Kwality Dairy (India) Ltd. have introduced Dairy Best Livite Pure Ghee. India's only pure ghee with 85% less cholesterol.

So go ahead, make a change in your cooking medium to get the blessing of a long and healthy life.



PURE GHEE
Jug Jug Jiyo!

KWALITY DAIRY (INDIA) LIMITED | www.kdil.in

Media Campaigns & Brand Initiatives

The idea is quite simple. What you eat defines your health and your state of health reflects on your daily activities, attitude and behavior. A balanced diet, made up of healthy food is essential for maintaining your good health otherwise you would be giving an open invitation to excess of cholesterol. And you very well know how common chronic diseases like stroke, diabetes, cancer and osteoporosis are.

With a kind of lifestyle that you follow today, body is deficient of the activities and exercise that it actually needs. Moreover, you further damage your health by eating out excessively and adopting fast cooking methods. In such a scenario, good health depends a lot on the cooking medium that you use.

Switch to Dairy Best Livlite. It's India's first ever pure ghee that contains 85% less cholesterol than regular ghee or oil.

You might be living with this notion that 'ghee' is unhealthy for your body. But the fact remains true that Ghee has been a major ingredient in several Ayurvedic processes. The purity of ghee is unmatched and till date there has been no alternative to ghee.

Bhaavaprakasa, a major 16th century Ayurvedic text says: "Ghee is sweet in taste and cooling in energy, rejuvenating, good for the eyes and vision, enkindles digestion, bestows luster and beauty, enhances memory and stamina, increases the intellect, promotes longevity, is an aphrodisiac and protects the body from various diseases".

KDIL legacy and the new Livlite

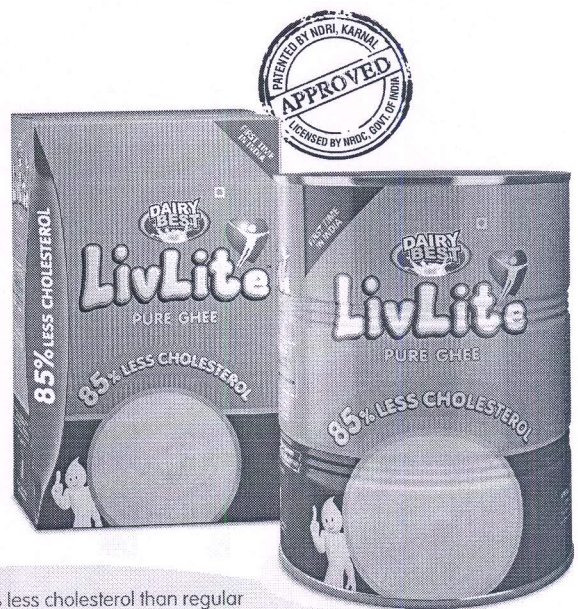
Kwality Dairy India Limited is a leading dairy products company amongst the private sector dairy industries in India. With quality, integrity and technology being the hallmark of its growth, Kwality Dairy India Limited is all poised to bring you similar healthy yet tasty offerings in the future. KDIL's Livlite is a perfect choice for people who have a hectic lifestyle and need a healthy cooking medium.

Dairy Best Livlite: A whole new way to a healthy eating habit

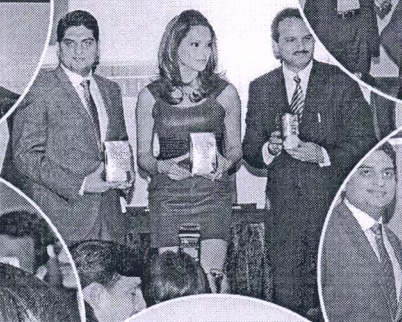
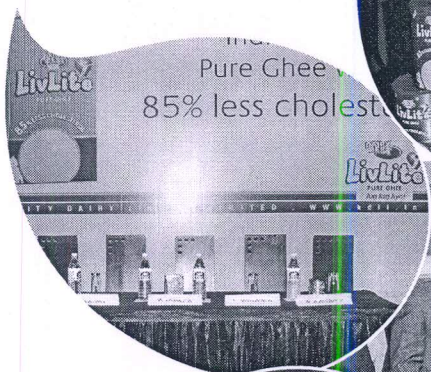
- Developed and patented by National Dairy research of India (NDRI) Karnal, of ICAR and licensed by National Research and Development Corporation (NRDC).
- Livlite maintains good cholesterol level and helps lower bad cholesterol levels.
- It gives you Vitamin A, D, riboflavin as well as minerals like calcium, magnesium, phosphorus and potassium.
- It also contains CLA (conjugated linoleic acid) essential for the functioning of the nervous system.

What makes Livlite essential for your health?

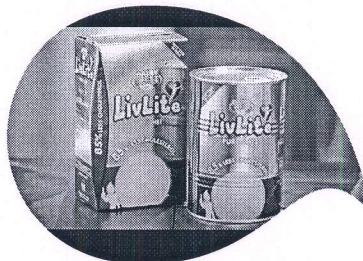
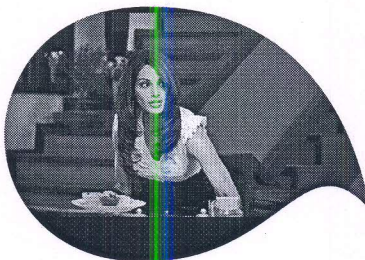
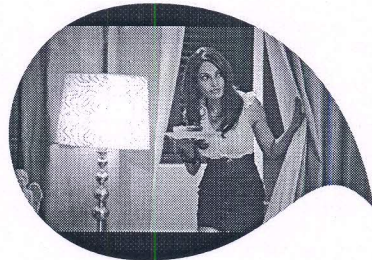
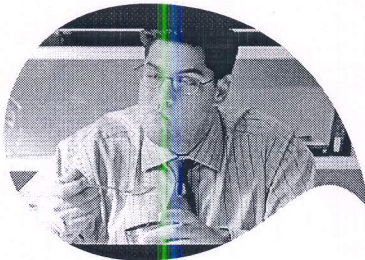
- Livlite doesn't contain oxidised cholesterol or trans-fatty acids, associated with heart diseases. It imparts the goodness of fatty acids without the problems of oxidised cholesterol, trans fatty acids or hydrogenated fats.
- Its linoleic acid (unsaturated fatty acid essential for growth) helps in regular body growth.
- Livlite contains high quality edible fats. These fats are lower saturated fatty acids. Because of this, Livlite is easily digestible. Its rate of absorption is 95%, highest among all fats and oils.
- Livlite resists spoilage by micro-organisms.
- Because of its butyric and linoleic acid contents, Livlite has anti-viral and anti-cancer properties.
- Livlite doesn't need refrigeration.
- Livlite has three essential properties – delivery, digestion (of the medicine), and absorption that help in keeping you healthy.



Snapshots of Press Conference



**Key Take out
from
researches**



Many researches have been conducted and snippets of few are as follows

TVC:

- The Livite TVC has enjoyed very good reach amongst people. The ones who saw, the ad majority have been able to recall the right brand!!!
- Good Execution recall: The shot where Bipasha prepared Samosas in Ghee and the man relishes them, has caught the attention of more than a third of the audience of the TVC. Also this recall of Bipasha's message of the Ghee having 85% less cholesterol, and low fat has been high
- Good message recall: successful in communicating the key message of low cholesterol/ low fat ghee, which is good in taste and is healthy!

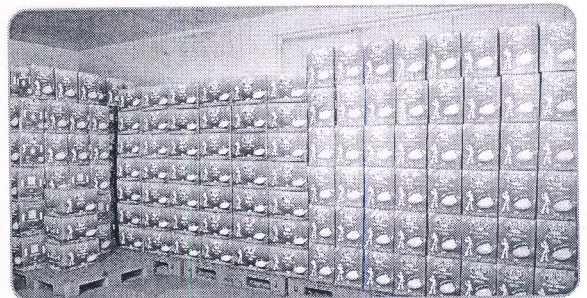
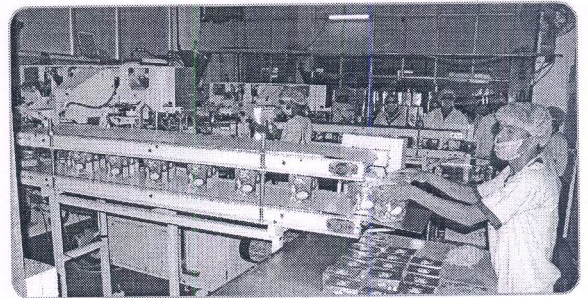
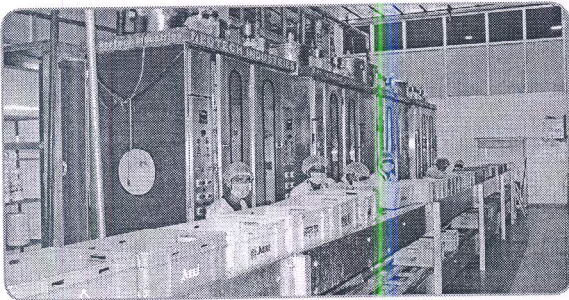
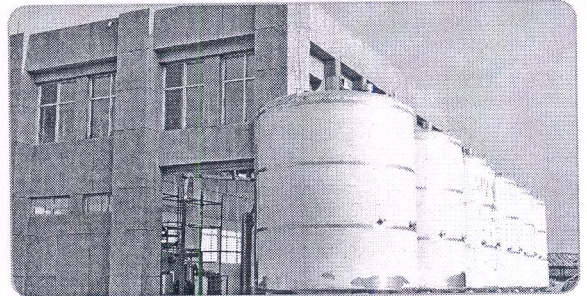
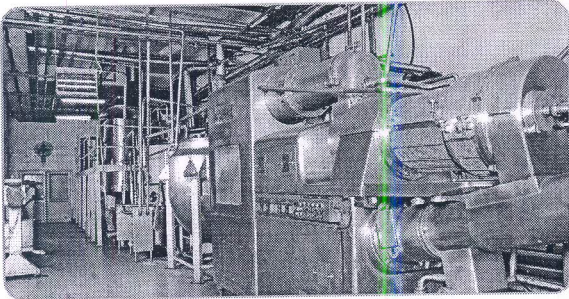
Print Outdoor:

- The print ad has had a minimal reach but correct brand association is happening amongst those who have seen it.
- Good message recall: Successful in communicating that it is low cholesterol/ low fat ghee, which is tasty and healthy. (to about a third of the audience)
- Though it had lower reach, the print/ outdoor creative per say has been liked more and creates a relatively higher Purchase Intent than TVC. - focus on increasing reach and capitalising on good performance of the creative

