



Enriching Performance

Annual Report, 2012



KWALITY DAIRY (INDIA) LIMITED

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Letter to Shareholder



During the year 2011-12, KDIL has continued its strong performance from the previous years. KDIL recorded an increase in revenue by 49% from ₹1608 last year to ₹2395 Crores during the current year and in net profit by 98% from ₹46 Crores last year to ₹91 Crores during the current year. This year our achievements have even greater significance because we have grown while the world is reeling under economic regression. We continue to be one of the fastest growing dairy companies in India. The strong performance is the result of our continued focus on customer needs and investments in technology.

Amongst many of our achievements, the most significant is the immense trust that our consumer, our business partners and the communities have shown in us. It is this trust that has contributed to the increase in our market share of all products significantly. During the year we launched various fresh dairy products and have expanded our distribution network in the existing markets and have opened several new markets.

I believe there is greater scope for growth as we expand our operations by going international. Our wholly owned subsidiary has obtained a license for dealing in various milk-based products. This subsidiary will import products to UAE and sell those in the home market and abroad. It has achieved the revenue of AED 1.56 crores and net profit of AED 0.10 crores in the first 4 months of its incorporation ended March 31, 2012.

I acknowledge with gratitude the support given by our bankers, insurers, management consultants, suppliers, transport contractors, C&F agents, distributors and retailers in managing our growth and being partners in success. I expect their continued fruitful alliance in times to come.

Most important of all, the patronage of our consumers is cherished by us. They have come to regard our brands as a synonym of quality and value. As I express my heartfelt gratitude to them, I assure them that we shall continue to strive to delight them.

Lastly, I extend my hearty congratulations to the entire team of KDIL, who have risen together to meet challenges head on, and ensured that the positive growth continues. I thank the officers and staff for their perseverance, loyalty and unflinching devotion to our cause.

Thanking you,

Sanjay Dhingra
Chairman & Managing Director

Corporate Information ▶

Board of Directors

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

Company Secretary

Ms. Deepa Kapoor

Statutory Auditors

P.P. Mukerjee and Associates
11, Pratap Enclave, Mohan Garden,
New Delhi-110059

Registered Office

Village Softa, Tehsil & Distt. Palwal,
Faridabad, Haryana-121004

Corporate Office

KDIL HOUSE: F-82, Shivaji Place,
Rajouri Garden, New Delhi-110027

Listing Detail

National Stock Exchange of India Limited
Bombay Stock Exchange Limited

Depositories Detail

National Securities Depository Limited
Central Depository Securities (India) Limited

Bankers

Bank of India
Bank of Baroda
Andhra Bank
Dena Bank
Allahabad Bank
Central Bank of India
ICICI Bank
IDBI Bank
Dhanalaxmi Bank
Corporation Bank

Registrar & Transfer Agent

Beetal Financial & Computer
Services (P) Ltd.
Beetal House, 3rd Floor, 99
Madangir, Behind Local
Shopping Centre,
Near Data Harsukhdas Mandir,
New Delhi-110062

Key Trends (FY 2008-2012) ▶ ₹ in Crores

2012

Revenue

EBITDA

Net Profit

EPS (₹)

2394.63

165.26

90.99

*4.48

2011

1608.04

99.73

45.94

*2.26

2010

1054.12

50.23

17.95

*0.99

2009

582.80

27.20

9.38

**5.16

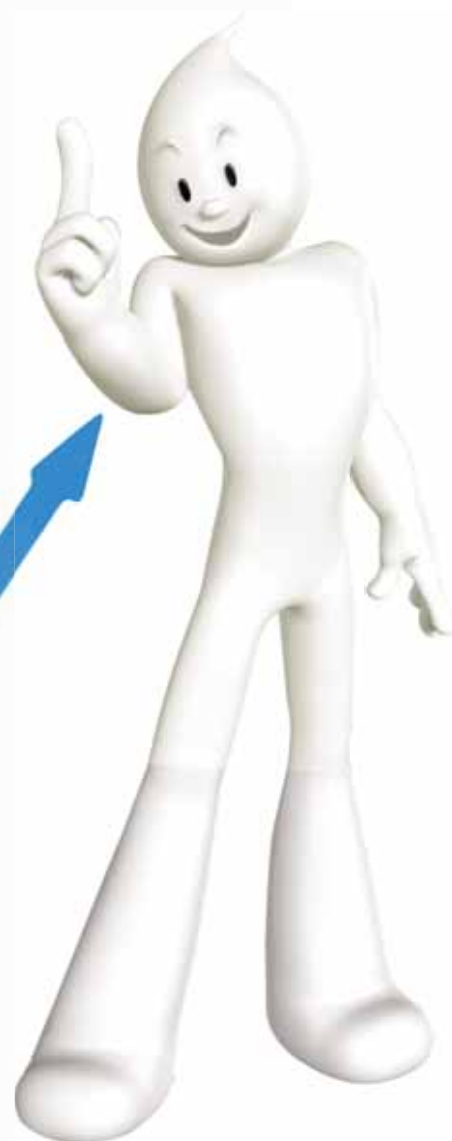
2008

333.04

13.30

4.62

**2.54



*Equity Shares of Face value of ₹1/- each

**Equity Shares of Face value of ₹10/- each

Our Product Portfolio

LOW CHOLESTEROL GHEE - LIVLITE

KDIL is poised to revolutionize the dairy industry with its new range of products. In its endeavor to produce nutritious and innovative products, it is proud to launch India's first Low Cholesterol Pure Ghee, Dairy Best Livlite.

The first-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), which is a Government of India body. It is the only pure ghee available with 85% Less Cholesterol. A product of many years of research, Livlite keeps the traditional form, color, aroma, consistency, texture and flavor of ghee intact and has a shelf life of twelve months.

Available in:

RT Packs - 194 ml, 400 ml, 800 ml & 970 ml pack

Tin- 400ml, 800ml & 1ltr



PURE GHEE

Dairy Best Desi Ghee is produced from directly supplied fresh milk of the highest quality. The ghee is manufactured under the most hygienic conditions, using the most modern equipment and is completely untouched by hand. The combined factors ensure that it is tasty, has a traditional granular texture and gives off a rich and mouth-watering aroma, and is healthy too. It contains plenty of antioxidants, easily absorbs vitamins and minerals from other foods and helps strengthen the body's immune system, and high concentrations of butyric acid that inhibits the growth of cancerous tumours. Our Pure Ghee has been awarded the "AGMARK" certification by the Ministry of Agriculture, Government of India.

Available in:

RT - 194ml, 400ml, 485 ml, 800ml & 970 ml,

Poly Pack - 480 ml, 970 ml, 1.940 ltr, and 4.850 ltr

Tin containers - 400 ml, 485 ml, 800 ml, 975 ml, 1.94 ltr, 4.85 ltr & 15 kg

Jars - 194 ml, 480 ml, 970 ml, 1.940 ltr, and 4.850 ltr



100% PURE COW GHEE

Kwality's 100% Pure Cow Ghee is another high value product manufactured exclusively from fresh cow's milk. Such is its quality that it has come to set the standard in the perceptive and ghee appreciating hinterland of Delhi, Punjab, Rajasthan and Haryana.

The 100% Pure Cow Ghee is totally automated and machine manufactured. It is untouched by human hand and thus is hygienic. Its pale perfect yellow has a pleasant look and gives off a rich appetizing aroma. The texture of the ghee is granular in the manner of traditional home-made ghee. This is highly appreciated by our customers.

Available in:

RT - 194ml, 400ml, 485 ml, 800ml & 970 ml,
Poly Pack - 480 ml, 970 ml, 1.940 ltr, and 4.850 ltr
Tin containers - 400 ml, 485 ml, 800 ml, 975 ml, 1.94 ltr, 4.85 ltr & 15 kg
Jars - 194 ml, 480 ml, 970 ml, 1.940 ltr, and 4.850



WAKE UP - INSTANT DAIRY CREMER

Contains milk solids, milk fat sucrose, and emulsifiers.

It is appropriate for making milk, tea, coffee, curd, lassi, mishthi doi, milk shake, ice cream, pudding and sweets. It is granular, free flowing, lump free and is white in color.

Available in:

5 gm - specially designed for railways, flight catering, and hotels etc.
25 and 50 gm - pouch pack
200 gm and 500 gm - poly jar
1kg - laminated pouch



SKIMMED MILK POWDER

Skimmed Milk Powder is made from fresh milk and is completely free from artificial flavors and colors. It can be used for making milk, tea, coffee, curd, lassi, mishti doi, milk shake, ice cream, pudding and sweets. It has less than 1.5 % less fat content and has no added colours.

Available in:

500 gm and 1 kg laminated pack



◀ New Launches

At Kwality Dairy India Limited, we continue our journey of evolution and innovation to deliver delightful new products for our customers. This year we have initiated the launch of the fresh dairy products that have been positively received and continue to be bestsellers.

MILK IN POUCHES

Dairy Best Nutrified Milk is enriched with more vital minerals and vitamins. Compared to normal milk, Dairy Best Nutrified Milk has more Calcium and Vitamins A & D. It also contains Vitamin B2 for releasing the body's energy and Vitamin B12 for blood formation and healthy growth. It thus promises stronger bone development in the formative years, better muscle strength and a tougher immune system, in short a strong foundation for life, for your child.

Dairy Best Nutrified Milk is available in 3 variants:

Dairy Best Full Cream Milk (Both in 1 ltr & Half ltr)

Dairy Best Toned Milk (Both in 1 ltr & Half ltr)

Dairy Best Double Toned Milk (Half ltr)



DAIRY BEST
Nutrified Milk.

Double Toned Milk
Enriched with Calcium and Vitamins A & D

Full Cream Milk
Enriched with Calcium and Vitamins A & D

Pasteurized Toned Milk
Enriched with Calcium and Vitamins A & D

Extra Calcium

- Helps in building stronger bones and teeth.
- Helps pregnant women in the development of child.

Extra Vitamin D

- Helps in absorbing calcium and phosphate in the body.
- Helps in building a strong immune system and fighting infection.

Extra Vitamin A

- It is essential for healthy eyes.
- Helps in maintaining healthy respiratory system thus avoiding asthma and other diseases.
- It is important for glowing skin.

Extra Vitamin B2 & Vitamin B12

- Vitamin B2 is for releasing body's energy and Vitamin B12 for blood formation and healthy growth.
- Vitamin B12 also helps in maintaining a healthy digestive system and carbohydrate-to-energy conversion.

KDIL
KWALITY DAIRY (INDIA) LIMITED
Visit us at www.kdil.in or call toll free at 1800 103 5343



CURD

We launched our variety of Curd to give customers greater choice. As curd is a staple and popular food of every Indian household, we are capturing the imagination of consumers with our 100% pure and high quality pasteurized toned cow's milk. It has all the goodness of natural calcium, is thick, consistent, delicious and easy to digest.

Available in different packaging like:

Matka - 1 kg, 2kg, 5kg & 15kg

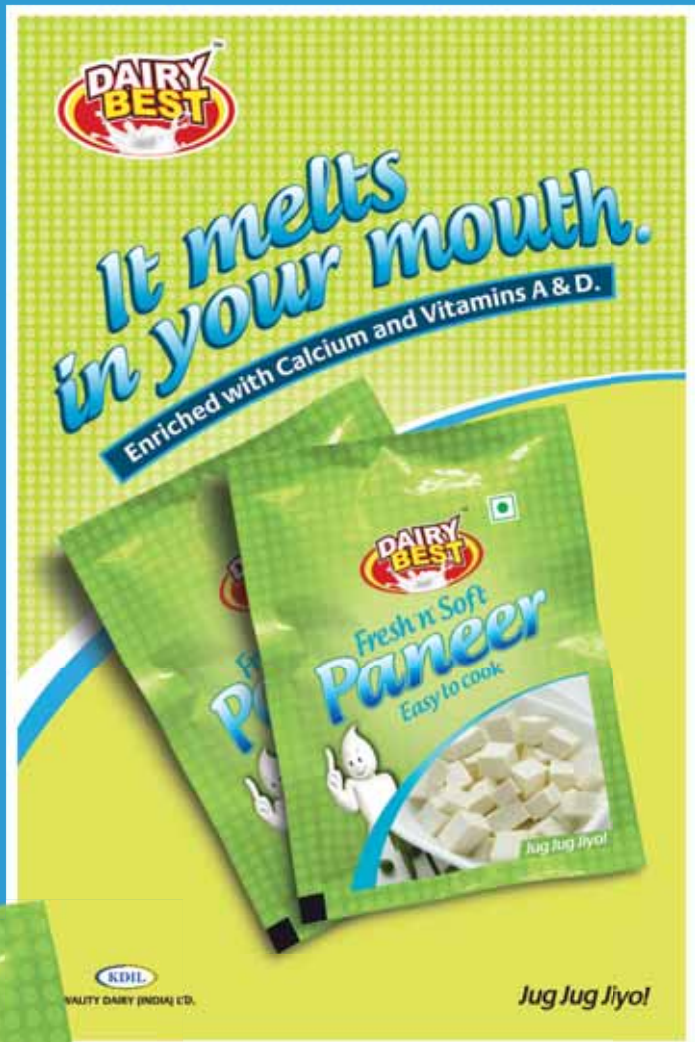
Pouch - 500gm, 1kg

Cup - 80gm, 200gm & 400gm



PANEER

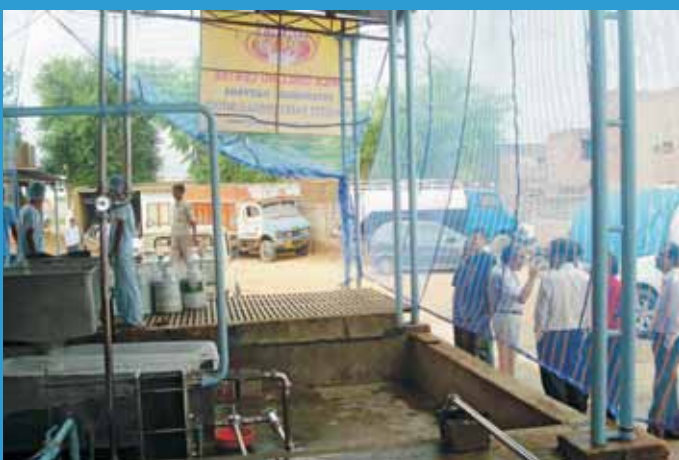
Kwality Dairy India Limited launched yet another pure product made from fresh milk, paneer (cottage cheese). This traditional milk product is an absolute favourite in households all over the country and consumed in different forms, raw or cooked. In line with our commitment to quality, we have ensured that the paneer we produce is totally pure and the softest our customers have ever tasted. Paneer is known to be a very valuable source of protein and we ensure that our product maintains all the healthy nutrients and conforms to the strictest testing and quality standards. Our paneer is available in masala variety and in 200gm packs, 400gm, 1kg & 5kg Brick to be launched.



Plant & Operations ▶ Haryana (Palwal)



◀ MILK CHILLING CENTRES



WHOLLY OWNED SUBSIDIARY COMPANY LAUNCHED IN DUBAI



Kwaliti Dairy has established a wholly owned subsidiary under the name of “Kwaliti Dairy Products – FZE” in free trade zone of United Arab Emirates to increase its global foot print and to develop and cater to new markets. The Company has been granted a license to deal in various milk based products and will import Skimmed Milk Powder, Whole Milk Powder and various derivatives of Milk, Ghee, Butter & other Dairy products to UAE. The Company will sell products, both domestically and export to home market and abroad.

DUBAI FOOD FESTIVAL ►



◀ MEETS & INITIATIVES



◀ RWA ACTIVITY (DELHI NCR)



◀ OOH CAMPAIGN (Hoardings)



◀ OOH CAMPAIGN (Bus Branding & Wall Painting)





Notice is hereby given that the Twentieth Annual General Meeting of the Members of KWALITY DAIRY (INDIA) LIMITED will be held on Friday, the 28th day of September, 2012 at 10:00 A.M at Registered Office of the Company at Village Softa, Tehsil & District Palwal, Faridabad, Haryana – 121004, to transact the following business: -

1. ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012 and Profit & Loss Account for the year ended on that date, together with the reports of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares for the financial year 2011-12.
3. To appoint a Director in place of Dr. Rattan Sagar Khanna, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General meeting and to fix their remuneration and to pass the following 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.”