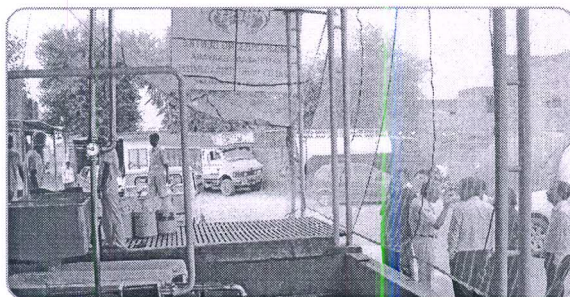
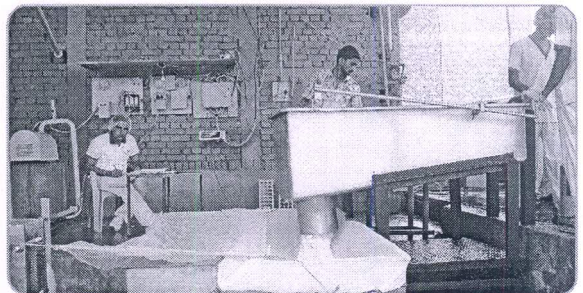
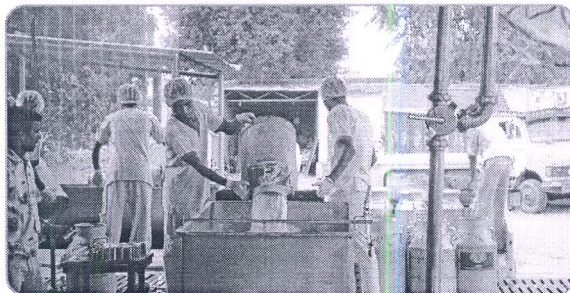
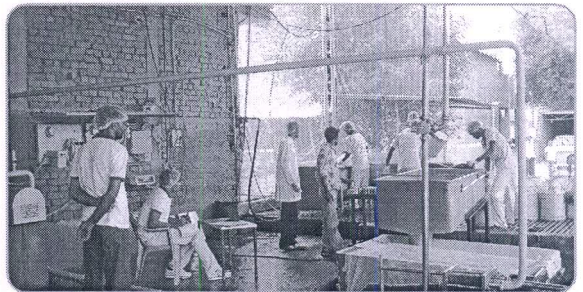
Overall Campaign:

- The campaign's success is reflected in the fact that equity of the brand has actually increased amongst 62% of people.
- 1.66 Equity Impact score implies a very positive impact of the campaign on the brand sales is expected.
- People with higher equity perception/ improved equity for the brand (Maintain high and change increase segments), associate the brands with being value for money, high quality national brand, trustworthy, premium, good for health and fits with modern lifestyle.

Plant & Operations



Milk Chilling Centre



Notice For Nineteenth Annual General Meeting

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of KWALITY DAIRY (INDIA) LIMITED will be held on Monday, the 26th day of September, 2011 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, 2011 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 2010-11.
3. To appoint a Director in place of Mr. Arun Srivastava, 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, retiring Auditors of the company be and are hereby re-appointed as Auditors of the Company, to hold the office from the conclusion of this Annual General 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, Mr. Sidhant Gupta, who was appointed as an Additional Director with effect from 18th April, 2011 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 Mr. Sidhant Gupta 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 pursuant to the provisions of Sections 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any modification(s) or re-enactment(s) 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 listing agreements between the Company and the Stock Exchanges where the shares of the Company are listed and subject to such approvals, permissions and sanctions as may be necessary from the Government of India, Reserve Bank of India (“RBI”), Securities and Exchange Board of India (“SEBI”), Registrar of Companies, NCT of Delhi & Haryana and/or any other regulatory authorities, any other competent authorities, institutions or bodies, within or outside India and subject to such conditions, alterations and modifications as may be prescribed by such 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 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 person 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 SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and/or against subscription in foreign/ Indian Currency, through prospectus and/or offering circular/offer letter/ term sheet, equity shares of the Company (which shall rank pari-passu to the existing equity shares of the Company) (the “shares”), and/or non-convertible and partly convertible debentures, with or without warrants, and/or Global Depository Receipts/Global Depository Shares (“GDRs/GDSs”) and/or American Depository Receipts/American Depository Shares (“ADRs/ADSs”) against the issue of underlying shares and/or foreign currency convertible bonds (“FCCBs”) convertible into equity shares, which shall rank pari passu with the then existing (hereinafter referred to as “securities”), whether to remain unlisted or to be listed on any stock exchanges in India or any other international stock exchange outside India, to resident or persons resident outside India including Foreign Institutional Investors/Qualified Institutional Buyers (“QIBs”)/ companies/ Individuals in India

or abroad, with or without an overallotment/green shoe option, 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, adjustment conditions for corporate actions and other related or incidental matters as may be decided and deemed appropriate by the Board upto a sum of Rupees 10,000 million (inclusive of premium as may be determined by the Board) (or an equivalent amount in any foreign currency) 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 lead managers and/or underwriters and/or advisors as may be appointed by the Board, whether 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 and regulations including, but not limited to, conditions in relation to payment of interest, additional interest, premium on redemption, prepayment and other debt service payments whatsoever, and all such terms are provided in issue of securities of this nature internationally and/or domestically including terms for issue of shares upon conversion of securities or variation of conversion price of the securities during the term of securities as the Board deems 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,

underwriters, registrar, advisors, guarantors, trustees, agents, depositories, custodians and all such agencies as may be involved or concerned in such offering 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 securities 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 agreement with any agency or body for issue and allotment of 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 market and/or Indian markets 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 markets and/or Indian market and may be governed by applicable Indian laws and/or foreign laws, as the case may."

"RESOLVED FURTHER THAT in the event of issue of securities by way of a qualified institutional placement to QIBs in accordance with chapter VIII of the SEBI (Issue of Capital & Disclosure Requirement) Regulations 2009, the relevant date on the basis of which price of the resultant shares shall be determined as specified under the SEBI (Issue of Capital & Disclosure Requirement) Regulations 2009 shall be the date of the meeting in which the board or the committee of the directors duly authorized by the board decide to open the proposed issue of securities."

"RESOLVED FURTHER THAT in the event the securities are proposed to be issued through FCCBs/ADRs/GDRs, the relevant date for the purpose of pricing the securities is the date of the meeting at which the Board decides to open the proposed issue, as specified in the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through

Depository Receipt Mechanism), Scheme 1993."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to finalise and approve the offering circular/prospectus/placement document/term sheets/agreements, in respect of the proposed issue of the securities and to authorize any director or directors of the Company or any other officer or officers of the Company to sign the above documents for and behalf of the Company together with the authority to amend, vary or modify the same and to give such declarations, affidavits, certificates, consents as may be required from time to time, and to arrange for the submission of the offering circular/ prospectus/ placement document/ term sheets agreements, and any amendments and supplements thereto, with any applicable stock exchanges, government and regulatory authorities, institutions, as may be required."

"RESOLVED FURTHER THAT in case securities are offered through rights issue, the shareholders shall have right to renounce all or any the shares offered in favor of any person or persons who are Indian residents subject to the right of the Board to refuse allotment to a person, not being a shareholder of the company without assigning any reason. The members can apply for additional shares and they may be entitled to allotment of additional shares at the discretion of the Board and in consultation with the stock exchanges. The renounees may also apply for additional shares and they may be entitled to allotment of additional shares at the discretion of the Board and in consultation with the stock exchanges."

"RESOLVED FURTHER THAT in case of any over subscription of the issue, the Board be and is hereby authorized to retain such of the amount, and issue and allot such securities as may be permitted in accordance with applicable laws, rules & provisions in consultation 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 at their discretion and

in conformity with those as may be approved by the 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 authorized to do all such acts, deeds and things as the Board may at its absolute discretion, consider necessary, usual and 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 the subsidiary companies/joint ventures/repayment of debts/ other corporate needs, as they may deem fit."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board/committee be and is hereby authorized to do all such acts, deeds and things as the Board may at its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise with regard to the offer/ issue, allotment and utilization of the issue proceeds including but without limitation to the making of listing applications, creation of such mortgage/ charge, if necessary, under applicable provisions of the Companies Act, 1956, in respect of the aforesaid securities either on pari-passu basis or otherwise, giving or authorizing the giving by concerned persons of such declarations, affidavits, certificates, consents and authorities as may be required from time to time, 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 debit instrument including but without limitation to any debentures, bonds, the members shall be deemed to have

given their approval expressly by the authority of this resolution

"RESOLVED FURTHER THAT the Board, be and is hereby authorized to delegate all the above powers and authorities to any person or persons or committee of the Board, in connection with the issue of securities, and to give effect to the above resolutions."

7. To consider and if thought fit to pass the following Resolution with or without modification if any, as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to section 269, 198, 309, 310 and Schedule XIII of the Companies Act 1956 and all other applicable provision, if any (including any statutory modifications or re-enactment thereof from time to time) and the applicable clauses of Listing Agreement, Shri Sidhant Gupta is appointed as Executive Director for a period of five years with effect from 18th April, 2011, on the remuneration as approved by the remuneration committee and terms and condition as mentioned below and agreed by Shri Sidhant Gupta."

DETAILS OF REMUNERATION

A) Salary, Allowance and Perquisites:

- I. Basic Salary:** Rs.1,00,00,000/- (Rupees One Crores Only) per annum.
- II. Allowance and Perquisites:** In addition to Basic Salary the Executive Director will be entitled to allowances and perquisites in the nature of accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance together with reimbursement of expenses and/ or allowance for utilization of gas, electricity, water, furnishing and repairs; medical reimbursement; leave travel concession for self and family including dependents; club fees, medical insurance and such other perquisites and/or allowance not exceeding Rs.10,00,000/- (Rs.Ten Lacs only) per annum. The said perquisites and allowance shall be evaluated, wherever applicable, as per the provision of Income Tax Act, 1961 or any other rules there under or any statutory modification(s) or re-enactment thereof; in the absence of any such rules,

perquisites and allowances shall be evaluated at the actual cost.

- III. Other Benefits:** The Executive Director may also be eligible to the following perquisites, which shall not be included in the computation of the ceiling on remuneration specified above:
 - a. Company's contribution to Provident Fund, Superannuation Fund, and Annuity Fund as per the rules of the Company to the extent these rules singly or put together is not taxable under the Income Tax Act, 1961.
 - b. Gratuity as per the rules of the company.
 - c. Leave with full pay as per the company's rules.
 - d. Encashment of leave at the end of the tenure.
- B) General :**
 - (i)** The office of the Executive Director may be terminated by the company or the concerned Director by giving 3 (three) months' prior notice in writing.
 - (ii)** The terms and conditions set out for re-appointment and payment of remuneration herein may be altered and varied by Board as it may, from time to time, deem fit.
 - (iii)** If in any financial year after the appointment, the Company has no profits or inadequate profits, the Executive Director shall be entitled to receive the same remuneration, perquisites and benefits as specified in the above clauses, subject to compliance with the applicable provision of Schedule XIII of the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion, or consider necessary, expedient or desirable, and to settle any question or doubt that may arise in relation thereto and the Board shall have absolute powers to withhold the increments, decide breakup of the remuneration within the above said maximum permissible limit, in order to give effect to the foregoing resolution, or as may be otherwise considered by it to be in the best interest of the Company."

8. To consider and if thought fit to pass the following Resolution with or without modification if any, as a SPECIAL RESOLUTION:

"RESOLVED THAT in modification to the earlier resolutions passed in this regard and as per recommendation of the Remuneration Committee, pursuant to the provisions of sections 269, 198, 309, 310 and Schedule XIII of the Companies Act 1956 and all other applicable provisions, if any (including any statutory modifications or re-enactment thereof from time to time) and the applicable clauses of Listing Agreement, approval of the members be and is hereby accorded to increase the remuneration of Shri Sanjay Dhingra, who is the Managing Director, of the company appointed on 15th July 2008, for a period of five years, on the terms and conditions as mentioned below and agreed by Shri Sanjay Dhingra.

DETAILS OF REMUNERATION

A) Salary, Allowances and Perquisites :

- I. Basic Salary: Rs. 1,24,00,000/- (Rupees One Crore Twenty Four Lacs only) per annum.
- II. Allowance and Perquisites: In addition to Basic Salary, the Managing Director will be entitled to allowances and perquisites in the nature of accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance together with reimbursement of expenses and/or allowance for utilization of gas, electricity, water, furnishing and repairs; medical reimbursement; leave travel concession for self and family including dependents; club fees, medical insurance and such other perquisites and/or allowance not exceeding Rs.10,00,000/- (Rs.Ten Lacs only) per annum. The said perquisites and allowance shall be evaluated, wherever applicable, as per the provision of Income Tax Act, 1961 or any other rules there under or any statutory modification(s) or re-enactment thereof; in the absence of any such rules,

perquisites and allowances shall be evaluated at the actual cost.

- III. Other Benefits: The Managing Director may also be eligible to the following perquisites, which shall not be included in the computation of the ceiling on remuneration specified above:
 - a. Company's contribution to Provident Fund, Superannuation Fund, and Annuity Fund as per the rules of the Company to the extent these rules singly or put together is not taxable under the Income Tax Act, 1961.
 - b. Gratuity as per the rules of the company.
 - c. Leave with full pay as per the company's rules.
 - d. Encashment of leave at the end of the tenure.
- B) General :
 - (i) The office of the Managing Director may be terminated by the company or the concerned Director by giving 3 (three) months' prior notice in writing.
 - (ii) The terms and conditions set out for re-appointment and payment of remuneration herein may be altered and varied by Board as it may, from time to time, deem fit.
 - (iii) If in any financial year after the appointment Company has no profits or inadequate profits, the Managing Director shall be entitled to receive the same remuneration, perquisites and benefits as specified in the above clauses, subject to compliance with the applicable provision of Schedule XIII of the Companies Act, 1956."

"RESOLVED FURTHER THAT, the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion, or consider necessary, expedient or desirable, and to settle any question or doubt that may arise in relation thereto and the Board shall have absolute powers to withhold the increments, decide breakup of the

remuneration within the above said maximum permissible limit, in order to give effect to the foregoing resolution, or as may be otherwise considered by it to be in the best interest of the Company."

9. To consider and if thought fit to pass the following Resolution with or without modification if any, as a ORDINARY RESOLUTION:

"RESOLVED THAT, the company does promote a new 100% Wholly Owned Subsidiary Company in Jebel Ali Free Zone, Dubai, UAE, or any other free zone in Dubai, UAE, or any other place in UAE in the name and style of either of the following name or any other name approved by Authority:

1. Kwaliti Dairy India Limited FZC or
2. Kwaliti Dairy Limited FZC or
3. Kwaliti Dairy India FZC or
4. Kwaliti Dairy FZC or
5. KDIL FZC or
6. Kwaliti Dairy Products FZC

"RESOLVED FURTHER THAT, the company hereby authorise Mr. Sidhant Gupta, Executive Director to sign and certify all incorporation documents and to execute necessary documents required for incorporating the same. Mr. Sidhant Gupta is also authorised to appoint consultant/attorney to facilitate incorporation of above mentioned company."

"RESOLVED FURTHER THAT, Mr. Sidhant Gupta, Executive Director of the Company, be and is hereby authorized, to subscribe for shares of the proposed company at the time of its incorporation."

"RESOLVED FURTHER THAT, Mr. Sidhant Gupta, Director of the Company is authorized for operations of Dubai Subsidiary."

"RESOLVED FURTHER THAT, Mr. Ashok Nayyar, shall be appointed as Manager of the above wholly owned subsidiary of the company in Dubai, UAE or any other person as authorised by the company."

By Order of the Board

Place: New Delhi
Date: September 1, 2011

**Deepa Kapoor
Company Secretary &
Compliance Officer**

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. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, setting out material facts relating to the business at Item No. 5 to 8 of the Notice as set out above, is annexed hereto.

3. This may be taken as notice of declaration of dividend for financial year 2010-11 in accordance with Article 138 of Articles of Association of the Company in respect of dividend for that year when declared.

4. The Register of Members and Share Transfer books of the Company will remain closed from Thursday, 22nd September, 2011 to Monday 26th September, 2011 (both days inclusive) for the purpose of ascertaining eligibility to dividend, if declared.

5. The dividend as recommended by the Board of Directors, if declared at this Annual General Meeting, shall be paid on or after Monday, 3rd October 2011:

- (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, 21st September 2011.
- (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, 21st September 2011.

(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.

6. Members are requested to notify any change in their addresses immediately. In any event not later than Wednesday, 21st September 2011 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.

7. 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.

8. 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.

9. Members/Proxies should bring the Attendance Slip in the Meeting duly filed in, for attending the Meeting.

10. 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.

11. 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.

12. Members are requested to bring their copy of Annual Report to the Annual General Meeting.

13. 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.

14. 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 26, 2011

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

Name of Director	Mr. Sidhant Gupta	Mr. Arun Srivastava
Date of Birth	10 th January 1977	3 rd April, 1968
Age(Years)	34 Years	43 Years
Date of Appointment	18 th April 2011	25 th June, 2003
Qualification	B.Com(Hons) & MBA (Finance)	Graduate
Expertise in specific functional area	Import-Export, Administration & Management	Liasioning with Banks and Financial Institutions
Directorship held in other Companies as on date.	Nil	Nil
Chairman/Member of the committee of the Board of Directors of the Company as on 31 March 2011	Nil	Chairman of Audit Committee, Member of remuneration committee, Shareholders/ investors Grievance Redressal Committee and Share transfer committee.
Chairman/Member of the committee of the Director of the other companies in which he is a director as on 31 March 2011	Nil	Nil
Audit Committee	Nil	Nil
Shareholder's Grievances Committee	Nil	Nil
Board governance and 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 P. P. Mukerjee & Associates, Chartered Accountants, retiring auditors of the Company have expressed their ability for re-appointment as Auditor of the Company and have requested to consider the same for the FY 2011-12.

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:

Mr. Sidhant Gupta, who was appointed as an Additional Director at the Board Meeting held on 18th April, 2011, 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.

Mr. Sidhant Gupta is a dynamic professional with over 10 years experience in various fields of business being import-export, business administration & management. His introduction in the Board of the Company has provided new perspectives to the company from opening new avenues of business to innovative media campaigns for expansion of business.

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

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

Mr. Sidhant Gupta 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:

The Company has taken up and intends to take up in future several growth initiatives like expansions, modernizations, strengthening of procurement mechanism, establishment of milk chilling centres, overseas 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 the 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 Rupees 10,000 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 towards capital expenditure for strengthening of procurement mechanism, establishment of milk chilling centres, expansions, modernization, new projects, overseas direct investment in subsidiary companies/joint ventures, any other use which may be required in the normal business and as permitted under applicable law from time to time.

The detailed terms and conditions for the offer and the rights and privileges of the holders of equity related instruments, with or without warrants, non-convertible

debentures/partly convertible debentures 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 persons resident outside India including foreign institutional investors, 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. The resolution seeks to afford discretion to the Board of Directors (including a Committee thereof) ("Board") to finalize these terms in consultation with the agencies aforesaid in accordance with applicable Indian laws and/or international laws. The Securities would be issued at a price determined in accordance with SEBI Regulations, FEMA Regulations, and other applicable 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.

In view of the above, 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, if any, of the Companies Act, 1956 and other applicable laws, rules and regulations and in accordance with the Memorandum and Articles of Association of the Company and listing agreements between the Company and the Stock Exchanges where the 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.

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 Securities.

The Board recommends the resolution for approval of the Members of the Company.

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

Item No.7:

Mr. Sidhant Gupta is appointed as Executive Director of the Company for a period of five years with effect from 18th April, 2011 on the yearly remuneration of Rs. 10,000,000 (Rs One Crore only) per annum/-. The remuneration has been approved by the remuneration committee taking into account the industry standards and projected growth of the company.

Mr. Sidhant Gupta is B.Com(H), MBA (Finance) by qualification, he has an experience of over 10 years in various fields of business being import-export, business administration & management his introduction in the Board of the Company has provided new perspectives to the company from opening new avenues of business to innovative media campaigns for expansion of business. He is looking after day to day affairs of the company along with working on procuring finances for the

expansion of the company, liaisoning with various Government departments, working on new tie-ups for the company as well as planning overseas foray of the Company.

Therefore, your Board of Directors recommend for approval of appointment of Mr. Sidhant Gupta as Executive Director of the Company at the above remuneration as proposed in item No. 7 of the notice by way of special resolution. Except Mr. Sidhant Gupta, being appointee, none of the Directors are interested or concerned in the resolution.

Item No.8:

Shri. Sanjay Dhingra who is the Managing Director, of the company appointed on 15th July 2008, for a period of five years, is taking care of production, marketing and looking into the expanded business activities of the Company. The Remuneration committee has considered that the remuneration being paid to Shri Sanjay Dhingra is inadequate with respect to the efforts he put, which has resulted turnaround of the company from a company with accumulated losses of 18 Crores to a company making profits with a turnover of Rs. 1600 Crores within a short span of 9 years and the company is having adequate profits thus remuneration committee has recommended the yearly remuneration of Shri Sanjay Dhingra be increased to Rs. 1,24,00,000 (Rs. One Crore Twenty Four Lacs only) per annum.

Mr. Sanjay Dhingra has a wide experience of over 16 years in FMCG Industry including dairy industry with varied exposure in sales, marketing, administration and management.

Therefore your Board of Directors recommend for approval for revision in the remuneration payable to Shri Sanjay Dhingra as proposed in item No. 8 of the notice by way of special resolution. Except Shri Sanjay Dhingra, being appointee, none of the Directors are interested or concerned in the resolution.

Item No. 9:

The Management is proposing to open a new Wholly Owned Subsidiary company in free trade zone of Dubai to increase its global footprint and to take benefit of the opportunities available outside India.

So being present in Dubai opens for us various markets such as Middle-East, Eastern European, Africa etc. The Culture, living habits and food habits are similar to Indian sub-continent thus it will allow us to utilize our experience and expertise and gain foothold in such markets.

The Board recommends the resolution for approval of the Members of the Company.

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

Place: New Delhi

Date: September 1, 2011

By Order of the Board

Deepa Kapoor)
Company Secretary &
Compliance Officer

Director's Report

Dear Shareholders,

Your Directors have pleasure in presenting their Nineteenth Annual Report together with Audited Accounts of the Company for the financial year ended 31st March 2011.

Financial Highlights

Details	Year ended 31.03.2011 (Rs. in Lacs)	Year ended 31.03.2010 (Rs. in Lacs)
Turnover	160803.62	105412.45
Profit before Interest, Depreciation & Tax	9972.73	5022.52
Interest & Finance Charges	3562.07	1865.14
Depreciation	352.92	182.61
Profit before Tax	6057.73	2974.77
Provision for Tax including Deferred Tax	1463.42	1180.11
Profit/(Loss) after tax	4594.30	1794.65

RESULTS OF OPERATIONS

The year under review was a magnificent year of performance for the Company. This year we have proven that the year 2010 was not a flash of brilliance or luck. Your Company has again 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 1608.03 Crores against 1054.12 Crores in the previous year, reflecting a growth of 52.5% over last year in which we had an unprecedented growth of 81% over previous year.

Profit after tax, for the year was Rs. 45.94 Crores as against Rs.17.94 Crores for the previous year, registering an increase of 156% over last year in which we had grown by 91% over previous year.