**By Order of the Board
For Kwaliti Dairy (India) Limited**

**Sd/-
(Deepa Kapoor)
(Company Secretary & Compliance Officer)**

**Place: New Delhi
Date: August 14, 2012**



1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.

- 2) Proxies, in order to be effective, must be received duly filled and authenticated at the Registered Office of the Company, not less than 48 hours before the commencement of the Annual General Meeting.

Proxies submitted on behalf of limited companies, societies etc, must be supported by appropriate resolutions/ authority, as applicable.

- 3) Corporate Members are requested to send a duly certified copy of the resolution authorizing their representative to attend and vote at the Annual General Meeting.
- 4) Members are requested to bring their copy of Annual Report at the Annual General Meeting.
- 5) Members who wish to obtain information on the Company or view the accounts for the financial year ended 31st March, 2012, may visit the company's website **www.kdil.in**
- 6) The dividend as recommended by the Board of Directors, if declared at this Annual General Meeting, shall be paid on or after Wednesday, 3rd October 2012.

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 Agent (R&T Agent) of the Company on or before Friday, 21st September 2012.

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 Friday, 21st September 2012.

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 Beetal Financial & Computer Services Private Limited.

- 7) The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 22nd September, 2012 to Friday, 28th September, 2012 (both days inclusive) for the purpose of ascertaining eligibility to dividend, if declared.
- 8) Members are requested to intimate the Registrar and Share Transfer Agent of the Company - M/s Beetal Financial & Computer Services Private Limited, 99, Beetal House, Madangir, New Delhi – 110062, immediately of any change in their address in respect of equity shares held in physical mode and to their DPs in respect of equity shares in dematerialized form.
- 9) Members who hold shares in electronic form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio number in the attendance slip for attending the meeting to facilitate identification of membership at the meeting.
- 10) Members/Proxies should bring the Attendance Slip in the Meeting duly filed in for attending the Meeting.
- 11) Members desiring of having any information regarding accounts are requested to address their queries to the Company atleast seven days before the date of Annual General Meeting, so that requisite information is made available at the meeting.
- 12) The Statutory Registers 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 10:00 am to 1:00 pm except on holidays.
- 13) Members are hereby informed that Dividend which remains unclaimed / un-encashed over a period of seven years, has to be transferred as per the provisions of Section 205A of the Companies Act, 1956 by the Company to "The Investor Education & Protection Fund" constituted by the Central Government under Section 205C of the Companies Act, 1956. It may be noted that once unclaimed / un-encashed dividend is transferred to Investor Education & Protection Fund" as above, no claims shall lie in respect of such amount by the shareholder.



Across the world, there is an increasing focus on doing our share to help save our environment from further degradation. Recognizing this trend, the Ministry of Corporate Affairs (vide circular nos. 17/2011 dated 21.04.2011 and 18/2011 dated 29.04.2011 respectively), has undertaken a “Green Initiative in Corporate Governance” and allowed Companies to share documents / notices (including notice calling Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report, etc) with its shareholders through an electronic mode. The move of the Ministry allows public at large to contribute to the green movement.

To support this green initiative of the Government in full measure, shareholders who have not registered their e-mail addresses so far are requested to register their e-mail addresses. Shareholders holding shares in physical form can avail the said facility by filing in the E-Communication Registration Form available on Company's website (www.kdil.in) or as attached to this Annual Report and forward the same to Company's Registrar i.e. Beetal Financial & Computer Services Private Limited. Shareholders holding shares in electronic form can also avail said facility by registering/changing the E-mail address with the Depository through their concerned Depository Participants (DP) or by filling in the E-Communication Registration Form as attached to this Annual Report and forward the same to the Company's Registrar i.e. Beetal Financial & Computer Services Private Limited.

Details of Director seeking re-appointment at the forthcoming Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement entered into with Stock Exchanges)

Name of Director	Dr. Rattan Sagar Khanna
Date of Birth	12/04/1945
Relationship with other Directors Inter-se	None
Date of Appointment	18/05/2010
Qualification	M.Sc. (Hons) from Punjab Agri University, Diploma in Semen Freezing Gynecology & Andrology from Royal Veterinary and Agriculture University, Copenhagen & Diploma in Farm & Science Journalism from Institute of Farm & Science Journalism, New Delhi
Expertise in specific functional area	Dairy, Farming and in Agriculture Sector
Directorship held in other Companies as on date.	Nil
Chairman/Member of the committee of the Board of Directors of the Company as on 31 March 2012	Chairman of Investor Grievance Committee, Chairman of Remuneration Committee, Chairman of Share Transfer Committee, Member of Audit committee
Chairman/Member of the committee of the Director of the other companies in which he is a director as on 31 March 2012	Nil
Audit Committee	Nil
Shareholder's Grievances Committee	Nil
Corporate governance and Nomination Committee	Nil
Compensation Committee/Remuneration Committee	Nil
Other Committees	Nil



*Dear Shareholders,
Your Directors have pleasure in presenting their Twentieth Annual Report together with Audited Accounts of the Company for the Financial Year Ended 31st March 2012.*

1. FINANCIAL HIGHLIGHTS

Details	Year ended 31.03.2012 (₹ In Crores)	Year ended 31.03.2011 (₹ In Crores)
Turnover	2394.63	1608.04
Profit before Interest, Depreciation & Tax	165.26	99.73
Interest & Finance Charges	65.09	35.62
Depreciation	7.50	3.53
Profit before Tax	92.67	60.58
Provision for Tax including Deferred Tax	1.68	14.63
Profit/(Loss) after Tax	90.99	45.94

2. OPERATING HIGHLIGHTS

Your Company achieved turnover of ₹2395 Crores for the year ended on March 31, 2012 as against ₹1,608 Crores of previous year, registering a growth of 49%, EBITDA for the year under review stood at ₹165 Crores compared to ₹100 Crores of the previous year, a strong growth of 65%. Net Profit increased substantially by 98% to ₹91 Crores from ₹46 Crores of the previous year

Your Company has made significant developments during the year. The most important was the launch of nutrified liquid milk in pouches under the premium brand 'Dairy Best' in Delhi & NCR during December 2011. The USP of this product is that we have enriched it with calcium, vitamins A and D and that has been the nutritional differentiator in our

product. The Company launched branded, pouched, set curd and bulk packs in the market in November 2011 and there has been a good response to the curd. The bulk pack is used by the institutional market comprising of caterers, restaurants and the hotels. The Dairy Best Cottage Cheese and 'Dairy Best' Curd were also launched in November 2011 and it has been well received.

Your Company has been recognized and the brand has been registered by the Indian Railways Catering and Travel Corporation (IRCTC). You can enjoy the 'Dairy Best' dairy whitener in prestigious Shatabadi & Rajdhani Express trains originating in northern India and going to such destinations as Mumbai, Kolkata and Chennai.

Your Company has been recognized and the Brand 'Dairy Best' got registered with the richest Indian temple trust Tirumala Tirupati Devasthanams, Tirupati for supply of Cow Ghee. The 'Dairy Best' Cow Ghee would be used for manufacturing of "Tirumala Laddu" known internationally because it bears the tag of geographical indication (GI) from Indian Patent office.

Your Company has taken on franchise two new plants during the year. These plants are located in Amritsar in the state of Punjab and Ajmer in the State of Rajasthan. These ventures will help the Company to achieve its mission in future times.

4. CREDIT RATING

Fitch Ratings has assigned Long-Term rating of Fitch BBB+ (ind) with Stable Outlook and A2 as short term rating to KDIL's overall Working Capital facilities

5. FUTURE PROSPECTS

As your Company is planning to increase the sales of various dairy products, there is need for procuring more wholesome good quality milk directly from the milk producers. Your Company had made entry into direct procurement of milk through Producer Based Milk Procurement System by setting up Milk Chilling Centers (MCC) at different locations in North India. KDIL is providing Automatic Milk Collection Unit (AMCU) at every Village Level Collection Centre (VLCC). Your Company has planned to increase the number of milk chilling centers in future to procure clean, hygienic and wholesome good quality of raw milk.

Your Company is stable and focused on long term, sustainable and profitable growth. This stability is founded on the strength of its brands, increasing the portfolio of products, expanding and strengthening its distribution and sales network and by building and bonding a relationship of trust and confidence with the customers. The geographical extension of the markets along with the complete range of dairy products will increase the market share sustainability.

6. CORPORATE SOCIAL RESPONSIBILITY

Your Company recognizes the importance of Corporate Social Responsibility towards all stakeholders in particular the rural. No doubt that your Company has commercial relationship with the rural milk producer and has set up a network of procurement activities. Your Company is well aware that the community of milk producers should be helped to increase the productivity of their cows and buffaloes through provision of various input facilities including how to reduce milk production cost. KDIL has provided, on a principle of no-profit-no-loss, good quality balanced cattle feed of ISI Standard. We would also provide such other technical inputs such as veterinary care, medicines, vaccines, artificial insemination, and free advice on prevention and cure of common diseases. The feed supplements and preventive are being sourced through the Indian Immunologicals Limited, a wholly owned subsidiary of the National Dairy Development Board. The IIL is a pioneer in manufacturing feed supplements, veterinary medicines, veterinary vaccines and human vaccines. These activities have been of great help in improving the milk yield per animal, thus improving the quality of life of milk producers associated with the Company. The field staff of the KDIL regularly organizes farmers' meetings to educate the farmers on common issues concerning health, hygiene, sanitation, farming practices and other social issues. They also help Milk Producers in their requirements of loan through financial institutions. Your company is pursuing with insurance companies to provide health insurance of Milk Producer & his family. KDIL expects to build up relationship with the milk producers through loyalty and trust.

Your Company is pursuing milk producer's centric approach and committed to promote transparent and fair milk procurement system. Company has visualized and recognized that milk producers are the major stake holders in the milk procurement system.

Long inter-calving period and short lactation period are major constraints in enhancing per animal productivity, to address these problems; the Company is providing them veterinary Consultation, Artificial Insemination facility at his door step. The Company is also providing them area specific mineral mixture to improve animal fertility & production.

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, 2012, in respect of shares held in electronic form (demat mode), dividend will be paid to those "deemed members" whose names appear in the statement of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) at the close of business hours on 21st September, 2012.

8. SUBSIDIARY COMPANY & CONSOLIDATED FINANCIAL STATEMENTS

Your Company has established a wholly owned subsidiary under the name and style of "Kwality Dairy Products – FZE" in free trade zone of United Arab Emirates to increase its global foot print and to develop and cater to the new markets.

The Company has obtained a license for dealing in various milk based products. The company will import the Skimmed Milk Powder, Whole Milk Powder and various derivatives of Milk, Ghee, Butter & other Dairy products from European nations. The Company will sell the products, both domestically and export to other countries.

The Company also plans to have the Milk Products Processing Unit in Dubai to process various milk powders and dairy ingredients.

The Company is managed by a team of highly experienced and talented individuals backed with several years of experience in the field. The Company has achieved the revenue of AED 1.56 crores and net profit AED 0.10 crores in the first 4 months of its incorporation ended March 31, 2012.

In accordance with the Accounting Standards 21 and 23 of Companies (Accounting Standards) Rules, 2006 and pursuant to Listing Agreement with Stock Exchanges on consolidated financial statements which form part of this Annual Report.

7. DIVIDEND

Your Directors are pleased to recommend a final dividend of ₹0.10 per equity share of ₹1 each, which will be paid after your approval at the ensuing Annual General Meeting. The final dividend will absorb an amount of ₹203.19 lacs (excluding dividend tax of ₹32.96 lacs). The dividend will be

9. CASH FLOW STATEMENT

In conformity with the provisions of Clause 32 of the Listing Agreement and AS 3, the Cash Flow Statement for the year ended on 31st March, 2012 is attached as a part of the Annual Accounts of the Company.

10. 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 exchanges, is given as a separate statement in Annual Report.

11. DIRECTORATE

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

The Board recommends this appointment/re-appointment. A resolution seeking your approval on this item is included in the Notice convening the Annual General Meeting together with a brief profile of the Director being re-appointed.

12. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 with respect to Director 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, 2012, the applicable accounting standards have been followed and there are no material departure.

b) that the directors had selected appropriate accounting policies and 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, 2012 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, 2012 as a going concern basis.

13. FIXED DEPOSIT

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.

14. HUMAN RESOURCE DEVELOPMENT

The long term success of the Company depends on its capacity to attract, retain and develop employees who are able to ensure its growth on a continuing basis. This is a primary responsibility for all managers. KDIL policy is to hire staff with personal attitudes and professional skills enabling them to develop a long term relationship with the Company. Each new member joining KDIL is to become a participant in developing a sustainable quality culture which implies a commitment to the organization and a sense for continuous improvement leaving no room for complacency. Therefore, and in view of the importance of these KDIL values, special attention will be paid to the matching between a candidate's values and the Company culture. Your Company organizes workshop for the officers and staff for human development and capacity building on a regular basis.

15. SUPPLY CHAIN

As you know, your Company operates in dairy products, which belong to an environment that is full of complex supply chain configuration. Your company has continued working to manage this efficiently, ensuring timely and efficient supply of materials and distributing the finished goods to consumers across the country. The Company is also working to reduce the complexities and increase the efficiencies further.

During the year, your Company extended to cover all supply chain and procurement processes. A series of problem solving initiative have been completed with the improvement in productivity, working capital, waste, Cost & service levels.

In the current environment, where Information Technology has become a cost effective tool in the area of networking, the Company is also using Information Technology to generate the optimum network and this was rigorously followed to deliver the least cost in manufacturing and distribution.

During the year 2011-12 various programs has been rolled out to select vendors, where the vendors are supported through a pre-assessment process, consultant visits and continuous engagements and education.

The singular focus of supply chain has been to improve availability of the stock and reduce overall cost.

16. SAP IMPLEMENTATION

Your company has decided to implement a common ERP system to automate and standardize business processes and enhance operational efficiencies. KDIL is partnering with IBM to implement IBM SAP Dairy Solution - developed specifically for dairy industry and built around industry best practices.

The new centralized system will provide single source of financial and other transactional information (e.g. operational metrics like inventory, sales, costs etc.). This will enhance accuracy of information as well as better operational control. Moving to a single platform will also reduce costs associated with managing and maintaining multiple transaction system.

Key highlights of the partnership with IBM are:

- Process efficiencies through in built industry best practices
- Rapid implementation based on the proven Dairy template
- Best in class ERP software platform in SAP
- Fixed, predictable cost for the contract tenure
- On cloud model avoids all IT capability hassles.
- Subscription (per user) based pricing. Pay as you grow model
- Low cash outflow. No up front capital investment
- Foundational business intelligence and reporting capabilities

17. BRANDS

Since branding is very important to any business in the current competitive environment, your Company is continuously working to enhance its brand value. During the Financial year 2011-12, your Company has strengthened the brand “Dairy Best” with the launch of new products in market viz., Paneer, Dahi and Milk in three variants.

Your Company is aware that Brands provide the momentum for business growth. Therefore, during the year, investment in Research and Development, Advertisement and Sales Promotion were increased and strengthened further through making efforts in renovation and innovation.

Your Company continues to invest significantly in its capacity building and structured innovation process, which is reflected in the launch of varied and differentiated offering to strengthen the business. Your Company has also initiated the process for breakthrough innovations through interactions with reputed institutions, which is expected to help build a strong platform for sustained and significant business leadership and growth.

Through Brand enhancement there is quicker identification of your company products in the market, the consumers have recognized the products, which can also encourage your company to make innovation in the field of Brand.

18. QUALITY STANDARDS

Each year your Company re-visits its quality standards and makes them stringent and updated, parallel to Indian and International quality standards. With the increase in milk production, quality standards prevalent today in milk production, milk collection and processing needs constant revision and improvement. The microbiological quality of milk is normally poor due to lack of knowledge and awareness about clean milk production at the grass root levels as well as the lack of post milk chilling facilities in the rural areas. To compete in International market for export of milk & milk products, it has become necessary to produce the dairy products with Internationally acceptable quality and food safety standards. KDIL commitment to International quality standards for Food Safety is based on Codex Standards for Hazard Analysis and Critical Control Points (HACCP) to ensure safe and quality products for consumers.