Launching of Revolutionary product "Dairy Best Livlite"

Your Company has launched another product "Livlite" under the umbrella Brand

"Dairy Best". It is first of its kind that contains 85% less cholesterol as compared to the commonly available desi ghee across the world. "Livlite" ghee is a product formulated by a specialized technology developed and patented by National Dairy Research Institute, Karnal (NDRI) of ICAR. Your company has launched the same

under a long term exclusive manufacturing license agreement with National Research and Development Corporation. The "Livlite" ghee is manufactured with best quality fresh milk procured directly from the milk producers through village level milk collection centers. Dairy Best "Livlite" is packed in a very attractive tamper proof packaging in Tetrapak and Tin Packing. Invariably, the cholesterol is considered as a cause of hardening of arteries and consequential problem of the heart. The freedom from cholesterol renders "Livlite" a specialized product for good health. In addition the "Livlite" continues to provide the inherent qualities of ghee. 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

Your Company had made an entry into direct procurement of milk through milk collection network by setting up Milk Chilling Centres (MCC) at village levels. Each center covers about 100 village 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 10000 farmers, thus bringing economic upliftment in the area. Your Company found that the milk obtained through this structure has been of commendable quality and the supplies get ensured particularly during the lean periods of availability of milk in the rural areas. The Response to the pilot-project implemented in Haryana during the last year has been very encouraging.

Consequently, your Company has ventured into setting up large scale rural network of milk procurement spread across Eastern Rajasthan, Western Uttar Pradesh, Punjab and Haryana. The total projected milk collection in the next three years through this network will be 18-20 Lac Litres Per Day (LLPD), from about 5,00,000 farmers from 8000-10000 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 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 parlors 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.

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.

Corporate Social Responsibility

In its first steps towards the Corporate Social Responsibility, Your Company has initiated structuring facilities through outsourcing to help the milk producers, who are directly linked in our commercial milk procurement activities. In order to help such farmers increase the productivity of their quality cattle and buffaloes, **KDIL** has provided, on a principle of no-profit-no-loss, good quality feed. Attempts are on to provide such other technical inputs as vaccinations, artificial insemination, and free advice on prevention and cure of common diseases. These activities have been of great help in improving the yield per animal, thus improving the quality of life of people associated with the Company. The field staff of the **KDIL** regularly organizes farmers' meetings to discuss their requirements of

loan through financial institutions. The field officers organize camps amongst a group of villages to educate the farmers on common issues concerning health, hygiene, sanitation, farming practices and other social issues.

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 Rs. 203.18 lacs (excluding dividend tax of Rs.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 (RTA) of the Company on or before 21st September, 2011, 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 21, 2011.

Subsidiary

The Management is proposing to incorporate a wholly owned subsidiary in free trade zone of Dubai to increase its global foot print and to develop and cater to the new Markets.

So being present in Dubai opens for us various markets such as Middle-East, Eastern European, Africa etc. The Culture, living habits and food habits are similar to Indian sub-continent thus It will allow us to utilize our experience and expertise and gain foothold in such markets.

We are planning to launch with blending and packing facility of 100 metric tonnes per day to service our clients in the middle-east.

Management Discussion and Analysis

The Management Discussion and Analysis 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. Arun Srivastava, Director of the Company is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Pursuant to Section 260 and other applicable provisions of Companies Act, 1956, Mr. Sidhant Gupta was appointed as an Additional Director of the Company with effect from April 18, 2011. 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 Mr. Sidhant Gupta 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:

- a) that in the preparation of the annual accounts for the period ended on March 31, 2011, the applicable accounting standards have been followed and there are no material departure;
- b) that the directors had selected appropriate accounting policies and applied them consistently and that the judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial year March 31, 2011 and the Profit of the Company for that period;
- c) 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
- d) that the directors had prepared the annual accounts for the period ended on 31st March, 2011 as 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

The Board of Directors have 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 and Directors are pleased to announce that the

Company's application for listing at National Stock Exchange of India Limited, Mumbai has been accepted and the company's share is listed on NSE since 5th July, 2011 with symbol KQUALITY AND ISIN-INE775B01025.

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: New Delhi
Date: September 1, 2011

Sanjay Dhingra
Chairman & Managing Director

Annexure to The Director's 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, 2011

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.

We have adopted techniques for recycling of filter water and cooling water. Also we have been using rice husk as fuel at our plant thus reducing the consumption of coal or oil as fuel thus making us eligible for carbon credits.

A. Power and Fuel Consumption:

A. Electricity	2010-11	2009-10
Purchased Units	2156044	1966059
Total Amount (Rs.)	10678535	8930914
Rate Per Unit (Rs.)	4.95	4.54

B. Fuels

(Diesel, FO, Burada, Husk & Turf)		
Quantity (litrs/Kgs)	11318343	9823797
Total Amount (Rs.)	42550620	39039901
Rate per Unit (Rs.)	3.76	3.97

Technology Absorption

License agreement with NRDC for Livlite

The company has entered into long term lease agreement with National Research and Development Corporation for use of breakthrough technology developed and patented by NDRI, Karnal for 85% less cholesterol making premise for launch of "Dairy Best Livelite"

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.

- Manufacture of desi ghee in "Dairy Best Livlite" brand containing 85% less cholesterol as compared to the normal ghee marketed across the world.

Benefit Derived

- Enhanced Life of the Products.
- Upgraded Products have allowed Company to expand its market share.
- Creation of a niche market for low cholesterol ghee.

Future plan of action

- Devise & develop new healthy products.
- Foraying in the fresh Dairy products

Foreign Exchange Earnings & Outgo:

Total foreign exchange earned and used:

	(Rs. in Lacs)	
	2010-11	2009-10
(i) Earnings :	NIL	283.97
(ii) Expenditure :		
CIF Value of Imports	NIL	73.84

For & on behalf of the Board of Directors

Place: New Delhi
Date: September 1, 2011

Sanjay Dhingra
Chairman & Managing Director

Report on Corporate Governance

1. Company's Philosophy on Corporate Governance

Good Corporate Governance is a set of systems and practices put in place to ensure that the affairs of the Company are being managed in a way that ensures transparency and accountability. At KDIL, we believe that we are the custodian and trustees for all stakeholders in the company. Therefore at KDIL we have been practicing the principles of good corporate governance, disclosure and transparency to meet the aspirations of all stakeholders. This is demonstrated in high returns for our shareholders and high quality products for our customer's at most competitive prices.

Over the years governance processes and systems have been growing strong KDIL not only adheres to prescribed corporate practices as per Clause 49 but is constantly striving to adopt best practices emerging in the Industry.

We have taken several initiatives towards maintaining the highest standards of Corporate Governance that includes:

- Appointment of Dr. Rattan Sagar Khanna as Independent Director in the Board he is an Authority in the dairy industry in which company exist and has been providing his valuable inputs on major initiatives taken by the Company.
- The Company has taken various CSR initiatives to support and grow the Rural Dairy farmers helping them in improving their quality of life.
- The Company understands the value of two way communication with shareholders and other stakeholders thus the Company's website www.kdil.in has information for all concerned.

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 an 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 judgments to the Board's deliberations and decisions. Mr. Sanjay Dhingra is Executive Director of the Company designated as Managing Director & Chairman 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, 2011, total number of Directors of the Company was three comprising of one Executive Director and two Non-Executive & Independent Directors. While on 18th April 2011, Mr. Sidhant Gupta was added as an Executive Director bringing with him a lot of energy and fresh perspective for the growth of company.

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 Meeting attended during the year	Attendance at last AGM	Number of Directorship in other Public Company	Number of other committee membership	
						As Chairman	As Member
1. Sanjay Dhingra	Executive Director	Chairman & Managing Director	23	Yes	NIL	NIL	NIL
2. Gulshan Dhingra*	Non Executive Director	Director	15	Yes	NIL	NIL	NIL
3. Mr. Arun Srivastava	Non Executive Director	Director	23	Yes	NIL	NIL	NIL
4. Rajeev Sharma**	Non Executive Director	Director	6	NIL	NIL	NIL	NIL
5. Dr. Rattan SagarKhanna***	Non Executive – Independent Director	Director	17	YES	NIL	NIL	NIL

* Mr. Gulshan Dhingra resigned from the post of directorship with effect from November 24, 2010.

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

***Dr. Rattan SagarKhanna was appointed as Additional Director of the Company with effect from May 18, 2010.

Director's Profile

Shri Sanjay Dhingra is a graduate by education but has exceptional leadership & business acumen. He has joined the Board of KDIL in 2003 and initiated transformation of the company that has accumulated losses of Rs.20 Crores by the time to now Rs. 1600 Crores revenue Company with profits and giving dividend to its shareholders for past five years.

He has grass root level experience in FMCG industry that helps in identifying the areas of growth and opportunity for the company. He has been instrumental in various initiatives of the company that has helped KDIL to achieve various milestones in such short period of 8 years under his leadership.

He is Promoter of the Company and holds 50,000,000 shares of the company in his name as on 31st March 2011.

Shri Sidhant Gupta is MBA (Finance) by qualification and is very energetic and flamboyant personality. He has a rub off effect of energy whenever he is around. He has joined the Board of KDIL recently in April 2011 but has already given fresh growth perspectives to the company including the initiative to incorporate foreign subsidiary to expand the company's global footprint.

He is also instrumental in putting the company's fund raising activity on fast track to implement the expansion plans of the company. He does not hold any shares of the Company

Dr. Rattan 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 Gynaecology & Anthology from Royal Veterinary and Agriculture University, Copenhagen, Diploma in Farm & Science Journalism from Institute of Farm & Science Journalism, New Delhi. He has joined the Board of KDIL in May 2010.

Dr. Rattan 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 Ayurved Limited., Advisor to the GCMF, 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. Rattan 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.

He has been providing his valuable inputs on major initiatives taken by the Company as well as the technologies introduced in the Company. He was instrumental in introduction and launch of our anchor Brand "Dairy Best Livlife". He has been the guiding force in company's CSR initiatives since he was inducted in the Board and also in implementation and establishment of collection centers and MCC's of the Company.

His long experience with the Dairy Industry has become a valuable asset for the company.

He does not hold any shares of the company.

Shri Arun Srivastava is a graduate by profession but has wide experience with regards to Liaisoning with Banks and Financial institutions. He joined the Board of KDIL on 25th June 2003.

He has provided his valuable inputs and consultation to Board time and again and has been serving on various committees of board helping the management in performing smooth functioning.

He does not hold any shares of the company.

Director's Profile

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 Director. The Company is notified by Directors, from time to time, status of committee position he occupies in other companies.

The Board meets at regular intervals and a detailed agenda is sent to each Director prior to the Board and Committee Meetings. During the financial Year 2010-11, Twenty three Board Meetings were held and the gap between two meetings did not exceed four months. The dates of such Board meeting were:

Date of Board Meetings				
06/04/2010	15/04/2010	19/04/2010	30/04/2010	07/05/2010
18/05/2010	28/05/2010	17/06/2010	12/07/2010	20/07/2010
12/08/2010	26/08/2010	30/08/2010	22/09/2010	05/10/2010
04/11/2010	15/11/2010	26/11/2010	28/12/2010	14/01/2011
14/02/2011	05/03/2011	30/03/2011		

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

Mr. Arun Srivastava, aged 38 years, is having an experience of over eight years liaisoning work with banks and other Financial Institutions. He has been on the Board of Directors of the Company since 2003. He has provided the services to the board with regard to banking and finance.

Other Directorship : Nil

Committee Memberships of other Co's : Nil

No. of shares held in the Company : Nil

3. Audit Committee:

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

The Company Secretary acts as Secretary of the Committee.

Scope/term of Reference of Audit Committee

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

- 1) Oversight of Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- 2) Reviewing with the management the quarterly and annual financial statements before submission to the Board of Directors focusing primarily on:

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

Minutes of Meeting of Audit Committee were circulated in the Board meeting.