The Company has obtained Certificate of Registration with US food and drug administration.

19. MANUFACTURING OPERATION

Your Company has revised its manufacturing footprint to support profitable growth. In that context, capacities were created at relevant locations to meet the growing demand by the consumers. Additionally, there was the continual focus on de-bottlenecking existing capacities and improving the productivity levels at current units.

The creation of these capacities and capabilities has helped the Company deliver the volume growth at improved customer service levels and at optimized costs.

20. INFORMATION TECHNOLOGY

Your Company continues to invest in Information Technology to improve operational efficiencies and enhance productivity. During the year a business intelligence system was implemented so as to analyze the secondary sales data and information that would help drive the top line growth through identification of new opportunities and area of growth.

During the year, your Company also consolidated its core ERP infrastructure using new generation servers leading to significant reductions in energy / power consumption and enhanced efficiencies.

21. ENVIRONMENT AND SAFETY

Your Company is sensitized to the need for responsible action that helps sustain the environment and natural resources. At all the factories, efficiency and controlling cost extends beyond the commercial and includes the objectives of minimizing consumption of natural resources. During the past year, they continued to follow the two-fold approach to achieve this. On the one hand they

continuously increased efficiencies in areas within their control and have been a forerunner in conserving water, saving energy, recycling waste and reducing pollution. On the other hand, as partners in growth, they enabled people in the community to be more aware and responsible towards the environment and its resources.

Your Company complies with governmental policies, environmental laws and regulations, and adheres to strict internal 'Quality Environmental Management System' norms. The Environmental Performance Indicator [EPIs] helps to constantly monitor the use of natural resources in the manufacturing operations. The efforts to make the operations more environment-friendly are continuous and ongoing. Your Company continuously reviews energy usage to track and replace energy inefficient equipments, invests in installing processes that reduces energy losses, modifies processes to reduce energy needs, and innovatively use waste heat of one process as input for another. In consonance with the policy of the company, pollution prevention and waste minimization is done through reduction in pollution, recovery of Biogas, and utilization of treated water for plantation Your Company believes that every such step, no matter how small it may seem, is important. Several initiatives were continued as part of energy saving measures. The drive for energy conservation is always a key priority and your Company continually strives to achieve this through process improvements and through enhancing equipment capability.

Your Company has adopted all the essential techniques, mechanisms and International Standard Measures for the Safety and Protection of workers at all the factories of the Company.

23. AUDITORS

The Board proposes the re-appointment of M/s P.P. Mukerjee & Associates, Chartered Accountants, as Statutory Auditors of your Company based on the recommendation of the Audit Committee, to hold office from the conclusion of the ensuing Annual General Meeting until 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 sections of the Companies Act, 1956.

A resolution seeking your approval on this item is included in the Notice convening the Annual General Meeting.

The observation made in the Auditor's Report are self-explanatory and therefore, do not call for any further comments under section 217(3) of the Companies Act, 1956.

24. LISTING

The shares of the Company are listed at Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE).

25. PARTICULARS OF EMPLOYEES

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

26. 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.

27. 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.

28. 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

Sd/

Place: New Delhi

Sanjay Dhingra

Date: August 14, 2012

Chairman & Managing Director



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, 2012

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) Electricity	2011-12	2010-11
Purchased		
Units	26,64,840	21,56,044
Total Amount (Rs.)	1,46,05,727	1,06,78,535
Rate Per Unit (Rs.)	5.48	4.95
(b) Fuels (Diesel, FO, Burada, Husks & Turi)		
Quantity (Itrs/Kgs)	1,17,21,108	1,15,46,913
Total Amount (Rs.)	6,32,12,003.9	5,05,50,620
Rate per Unit (Rs.)	5.39	4.38

TECHNOLOGY ABSORPTION

R & D / PRODUCT DEVELOPMENT

The Company has an in-house R & D / Product Development Laboratory to develop pure, hygienic, and nutritious products

adhering to best Quality Standards. Continuous efforts are made to ensure qualitative improvement and safety of products and optimum efficiency in operations.

Specific Areas in which R & D / Product Development have been undertaken:

- Processing of Fresh Raw Milk.
- Nutrification of milk with appropriate nutrients.
- Improvement of Shelf life of Dairy products.
- Tamper Proof Packaging of Products.
- Development of desi ghee "LivLite" brand containing 85% less cholesterol as compared to the normal ghee marketed across the world.
- Consumer acceptance of new Dairy products.

Benefit Derived

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

Future plan of action

- Invent and develop new present age nutritionally-balanced healthy products.
- Foraying in the nutraceuticals market.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

(₹ in Lacs)

Total Foreign Exchange Earned And Used:	2011-12	2010-11
(i) Earnings	NIL	NIL
(ii) Expenditure*	313.25	NIL

*Foreign exchange expenditure incurred on capital goods, raw material, professional fees, capital investments in subsidiary, loan to subsidiary, foreign tour and travel and miscellaneous expenses.

For & on behalf of the Board of Directors

Place: New Delhi
Date: August 14, 2012

Sd/
Sanjay Dhingra
Chairman & Managing Director



1. Company's Philosophy on Corporate Governance

Good Corporate Governance is a set of systems and practices put in place to ensure that the Company being managed in a way that ensures transparency and accountability. At KDIL, we believe that we are the custodian and trustees for all stakeholders of 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 value added products for our customer's at most competitive prices.

KDIL not only adheres to prescribed corporate practices as per Clause 49 but is constantly striving to adopt best practices emerging in the Industry for the transparency.

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

- The Company has taken several Corporate Social Responsibility 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 stakeholders thus the company's website www.kdil.in has information for all concerned.

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 50% of the total numbers of Directors. The Non-Executive directors bring wide range of experience and independent judgments to the Board's deliberation 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 shareholder's value through strategic supervision of company's operations. The Board also provides directions and exercises appropriate control to ensure that the Company fulfills the stakeholder's aspirations and societal expectations.

Composition of the Board

As on March 31, 2012, total numbers of Directors of the company was four comprising of two Executive Directors and two Non-Executive and Independent Directors.

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

Name of the Director	Categories	Designation	Board Meeting attended during the year	Attendance at last AGM	Number of Directorship in other Public Company	Number of committee membership held in other public companies	
						As Chairman	As Member
1. Mr. Sanjay Dhingra	Executive Director	Chairman & Managing Director	16	Yes	NIL	NIL	NIL
2. Mr. Sidhant Gupta	Executive Director	Director	14	Yes	NIL	NIL	NIL
3. Mr. Arun Srivastava	Non Executive-Independent Director	Director	15	Yes	NIL	NIL	NIL
4. Dr. Rattan Sagar Khanna	Non Executive-Independent Director	Director	16	Yes	NIL	NIL	NIL

Director's Profile

Shri Sanjay Dhingra is a graduate by education but has exceptional leadership quality and business acumen. He has joined the Board of KDIL in year 2003 and initiated transformation of the Company from the loss to profit making company having reserve of ₹159 crores as at March 31st 2012 and giving dividend to its shareholders for past three 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 10 years under his leadership.

He is promoter of the Company and holds 9,96,60,714 shares of the Company in his name as on 31st March, 2012.

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 not only in Indian market but in International market to expand the company's global footprint.

He brought the radical changes, implemented business strategies; removed lacuna's of internal system and enhances the group's value by launching the new dairy products. Under his presence, the company has started his business in overseas and consolidated its position.

In a short span of time, the Company has achieved pinnacle of success through his hard work, vision and entrepreneurial spirit.

With his magnificent and phenomenal effort to develop the business of KDIL in India and overseas, becomes the new face of KDIL and he is responsible for arranging the funds for company and optimum utilization of the same.

He is personally considered a bold person with a strong will and a focus mind towards the business and life.

He does not acquire any shares in the company.

Dr. Rattan Sagar Khanna is a trustee of M/s Ganesh Scientific Research Foundation, New Delhi. He is M.Sc. (Hons) from Punjab Agri University. He is Diploma holder in Semen Freezing Gynecology & Andrology from Royal Veterinary and Agriculture University, Copenhagen, Diploma in Farm & Science Journalism from Institute of Farm & Science Journalism, New Delhi. 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 includes Consultant, Department of Animal Husbandry, Dairy and Government of Fisheries and Chief Executive Officer Animal Feeds Business in Dabur Ayurved Limited., Advisor to the GCMMF, General Manager in Gujarat Co-operative Milk Marketing Federation, New Delhi, Managing Director of Rajasthan Co-operative Dairy Federation, Jaipur, Resident Representative (Northern Region) of National Dairy Development Board, New Delhi, and Head (Projects) of Indian Dairy Corporation, Baroda. Dr. Rattan Sagar Khanna has an impressive track record of having membership & Chairmanships of various Dairy Associations. At present he is trustee of M/s Ganesh Scientific Research Foundation New Delhi, 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, Member, Centre Executive Council and Vice chairman (NL), Indian Dairy Association.

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 Livlite". He has been the guiding force in company's Corporate Social Responsibility 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 acquire any shares in the company.

Shri Arun Srivastava is a graduate by profession but has wide experience with regard to liaising 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 acquire any shares in the company.

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, if any in other companies.

The Board meets at regular intervals and a detailed agenda sent to each director prior to the Board and committee meetings. During the Financial Year 2011-2012, Sixteen Board meeting were held and the gap between two meetings did not exceed four months. The

dates of such Board meetings were: The Board meets at regular intervals and a detailed agenda send to each director prior to the Board and committee meetings. During the Financial Year 2011-2012, Sixteen Board meeting were held and the gap between two meetings did not exceed four months. The dates of such Board meetings are as follows:

DATE OF BOARD MEETINGS			
09/04/2011	18/04/2011	09/05/2011	03/06/2011
01/07/2011	12/07/2011	13/07/2011	06/08/2011
12/08/2011	01/09/2011	26/09/2011	02/11/2011
10/11/2011	08/12/2011	30/12/2011	10/02/2012

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

Dr. Rattan Sagar Khanna, aged 67 years, is a trustee of M/s Ganesh Scientific Research Foundation, New Delhi. He is M.Sc. (Hons) from Punjab Agri University. He is Diploma holder in Semen Freezing Gynecology & Andrology from Royal Veterinary and Agriculture University, Copenhagen, Diploma in Farm & Science Journalism from Institute of Farm & Science Journalism, New Delhi. He has joined the Board of KDIL in May 2010

Other Directorship : Nil
Committee Memberships of other Co's : Nil
No. of shares held in the Company : Nil

3. AUDIT COMMITTEE:

The Powers, role and terms of reference of the Audit Committee covers the area as contemplated under Clause 49 of the listing Agreement and Section 292A of the Companies Act, 1956 besides other terms as may be referred by the Board of Directors. The powers include investigating any activity with terms of reference, seeking information from any employee, obtaining outside legal and other professional advice and securing attendance of the outsiders with relevant expertise, if considered necessary. The role includes oversight of Company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible, recommending the appointment, re-appointment, if required, replacement or removal of the statutory auditors, fixation of audit fees and approval of payment for any other services, discussing with internal auditors any significant finding and follow –up thereon, reviewing with the management annual and quarterly financial statements before submission to the Board for approval, adequacy of internal control systems and performance of statutory and internal auditor, and reviewing the company's financial risk and management policies.

During the year 2011-12, the Audit Committee was re - constituted and Mr. Sidhant Gupta, Executive Director was appointed as a member of the Audit Committee. All the members of the Audit Committee were financially literate, and Mr. Sidhant Gupta has financial management expertise by virtue of his comparable experience and background. Ms. Deepa Kapoor, Company Secretary of the company act as the Secretary of the committee.

During the year, the Audit Committee met five times on 07.05.2011, 12.08.2011, 01.09.2011, 10.11.2011 and 10.02.2012. The Maximum gap between any two meetings was less than four months and details of Directors attending it are as below:

Name of Director	Category	Status	No. of Meeting Held	No. of Meeting Attended
Mr. Arun Srivastava	Non Executive-Independent Director	Chairman	5	5
Dr. Rattan Sagar Khanna	Non Executive-Independent Director	Member	5	5
Mr. Sidhant Gupta	Executive Director	Member	5	5

4. REMUNERATION COMMITTEE

The Remuneration Committee was constituted by the Board to recommend and review remuneration package for Executive Directors including pension rights and any compensation, during the year. The Committee comprises of three Directors and during the year meeting of the committee was held on 18th April 2011. Details of the directors attending it are as follow:

Name of Director	Category	Status	No. of Meeting Held	No. of Meeting Attended
Dr. Rattan Sagar Khanna	Non Executive-Independent Director	Chairman	1	1
Mr. Arun Srivastava	Non Executive-Independent Director	Member	1	1
Mr. Sanjay Dhingra	Executive Director	Member	1	1

The Details of Remuneration during the year ended 31st March, 2012 as follows:-

Name	Gross Remuneration	Sitting Fees	Total
Mr. Sanjay Dhingra (Managing Director)	1,25,00,000	NIL	1,25,00,000
Mr. Sidhant Gupta (Executive Director)	1,00,00,000	NIL	1,00,00,000

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

5. MANAGEMENT/ EXECUTIVE COMMITTEE

The Management Committee was constituted on November 10, 2011 by the Board to manage the day to day business and operations of the company and to improve the efficiency. The mandate of the committee was discussed in the Board along with the duties/power to exercise by its members. During the year, five meetings of the committee were held on 10/11/2011, 02/12/2011, 16/01/2012, 01/02/2012, 01/03/2012. The Committee comprises of four Members & details are as follows :

Name of Director	Category	Status	No. of Meeting Held	No. of Meeting Attended
Mr. Sanjay Dhingra	Executive Director	Chairman	5	5
Mr. Sidhant Gupta	Executive Director	Member	5	5
Mr. Rajesh Verma	VP- Marketing	Member	5	5
Mr. Manjit Singh Dahiya	VP- Technical	Member	5	5

6. Shareholders/Investor's Grievance Redressal Committee

The Shareholder's and Investor's Grievance Redressal Committee has been constituted as per the provisions of Listing Agreement. During the year, four meetings of the committee were held on 07/05/2011, 11/08/2011, 09/11/2011, 09/02/2012. The committee comprises of following directors:

Name of Director	Category	Status	No. of Meeting Held	No. of Meeting Attended
Dr. Rattan Sagar Khanna	Non Executive-Independent Director	Chairman	4	4
Mr. Arun Srivastava	Non Executive-Independent Director	Member	4	4
Mr. Sidhant Gupta	Executive Director	Member	4	4

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 Shareholders and Investor Grievances Committee are as under:

- Review complaints of shareholders and action taken thereon.
- Look into all securities filing every quarter.
- Monitor implementation and compliances of company's Code of Conduct.
- SCORES matter: As the Securities and Exchange Board of India has introduce a new system for the registration & redressal of investors complaints online popularly known as SCORES (SEBI Complaints Redress System). The committee periodically review the complaints registered on SCORES.

7. SHARE TRANSFER COMMITTEE

Share Transfer Committee was constituted as per the requirement of Listing Agreement and Memorandum of Understanding with RTA for approval of transfer.

The committee consists of Chairman Dr. Rattan Sagar Khanna, and members Mr. Arun Srivastava and Mr. Sidhant Gupta. The Share Transfer Committee meets on fortnightly basis and over sees the performance of Share Transfer Agents and review all the 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 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

Year	Date	Time	Location
2010-2011	26-09-2011	11.00 A.M.	Village Softa, Tehsil Palwal, Faridabad, Haryana
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

(ii) Special Resolution:

Following Special Resolutions were passed at the last AGM.

- Appointment of Executive Director for five years pursuant to Section 269, 198, 309, 310 and Schedule XIII of the Companies Act, 1956 on the remuneration as approved by the Remuneration Committee.
- In pursuant to the Section 269, 198, 309, 310 and Schedule XIII of the Companies Act, 1956 the remuneration of Managing Director has been increased with prior approval of the Members at the Meeting.
- Issuance of ADRs/ADSs, GDRs/GDSs, FCCBs, QIBs or any other Securities etc.