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

Name of Director	Category	No. of Meeting Held	No. of Meeting attended
Mr. Arun Srivastava	Non Executive Independent Director	6	6
Mr. Gulshan Kumar*	Non Executive Director	6	4
Mr. Rajeev Sharma**	Non Executive Independent Director	6	1
Dr. Rattan Sagar Khanna***	Non Executive Independent Director	6	5
Mr. Sanjay Dhingra****	Executive Director	6	2

* Mr. Gulshan Dhingra resigned from the post of directorship with effect from November 24, 2010.

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

***Dr. Rattan Sagar Khanna was appointed as Additional Director of the Company with effect from of May 18, 2010.

**** Mr. Sanjay Dhingra was appointed as member of Audit Committee with effect from November 26, 2010

During the year, Six Committee Meetings were held. Dates of Committee meetings were as follows:

30/04/2010	27/07/2010	28/08/2010
25/10/2010	28/01/2011	25/03/2011

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.

Name of Director	Category	No. of Meeting Held	No. of Meeting attended
Mr. Rajeev Sharma*	Non Executive Independent Director	2	1
Mr. Gulshan Kumar**	Non Executive Director	2	1
Mr. Arun Srivastava	Non Executive Independent Director	2	2
Dr. Rattan Sagar Khanna***	Non Executive Independent Director	2	1
Mr. Sanjay Dhingra****	Executive Director	2	1

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

** Mr. Gulshan Dhingra resigned from the post of directorship with effect from November 24, 2010.

***Dr. Rattan Sagar Khanna was appointed as Additional Director of the Company with effect from of May 18, 2010.

**** Mr. Sanjay Dhingra was appointed as member of Remuneration Committee with effect from November 26, 2010

The Details of Remuneration during the year ended 31st March 2011 as follows:-

Name	Gross Remuneration	Sitting Fees	Total
Mr. Sanjay Dhingra (Managing Director)	24,00,000	NIL	24,00,000

Remuneration paid to Non-Executive Directors comprises of sitting fee only.

6. Shareholder's / Investor's 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 Dr. Rattan Sagar Khanna, Non-Executive Independent Director and comprises following Directors:

Names	Category
1. Mr. Gulshan Kumar*	Non Executive director
1. Mr. Arun Srivastava	Non Executive Independent Director
2. Mr. Rajeev Sharma**	Non Executive Independent Director
3. Dr. Rattan Sagar Khanna***	Non Executive Independent Director
4. Mr. Sanjay Dhingra****	Executive Director

* Mr. Gulshan Dhingra resigned from the post of directorship with effect from November 24, 2010.

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

***Dr. Rattan Sagar Khanna was appointed as Additional Director of the Company with effect from May 18, 2010.

**** Mr. Sanjay Dhingra was appointed as member of Shareholder's / Investor's Grievance Redressal Committee with effect from November 26, 2010.

The 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. Review complaints of shareholders and action taken thereon.
2. Look into all securities filing every quarter.
3. Monitor implementation and compliances of company's Code of Conduct.

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

Name of Director	Category	No. of Meeting Held	No. of Meeting attended
1. Mr. Gulshan Kumar	Non Executive director	4	3
2. Mr. Arun Srivastava	Non Executive Independent Director	4	4
3. Mr. Rajeev Sharma	Non Executive Independent Director	4	1
6. Dr. Rattan Sagar Khanna*	Non Executive Independent Director	4	3
7. Mr. Sanjay Dhingra**	Executive Director	4	1

*Dr. Rattan Sagar Khanna was appointed as member of Shareholder And Investors Grievances Redressal Committee with effect from May 18, 2010.

** Mr. Sanjay Dhingra was appointed as member of Shareholder And Investors Grievances Redressal Committee with effect from November 26, 2010.

During the financial year 2010-2011, The Committee met 4 times. The committee Meetings was held on the following dates 29/04/10, 10/08/10, 12/11/10 and 12/02/11.

7. Share Transfer Committee

Share Transfer Committee was constituted under listing agreement and agreement with RTA for approval of transfer.

The Committee consists of Chairman Dr. Rattan Sagar Khanna, and members Mr. Arun Srivastava and Shri Sanjay Dhingra. The Share Transfer Committee meets on fortnightly basis and oversees the performance of Share Transfer Agents and review all matters connected with transfer of shares.

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

Name, Designation and Address of Compliance Officer:

Ms. Deepa Kapoor,
Compliance Officer
KDIL House
F – 82, Shivaji Place, Rajouri Garden,
New Delhi – 110027
Ph: 011-47006500 (100 lines)

8. 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.

9. 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
2009-2010	27.09.2010	11.00 A.M.	Village Softa, Tehsil Palwal, Faridabad, Haryana
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

(ii) Special Resolution:

Following Special Resolutions were passed at the last AGM last year.

1. Amendment of Articles of Association to provide for increased sitting fees of non-executive directors.
2. Consent to raise funds for further expansion plans of the company for the Amount Rs. 10000 Million.

No Special Resolution was passed in previous Two AGMs.

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

During the year ended March 31, 2011 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. Details of the same are given below.

Resolutions passed on November 26, 2010 (Notice dated October 05, 2010)

S.No	Particulars	Details/Dates
1	Date of Board Meeting	October 5, 2010
2	Scrutinizer appointed by the BOD at its Meeting	Mr.Vineet Kumar Chaudhary, FCS, PCS
3	Date of Notice Seeking share Holders approval	October 5, 2010
4	Date of Completion of Dispatch of Notice	October 23, 2010
5	Last Date of Receipt of duly filled Postal Ballot Form	November 22, 2010
6	Date of submission of Scrutinizer's Report to the Chairman	November 26, 2010
7	Date of Declaration of Result	November 26, 2010

Particulars of Resolutions Passed-

Special

1.	Shifting of Registered Office from State of Haryana to National Capital Territory of Delhi
----	--

Ordinary

1.	Nil
----	-----

Voting Pattern

Particular	Total Valid Votes Cast	Total Valid Votes Cast in favour in the Resolution	Total Valid Votes Cast against the Resolution
Resolution 1	153893252	153891148	2104

10. Disclosure

(i) Disclosure on materially significant Related Party Transactions:

Disclosure 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 exchange 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 Re. 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.

11. 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 committee is an independent director and was present at the Last Annual General Meeting.

(ii) Shareholder rights

Quarterly financial results of the company are published in newspapers and also displayed on website 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.

12. 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 Exchange immediately after they are taken on record by the Board. These financial results were published in the leading newspapers which included The Financial Express, Jan Satta and Economic Times. The same were sent to Stock exchange and were also displayed on the website of the Company, www.kdil.in.

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

13. GENERAL SHAREHOLDER INFORMATION:

(i) 19th Annual General Meeting:

Date September 26, 2011

Time 11 A.M.

Venue Village Softa, Tehsil Palwal,
Faridabad, Haryana-121004

(ii) Financial Calendar

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

Key Financial Reporting Dates for the Financial Year 2011-12:

1st Quarter ending 30-06-2011	On or before August 15, 2011
2nd Quarter ending 30-09-2011	On or before November 15, 2011
3rd Quarter ending 31-12-2011	On or before February 15, 2012
4th Quarter ending 31-03-2012	On or before May 15, 2012 or if audited, on or before May 30, 2012

(iii) Date of Book Closure

September 22, 2011 to September 26, 2011 (Both days inclusive)

(iv) Dividend payment Date

The Final Dividend recommended at 0.10 per share of 1 each, the Company has fixed September 22, 2011 to September 26, 2011 (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 2010-11. Also the Company's application for listing of its shares on National Stock Exchange of India Limited has been accepted and the shares of the company are now listed at NSE since 5th July 2011 with Symbol KWALITY and ISIN – INE775B01025.

(vi) Script Code

BSE – 531882

NSE – INE775B01025

(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 Re. 1)

Month	High (₹)	Low (₹)	Volume
April 2010	173.3	135	980654
May 2010	172.5	133.1	624719
June 2010	164.9	90	2807268
July 2010	91.4	80.1	5094907
August 2010	94.9	82	5844110
September 2010	110.75	85.1	8185015
October 2010	124.65	110	10676518
November 2010	131	98	9019226
December 2010	124.2	98	8783410
January 2011	118.7	99.45	7937127
February 2011	112.45	104	8496984
March 2011	135.85	108	15575482

(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 Systems:

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 2011

No. of Shares	No. of Shareholders		No. of Equity Shares	
	Total	% of Share-Holders	Total	% of Share Capital
1-500	6758	60.40	761618	0.37
501-1000	676	6.04	505822	0.25
1001-2000	2008	17.95	3360440	1.65
2001-3000	133	1.19	334281	0.16
3001-4000	1038	9.28	3563687	1.75
4001-5000	59	0.53	270030	0.13
5001-10000	271	2.42	1622600	0.80
10001 & above	245	2.19	192767956	94.87
Total	11188	100.00	203186434	100.00

(xi) SHAREHOLDING PATTERN

The shareholding pattern as on 31st March, 2011:

	Category	No. of Shares held	Percentage of Shareholding
A.	Shareholding of Promoter and Promoter Group		
(1)	Indian	152340714	74.98
(2)	Foreign		
	Total	152340714	74.98
B.	Public Shareholding		
(1)	Institutions		
(a)	Mutual Funds/UTI		
(b)	Financial Institutions/Banks	1110	0.00
(c)	Foreign Institutional Investors	212535	0.10
(d)	Any Other (Trust)		
	Sub Total	213645	0.10
(2)	Non-Institutions		
(a)	Bodies Corporate	10662526	5.25
(b)	Individuals	39925889	19.65
(c)	Any Other (Specify)		
	i. NRI	43660	0.02
	ii. Foreign National		
	iii. OCB		
	Sub Total	50632075	24.92
	Total	50845720	25.02
	Grand Total	203186434	100.00

(xii) Details of Directors Appointing and Re-appointing at AGM

Name of Director	Mr. Sidhant Gupta	Mr. Arun Srivastava
Date of Birth	10th January 1977	3rd April 1968
Age(Years)	34 Years	43 Years
Date of Appointment	18th April 2011	25th June 2003
Qualification	B.Com (Hons) & MBA (Finance)	Graduate
Expertise in specific functional area	Import-Export, Administration & Management	Liasioning with Banking & Financial Institutions
Directorship held in other Companies as on date.	Nil	Nil
Chairman/Member of the committee of the Board of Directors of the Company as on 31 March 2011	Nil	Chairman of Audit Committee, Member of Remuneration Committee, Shareholders/investors Grievance Redressal Committee and Share Transfer Committee.
Chairman/Member of the committee of the Director of the other companies in which he is a director as on 31 March 2011	Nil	Nil
Audit Committee	-	Nil
Shareholder's Grievances Committee	-	Nil
Board governance and and Nomination Committee	-	Nil
Compensation Committee/Remuneration Committee	-	Nil
Other Committees	-	Nil

(xiii) 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 2011, 71.86 % of the Company's total Listed capital representing 146008333 share were held in dematerialized form and the balance 28.14% comprising 57178101 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 2010-11:

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: New Delhi
Date: September 1, 2011

Sanjay Dhingra
Chairman & 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, hereby confirm that 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, 2011.

Place: New Delhi
Date: September 1, 2011

Sanjay Dhingra
Chairman & 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 2011, 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: New Delhi
Date: September 1, 2011

For P.P. Mukerjee & Associates
Chartered Accountants
Firm's Registration No. 023276N

P. P. Mukerjee
Proprietor
Membership Number: 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 pediococci, actophillin, 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, network and assets. Turnover for the year was Rs. 160803.62 against Rs.105412.45 crore in the previous year, reflecting a growth of 52.5%.