(iii) Extra- Ordinary General Meeting (EGM):

During the year the Borrowing Power of the Company has been enhanced from 700 Crores to 1500 Crores pursuant to the Section 293(1)(d) of the Companies Act, 1956 as an Ordinary Resolution, in furtherance to the earlier resolution passed by Postal Ballot on 7th May, 2010 with respect to the borrowing power.

The particulars of the EGM of the company are as under:

Date	Time	Location
06-03-2012	11.00 A.M.	Village Softa, Tehsil Palwal, Faridabad, Haryana

10. DISCLOSURE

(i) Disclosure on materially significant Related Party Transactions:

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

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

(ii) Disclosure on non-compliance on any matter related to capital markets during the last three years:

No penalties 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 5,00,00,000 equity shares of ₹1/- each.

(iii) Disclosure of Accounting treatment

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

(iv) Board disclosures- Risk Management

The Company has a policy to inform the board about Risk Management, Risk assessment and 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 Requirements As Per Detail Given Below:

(i) Remuneration committee

The Company has constituted Remuneration committee. The 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 has put in place an un-codified system through which employees and business associates may report unethical business practices at work place without the fear of victimisation. The Company has set up a direct contact initiative under which all employees/business associates have direct access to the Chairman of the Audit Committee.

(vi) Share Capital Audit

A qualified practicing Company Secretary carried out share capital audit to reconcile the total admitted equity share capital with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) and the total issued and listed equity share capital. The share capital audit report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

(vii) Code for prevention of Insider Trading Practices

In compliance with the SEBI regulation on prevention of Insider Trading, the Company has instituted a comprehensive code of conduct for its management and staff. The code lays down guidelines, which advise them on procedures to be followed and disclosures to be made, while dealing with securities of the Company and cautioning them of the consequences of violations.

(viii) Disclosure of accounting treatment in preparation of financial statements

The Company has followed the guidelines of accounting standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

(ix) CEO/CFO Certification

The CEO and CFO certification of the financial statements and the cash flow statement for the year is enclosed and forms part of this report.

12. MEANS OF COMMUNICATION



In compliance with the requirements of listing Agreement, the Company regularly intimate 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 Exchanges 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.

GENERAL SHAREHOLDER INFORMATION

1) 20th Annual General Meeting :

Date: 28th September 2012.

Time: 10:00 A.M.

Venue: Village Softa, Tehsil & District Palwal, Faridabad, Haryana -121004

2) Financial Calendar (Tentative)

The Financial year covers the period from 01st April to 31st March.

Key financial reporting dates for the Financial Year 2012-13

1st Quarter ending 30-06-2012	On or before August 15,2012
2nd Quarter ending 30-09-2012	On or before November 15,2012
3rd Quarter ending 31-12-2012	On or before February 15,2012
4th Quarter ending 31-03-2013	On or before May 15, 2013 or if Audited ,on or before May

3) Date of Book Closure

The Register of Members and Share Transfer Register of the Company shall be closed from Saturday, 22nd September 2012 to Friday, 28th September 2012(both days inclusive).

4) Dividend payment Date

The final dividend recommendation at ₹0.10 per share of ₹1 each. The Company has fixed September 22, 2012 to September 28, 2012 (both days inclusive) as the book closure dates and dividend shall be paid after shareholders approval at the ensuing Annual General Meeting.

5) Listing on Stock Exchange

Equity share of the Company are currently listed on Bombay Stock Exchange Limited & National Stock Exchange Limited .The Company has paid the annual listing fees for the year 2012-13.

6) Script Code

BSE- 531882

NSE- INE775B010255

7) Market price data and performance in comparison to index

The High and Low of Share Price and volume of shares of the Company during each month in last financial year at BSE were as under:

Month	High ()	Low()	Volume
April 2011	154.00	108.00	1,73,17,942
May 2011	151.50	65.45	2,27,04,342
June2011	138.00	106.90	88,23,241
July 2011	169.70	132.10	81,41,461
August 2011	171.00	148.55	107,99,248
September 2011	171.45	164.75	1,06,13,974
October 2011	215.40	169.10	1,71,46,259
November2011	182.90	57.05	53,52,250
December 2011	54.20	28.55	1,36,03,178
January 2012	43.80	36.10	58,80,107
February2012	42.95	36.30	27,94,812
March 2012	46.90	35.10	28,80,328

8) Registrar and Share Transfer Agents

Beetal Financial & Computer Services (p) Ltd.

Beetal house, 3rd Floor, 99 Madangir,

Behind Local Shopping Centre, Near Data

Harsukhdas Mandir,

New Delhi-110062

Phone no.: 91-11-29961281-83

Fax: 91-11-29961284

Email: beetal@beetalfinancial.com

9) Share Transfer System

The Share in physical mode received for transfer is transferred expeditiously subject to completion of appropriate regulatory formalities. Confirmation in respect of the request for Dematerialization of the shares is expeditiously sent to the respective depositories i.e. NSDL and CDSL.

10) Distribution of Shareholding as on March 31st 2012.

No. of Shares	No. of Shareholders		No. of Equity Shares	
	No. of Share Holders	% of Share- Holder	No. of Share	% of Share Capital
1-500	13357	68.25	18,76,302	0.92
501-1000	1544	7.89	12,49,978	0.62
1001-2000	2372	12.12	38,89,344	1.91
2001-3000	331	1.69	8,44,246	0.42
3001-4000	1052	5.38	36,20,334	1.78
4001-5000	134	0.68	6,26,766	0.31
5001-10000	405	2.07	26,64,572	1.31
10001 & above	377	1.93	18,84,14,892	92.73
Total	19,572.00	100.00	20,31,86,434	100.00

11) SHAREHOLDING PATTERN

The Shareholding pattern as on 31 March, 2012:

	Category	No. of Share held	Percentage of shareholding
A	Shareholding of Promoter & Promoter Group		
1	Indian		
A	Individual/HUF	152340714	74.98
B	Central Govt./ State Govt.	0	0
C	Bodies Corporate	0	0
D	Financial Institutions/ Banks	0	0
E	Any Other	0	0
	Sub Total	152340714	74.98
2	Foreign		
A	Individual(NRI/ Foreign Individual)	0	0
B	Bodies Corporate	0	0
C	Institutions	0	0
E	Any Other	0	0
	Total	152340714	74.98
B	Public Shareholding		
1	Institutions		
a	Mutual Funds/UTI	0	0
b	Financial Institution /Banks	0	0
c	Foreign Institution Investors	792488	0.39
D	Central Govt./ State Govt.	0	0
e	Venture Capital Fund	0	0
F	Insurance Company	0	0
G	Foreign Venture Capital Investor	0	0
d	Any Other (Trust)	0	0
	Sub Total	792488	0.39
2	Non -Institutional Investor		
a	Body Corporate	21292174	10.48
b	Individual	28534939	14.05
c	Any Other(Specify)		
	1 NRI	226119	0.11
	2 Foreign National	0	0
	3 OCB	0	0
	Sub Total	50053232	24.63
	Total	50845720	25.02
	Grand Total	203186434	100.00

12) Details of Directors Appointing and Re-appointing at AGM

Name of Director	Dr. Rattan Sagar Khanna
Date of Birth	12/04/1945
Age (in years)	67
Date of Appointment	18/05/2010
Qualification	M.Sc. (Hons) from Punjab Agri University, Diploma in Semen Freezing Gynecology & Anthology from Royal Veterinary and Agriculture University, Copenhagen & Diploma in Farm & Science Journalism from Institute

Expert in specific functional area	of Farm & Science Journalism, New Delhi
Directorship held in other Companies as on date	Dairy, Farming and in Agriculture Sector
Chairman /Member of the committee of the Board of the Director of the company as 31 March 2012	Nil
Chairman /Member of the committee of the Director of the other Company in which he is a director as on 31 March 2012	Chairman of Investor grievance Committee, Chairman of Remuneration committee, Chairman of Share transfer committee, Member of audit committee
Audit Committee	Nil
Shareholder's Grievances Committee	Nil
Board governance And Nomination Committee	Nil
Compensation and / Remuneration Committee	Nil
Other Committee	Nil

13) Dematerialization of Equity Shares and Liquidity

The Shares of the company are in compulsory demat and are available for trading in the both depository system, i.e. NSDL and CDSL. As on 31st March 2012, 72.02% of the Company's total Listed capital representing 1,46,330,886 share were held in dematerialized form and the balance 27.98 % comprising 56,855,548 shares were held in physical form.

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

14) Outstanding ADR's/GDR's/Warrants/ Convertible Instruments

Not Applicable

15) Registered Office & Plant Location

Kwality Dairy (India) Limited
Village Softa, Tesil Palwal, Distt.
Faridabad, Haryana-121004.

16) Address for correspondence

The Company Secretary
Kwality Dairy (India) Limited
KDIL House, F-82, Shivaji Place, Rajouri Garden, New Delhi-110027.
Tel No: 011-47006500
Fax No: 011-25191800
E-Mail: Investor@kdil.in
Website: www.kdil.in

17) Any Shareholder complaint / queries may be addressed to:

Beetal Financial & Computer Services (p) Ltd.
Beetal house, 3rd Floor, 99 Madangir,
Behind Local Shopping Centre, Near Data
Harsukhdas Mandir,
New Delhi-110062
Phone no.: 91-11-29961281-83
Fax: 91-11-29961284
Email: beetal@beetalfinancial.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 2011-12:

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: August 14, 2012

Sd/-
Sanjay Dhingra
Chairman & Managing Director

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

In accordance with Clause 49 of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and Senior Management Personnel of the Company have affirmed compliance to their respective code of conduct, as applicable to them for the financial year ended March 31, 2012.

Place: New Delhi
Date: August 14, 2012

For Kwality Dairy (India) Limited

Sd/-
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 2012, 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.

**For P.P Mukerjee & Associates
Chartered Accountants**

**Place: New Delhi
Dated: August 14, 2012**

**Sd/-
P.P. Mukherjee
Proprietor
Membership No.089854**

MANAGEMENT DISCUSSION & ANALYSIS

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, 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 the 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 the 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 the 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 sectors for breeding of high quality buffaloes as well as cows. There is also great scope for investment in the milk based value added products through biotech interventions particularly the introduction of dairy biological, enzymes, and pro-biotic, coloring and flavoring materials for food processing. Producing bio-preservative ingredients based on dairy fermentation, such as pediococin, acidophilic, Bulgarian, and Nisin contained in the 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 is being an ISO 22000:2005, FDA, Agmark approved company.

The company's Quality policy may be quoted as:-

"We are committed to supply nutritionally safe milk and milk products meeting the national and international standards at competitive price to our esteemed consumer and we would bring in the continual improvement in terms of quality, food safety and technology using eco-friendly measures."

The 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 regards 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 term of sales, profit, net worth and assets. Turnover for the year was ₹2395 crores against ₹1608 crores in the previous year, reflecting a growth 49%. Profit after tax, for the year was ₹91 crores against ₹46 crores for the previous year, registering an increase of 98%.

SWOT ANALYSIS

Strengths and Opportunities:

- Great potential for export of milk products.
- Establishes and expanding domestic market for dairy products.
- Increasing demand for fluid milk as well as value added products.
- By products 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 fodder for dairy owners.
- Availability of diverse germplasm of 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 livestock marketing through regulated markets.
- Market information intelligence system for milk and milk products.

Weaknesses and Threats:

- Entry of Multinational Companies manufacturing dairy products in the domestic market.
- Increasing chemical contaminants as well as residual antibiotic in milk.
- Poor microbiological quality of milk.
- Incentives 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 multination. 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 Weakness and Threats, Strengths and 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 sale of a wide range of Dairy products like Ghee, Skimmed Milk Powder, Curd, Whole Milk Powder, Dairy 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 disclosed.

Risk and concerns

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

- a) Although the export sales are less in comparison to domestic sales, fluctuation in the foreign rates and international prices of dairy products may influence the performance of the company.
- b) Increase in input costs, change in tax structure, change in interest rates, change in Government policies /laws of land , development and stability of Indian economy against the negative external and internal forces may also impacts the overall performance of the company.

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

Adequacy of Internal Control System

The company has in place the proper and adequate system of internal controls. Such controls are according to the nature of its business and size of its operations, in order to ensure that all assets are safeguarded against the loss from unauthorized user 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 the line with pre-set objectives. The Audit Committee of the Board is headed by a Non-Executive Independent Director and all the audit findings are reported on a quarterly basis to it.

Human resource Development

As already discussed in Directors' Report.

Strategy

Your Company is focused to create business value for its customers and help them to optimize their requirements. This include strengthen current brands through product design, delivery and mix and introducing new differentiated higher margin product.

Nutrition efforts will be further strengthened by offering more value to consumers through healthy options at affordable price points as well as through focusing on other reverent customer benefits.

Your Company has implemented several initiatives in all areas of operations to create on efficient and excellent supply chain.

Corporate social Responsibility

As already discussed in Directors' Report.

Industrial Relation

Industrial relation is the relationship between employer and employee. IR is a harmonious relationship. IR is an integral aspect of social relation arising out of employer employee interaction in modern industries. IR based on provides a good environment and working condition to employee. IR also based on satisfaction of employee about their wages and incentives. On other side employer want good output from employee is necessary for build good IR. In IR is very good for that from both ends they always try to build it strongly.

KDIL provide good facility to their employee and also do welfare activities for them. We also provide friendly environment for our them so they can work with pleasant mind. We also satisfy basic needs of our employee. We provide good wage to are employee. To build good IR, good communication is also necessary. If there is a problem in organization, it can be solved by communication. Either employee has a problem or management has a problem, we can solve it by communication.

In KDIL we give an award to the employee who complet their 10th year in KDIL. We also give award to children of employee who get success in 10th or 12th examination. If there is any happy or sad social occasion at employee house, the key person of KDIL attend that occasion and try to share their joy and sorrow. This way they try to build strong IR system. Employees try to build good IR. They work very hard and give full satisfaction to the management

Disclaimer Statement

Statement 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 achievement could thus differ materially from those projected in any such forward-looking statements.



**To the Members of,
KWALITY DAIRY (INDIA) LIMITED**

We have audited the attached Balance Sheet of Kwaliti Dairy (India)Limited , as at 31st March 2012 and also the related Statement of Profit and Loss and the Cash Flow Statement 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, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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

(I) We have obtained all the information and explanations, which to the 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 ,Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;

(iv) In our opinion, the Balance Sheet, Statement of the Profit and Loss and Cash Flow Statement 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, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 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 financial statements together with the notes thereon and attached thereto give the information required by the Companies Act, 1956, 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, 2012;

b) In the case of Statement of Profit and Loss of the Profit for the year ended on that date and

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**

**Place : New Delhi
Date : 14th August, 2012**

**Sd/-
P.P. Mukerjee
Proprietor
Membership Number-089854
Firm Registration No:- 023276N**

1 In respect of Fixed Assets :

1a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets.

1b) 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 discrepancy was 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.

3 In respect of Loans, Secured or Unsecured, granted or taken by the Company to/ from companies, firms or other parties covered in register maintained under section 301 of the Companies Act, 1956 :

3a) The Company has given loans to its wholly owned subsidiary. In respect of said loans the maximum amount outstanding at any time during the year was ₹56.34 Lacs and the year end balance is ₹56.34 Lacs (Interest free Loan).

3b) The Company has taken unsecured loans from one company covered in the register maintained under section 301 of the Companies Act 1956. The maximum amount outstanding at any time during the year was ₹5800.00 lacs and year end balance of is ₹5800.00 lacs.

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 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 wherever 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.

5 In respect of the contracts all arrangements referred to in Section 301 of the Companies Act, 1956.

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 information and explanations given to us , the transactions made in pursuance of contracts / arrangements entered in the Register maintained under Section 301 of the Companies Act , 1956 and exceeding the value of ₹5 Lac in respect of each party during the year have been made at prices which appear reasonable as per information available with the Company.

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.