Profit after tax, for the year was Rs. 45.94crore as against Rs. 17.94 crores for the previous year, registering an increase of 156.52%.

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:

- 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.
- 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.
- Profitability may be affected on account of competition from existing and prospective manufacturers of the company's products.
- Dairy business is primarily influenced by monsoon. Unfavorable monsoon may affect the milk availability.

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 alongwith other social issues. The milk procurement team broadly advises and provides guidelines to the participating farmers as under:

Animal Health: In order to increase the milk 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 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 2011 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, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2011 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, 2011; 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.

For P P Mukerjee & Associates
Chartered Accountants
Firm's Registration No. 023276N

Place: New Delhi
Date: September 1, 2011

P. P. Mukerjee
Proprietor
Membership Number: 089854

ANNEXURE TO THE AUDITOR'S REPORT OF KQUALITY DAIRY (INDIA) LIMITED FOR THE YEAR ENDED 31ST MARCH 2011

- 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 three 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 Rs. 6000.00 lacs. Besides the company has also received amounts under current account from three companies covered in the Register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year Rs. 1742.19 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) According to the information and explanations given to us, the transactions with parties with whom transactions exceeding value of Rs.5 Lac have been entered into during the financial year are reasonable having regard to the prevailing market prices at the relevant time.
- 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 further enlargement of scope and coverage, in view of continuous growth and expansion.
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 records with a view to determine whether they are accurate or complete.
- 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, employees' provident fund, central 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 Rs 591.88 Lacs (prev year Rs. 467,65 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 (Rs in lakhs)	Year to which the amount relates	Forum Where pending
Haryana Livestock Development Board, Gurgaon	Milk cess	246.60	2002-2011	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: New Delhi
Date: September 1, 2011

For P P Mukerjee & Associates
Chartered Accountants
Firm's Registration No. 023276N

P. P. Mukerjee
Proprietor
Membership Number: 089854

KWALITY DAIRY (INDIA) LIMITED
BALANCE SHEET AS AT 31.03.2011

	Schedule		As at March 31,2011 Amount Rs.	As at March 31,2010 Amount Rs.
SOURCES OF FUNDS				
Shareholders' Funds	A			
Share Capital		203,186,434.00	182,000,000.00	
Reserves & Surplus		707,296,108.29	292,823,905.80	474,823,905.80
LOAN FUNDS				
Secured Loans	B	3,646,428,785.53	1,682,582,130.28	
Unsecured Loans	C	601,609,328.00	4,248,038,113.53	506,404,189.18
Deferred Tax Liability			8,487,465.63	5,564,969.00
TOTAL			5,167,008,121.45	2,669,375,194.26
APPLICATION OF FUNDS				
Fixed Assets	D			
At Cost		597,440,004.37	322,060,149.38	
Less: Accumulated depreciation		178,359,730.80	143,528,711.82	
Net book value		419,080,273.57	178,531,437.56	
Capital work-in-progress		-	3,906,252.00	182,437,689.56
Current Assets and Loans & Advances	E			
Current Assets				
Inventories		634,193,826.05	485,758,079.33	
Sundry Debtors		4,117,104,532.16	2,618,024,570.18	
Cash & Bank Balances		15,268,379.26	21,779,016.99	
Other Current Assets		1,471,500.00	1,471,500.00	
		4,768,038,237.47	3,127,033,166.50	
Loans & Advances		370,930,066.01	110,173,951.52	
Sub Total		5,138,968,303.48	3,237,207,118.02	
Less: Current Liabilities & Provisions	F			
Current Liabilities		228,033,314.63	615,322,806.22	
Provisions		164,937,390.96	134,946,807.10	
Sub Total		392,970,705.59	750,269,613.32	
Net Current Assets			4,745,997,597.89	2,486,937,504.70
Misc. Expenditure				
To the extend not written Off			1,930,250.00	
TOTAL			5,167,008,121.45	2,669,375,194.26

Significant Accounting Policies and
notes to accounts

M

As per our Report of even date
FOR P.P. MUKERJEE & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm's Registration No.023276N

On Behalf of Board of Directors

(Sidhant Gupta)
Executive Director

(Sanjay Dhingra)
Managing Director

(Deepa Kapoor)
Company Secretary

CA P.P. Mukerjee,
Membership No.:089854
Proprietor

Place New Delhi
Dated September 1, 2011

KWALITY DAIRY (INDIA) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011

	Schedule	Year ended March 31, 2011 Amount Rs.	Year ended March 31, 2010 Amount Rs.
INCOME			
Turnover	G	16,080,362,099.19	10,541,245,677.78
Other Income	H	2,128,353.44	967,566.94
		<u>16,082,490,452.63</u>	<u>10,542,213,244.72</u>
EXPENDITURE			
Material Costs	I	14,594,312,315.71	9,787,892,060.77
Employee Costs	J	39,155,626.75	21,857,038.00
Other Expenses	K	451,749,085.59	230,211,345.70
		<u>15,085,217,028.05</u>	<u>10,039,960,444.47</u>
Profit before interest, depreciation and tax(PBIDT)		997,273,424.58	502,252,800.25
Less : Interest and Finance Charges	L	356,207,325.77	186,514,326.53
: Depreciation	D	35,292,877.00	18,261,313.40
		<u>605,773,221.81</u>	<u>297,477,160.32</u>
Profit before Tax (PBT)			
LESS : Provision for Current Tax	143,391,623.00		110,971,735.35
Short Provision for taxes for earlier years	(628.71)		6,102,802.96
Wealth Tax	29,297.00		2,212.00
Deferred Tax	<u>2,922,496.63</u>	<u>146,342,787.92</u>	<u>935,145.00</u>
			118,011,895.31
Net Profit for the year after Tax (PAT)		459,430,433.89	179,465,265.01
Add : Brought forward Profit/(Loss) from Previous year's Account		292,823,905.80	137,130,438.19
		<u>752,254,339.69</u>	<u>316,595,703.20</u>
Amount Available For Appropriations	-		
Less : Proposed Dividend		20,318,643.40	20,318,643.40
Tax on Dividend		3,453,154.00	3,453,154.00
Less : Issue of Bonus Shares		21,186,434.00	-
BALANCE CARRIED TO BALANCE SHEET		<u>707,296,108.29</u>	<u>292,823,905.80</u>
Basic & Diluted Earning per Share of face value of Rs 1 each (Prev.Yr.Rs.1/- each)		2.26	0.99

(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
FOR P.P. MUKERJEE & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm's Registration No.023276N

On Behalf of Board of Directors

(Sidhant Gupta)
Executive Director

(Sanjay Dhingra)
Managing Director

(Deepa Kapoor)
Company Secretary

CA P.P. Mukerjee,
Membership No.:089854
Proprietor

Place New Delhi
Dated September 1, 2011

KWALITY DAIRY (INDIA) LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

	2010-2011 Rs.	2009-2010 Rs.
A. Cash Flow from Operating Activities :		
Net Profit/(Loss) before Tax	605,773,221.81	297,477,160.32
Adjustment for :		
Prior Period & Extra Ordinary Items	-	-
Depreciation for the year	35,292,877.00	18,261,313.40
(Profit) / loss on sale of Fixed Assets	43,892.00	-
Interest for the period	356,207,325.77	186,514,326.53
Operating Profit before working capital changes	997,317,316.58	502,252,800.25
Adjustment for changes in Working Capital :		
(Increase)/Decrease in Trade & Other Receivable	(1,759,836,076.47)	(973,905,843.93)
(Increase)/Decrease in Inventories	(148,435,746.72)	(150,563,406.10)
Increase /(decrease) in Trade payable	(385,671,052.59)	(283,694,191.19)
Cash Generated from operation	(1,296,625,559.19)	(905,910,640.96)
Misc. Expenditure to The Extent not written off	(1,930,250.00)	-
Taxes Paid	(115,048,146.44)	(54,022,889.64)
Net Cash flow from operating Activities	(1,413,603,955.63)	(959,933,530.60)
B. Cash flow from investing Activities :		
Advances for Capital Assets		(1,684,966.00)
Sale of Assets of Fixed Assets	270,000.00	-
Purchase of Fixed Assets	(272,249,353.00)	(109,793,607.00)
Net Cash used in Investing Activities	(271,979,353.00)	(111,478,573.00)
C. Cash flow from Financing Activities :		
Increase/(decrease) in Secured Loans	1,963,846,655.25	1,080,210,426.72
Increase/(decrease) in UnSecured Loans	95,205,138.82	200,800,000.00
Interest	(356,207,325.77)	(186,514,326.53)
Dividend Paid	(20,318,643.40)	(18,200,000.00)
Tax on Dividend	(3,453,154.00)	(3,093,090.00)
Net Cash from Financing Activities	1,679,072,670.90	1,073,203,010.19
Net increase in Cash or Cash Equivalents	(6,510,637.73)	1,790,906.59
Cash and Cash Equivalent at 1st April, 2010	21,779,016.99	19,988,110.40
Cash and Cash Equivalent at 31st March, 2011	15,268,379.26	21,779,016.99
Cash and Cash Equivalents comprise	15,268,379.26	21,779,016.99
Cash in Hand and on Imprest Account	1,097,751.75	889,952.67
Balance with Scheduled Banks in Current Account	5,663,167.51	7,376,812.02
Balance with Scheduled Banks in Deposit Account	8,507,460.00	13,512,252.30

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.

On Behalf of Board of Directors

FOR P.P. MUKERJEE & ASSOCIATES
 CHARTERED ACCOUNTANTS
 Firm's Registration No.023276N

(Sidhant Gupta)
 Executive Director

(Sanjay Dhingra)
 Managing Director

(Deepa Kapoor)
 Company Secretary

CA P.P. Mukerjee,
 Membership No.:089854
 Proprietor

Place New Delhi
 Dated September 1, 2011

KWALITY DAIRY (INDIA) LIMITED

SCHEDULE - A

	As at March 31, 2011 Amount Rs	As at March 31, 2010 Amount Rs
SHARE HOLDERS' FUND		
SHARE CAPITAL		
Authorised		
100,00,00,000 Equity Shares of Rs.1/- each	1,000,000,000.00	200,000,000.00
(March 31, 2010 : 20,00,00,000 Equity Share of Rs 1/- each)		
Issued, Subscribed and Paid up :		
203186434 Equity Shares of Rs.1/- each fully paidup	203,186,434.00	182,000,000.00
Sub-total - I	203,186,434.00	182,000,000.00
Notes :		
1) Equity Shares of Rs.10/- each have been sub-divided into ten equity shares of Rs.1- each pursuant to the resolution passed by the share holders by postal ballot on 12th October, 2009.		
2) The Company allotted 2,11,86,434 Equity shares as fully paidup bonus shares by capitalisation of profits transferred from profit & loss account pursuant to resolution passed by share holders by postal ballot on 28th May 2010 to non promoter share holders in ratio of 5 : 7 .		
3) The authorised equity share capital was increased to 1,00,00,00,000 equity share of Rs. 1/- each pursuant to resolution passed by shareholder's by postal ballot on 7th May, 2010.		
RESERVE & SURPLUS		
Profit & Loss Account	707,296,108.29	292,823,905.80
Sub-total - II	707,296,108.29	292,823,905.80
TOTAL (I + II)	910,482,542.29	474,823,905.80

SCHEDULE - B

SECURED LOANS

a) Short Term / Working Capital Loans			
i. From Banks	3,201,893,649.02		1,580,317,916.74
(Refer Note 11)			
ii. Other	183,333,333.00		100,000,000.00
Interest Accured on above	1,439,041.00	3,386,666,023.02	543,699.00
b) Long Term Loan			
i. Vehicle Loans from Banks	8,320,296.51		1,720,514.54
ii. Other	250,000,000.00		
Interest Accured on above	1,442,466.00	259,762,762.51	
		3,646,428,785.53	1,682,582,130.28

Note : Vehicle Loans repayable within one year Rs.34.58 Lacs (March 31,2011 Rs.10.03 Lacs)

SCHEDULE - C

UNSECURED LOANS

(a) Sales Tax Deferment Loan	1,609,328.00	8,904,189.18
(Refer Note 11 b)		
(b) Others	600,000,000.00	497,500,000.00
	601,609,328.00	506,404,189.18
Total (a+b)	4,248,038,113.53	2,188,986,319.46

SCHEDULE D
KWALITY DAIRY (INDIA) LIMITED

DESCRIPTION	GROSS BLOCK				DEPRECIATION				WDV As On 31.3.2010	
	Opening As at 01.04.10	Additions During the Year	Deduction/ Adjustment during the year	Closing As at 31.03.11	Opening As at 01.04.10	For the Year 31/03/2011	Adjustment on account of sales/transfer	Closing As at 31.03.11		WDV As On 31.03.2011
Land	5,807,757.60	-	-	5,807,757.60	-	-	-	-	5,807,757.60	5,807,757.60
Computer	6,071,512.20	642,072.00	-	6,713,584.20	2,017,277.85	1,725,728.00	-	3,743,005.85	2,970,578.34	4,054,234.34
Building	47,855,882.62	14,464,089.00	-	62,319,971.62	22,703,434.37	3,347,418.00	-	26,050,852.37	36,269,119.25	25,152,448.25
Plant & Machinery	253,753,090.04	249,487,252.00	-	503,240,342.04	114,569,345.73	27,617,565.00	-	142,186,910.73	361,053,431.31	139,183,744.31
Furniture & Fixture	1,199,231.91	328,771.00	-	1,528,002.91	477,799.66	161,213.00	-	639,012.66	888,990.25	721,432.25
Vehicles	7,372,675.00	11,233,421.00	775,750.00	17,830,346.00	3,760,854.20	2,440,953.00	461,858.00	5,739,949.20	12,090,396.80	3,611,820.80
Figures for the Current Year	322,060,149.37	276,155,605.00	775,750.00	597,440,004.37	143,528,711.80	35,292,877.00	461,858.00	178,359,730.80	419,080,273.56	178,531,437.56
Figures for the Previous Year	213,766,542.37	108,293,607.00	-	322,060,149.37	125,267,398.38	18,261,313.42	-	143,528,711.79	178,531,437.56	88,499,143.99

		As at March 31, 2011 Amount Rs.	As at March 31, 2010 Amount Rs.
A	INVENTORIES:		
	Raw Materials	6,502,600.00	3,963,625.00
	Packing & Consumable Stores	10,672,307.00	9,643,383.00
	Stock-in-Process	88,956,230.00	50,111,780.00
	Finished Goods	528,062,689.05	422,039,291.33
	Goods-in-transit (at cost)	-	-
	Sub-total of A	<u>634,193,826.05</u>	<u>485,758,079.33</u>
	CURRENT ASSETS, LOANS & ADVANCES		
	Unsecured-Considered good		
B	Sundry Debtors (net of advances)		
	Over six months	513,405.00	519,592.00
	Others	<u>4,116,591,127.16</u>	<u>2,617,504,978.18</u>
	Sub-total of B	<u>4,117,104,532.16</u>	<u>2,618,024,570.18</u>
C	CASH & BANK BALANCES		
a)	Cash in Hand	1,097,751.75	889,952.67
b)	Balance with scheduled banks -		
	- In Current Accounts	5,663,167.51	7,376,812.02
	- In Fixed Deposits Accounts (including Interest accrued)	8,507,460.00	12,749,628.79
	Margin Money	-	<u>762,623.51</u>
	Sub-total of C	<u>15,268,379.26</u>	<u>21,779,016.99</u>
D	OTHER CURRENT ASSETS		
a)	Grant-in-Aid receivable	1,471,500.00	1,471,500.00
	Sub-total of D	<u>1,471,500.00</u>	<u>1,471,500.00</u>
	Total A+B+C+D	<u>4,768,038,237.47</u>	<u>3,127,033,166.50</u>
E	LOANS & ADVANCES		
	Unsecured -considered good		
a)	Advances Recoverable in cash or in kind for value to be received	359,755,919.18	100,397,095.27
b)	Deposit with Haryana Livestock Development Board (Milk Cess)	7,296,047.00	7,296,047.00
c)	Balance with Revenue Authorities	1,802,109.83	658,545.25
d)	Duty Draw Back Receivable	141,984.00	141,984.00
e)	Other Deposits	1,934,006.00	1,680,280.00
	Total	<u>370,930,066.01</u>	<u>110,173,951.52</u>

KVALITY DAIRY (INDIA) LIMITED

SCHEDULE F

	As at March 31, 2011 Amount Rs.	As at March 31, 2010 Amount Rs.
CURRENT LIABILITIES & PROVISIONS		
A. Current Liabilities		
Sundry Creditors	217,491,043.06	605,924,136.67
Other Liabilities	10,542,271.57	9,398,669.55
Sub Total - A	<u>228,033,314.63</u>	<u>615,322,806.22</u>
B. Provisions		
Income Tax -(Net of TDS)	137,641,028.56	109,295,968.70
Wealth Tax	29,297.00	2,212.00
Proposed dividend	20,318,643.40	20,318,643.40
Tax on proposed dividend	3,453,154.00	3,453,154.00
Leave encashment/Gratuity	3,495,268.00	1,876,829.00
Sub Total B	<u>164,937,390.96</u>	<u>134,946,807.10</u>
Total A + B	<u>392,970,705.59</u>	<u>750,269,613.32</u>

SCHEDULE - G

	Year ended March 31, 2011 Amount Rs	Year ended March 31, 2010 Amount Rs
TURNOVER		
Sales of Goods	16,024,694,631.19	10,466,869,640.78
Sales of Services	55,667,468.00	74,092,069.00
Export Incentives	-	283,968.00
	<u>16,080,362,099.19</u>	<u>10,541,245,677.78</u>

SCHEDULE - H

OTHER INCOME

INTEREST INCOME

Interest on FDR
(TDS deducted Rs.67742.72/- (Previous year Rs. 86124/-))

669,427.44

687,596.94

Interest Other
(TDS deducted Rs. 101460/- (Previous year Rs. Nil/-))

1,014,597.00

Misc. Income
(TDS deducted Rs.42524/- (Previous year Rs. 28060/-))

444,329.00

279,970.00

2,128,353.44

967,566.94

KWALITY DAIRY (INDIA) LIMITED

SCHEDULE I

	Year ended March 31,2011 Amount Rs.	Year ended March 31,2010 Amount Rs.
MATERIAL COSTS		
1 Raw Materials Consumed		
Consumption of raw material & packing	13,666,144,044.92	8,253,812,830.51
Purchase and contract manufacturing charges	1,073,036,118.50	1,680,777,118.35
Net (Increase) /Decrease in Inventories of work in Process	(38,844,450.00)	(14,071,764.50)
Net (Increase) /Decrease in Inventories of finished goods	(106,023,397.71)	(132,626,123.59)
	<u>14,594,312,315.71</u>	<u>9,787,892,060.77</u>

SCHEDULE - J

Employee Cost

Salaries, Wages & Bonus	35,203,637.00	20,031,839.00
Contribution to Provident and Other Funds	1,140,796.00	622,373.00
Gratuity & Leave Encashment	1,732,725.00	548,535.00
Employee Welfare and other amenities	1,078,468.75	654,291.00
	<u>39,155,626.75</u>	<u>21,857,038.00</u>

SCHEDULE - K

OTHER EXPENSES

Power & Fuel	61,229,155.00	47,979,816.00
Packing Expenses	110,803,067.84	13,641,075.00
Repair & Maintenance		
-Plant & Machinery	13,479,448.30	10,710,388.49
- Building	3,018,189.00	2,105,526.00
Processing Charges	74,968,112.00	34,265,709.00
Consumable Stores	3,486,670.00	2,825,938.00
Advertisement & Sales Promotion	60,105,874.83	524,303.00
Auditors' Remuneration	200,000.00	125,000.00
Bank Charges	15,013,053.75	20,256,316.60
Conveyance & Travelling	3,904,831.00	1,156,694.00
Commission & Brokerage	5,231,194.50	3,008,242.20
Charity and Donation	45,101.00	54,300.00
Transportation Charges	26,329,691.00	13,612,910.50
Fees & Subscription	4,893,305.00	404,611.00
Insurance	497,181.00	647,935.00
Legal & Professional Expenses	16,385,118.00	3,372,132.00
Rebate & Discount	35,859,493.91	61,600,561.31
Royalty Expenses	1,549,387.00	1,455,960.00
Misc Expenses	4,808,904.14	5,016,379.56
Printing & Stationery	1,537,935.50	463,133.00
Rent , Rates & Taxes	2,235,943.00	2,207,789.00
Security Expenses	2,415,148.00	1,798,036.00
Telephone & Cellular Expenses	1,469,669.57	1,154,421.04
Car Running & Maintenance	2,238,720.25	1,770,346.00
Loss on sale of Fixed Assets	43,892.00	-
Exchange Difference	-	53,823.00
	<u>451,749,085.59</u>	<u>230,211,345.70</u>

SCHEDULE - L

INTEREST AND FINANCE CHARGES

Interest on Loans	356,207,325.77	186,514,326.53
	<u>356,207,325.77</u>	<u>186,514,326.53</u>

**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE
ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010-March 11**

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 of the Companies Act, 1956. Assets individually costing Rs.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 when there reasonable assurance that the company will comply with the conditions attached to them and the grants will be received.

Government grants whose primary condition is that the company should purchase, construct or otherwise acquire capital assets are presented by deducting them from the carrying value of the assets. The grant is recognised as income over the life of a depreciable asset by way of a reduced depreciation charge.

Other government grants are recognised as income over the periods necessary to match them with the costs for which are intended to compensate, on a systematic basis.