8. We have broadly reviewed the cost records maintained by the company pursuant to the Companies (Cost Accounting Records) Rules , 2011 prescribed by the Central Government under Section 209 (1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained . We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

9 In respect of Statutory dues :

9a) According to the records of the Company examined by us, the Company has been generally regular in depositing with appropriate authorities undisputed statutory dues including, investor educations protection fund, employees' state insurance, sales tax ,Vat, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues with appropriate authorities. There have been delays in depositing undisputed Advance Income Tax and the amount outstanding as at the last day of the financial year for a period exceeding six months from the date they become payable , amounts to ₹110.61 Lacs (previous year ₹591.88 Lacs) . There were no dues during the year towards Investor Education and Protection Fund and Excise Duty.

9b) According to the records of the Company examined by us and according to the information and explanations given to us, there are no dues of income-tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute, except

Nature of Statute	Nature of dues	Amount unpaid (₹ in lacs)	Year to which the amount relates	Forum Where pending
Haryana Livestock Development Board ,Gurgaon	Milk cess	192.59 (79.22 deposited against 271.81 under protest)	2002-2009	Supreme Court
Sales Tax/Vat	Sales Tax / Vat Exemption	48.61 (including 32.73 as contingent interest liability)	1998-2008	Joint Excise & Taxation Commissioner (Appeals), Faridabad.

10. The company does not have 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 according to the information and explanations given by the management, We are of the opinion that the Company has not defaulted in repayment of dues to financial institutions and banks. The Company has not issued any debentures.

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. In our opinion and according to the information and explanation given to us, no material fraud on or by the Company has been noticed or reported during the year .

**For P. P. Mukerjee & Associates
Chartered Accountants**

**Place : New Delhi
Date : 14th August, 2012**

**Sd/-
P.P. Mukerjee
Proprietor
Membership Number-089854
Firm Registration No:- 023276N**

Kwality Dairy (India) Limited
Balance Sheet as at 31 March, 2012

Particulars		Note No.	As at 31 March, 2012	As at 31 March, 2011
			(₹ In Lacs)	(₹ In Lacs)
A	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	2	2,031.86	2,031.86
	(b) Reserves and surplus	3	15,935.38	7,072.96
			17,967.24	9,104.83
2	Non-current liabilities			
	(a) Long-term borrowings	4	10,239.41	8,191.48
	(b) Deferred tax liabilities (net)	24.2	47.32	84.87
	(c) Long-term provisions	5	30.86	34.00
			10,317.59	8,310.35
3	Current liabilities			
	(a) Short-term borrowings	6	54,863.24	32,018.94
	(b) Trade payables	7	2,061.58	2,108.12
	(c) Other current liabilities	8	2,044.16	2,719.99
	(d) Short-term provisions	9	1,515.13	1,627.61
			60,484.11	38,474.65
	TOTAL		88,768.95	55,889.83
B	ASSETS			
1	Non-current assets			
	(a) Fixed assets			
	(i) Tangible assets	10.A	6,399.46	4,190.51
	(ii) Intangible assets	10.B	1.23	0.29
	(iii) Capital work-in-progress	10.C	8.99	0.00
			6,409.68	4,190.80
	(b) Non-current investments	11	143.20	0.00
	(c) Long-term loans and advances	12	1,969.27	47.59
			8,522.15	4,238.40
2	Current assets			
	(a) Inventories	13	9,874.39	6,341.94
	(b) Trade receivables	14	65,624.37	41,461.09
	(c) Cash and cash equivalents	15	888.86	150.48
	(d) Short-term loans and advances	16	3,843.70	3,676.42
	(e) Other current assets	17	15.48	21.50
			80,246.80	51,651.43
	TOTAL		88,768.95	55,889.83

In terms of our report attached.

For and on behalf of the Board of Directors

FOR P.P. MUKERJEE & ASSOCIATES

Chartered Accountants

Firm's Registration No.023276N

sd/-

CA P.P. Mukerjee

Membership No.:089854

Proprietor

Place : New Delhi

Date : 14th August, 2012

sd/-

(Sanjay Dhingra)
Managing Director

sd/-

(Sidhant Gupta)
Executive Director

sd/-

(Deepa Kapoor)
Company Secretary

Kwality Dairy (India) Limited
Statement of Profit and Loss for the year ended 31 March, 2012

	Particulars	Note No.	For the year ended 31 March, 2012	For the year ended 31 March, 2011
			(₹ In Lacs)	(₹ In Lacs)
1	Revenue from operations	18	239,462.99	160,803.62
2	Other income	19	8.58	21.28
3	Total revenue (1+2)		239,471.58	160,824.90
4	Expenses			
	(a) Cost of materials consumed	20.a	216,858.63	136,661.44
	(b) Purchases of stock-in-trade	20.b	3,379.37	10,730.36
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	20.c	(3,520.88)	(1,448.68)
	(d) Employee benefits expense	21	855.83	391.56
	(e) Finance costs	22	6,509.49	3,700.12
	(f) Depreciation and amortisation expense	10	749.66	352.93
	(g) Other expenses	23	5,372.23	4,379.74
	Total expenses		230,204.34	154,767.46
5	Profit / (Loss) before tax (3 - 4)		9,267.23	6,057.44
6	Tax expense:			
	(a) Tax expense for current year		1,984.49	1,433.92
	(b) (Less): MAT credit related to current year		(1,016.04)	0.00
	(c) (Less): MAT credit related to previous year		(720.72)	0.00
	(d) Tax expense relating to prior years		(41.50)	0.00
	(e) Net current tax expense		206.23	1,433.92
	(f) Deferred tax		(37.55)	29.22
			168.68	1,463.14
7	Profit / (Loss) from operations (5 -6)		9,098.56	4,594.30
8	Earnings per share (of ₹1/- each):			
	(a) Basic		4.48	2.26
	(b) Diluted		4.48	2.26

In terms of our report attached.

FOR P.P. MUKERJEE & ASSOCIATES
Chartered Accountants
Firm's Registration No.023276N

sd/-
CA P.P. Mukerjee
Membership No.:089854
Proprietor

Place: New Delhi
Date: 14th August, 2012

For and on behalf of the Board of Directors

sd/-
(Sanjay Dhingra)
Managing Director

sd/-
(Sidhant Gupta)
Executive Director

sd/-
(Deepa Kapoor)
Company Secretary

Kwality Dairy (India) Limited
Cash Flow Statement for the year ended 31 March, 2012

Particulars	For the year ended 31 March, 2012		For the year ended 31 March, 2011	
	(₹ In Lacs)	(₹ In Lacs)	(₹ In Lacs)	(₹ In Lacs)
A. Cash flow from operating activities				
Net Profit / (Loss) before extraordinary items and tax		9,267.23		6,057.44
<u>Adjustments for:</u>				
Depreciation and amortisation	749.66		352.93	
Amortisation of Expenses	5.90		0.00	
(Profit / loss) on sale	(4.11)		0.44	
Finance costs	6,509.49		3,700.12	
Interest income	(3.55)		0.00	
Other non-cash charges	1.83	7,259.22	0.29	4,053.77
Operating profit / (loss) before working capital changes		16,526.46		10,111.21
<u>Changes in working capital:</u>				
<u>Adjustments for increase / (decrease) in operating assets/liabilities:</u>				
Inventories	(3,532.45)		(1,484.36)	
Trade receivables	(24,163.28)		(14,990.80)	
Short-term loans and advances	(167.28)		(2,607.56)	
Long-term loans and advances	(4.79)		0.00	
Other Current Assets	(0.97)		0.00	
Other than Cash and Cash Equivalents	(87.43)		50.05	
Trade payables	(46.54)		(3,884.33)	
Other current liabilities	12.03	(27,990.71)	27.62	(22,889.38)
		(11,464.25)		(12,778.17)
Misc expenses to the extent not written off		0.00		(19.30)
Net income tax (paid) / refunds		(2,064.63)		(1,150.48)
Net cash flow from / (used in) operating activities (A)		(13,528.89)		(13,947.95)
B. Cash flow from investing activities				
Capital expenditure on fixed assets, including capital advances	(3,100.90)		(2,722.49)	
Proceeds from sale of fixed assets	12.70		2.70	
Purchase of long-term investments- Subsidiaries	(143.20)		0.00	
Loans given- Subsidiaries	(56.34)		0.00	
Interest received	3.55		0.00	
Net cash flow from / (used in) investing activities (B)		(3,284.19)		(2,719.79)
C. Cash flow from financing activities				
Proceeds from long-term borrowings	6,118.30		8,440.40	
Repayment of long-term borrowings	(4,752.82)		(4,065.64)	
Net increase / (decrease) in working capital borrowings	22,844.31		16,215.76	
Finance cost	(6,509.49)		(3,700.12)	
Dividends paid	(203.30)		(203.19)	
Tax on dividend	(32.96)		(34.53)	
Net cash flow from / (used in) financing activities (C)		17,464.03		16,652.68
Net increase / (decrease) in Cash and cash equivalents (A+B+C)		650.95		(15.06)
Cash and cash equivalents at the beginning of the year		67.61		82.67
Cash and cash equivalents at the end of the year		718.56		67.61
Reconciliation of Cash and cash equivalents with the Balance Sheet:				
Cash and cash equivalents as per Balance Sheet (Refer Note 15)	888.86		150.48	
Less: Bank balances not considered as Cash and cash equivalents	(170.30)		(82.87)	
Net Cash and cash equivalents (as defined in AS 3 Cash Flow)		718.56		67.61
Cash and cash equivalents at the end of the year *		718.56		67.61
* Comprises:				
(a) Cash on hand	22.52		10.98	
(b) Balances with banks (In Current Accounts)	696.05		56.63	
		718.56		67.61

In terms of our report attached.
FOR P.P. MUKERJEE & ASSOCIATES
Chartered Accountants
Firm's Registration No.023276N

For and on behalf of the Board of Directors

sd/-
CA P.P. Mukerjee
Membership No.:089854
Proprietor

sd/-
(Sanjay Dhingra)
Managing Director

sd/-
(Sidhant Gupta)
Executive Director

Place : New Delhi
Date : 14th August, 2012

sd/-
(Deepa Kapoor)
Company Secretary

Notes Forming Part of Financial Statements

1) SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation of Accounts

The financial statements are prepared under historical cost convention on an accrual basis of accounting in accordance with the generally accepted accounting principles, Accounting Standards notified under Section 211 (3C) of the Companies Act, 1956 and the relevant provisions thereof. The accounting policies have been consistently applied by the Company and are consistent with those used in previous year.

(b) Use of Estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions, that affect the application of accounting policies and reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of these financial statements and the reported amount of revenues and expenses for the years presented. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised and future periods affected.

(c) 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.

Interest Income

Interest income is recognised on time proportion basis taken 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.

(d) 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 ready to use.

(e) Employee Benefits

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.

Post Employment Benefits

Defined Contribution Plans:

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

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.

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.

(f) Inventories

Inventories are valued at the lower of cost and estimated net realizable value. Cost of work-in process and finished goods includes manufacturing overheads. Net realizable value is estimated selling price in the ordinary course of business, less estimated cost of completion and estimated cost necessary to make the sale.

(g) Provision for Current and Deferred Tax

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred Tax resulting from "timing difference" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. Deferred Tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the asset will be realized in the future.

(h) Impairment of Assets

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the profit and loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in estimate of recoverable amount.

As per assesment conducted by the Company at March 31, 2012 there were no indications that the fixed assets have suffered an impairment loss.

(i) 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.

(j) 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 they are intended to compensate on a systematic basis.

(k) Borrowing Costs

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

(l) Business segments

The Company is engaged mainly in trading, processing, manufacturing of milk and dairy products. These, in the context of Accounting Standard 17 on Segment reporting, as specified in the Companies (Accounting Standards) Rules 2006, are considered to constitute one single primary segment. Hence Segment reporting is not required.

(m) Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

(n) Leases

(i) Finance Lease

Assets acquired under finance lease are recognised at lower of the fair value of the leased assets at inception and the present value of minimum lease payment. Lease payment are apportioned between the finance charge and the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.

(ii) Operating Lease

Leases other than finance lease are operating and leased assets are not recognised on the companies Balance Sheet. Payment under operating leases are recognised in the Statement of Profit and Loss on a straight line over the lease term.

Kwality Dairy (India) Limited

Notes forming part of the financial statements

Note 2 Share capital

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
(a) Authorised 100,00,00,000 Equity Shares of ₹1/- each (March 31, 2011 : 100,00,00,000 Equity Share of ₹1/- each)	10,000.00	10,000.00
	10,000.00	10,000.00
(b) Issued ,Subscribed and fully paid up 20,31,86,434 Equity Shares of ₹1/- each fully paidup (March 31,2011 : 20,31,86,434 Equity Shares of ₹1/- each fully paidup)	2,031.86	2,031.86
Total	2,031.86	2,031.86

Refer Notes (i) to (v) below

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	As at 31 March, 2012	As at 31 March, 2012	As at 31 March, 2011	As at 31 March, 2011
	No. of Shares	Amount (₹ In Lacs)	No. of Shares	Amount (₹ In Lacs)
Equity Shares at the beginning of the year	20,31,86,434	2,031.86	18,20,00,000	1,820.00
Add: Shares issued during the year				
Bonus Issue	-	-	2,11,86,434	211.86
Equity Shares at the end of the year	20,31,86,434	2,031.86	20,31,86,434	2,031.86

(ii) Right, preference and restriction attached to the equity shares :

- The Company has only one class of shares referred to as equity shares having a par value of ₹1/-per share.Each holder of equity shares is entitled to one vote per share.
- The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders in ensuing Annual General Meeting.
- During the year ended 31 March 2012, the amount of per share dividend recognised as distributions to equity shareholders is ₹ 0.10(previous year ₹ 0.10)
- In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(iii) Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	As at 31 March, 2012		As at 31 March, 2011	
	Number of shares held	% holding of shares	Number of shares held	% holding of shares
Equity shares with voting rights				
Sanjay Dhingra	9,96,60,714	49.05	5,00,00,000	24.61
Kanika Dhingra	5,24,94,000	25.84	0	0
Gulshan Dhingra	91,000	0.04	4,97,51,714	24.49
Naresh Dhingra	50,000	0.03	2,73,90,500	13.48
Krishan Dhingra	45,000	0.02	2,51,98,500	12.40

(iv) Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash, bonus shares and shares bought back for the period of 5 years immediately preceding the Balance Sheet date:

(a) The Company has not issued any shares without payment being received in cash.

(b) The Bonus issue is made by capitalisation of profit. The detail of bonus issues in preceding 5 years are given below

<u>Particulars</u>	<u>No. of Shares</u>
Equity shares with voting rights	
Fully paid up by way of bonus shares	
Year 2011-12	-
Year 2010-11	2,11,86,434
Year 2009-10	-
Year 2008-09	-
Year 2007-08	-

(c) The Company has not undertaken any buy back of shares.

V) No shares have been reserved for any purpose like ESOP, share warrant and for conversion.

Kwality Dairy (India) Limited

Notes forming part of the financial statements

Note 3 Reserves and surplus

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
(a) Surplus / (Deficit) in Statement of Profit and Loss		
Opening balance	7,072.96	2,928.24
Add: Profit / (Loss) for the year	9,098.56	4,594.30
	16,171.52	7,522.54
<u>Less:</u>		
Proposed Dividend on equity share (₹ 0.10 per share)	203.19	203.19
Tax on dividend	32.96	34.53
Transferred to:		
Issue of Bonus Shares	-	211.86
Closing balance	15,935.38	7,072.96
Total	15,935.38	7,072.96

Note 4 Long-term borrowings

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
(1) Secured		
(a) Long-term maturities of finance lease obligations [Refer Note (1) for detail of maturity period, repayment terms and rate of interest] [Secured by hypothecation of assets (vehicles) taken on lease]	219.93	48.62
	219.93	48.62
(2) Unsecured		
(a) Term loans from other parties [Refer Note (2) for detail of maturity period, repayment terms] [Refer Note (2) below for detail of Security]	2,519.48	2,142.86
(b) Loans and advances from related parties [Refer Note (3) below]	5,800.00	2,500.00
(c) Loans and advances from other parties [Refer Note (4) below]	1,700.00	3,500.00
	10,019.48	8,142.86
Total	10,239.41	8,191.48

Notes:

- 1) Rate of Interest for finance lease obligations range from 8.67 to 13.50.
No. of repayment installment for lease obligation range from 36 to 60 Months.
Period of maturity for lease obligations range from 3 year to 5 year.

2)

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
1) Tata Capital Limited (Total ₹ 2,142.86 Lacs)	1,428.57	2,142.86
2) L & T Finance Ltd (Total ₹ 1,818.18 Lacs)	1,090.91	0.00
Total Long Term Loans	2,519.48	2,142.86

- 2.1) The loan amounting ₹2,142.86 lacs will be payable in 12 installment in next 3 years.

Loan is secured by way of first mortgage/ charge on the immovable property in the name of related enterprise situated in Mohali Punjab and further secured by personal guarantee of Director of Company.

- 2.2) The loan amounting ₹1,818.18 lacs will be payable in 10 equal installment in next 3 years.

Loan is secured by way of pledge of shares of Mr. Sanjay Dhingra (Director of the Company). Pledge value of the shares (1 crore shares) was ₹ 3,700 lacs as on 31.03.2012 and further secured by first mortgage/charge on the immovable property in the name of related enterprise landed property at Mohali & personal guarantee by Director of Company.

Notes forming part of the financial statements

Maturity Schedule of Long term finance debt	
Financial year	Installment paid
F.Y. 2011-12	538.96
F.Y. 2012-13	1,441.56
F.Y. 2013-14	1,441.56
F.Y. 2014-15	1,077.92
Total Amount	4,500.00

3) The Loan from related party is unsecured and there is no interest payable on the loan .The loan is payable within 3 to 5 year.

4) The Loan from other party is unsecured and there is no interest payable on the loan .The loan is payable within 3 to 5 year.

Note 5 Long-term provisions

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
(a) Provision for employee benefits:		
(i) Provision for compensated absences	11.22	12.79
(ii) Provision for gratuity (net) (Refer Note 24.9)	19.64	21.21
	30.86	34.00
Total	30.86	34.00

Note 6 Short-term borrowings

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
(1) Secured		
(a) Loans From Banks		
Cash Credit Facilities #	54,863.24	32,018.94
Total	54,863.24	32,018.94

Cash Credit facilities are secured by hypothecation of existing and future current asset of the company viz stock of raw material, stock in process, semi finished goods, stores, bills receivables & books debts and all movable & Immovable fixed assets. Further cash credit facility are secured by personal guarantee of shareholders.

Note 7 Trade payables

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Trade payables	2,061.58	2,108.12
Total	2,061.58	2,108.12

Note 8 Other current liabilities

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
(a) Current maturities of long-term debt (Refer Note (i) below)	1,457.65	2,206.57
(b) Current maturities of finance lease obligations (Refer note 24.10)	97.86	34.58
(c) Interest accrued and due on borrowings	32.00	28.82
(d) Unclaimed dividends	22.11	0.00
(e) Other payables		
(i) Statutory remittances	39.55	31.06
(ii) Payables on purchase of fixed assets	40.64	66.79
(iii) Trade / security deposits received	153.72	11.57
(iv) Advances from customers	78.81	290.04
(v) Expenses Payable including contractually reimbursement expenses	121.81	50.55
Total	2,044.16	2,719.99

Notes forming part of the financial statements

Note (i): Current maturities of long-term debt (Refer Notes (ii) in Note 4 - Long-term borrowings for details of security and guarantee):

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Secured		
(a) Term loans from other parties (Refer Note-4)	1,441.56	2,190.48
	1,441.56	2,190.48
Unsecured		
(b) Deferred payment liabilities ##	16.09	16.09
	16.09	16.09
Total	1,457.65	2,206.57

Deferred payment liability in respect of a deferment loan from sales tax department.

Note 9 Short-term provisions

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
(a) Provision for employee benefits:		
(i) Provision for bonus	19.25	12.24
(ii) Provision for compensated absences	1.29	0.44
(iii) Provision for gratuity (net) (Refer Note 24.9)	1.20	0.52
	21.73	13.19
(b) Provision - Others:		
(i) Provision for Income tax (net of advance tax ₹ 728.64) (As at 31 March, 2011 ₹ 453.51)	1,255.85	1,376.41
(ii) Provision for proposed equity dividend	203.19	203.19
(iii) Provision for tax on proposed dividend	32.96	34.53
(iv) Provision for Wealth Tax	1.40	0.29
	1,493.39	1,614.42
Total	1,515.13	1,627.61

Kwality Dairy (India) Limited

Notes forming part of the financial statements

Note 10 Fixed Asstes

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Opening As at 01.04.11	Additions During the Year	Deduction/ Adjustment during the year	Closing As at 31.03.12	Opening As at 01.04.11	For the Year Ended 31/03/2012	Adjustment on account of sale/transfer	Closing As at 31.03.12	WDV as on 31.03.2012	WDV as on 31.3.2011
Tangible Assets										
Own Assets										
Land Free Hold	58.08	-	-	58.08	-	-	-	-	58.08	58.08
Computer	66.45	20.99	-	87.43	37.03	15.75	-	52.78	34.65	29.42
Building	623.20	16.31	-	639.51	260.51	36.85	-	297.36	342.16	362.69
Plant & Machinery	5,032.40	2,541.86	-	7,574.27	1,421.87	627.50	-	2,049.37	5,524.90	3,610.53
Furniture & Fixture	15.28	3.75	-	19.03	6.39	2.00	-	8.39	10.65	8.89
Vehicles	50.97	-	28.57	22.40	33.68	2.78	19.98	16.48	5.92	17.29
Total (A)	5,846.38	2,582.92	28.57	8,400.73	1,759.48	684.87	19.98	2,424.38	5,976.35	4,086.89
Leased Assets										
Vehicles	127.33	383.82	-	511.15	23.72	64.33	-	88.05	423.11	103.62
Total (B)	127.33	383.82	-	511.15	23.72	64.33	-	88.05	423.11	103.62
Tangible Assets (A) + (B)- 10A	5,973.71	2,966.74	28.57	8,911.89	1,783.20	749.21	19.98	2,512.43	6,399.46	4,190.51
Intangible Assets										
Computer Software	0.69	1.40	-	2.09	0.40	0.46	-	0.86	1.23	0.29
Total (C) - 10B	0.69	1.40	-	2.09	0.40	0.46	-	0.86	1.23	0.29
Work in Progress (D)- 10 C	-	8.99	-	8.99	-	-	-	-	8.99	-
Figures for the Current Year	5,974.40	2,977.13	28.57	8,922.96	1,783.60	749.66	19.98	2,513.28	6,409.68	4,190.80
Figures for the Previous Year	3,220.60	2,761.56	7.76	597.44	1,435.29	352.93	4.62	1,783.60	4,190.80	1,785.31

Note 11 Non-current investments

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Investments (At cost):		
A. Trade		
Unquoted		
(a) Investment in equity instruments		
(i) of Wholly Owned subsidiaries	143.20	0.00
1 Share (As at 31 March, 2011: NIL) of AED 1Million each fully paid up in Kwality Dairy Products FZE, Dubai		
Total - Trade (A)	143.20	0.00
Aggregate amount of unquoted investments	143.20	

Note 12 Long-term loans and advances

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Unsecured considered good		
(a) Capital advances	157.83	34.05
(b) Security deposits	18.34	13.54
(c) Loans and advances to related parties (See note 24.8)	56.34	0.00
(d) Mat Credit entitlement	1,736.77	0.00
Total	1,969.27	47.59

Notes forming part of the financial statements

Note 13 Inventories

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
(a) Raw materials	69.35	65.03
(b) Work-in-progress (Refer Note below)	2,212.98	889.56
(c) Finished goods (other than those acquired for trading)	7,234.73	5,280.63
(d) Stock-in-trade (acquired for trading)	243.36	0.00
(e) Stores and spares	24.88	22.94
(f) Packing Material	89.10	83.78
Total	9,874.39	6,341.94
Note: Details of inventory of work-in-progress		
Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Fat/Butter/Cream/Ghee	648.58	422.93
SMP/WMP/DW/DC/SNF	1,564.40	466.64
	2,212.98	889.56

(Refer note 1(f) for note of valuation for inventories)

Note 14 Trade receivables

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Unsecured, considered good	1.77	5.13
	1.77	5.13
Less: Provision for doubtful trade receivables	0.00	0.00
	1.77	5.13
Other Trade receivables		
Unsecured, considered good	65,622.59	41,455.95
	65,622.59	41,455.95
Less: Provision for doubtful trade receivables	0.00	0.00
	65,622.59	41,455.95
Total	65,624.37	41,461.09

Notes forming part of the financial statements

Note 15 Cash and Bank Balance

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Cash and Cash Equivalents :		
(a) Cash on hand	22.52	10.98
(b) Balances with banks		
(i) In current accounts	696.05	56.63
Other Bank Balances		
(i) In deposit accounts held against bank guarantee (Refer Note (i) below)	148.19	82.87
(ii) In earmarked accounts		
- Unpaid dividend accounts	22.11	0.00
Total	888.86	150.48

Notes:

(i) Balances with banks include deposits amounting to ₹141.62 (As at 31 March, 2011 ₹8.06) which have an maturity of more than 12 months.

Note 16 Short-term loans and advances

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
<u>Unsecured considered good</u>		
(a) Security deposits	21.91	5.80
(b) Loans and advances to employees	2.56	0.22
(c) Advance Recoverable in cash or kind or for value to be received	3,704.43	3,559.81
(d) Prepaid Expenses	14.77	3.48
(e) Balances with government authorities		
(i) VAT credit receivable	19.40	18.02
(ii) Duty Drawback Receivable	1.42	1.42
(f) Grant-in-Aid Receivable	0.00	14.72
(g) Deposit with Haryana Livestock Development Board (Cess)	79.22	72.96
Total	3,843.70	3,676.42

Note 17 Other current assets

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
(a) Unamortized expenses		
(i) Deferred Licences Fee	14.25	19.30
(b) Accruals		
(i) Interest accrued on Fixed deposits	1.23	2.20
Total	15.48	21.50

Notes forming part of the financial statements

Note 18 Revenue from operations

	Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
		(₹ In Lacs)	(₹ In Lacs)
(a)	Sale of products (Refer Note (i) below)	2,39,035.42	1,60,246.95
(b)	Sale of services (Refer Note (ii) below)	427.58	556.67
	Total	2,39,462.99	1,60,803.62

Note	Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
		(₹ In Lacs)	(₹ In Lacs)
(i)	Sale of products comprises :		
	<u>Manufactured goods</u>		
	Fat/Butter/Cream/Ghee	76,113.74	54,150.60
	SMP/WMP/DW/DC/SNF	56,021.83	39,702.95
	Milk/Toned Milk/Double Toned Milk	86,083.05	45,280.35
	Curd	17,626.08	10,066.60
	Total - Sale of manufactured goods	2,35,844.71	1,49,200.50
	<u>Traded goods</u>		
	Fat/Butter/Cream/Ghee	1,639.56	2,417.98
	SMP/WMP/DW/DC/SNF	1,524.18	8,628.47
	Cattle Feed	26.97	-
	Total - Sale of traded goods	3,190.71	11,046.45
	Total - Sale of products	2,39,035.42	1,60,246.95
(ii)	Sale of services comprises :		
	Milk Processing & Packing	427.58	556.67
	Total - Sale of services	427.58	556.67

Note 19 Other income

	Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
		(₹ In Lacs)	(₹ In Lacs)
(a)	Interest income (Refer Note (i) below)	3.55	16.84
(b)	Net gain on foreign currency transactions and translation (other than considered as finance cost)	0.20	0.00
(c)	Other non-operating income (net of expenses directly attributable to such income) (Refer Note (ii) below)	4.83	4.44
	Total	8.58	21.28

Note	Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
		(₹ In Lacs)	(₹ In Lacs)
(i)	Interest income comprises:		
	Interest from banks on deposits	3.55	6.69
	Interest on overdue trade receivables	0.00	10.15
	Total - Interest income	3.55	16.84

Notes forming part of the financial statements

Note	Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
		(₹ In Lacs)	(₹ In Lacs)
(ii)	Other non-operating income comprises:		
	Profit on sale of fixed assets	4.11	0.00
	Miscellaneous income	0.72	4.44
	Total - Other non-operating income	4.83	4.44

Note 20.a Cost of materials consumed

Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Opening stock	65.03	39.64
Add: Purchases	2,16,862.95	1,36,686.83
	2,16,927.98	1,36,726.47
Less: Closing stock	69.35	65.03
Cost of material consumed	2,16,858.63	1,36,661.44
Material consumed comprises:		
Milk	1,97,748.39	1,23,146.08
Butter fat/Ghee	12,658.71	9,917.74
Others	6,451.53	3,597.62
Total	2,16,858.63	1,36,661.44

Note 20.b Purchase of traded goods

Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Fat/Butter/Cream/Ghee	1,827.57	2,333.89
SMP/WMP/DW/DC/SNF	1,524.18	8,396.47
Cattle Feed	27.61	0.00
Total	3,379.37	10,730.36

Notes forming part of the financial statements

Note 20.c Changes in inventories of finished goods, work-in-progress and stock-in-trade

Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Inventories at the end of the year:		
Finished goods	7,478.09	5,280.63
Work-in-progress	2,212.98	889.56
	9,691.07	6,170.19
Inventories at the beginning of the year:		
Finished goods	5,280.63	4220.39
Work-in-progress	889.56	501.12
	6,170.19	4,721.51
Net (increase) / decrease	(3,520.88)	(1,448.68)

Note 21 Employee benefits expense

Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Salaries and wages	825.80	352.04
Contributions to provident and other funds	15.88	11.41
Gratuity & Leave Encashment (Refer Note 24.9)	(0.65)	17.33
Staff welfare expenses	14.79	10.78
Total	855.83	391.56

Note 22 Finance costs

Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
(a) Interest expense on Borrowings	6,356.27	3,562.07
(b) Other Borrowings Cost	153.22	138.04
Total	6,509.49	3,700.12

Notes forming part of the financial statements

Note 23 Other expenses

Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Consumption of stores and spare parts	28.07	34.87
Consumption of packing materials	1,283.52	1,108.03
Power and fuel	778.18	612.29
Rent	50.90	21.93
Repairs and maintenance - Buildings	86.75	30.18
Repairs and maintenance - Machinery	177.85	134.79
Insurance	8.10	4.97
Rates and taxes	2.80	0.72
Telephone & Cellular Expenses	23.27	14.70
Travelling and conveyance	118.53	39.05
Printing and stationery	16.19	15.38
Transportation Charges	585.40	263.30
Commission & Brokerage	99.17	52.31
Rebate & Discount	48.55	358.59
Advertisement & Sales Promotion	456.98	601.06
Donations and contributions	0.10	0.45
Legal and professional	153.10	163.85
Payments to auditors (Refer Note 24.5)	2.50	2.00
Processing Charges of Milk	1,260.58	749.68
Vehicle Running Expenses	30.30	22.39
Loss on fixed assets sold	0.00	0.44
Bank Charges	9.62	12.09
Bad- Debts W/off	2.34	0.00
Prior period items	3.10	0.00
Miscellaneous expenses	146.34	136.67
Total	5,372.23	4,379.74

24.1) Contingent Liabilities :

(₹ In Lacs)

	As at 31 March, 2012	As at 31 March, 2011
<u>Claim against the company not acknowledged as debts</u>		
Milk Cess disputed by the company relating to issue of applicability, against which the company has filed an appeal with Supreme Court of India (A sum of ₹79.22 lacs(Previous.Yr. ₹72.96 Lacs) deposited under protest)	271.81	246.60
Demand by Dy. Excise and Taxation Commissioner relating to Sales Tax /Vat exemption /deferment with interest, against which company has filed an appeal before Joint Excise and Taxation Commissioner (Appeals), Faridabad.	32.73	Nil
A civil suit filed by M/s S.M. Milkose Ltd. for disputed supply of material against Co. pending before Delhi High Court.	156.97	156.97
Contingent Liability for Bills Discounted	Nil	1,701.47
Liability under Bank Guarantee	147.05	13.46
Estimated amount of Contracts remaining to be executed on capital account and not provided for	84.83	77.83

Notes forming part of the financial statements

24.2) The deferred tax liability comprise of the following :

(₹ In Lacs)

	As at 31 March, 2012	As at 31 March, 2011
Deferred Tax Liability		
Related to Fixed Assets	46.80	(90.27)
Deferred Tax Assets		
Due to Disallowance under the Income Tax Act, 1961	0.52	5.40
	47.32	(84.87)

24.3)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.