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 Rs. in Lacs	Previous Year Rs. 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 Rs.72.96 lacs(Pre.Yr. Rs.72.96 Lacs) deposited under protest)	246.60	221.39
ii) Other matters	156.97	156.97
b) Contingent Liability for Bills Discounted	1,701.47	3,508.23
c) Liability under Bank Guarantee	13.46	44.85
d) Estimated amount of Contracts remaining to be executed on capital account and not provided for	77.83	124.16

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 , 2011	As at 31st March , 2010
a) Deferred Tax Liability		
Related to Fixed Assets	(9,027,201)	(5,734,466)
b) Deferred Tax Assets		
Due to Disallowance under the Income Tax Act, 1961	539,735	169,497
	<u>(8,487,466)</u>	<u>(5,564,969)</u>

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	LICENSED UNIT	INSTALLED CAPACITY	ACTUAL CAPACITY	PRODUCTION
Fat/Butter/Cream/Ghee	Tonnes	N/A	*	23,160 (17,032)
SMP/WMP/DW/DC/SNF	Tonnes	N/A	*	26,832 (13,594)
Milk / Skimmed Milk / Toned/Double Toned Pasteurized/Processed	Tonnes	N/A	*	183,742 (205,442)
Curd	Tonnes	N/A	*	40,138 (655)

* 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 Rs in Lacs
Fat/Butter/Cream/Ghee	Tonnes	23699 (18,821)	56569 (43,908)
SMP/WMP/DW/DC/SNF	Tonnes	34134 (25,196)	48331 (28,489)
Milk / Skimmed Milk / Toned/ Double Toned Pasteurized/Processed	Tonnes	183742 (205,442)	45280 (32,038)
Curd	Tonnes	40138 (655)	10067 (233)

C Details of Finished Goods

PRODUCTS	Unit of Quantity	OPENING STOCK		Closing Stock		Purchases and contract manufacturing	
		Quantity	Value (Rs in lacs)	Quantity	Value (Rs in lacs)	Quantity	Value (Rs in lacs)
Fat/Butter/Cream/Ghee	Tonnes	1,150 (826)	2,474 (1,355)	1,768 (1,150)	3,550 (2,474)	1157 (2,113)	2334 (4,611)
SMP/WMP/DW/DC/SNF	Tonnes	1,811 (1,731)	1,746 (1,380)	1,333 (1,811)	1,730 (1,746)	6823 (11,682)	8396 (12,191)
						-	-
TOTAL		2,961 (2,557)	4,220 (2,735)	3,101 (2,961)	5,280 (4,220)	7,980 (13,795)	10,730 (16,801)

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

PRODUCTS	Unit of Quantity	2010-11		2009-10	
		Quantity	Value Rs in lacs	Quantity	Value Rs in lacs
Milk	Tonnes	550800.22	123171.47	280,763.86	60,863.86
Butter Fat/Ghee	Tonnes	5117.44	9917.74	2,118.82	4,525.26
Others	Tonnes	2703.75	3599.50	14,486.47	16,685.64
			136688.71		82,074.76

E Earnings etc. In foreign exchange during the year

	(Rs. In Lacs)	
	2010-11	2009-10
Export of Goods -FOB Value	-	283.97

KWALITY DAIRY (INDIA) LIMITED

F	Foreign Exchange Outgo CIF Value of Imports	Rs. in Lacs	
		2010-11	2009-10
	Capital Goods	-	-
	Raw Material	-	73.84
		-	73.84
7	Payment to Auditors :	2010-11	2009-10
i	Audit Fees	1.50	1.00
ii	Tax Audit Fees	0.50	0.25
8	Managerial Remuneration	2010-11	2009-10
	Salaries and Allowances	23.16	7.20
9	Statement of Earning Per Share	2010-11	2009-10
i	Net Profit after tax attributable as per account (Rupees in lacs)	4594.30	1,855.68
ii	(Excess)/ short provision for tax of earlier year (Rupees in lacs)	-0.01	61.03
iii	Net Profit attributable to Equity Shareholders (Rs. In lacs)	4594.31	1,794.65
iv	Weighted Average Number of Equity Shares used as denominator for calculating EPS	203,186,434	182,000,000
	Nominal value per share (in Rupees)	1.00	1.00
	Basic/Diluted Earning Per Share (in Rupees)	2.26	0.99
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 *		
	* There is a change in major shareholders subsequent to Balance Sheet date by way of family settlement, such that Sh. Gulshan Kumar, Sh. Kishan Kumar and Sh. Naresh Dhingra are no longer Major Share holder and Ms. kanika Dhingra has become major share holder.		
c)	Relatives of Major Shareholders/Key managerial personnel:		
	- Ms. Seema Dhingra		
	- Ms. Pinki Dhingra		
	- Ms . Kanika 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		
	- Pashupati Dairies Pvt Ltd.		

Details of Transactions/Balances are as follows:

Rs. in Lacs.

		Major Shareholders/KMP		
	Key Management Personnel(KMP)	Major Shareholders	Relatives	Enterprises
I Transactions with related parties during the year				
a	Managerial Remuneration	23.16 (7.20)		
b	Loans and advances received			2,500.00 (2,000.00)
	Year End Balances	1.42 (5.92)	- (3.40)	6,000.00 (4,500.00)
c	Collateral Security/guarantee against loan availed by Company	- (1,000.00)		2,500.00 (6,100.00)
d	Guarantee taken for Financial Limits enjoyed from banks	39,000.00 (22,000.00)		Nil (20,000.00)
e	Current Account Transactions			
	Amount Received /(given)			
i)	Maximum Balance at any time			1742.19 (3,387.80)

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

	2010-11	2009-10
Inter Corporate Loans received		
JMD Proteins Pvt Ltd	Nil	1,000.00
JMD Veg Oils Pvt Ltd	Nil	1,000.00
Pashupati Dairies Pvt Ltd	2500.00	-
Current Account Transactions		
Amount Received /(given)		
Maximum amount at any time		
-JMD Oils Pvt Ltd	1354.30	1,525.68
- Super Veg Oils Pvt Ltd	250.63	1,125.62
-JMD Proteins Pvt Ltd	137.25	736.50
Amount outstanding as at year end		
Inter Corporate Loans received		
JMD Proteins Pvt Ltd	2500.00	2500.00
JMD Veg Oils Pvt Ltd	1000.00	2000.00
Pashupati Dairies Pvt Ltd	2500.00	-
Current Account Transactions		
Amount Received /(given)		
-JMD Oils Pvt Ltd	NIL	NIL
- Super Veg Oils Pvt Ltd	NIL	NIL
Guarantee obtained for limits enjoyed by the Company		
Super Veg Oils Pvt Ltd	Nil	19,000.00
JTPL Townships Pvt Ltd	2500	15,600.00

II 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 under consortium facility of Rs.390 Crore. The Consortium bank facilities are further secured by way of personal guarantee of major share holders. (Refer Note 10 d)
- Unsecured Loan : Sales Tax Deferment Loan Secured by Bank Guarantee of Rs. 3.86 lacs and Surety Bond by Director of the Company
- Contingent Liability for Bills Discounted (Under Trade Finance Facility) include the sum of Nil (P.Y. Rs.2750.00 Lacs and Rs.2350.00 Lacs respectively) , was secured against equitable mortgage of land owned by JTPL Townships Pvt Ltd, satisfaction of charge filed subsequent to Balance Sheet Date (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 2011, 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 Rs. 2010-11	In Rs. 2009-10
a) Defined Benefit Plan	Gratuity & Leave Encashment	Gratuity & Leave Encashment
I Change in Benefit Obligation		
Liability at the beginning of the year	1876829	1347306
Interest Cost	154414	107489
Current service cost	1190206	608789
Benefit Paid	(113,901)	(19,012)
Actuarial (gain)/loss on obligation	387,720	(167,743)
Liability at the end of year-recognized in the Balance Sheet	3495268	1876829
II Expenses recognized in the Income statement		
Current service cost	1344620	716278
Net Actuarial (gain)/loss to be recognized	387,720	(167,743)
Expenses recognized in Profit and loss Account	1,732,340	548,535
III Actuarial Assumptions		
Discount rate current	8.25% per annum	8% per annum
Salary escalation current	5% per annum	5% per annum
Mortality	LIC 94-96 Ultimate	LIC 94-96 Ultimate
Withdrawal rate 18 to 60 Years	2% per annum	2% per annum

An amount of Rs.1732340/- (PY. - Rs.548535/-) 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 :

	Rs. In Lacs 2010-11	Rs. In Lacs 2009-10
a) Minimum Installments		
Payable within one year	40.91	11.58
Later than one year but not later than 5 years	51.97	12.66
b) Present Value of minimum installments		
Payable within one year	34.58	10.03
Later than one year but not later than 5 years	48.62	11.11

- 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 P.P. MUKERJEE & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm's Registration No.023276N

On Behalf of Board of Directors

(Sidhant Gupta)
Executive Director

(Sanjay Dhingra)
Managing Director

(Deepa Kapoor)
Company Secretary

CA P.P. Mukerjee,
Membership No.:089854
Proprietor

Place New Delhi
Dated September 1, 2011

BALANCE SHEET ABSTRACT AND A COMPANY'S GENERAL BUSINESS PROFILE

SCHEDULE VI PART IV

I. Registration Details

Registration No.

0 3 5 0 0 7

Balance Sheet Date

3 1

0 3

2 0 1 1

Date

Month

Year

State Code 0 5 (Refer Code List)

II. Capital Raised During the year (Amount in Rs. Thousand)

Public Issue

N I L

Bonus Issue

2 1 1 8 6

Rights Issue

N I L

Private Issue

N I L

III. Position of Mobilisation and Development of Funds (Amount in Rs. Thousand)

Total Liabilities

5 1 6 7 0 0 8

Total Assets

5 1 6 7 0 0 8

Sources of Funds

Paid-Up Capital

2 0 3 1 8 6

Secured Loans

3 6 4 6 4 2 9

Reserves & Surplus

7 0 7 2 9 6

Unsecured Loans

6 0 1 6 0 9

Application of Funds

Net Fixed Assets

4 1 9 0 8 0

Net Current Assets

4 7 4 5 9 9 8

Accumulated Losses

N I L

Investments

N I L

Misc. Expenditure

1 9 3 0

IV. Performance of Company (Amount in Rs. Thousand)

Turnover

1 6 0 8 2 4 9 0

+ -

+ -

Profit/Loss Before Tax

6 0 5 7 7 3

+ -

+ -

Total Expenditure

1 5 4 7 6 7 1 7

Profit/Loss After Tax

4 5 9 4 3 0

(Please tick Appropriate box + for profit, - for Loss)

Earning Per Share

2 . 2 6

Dividend Rate %

1 0

V. Generic Names of Three Principal Products/Service of the Company (as per monetary terms)

Item Code No.

0 4 0 2 . 1 0

Product

S M P / W M P / D W / D C / S N F

Description

Item Code No.

0 4 . 0 1

Product

M I L K / S K I M M E D M I L K / T O N E D /

Description

D O U B L E T O N E D / P A S T E U R I S E D

/ P R O C E S S E D

Item Code No.

0 4 0 5 . 9 0

Product

G H E E / F A T / B U T T E R / C R E A M

Description

KWALITY DAIRY (INDIA) LIMITED

Registered Office: Village Softa, Tehsil Palwal, Faridabad, Haryana-121004

ATTENDANCE SLIP

19th Annual General meeting

Monday, 26th September 2011 at 11.00 am

VENUE: Village Softa, Tehsil Palwal, Faridabad, Haryana-121004

DP Id: _____

Folio No.: _____

Client ID: _____

No. of Shares held: _____

Member's Name: _____

Complete Address: _____

I hereby record my presence at the 19th Annual General Meeting of the company to be held on Monday, 26th September 2011, at 11.00am at Village Softa, Tehsil Palwal, Distt. Faridabad, Haryana-121004

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-121004

PROXY FORM

I/We: _____
R/o: _____ Being a member/members of
Kwaliti Dairy (India) Limited, hereby appoint Mr./Ms. _____
R/o _____ of 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 19th Annual General Meeting of the company to be held on Monday 26th September 2011 at 11.00am at Village Softa, Tehsil Palwal, Faridabad, Haryana-121004 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 _____ 2011 Signature of the member _____

Affix 1 Rupee
Revenue
Stamp

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.



Jug Jug Jiyo!

KWALITY DAIRY (INDIA) LTD.

Corporate Office: KDIL HOUSE F-82, Shivaji Place, Rajouri Garden, New Delhi-110027 Phone: +91 -11- 47006500
Toll free: 1800 103 5345 E: info@kdil.in W: www.kdil.com