24.4) Earnings etc. in foreign exchange during the year

(₹ In Lacs)

Foreign Exchange Outgo	For the year ended 31 March, 2012	For the year ended 31 March, 2011
Capital Goods	13.11	-
Raw Material	73.71	-
Professional Fees	22.71	-
Capital Investment in Subsidiary	143.20	-
Loan to Subsidiary	56.34	-
Foreign Tour & Travels	4.06	-
Misc Expenses	0.12	-
	313.25	-

24.5) Payment to Auditors :

(₹ In Lacs)

	For the year ended 31 March, 2012	For the year ended 31 March, 2011
Audit Fees	2.00	1.50
Tax on Audit Fees	0.50	0.50
	2.50	2.00

24.6) Managerial Remuneration

(₹ In Lacs)

	For the year ended 31 March, 2012	For the year ended 31 March, 2011
Salaries and Allowances	220.28	23.16

Notes forming part of the financial statements

24.7) Statement of Earning Per Share

(₹ In Lacs)

	For the year ended 31 March, 2012	For the year ended 31 March, 2011
Net Profit attributable to Equity Shareholders (₹ In lacs)	9,098.56	4594.31
Weighted Average Number of Equity Shares		
i) used as denominator for calculating EPS	20,31,86,434	20,31,86,434
ii) Nominal value per share (in ₹)	1.00	1.00
iii) Basic/Diluted Earning Per Share (in ₹)	4.48	2.26

24.8) Related Party Disclosures

As per Accounting Standard 18 disclosures of transactions with the related parties are given below:

Relationships

1	Subsidiary Company	Kwality Dairy Products FZE
2	Key managerial personnel (KMP)	Sh. Sanjay Dhingra Sh. Sidhant Gupta
3	Significant Influence(SI)	Ms. Kanika Dhingra
4	Enterprises on which Key Managerial person having significant influence	JTPL Pvt Ltd Pashupati Dairies Pvt Ltd
5	Relative of Key Managerial Person	Ms. Kanika Dhingra Dr. Ved Parkash Gupta

Transactions with related parties during the year

(₹ In Lacs)

	Relationship	For the year ended 31 March, 2012	For the year ended 31 March, 2011
Investment in Subsidiary	Subsidiary	143.20	0.00
Loans to Subsidiary	Subsidiary	56.34	0.00
Services Received	KMP	0.00	1.42
	Enterprises in which SI	938.00	263.01
Managerial remuneration	KMP	220.28	23.16
Dividend Paid	KMP	99.66	50.00
	Significant Influence	52.49	0.00
Purchase of Goods	Enterprises in which SI	86.29	0.00
Sales of Goods	Enterprises in which SI	12.82	0.00
Royalty	Enterprises in which SI	9.00	9.00
Finance Taken - Loans	Enterprises in which SI	3,300.00	2,500.00
Collateral Security/guarantee	KMP	4,500.00	0.00
	Enterprises in which SI	2,000.00	2,500.00
Guarantee taken for Financial Limits	KMP & SI	60,000.00	39,000.00
Shares Pledge for Loan	KMP	3,700.00	0.00

Notes forming part of the financial statements

Balances with related parties

(₹ In Lacs)

	Relationship	For the year ended 31 March, 2012	For the year ended 31 March, 2011
Investment in Subsidiary	Subsidiary	143.20	0.00
Loans to Subsidiary	Subsidiary	56.34	0.00
Amount Payable in respect of Services recd.	Enterprises in which SI	1.15	0.00
Amount Payable in respect of Loans	Enterprises in which SI	5,800.00	2,500.00
Amount Payable in Respect of Royalty	Enterprises in which SI	8.10	0.00
Collateral Security/guarantee	KMP	4,500.00	0.00
	Enterprises in which SI	4,500.00	2,500.00
Guarantee taken for Financial Limits	KMP & SI	60,000.00	39,000.00
Shares Pledge for Loan	KMP	3,700.00	0.00

Disclosures in respect of material transactions with related parties

(₹ In Lacs)

	For the year ended 31 March, 2012	For the year ended 31 March, 2011
Kwality Dairy Products FZE		
-Investment in Capital	143.20	0.00
-Loans	56.34	0.00
Sanjay Dhingra		
-Guarantee against loan	4,500.00	0.00
-Shares Pledge against loan	3,700.00	0.00
Pashupati Dairies Pvt Ltd		
-Inter Corporate Loans received	3,300.00	2,500.00
-Purchase of Goods	86.29	0.00
-Sales of Goods	12.82	0.00
-Services Received	938.00	263.01
-Royalty	9.00	9.00
JTPL Pvt Ltd	2,000.00	2,500.00
-Collateral Security/guarantee		
Sanjay Dhingra & Kanika Dhingra		
-Guarantee taken for Financial Limits	60,000.00	39,000.00

Notes forming part of the financial statements

24.9) 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 Lacs)

Defined Benefit Plan	For the year ended 31 March, 2012	For the year ended 31 March, 2011
Change in Benefit Obligation	Gratuity & Leave Encashment	Gratuity & Leave Encashment
Liability at the beginning of the year	34.95	18.77
Interest Cost	3.06	1.54
Current service cost	13.04	11.90
Benefit Paid	(0.95)	(1.14)
Actuarial (gain/loss) on obligation	(16.75)	3.88
Liability at the end of year recognized in the Balance Sheet	33.35	34.95
Expenses recognized in the Income Statement		
Current service cost	16.1	13.4
Net Actuarial (gain)/loss to be recognized	(16.8)	3.9
Expenses recognised in Profit and Loss statement	(0.65)	17
Discount rate current	8.75% per annum	8.25% per annum
Salary escalation current	5% per annum	5% per annum
Mortality	LIC 94-96 Ultimate	LIC 94-96 Ultimate
Withdrawal rate 18 to 58 Years	2% per annum	2% per annum

An amount of ₹64,994 /-(PY. - ₹17,32,340/-) as contribution towards defined contribution plan is recognized as expense in the Profit & Loss Statement

24.10) Future commitments in respect of assets acquired under Finance Scheme :

(₹ In Lacs)

	For the year ended 31 March, 2012	For the year ended 31 March, 2011
<u>Minimum Installments</u>		
Payable within one year	127.53	40.91
Later than one year but not later than 5 years	258.47	51.97
<u>Present Value of minimum installments</u>		
Payable within one year	97.86	34.58
Later than one year but not later than 5 years	219.93	48.62

Notes forming part of the financial statements

24.11)Other Notes

Disclosure as per Clause 32 of the Listing Agreement with the Stock Exchanges

Loans and advances in the nature of loans given to subsidiaries, associates and others and investment in shares of the Company by such parties:

Name of the party	Relationship	Amount outstanding as at 31 March, 2012 (₹ in Lacs)
Kwality Dairy Products FZE Dubai- Investment (Maximum amount outstanding during the year ₹143.20 lacs (PY ₹ Nil)	Subsidiary	143.20 (Nil)
Kwality Dairy Products FZE Dubai- Loans and advance (Maximum amount outstanding during the year ₹56.34 (PY ₹ Nil)	Subsidiary	56.34 (Nil)

The revised Schedule VI has become effective from April 1, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year figure have been regrouped/reclassified wherever necessary to correspond with the current year classification/ disclosure.

During the year ended March 31,2012 the company has promoted a wholly owned subsidiary Kwality Dairy Products FZE in free trade zone of Dubai in UAE. The total amount contributed on account of capital and interest free loan of ₹199.54 lacs equivalent to AED 1 Million and AED 393,393 respectively.

As per our Report of even date

On Behalf of Board of Directors

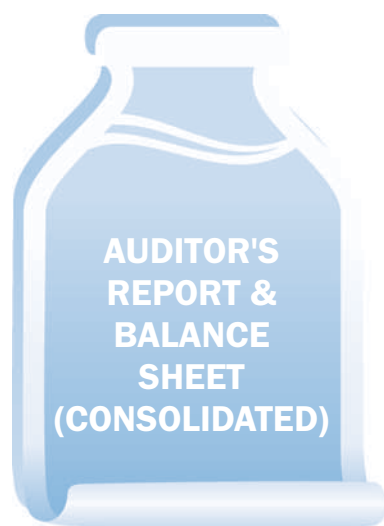
**FOR P.P. MUKERJEE & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm's Registration No.023276N**

Sd/-
CA P.P. Mukerjee,
Membership No.:089854
Proprietor

Place : New Delhi
Dated :14th August, 2012

Sd/- (Sanjay Dhingra) Managing Director	Sd/- (Sidhant Gupta) Executive Director
--	--

Sd/-
(Deepa Kapoor)
Company Secretary



**To the Board of Directors,
KWALITY DAIRY (INDIA) LIMITED**

1. We have audited the attached Consolidated Balance Sheet of Kwality Dairy India Limited ("the Company") and its subsidiary as at March 31, 2012, the Consolidated Profit and Loss Statement and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include investments in Subsidiary in accordance with Accounting Standard 21 (Accounting for Investments in Subsidiary in Consolidated Financial Statements).

2. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

3. We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

4. We did not audit the financial statements of the subsidiary, whose financial statements reflect total assets (net) of ₹954.75 Lacs as at March 31, 2012, total revenues of ₹2160.43 Lacs and net cash inflows amounting to ₹419.45 Lacs at year ended and share of profit of ₹135.95

Lacs up to March 31, 2012. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by the Company's Management, and our opinion in so far as it relates to the amounts included in respect of this subsidiary and is based solely on the report of the other auditors.

5. Subject to the matters referred to in paragraph 4:

(a) we report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements).

(b) based on our audit and on consideration of the separate audit reports on individual financial statements of the Company, its aforesaid subsidiary and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2012;

(ii) in the case of the Consolidated Profit and Loss Statement, of the profit of the Group for the year ended on that date; and

(iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

**For P. P. Mukerjee & Associates
Chartered Accountants**

**Place: New Delhi
Date: 14th August, 2012**

**Sd/-
P.P. Mukerjee
Proprietor
Membership Number-089854
Firm Registration No:- 023276N**

Kwality Dairy (India) Limited
Consolidated Balance Sheet as at 31 March, 2012

Particulars		Note No.	As at 31 March, 2012	As at 31 March, 2011
			(₹ In Lacs)	(₹ In Lacs)
A	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	2	2,031.86	2,031.86
	(b) Reserves and surplus	3	16,071.32	7,072.96
			18,103.18	9,104.83
2	Non-current liabilities			
	(a) Long-term borrowings	4	10,239.41	8,191.48
	(b) Deferred tax liabilities (net)	24.2	47.32	84.87
	(c) Long-term provisions	5	30.86	34.00
			10,317.59	8,310.35
3	Current liabilities			
	(a) Short-term borrowings	6	55,008.23	32,018.94
	(b) Trade payables	7	2,541.66	2,108.12
	(c) Other current liabilities	8	2,044.86	2,719.99
	(d) Short-term provisions	9	1,515.13	1,627.61
			61,109.87	38,474.65
	TOTAL		89,530.64	55,889.83
B	ASSETS			
1	Non-current assets			
	(a) Fixed assets			
	(i) Tangible assets	10.A	6,400.98	4,190.51
	(ii) Intangible assets	10.B	1.23	0.29
	(iii) Capital work-in-progress	10.C	8.99	0.00
			6,411.20	4,190.80
	(b) Goodwill (on consolidation)	11	4.70	0.00
	(c) Long-term loans and advances	12	1,919.68	47.59
			8,335.58	4,238.40
2	Current assets			
	(a) Inventories	13	10,005.69	6,341.94
	(b) Trade receivables	14	66,020.62	41,461.09
	(c) Cash and cash equivalents	15	1,309.58	150.48
	(d) Short-term loans and advances	16	3,843.70	3,676.42
	(e) Other current assets	17	15.48	21.50
			81,195.07	51,651.43
	TOTAL		89,530.64	55,889.83

In terms of our report attached.

For and on behalf of the Board of Directors

FOR P.P. MUKERJEE & ASSOCIATES

Chartered Accountants

Firm's Registration No.023276N

Sd/-

CA P.P. Mukerjee

Membership No.:089854

Proprietor

Place : New Delhi

Date : 14th August,2012

Sd/-

(Sanjay Dhingra)
Managing Director

Sd/-

(Sidhant Gupta)
Executive Director

Sd/-

(Deepa Kapoor)
Company Secretary

Kwality Dairy (India) Limited

Consolidated Statement of Profit and Loss for the year ended 31 March, 2012

Particulars		Note No.	For the year ended 31 March, 2012 (₹ In Lacs)	For the year ended 31 March, 2011 (₹ In Lacs)
1	Revenue from operations	18	2,41,623.43	1,60,803.62
2	Other income	19	8.58	21.28
3	Total revenue (1+2)		2,41,632.01	1,60,824.90
4	Expenses			
	(a) Cost of materials consumed	20.a	2,16,858.63	1,36,661.44
	(b) Purchases of stock-in-trade	20.b	5,493.24	10,730.36
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	20.c	(3,652.18)	(1,448.68)
	(d) Employee benefits expense	21	858.82	391.56
	(e) Finance costs	22	6,509.49	3,700.12
	(f) Depreciation and amortisation expense	10	749.73	352.93
	(g) Other expenses	23	5,411.09	4,379.74
	Total expenses		2,32,228.82	1,54,767.46
5	Profit / (Loss) before tax (3 - 4)		9,403.19	6,057.44
6	Tax expense:			
	(a) Tax expense for current year		1,984.49	1,433.92
	(b) (Less): MAT credit related to current year		(1,016.04)	0.00
	(c) (Less): MAT credit related to previous year		(720.72)	0.00
	(d) Tax expense relating to prior years		(41.50)	0.00
	(e) Net current tax expense		206.23	1,433.92
	(f) Deferred tax		(37.55)	29.22
			168.68	1,463.14
7	Profit / (Loss) from operations (5 -6)		9,234.51	4,594.30
8	Earnings per share (of ₹1/- each):			
	(a) Basic		4.54	2.26
	(b) Diluted		4.54	2.26

In terms of our report attached.

For and on behalf of the Board of Directors

FOR P.P. MUKERJEE & ASSOCIATES

Chartered Accountants

Firm's Registration No.023276N

Sd/-

CA P.P. Mukerjee

Membership No.:089854

Proprietor

Place: New Delhi

Date: 14th August,2012

Sd/-

(Sanjay Dhingra)
Managing Director

Sd/-

(Sidhant Gupta)
Executive Director

Sd/-

(Deepa Kapoor)
Company Secretary

Kwality Dairy (India) Limited

Consolidated Cash Flow Statement for the year ended 31 March, 2012

Particulars	For the year ended 31 March, 2012		For the year ended 31 March, 2011	
	(₹ In Lacs)	(₹ In Lacs)	(₹ In Lacs)	(₹ In Lacs)
A. Cash flow from operating activities				
Net Profit / (Loss) before extraordinary items and tax		9,403.19		6,057.44
<u>Adjustments for:</u>				
Depreciation and Amortisation	749.73		352.93	
Amortisation of Expenses	5.90		0.00	
(Profit) / (loss) on sale	(4.11)		0.44	
Finance costs	6,509.49		3,700.12	
Interest income	(3.55)		0.00	
Other non-cash charges	1.83	7,259.29	0.29	4,053.77
Operating profit / (loss) before working capital changes		16,662.47		10,111.21
<u>Changes in working capital:</u>				
<u>Adjustments for increase / (decrease) in operating assets/liabilities:</u>				
Inventories	(3,663.75)		(1,484.36)	
Trade receivables	(24,559.53)		(14,990.80)	
Short-term loans and advances	(167.28)		(2,607.56)	
Long-term loans and advances	(9.69)		0.00	
Other Current Assets	(0.97)		0.00	
Other than Cash and Cash Equivalents	(88.70)		50.05	
Trade payables	433.54		(3,884.33)	
Other current liabilities	12.72	(28,043.66)	27.62	(22,889.38)
		(11,381.18)		(12,778.17)
Misc expenses to the extent not written off		0.00		(19.30)
Net income tax (paid) / refunds		(2,064.63)		(1,150.48)
Net cash flow from / (used in) operating activities (A)		(13,445.82)		(13,947.95)
B. Cash flow from investing activities				
Capital expenditure on fixed assets, including capital advances	(3,102.49)		(2,722.49)	
Proceeds from sale of fixed assets	12.70		2.70	
Purchase of long-term investments- Subsidiaries	(4.70)		0.00	
Loans given- Subsidiaries	(1.85)		0.00	
Interest received	3.55		0.00	
Net cash flow from / (used in) investing activities (B)		(3,092.79)		(2,719.79)
C. Cash flow from financing activities				
Proceeds from long-term borrowings	6,118.30		8,440.40	
Repayment of long-term borrowings	(4,752.82)		(4,065.64)	
Net increase / (decrease) in working capital borrowings	22,989.29		16,215.76	
Finance cost	(6,509.49)		(3,700.12)	
Dividends paid	(203.30)		(203.19)	
Tax on dividend	(32.96)		(34.53)	
Net cash flow from / (used in) financing activities (C)		17,609.02		16,652.68
Net increase / (decrease) in Cash and cash equivalents (A+B+C)		1,070.40		(15.06)
Cash and cash equivalents at the beginning of the year		67.61		82.67
Cash and cash equivalents at the end of the year		1138.01		67.61
Reconciliation of Cash and cash equivalents with the Balance Sheet:				
Cash and cash equivalents as per Balance Sheet (Refer Note 15)	1,309.58		150.48	
Less: Bank balances not considered as Cash and cash equivalents	(171.57)		(82.87)	
Net Cash and cash equivalents (as defined in AS 3)		1138.01		67.61
Cash and cash equivalents at the end of the year *		1138.01		67.61
* Comprises:				
(a) Cash on hand	156.66		10.98	
(b) Balances with banks (In Current Accounts)	981.35		56.63	
		1138.01		67.61

Notes forming part of the financial statements

In terms of our report attached.

FOR P.P. MUKERJEE & ASSOCIATES

Chartered Accountants

Firm's Registration No.023276N

Sd/-

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

Place : New Delhi

Date: 14th August,2012

For and on behalf of the Board of Directors

Sd/-

(Sanjay Dhingra)
Managing Director

Sd/-

(Sidhant Gupta)
Executive Director

Sd/-

(Deepa Kapoor)
Company Secretary

Kwality Dairy (India) Limited

Notes Forming Part of Consolidated Financial Statements

1) SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation of Accounts

The financial statements are prepared under historical cost convention on an accrual basis of accounting in accordance with the generally accepted accounting principles, Accounting Standards notified under Section 211 (3C) of the Companies Act, 1956 and the relevant provisions thereof. The accounting policies have been consistently applied by the Company and are consistent with those used in previous year.

(b) Use of Estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions, that affect the application of accounting policies and reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of these financial statements and the reported amount of revenues and expenses for the years presented. Actual results may differ from these estimates. Estimates and underlying assumptions are revised on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised and future periods affected.

(c) Principles of Consolidation :

The Consolidated financial statement have been prepared on the following basis:

i) The financial statement of the Subsidiary company used in the consolidation are drawn upto the same reporting date as of the company i.e. year ended March 31,2012 .

ii) The financial statement of the company and its Subsidiary company have been combined on a line by line basis by adding together like item of assets, income and expenses. The intra-group balances and intra group transaction and unrealised profit have been fully eliminated.

iii) The excess of cost to the Company of its investments in the Subsidiary company over its share of equity of the Subsidiary company at the date on which the investment in the subsidiary company are made, is recognised as 'Goodwill' being an assets in the consolidate financial statement. Alternatively where the share of the equity in the subsidiary company as on the date of investment is in excess of cost of investment of the company, it is recognised as 'Capital Reserve' and shown under the head of 'Reserve and Surplus', in the consolidated financial statement.

(d) The following Subsidiary is considered in the consolidated financial statement.

Sr No.	Name of Subsidiary	Country of incorporation	% of Holding	
			As at 31.3.2012	As at 31.3.2011
i)	Kwality Dairy Products FZE	Dubai, United Arab Emirates	100 %	Nil

(e) 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.

Interest Income

Interest income is recognised on time proportion basis taken 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.

(f) 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 ready to use.

(g) Leases

(i) Finance Lease

Assets acquired under finance lease are recognised at lower of the fair value of the leased assets at inception and the present value of minimum lease payment. Lease payment are apportioned between the finance charge and the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.

(ii) Operating Lease

Leases other than finance lease are operating and leased assets are not recognised on the companies Balance sheets. Payment under operating leases are recognised in the Statement of Profit and Loss on a straight line over the lease term.

(h) Employee Benefits

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.

Post Employment Benefits

Defined Contribution Plans:

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

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 .

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.

(i) Inventories :

Inventories are valued at the lower of cost and estimated net realizable value. Cost of work-in -process and finished goods includes manufacturing overheads. Net realizable value is estimated selling price in the ordinary course of business , less estimated cost of completion and estimated cost necessary to make the sale.

(k) Provision for Current and Deferred Tax

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred Tax resulting from "timing difference " between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. Deferred Tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the asset will be realised in the future.

(l) Impairment of Assets

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the profit and loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in estimate of recoverable amount.

As per assessment conducted by the Company at March 31, 2012 there were no indications that the fixed assets have suffered an impairment loss.

(m) 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.

(n) Government Grants

Government grants are recognized when there is 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 they are intended to compensate on a systematic basis.

Kwality Dairy (India) Limited

(o) Borrowing Costs

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

(p) Business Segments

The Company is engaged mainly in trading, processing, manufacturing of milk and dairy products. These in the context of Accounting Standard 17 on Segment Reporting, as specified in the Companies (Accounting Standards) Rules 2006, are considered to constitute one single primary segment. Hence Segment Reporting is not required.

(q) Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

Note 2 Share capital

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
(a) Authorised 100,00,00,000 Equity Shares of ₹1/- each (March 31, 2011 : 1,00,00,00,000 Equity Share of ₹1/- each)	10,000.00	10,000.00
	10,000.00	10,000.00
(b) Issued, Subscribed and fully paid up 20,31,86,434 Equity Shares of ₹1/- each fully paidup (March 31, 2011 : 20,31,86,434 Equity Shares of ₹1/- each fully paid up)	2,031.86	2,031.86
Total	2,031.86	2,031.86

Refer Notes (i) to (v) below

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	As at 31 March, 2012	As at 31 March, 2012	As at 31 March, 2011	As at 31 March, 2011
	No. of Shares	Amount (₹ in lac)	No. of Shares	Amount (₹ in lac)
Equity Shares at the beginning of the year	20,31,86,434	2,031.86	18,20,00,000	1,820.00
Add: Shares issued during the year				
Bonus Issue	-	-	2,11,86,434	211.86
Equity Shares at the end of the year	20,31,86,434	2,031.86	20,31,86,434	2,031.86

(ii) Right, preference and restriction attached to the equity shares :

- The Company has only one class of shares referred to as equity shares having a par value of ₹1/-per share. Each holder of equity shares is entitled to one vote per share.
- The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders in ensuing Annual General Meeting.
- During the year ended 31 March 2012, the amount of per share dividend recognised as distributions to equity share holders is ₹0.10(previous year ₹0.10)
- In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(iii) Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	As at 31 March, 2012		As at 31 March, 2011	
	Number of shares held	% holding of shares	Number of shares held	% holding of shares
Equity shares with voting rights				
Sanjay Dhingra	9,96,60,714	49.05	5,00,00,000	24.61
Kanika Dhingra	5,24,94,000	25.84	0	0
Gulshan Dhingra	91,000	0.04	4,97,51,714	24.49
Naresh Dhingra	50,000	0.03	2,73,90,500	13.48
Krishan Dhingra	45,000	0.02	2,51,98,500	12.40

Kwality Dairy (India) Limited

Notes Forming Part of Consolidated Financial Statements

(iv) Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash, bonus shares and shares bought back for the period of 5 years immediately preceding the Balance Sheet date:

(a) The Company has not issued any shares without payment being received in cash.

(b) The Bonus issue is made by capitalisation of profit. The detail of bonus issues in preceding 5 years are given below

<u>Particulars</u>	<u>No. of Shares</u>
<u>Equity shares with voting rights</u>	
<u>Fully paid up by way of bonus shares</u>	
Year 2011-12	-
Year 2010-11	2,11,86,434
Year 2009-10	-
Year 2008-09	-
Year 2007-08	-

(c) The Company has not undertaken any buy back of shares.

(V) No shares have been reserved for any purpose like ESOP, share warrant and for conversion.

Note 3 Reserves and surplus

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
(a) Foreign Currency translation reserve (On Consolidation) #	(0.01)	0.00
(b) Surplus / (Deficit) in Statement of Profit and Loss		
Opening balance	7,072.96	2,928.24
Add: Profit / (Loss) for the year	9,234.51	4,594.30
	16,307.47	7,522.54
<u>Less:</u>		
Proposed Dividends on equity share (₹0.10 per share)	203.19	203.19
Tax on dividend	32.96	34.53
Transferred to:		
Issue of Bonus Shares	0.00	211.86
Closing balance	16,071.33	7,072.96
Total	16,071.32	7,072.96

Translation reserve represent conversion of balance in functional currency of foreign subsidiaries.

Notes Forming Part of Consolidated Financial Statements

Note 4 Long-term borrowings

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
(1) Secured		
(a) Long-term maturities of finance lease obligations [Refer Note (1) for detail of maturity period, repayment terms and rate of interest] [Secured by hypothecation of assets (vehicles) taken on lease]	219.93	48.62
(2) Unsecured		
(a) Term loans from other parties [Refer Note (2) for detail of maturity period, repayment terms] [Refer Note (2) below for detail of Security]	2,519.48	2,142.86
(b) Loans and advances from related parties [Refer Note (3) below]	5,800.00	2,500.00
(c) Loans and advances from other parties [Refer Note (4) below]	1,700.00	3,500.00
	10019.48	8142.86
Total	10,239.41	8,191.48

Notes:

- 1) Rate of Interest for finance lease obligations range from 8.67 to 13.50.
No. of repayment installment for lease obligation range from 36 to 60 Months.
Period of maturity for lease obligations range from 3 year to 5 year.

2)

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
1) Tata Capital Limited (Total ₹2142.86 Lacs)	1,428.57	2,142.86
2) L & T Finance Ltd (Total ₹ 1818.18 Lacs)	1,090.91	0.00
Total Long Term Loans	2,519.48	2,142.86

2.1) The loan amounting ₹2,142.86 lacs will be payable in 12 installment in next 3 years. Loan is secured by way of first mortgage/ charge on the immovable property in the name of related enterprise situated in Mohali Punjab and further secured by personal guarantee of Director of Company.

2.2) The loan amounting ₹1,818.18 lacs will be payable in 10 equal installment in next 3 years. Loan is secured by way of pledge of shares of Mr. Sanjay Dhirga (Director of the Company). Pledge value of the shares (1 crore shares) was ₹3,700 lacs as on 31.03.2012 and further secured by first mortgage/ charge on the immovable property in the name of related enterprise landed property at Mohali & personal guarantee by Director of Company.

Maturity Schedule of Long term finance debt	
Financial year	Installment paid
F.Y. 2011-12	538.96
F.Y. 2012-13	1441.56
F.Y. 2013-14	1441.56
F.Y. 2014-15	1077.92
Total Amount	4500.00

3) The Loan from related party is unsecured and there is no interest payable on the loan .The loan is payable within 3 to 5 year.

4) The Loan from other party is unsecured and there is no interest payable on the loan .The loan is payable within 3 to 5 year.

Notes Forming Part of Consolidated Financial Statements

Note 5 Long-term provisions

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
(a) Provision for employee benefits:		
(i) Provision for compensated absences	11.22	12.79
(ii) Provision for gratuity (net) (Refer Note 24.9)	19.64	21.21
	30.86	34.00
Total	30.86	34.00

Note 6 Short-term borrowings

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
(1) Secured		
(a) Loans From Banks		
Cash Credit Facilities #	54,863.24	32,018.94
(2) Unsecured		
(a) Other Party	144.99	0.00
Total	55,008.23	32,018.94

Cash Credit facilities are secured by hypothecation of existing and future current asset of the company viz stock of Raw material, stock in process, semi finished goods, stores, bills receivables and books debts & all over movable & Immovable fixed assets. Further Cash credit facility are secured by personal guarantee of shareholders.

Note 7 Trade payables

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Trade payables	2,541.66	2,108.12
Total	2,541.66	2,108.12

Notes Forming Part of Consolidated Financial Statements

Note 8 Other current liabilities

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
(a) Current maturities of long-term debt (Refer Note (i) below)	1,457.65	2,206.57
(b) Current maturities of finance lease obligations (Refer note 24.10)	97.86	34.58
(c) Interest accrued and due on borrowings	32.00	28.82
(d) Unclaimed dividend	22.11	0.00
(e) Other payables		
(i) Statutory remittances	39.55	31.06
(ii) Payables on purchase of fixed assets	40.64	66.79
(iii) Trade / security deposits received	153.72	11.57
(iv) Advances from customers	78.81	290.04
(v) Expenses Payable including contractually reimbursement expenses	122.51	50.55
Total	2,044.86	2,719.99

Note (i): Current maturities of long-term debt (Refer Notes (ii) in Note 4 - Long-term borrowings for details of security and guarantee):

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Secured		
(a) Term loans from other parties (Refer Note-4)	1,441.56	2,190.48
Unsecured		
(b) Deferred payment liabilities ##	16.09	16.09
	16.09	16.09
Total	1,457.65	2,206.57

Deferred payment liability in respect of a deferment loan from sales tax department.

Note 9 Short-term provisions

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
(a) Provision for employee benefits:		
(i) Provision for bonus	19.25	12.24
(ii) Provision for compensated absences	1.29	0.44
(iii) Provision for gratuity (net) (Refer Note 24.9)	1.20	0.52
	21.73	13.19
(b) Provision - Others:		
(i) Provision for Income tax (net of advance tax ₹728.64) (As at 31 March, 2011 ₹453.51)	1,255.85	1,376.41
(ii) Provision for proposed equity dividend	203.19	203.19
(iii) Provision for tax on proposed dividend	32.96	34.53
(iv) Provision for Wealth Tax	1.40	0.29
	1,493.39	1,614.42
Total	1,515.13	1,627.61

Kwality Dairy (India) Limited

Notes Forming Part of Consolidated Financial Statements

Note 10 Fixed Asstes

(₹ In Lacs)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Opening As at 01.04.11	Additions During the Year	Deduction/ Adjustment during the year	Closing As at 31.03.12	Opening As at 01.04.11	For the Year 31/03/2012	Adjustment on account of sales/transfer	Closing As at 31.03.12	WDV As On 31.03.2012	WDV As On 31.3.2011
<u>Tangible Assets</u>										
<u>Own Assets</u>										
Land Free Hold	58.08	-	-	58.08	-	-	-	-	58.08	58.08
Computer	66.45	20.99	-	87.43	37.03	15.75	-	52.78	34.65	29.42
Building	623.20	16.31	-	639.51	260.51	36.85	-	297.36	342.16	362.69
Plant & Machinery	5,032.40	2,543.45	-	7,575.85	1,421.87	627.57	-	2,049.44	5,526.42	3,610.53
Furniture & Fixture	15.28	3.75	-	19.03	6.39	2.00	-	8.39	10.65	8.89
Vehicles	50.97	-	28.57	22.40	33.68	2.78	19.98	16.48	5.92	17.29
Total (A)	5,846.38	2,584.51	28.57	8,402.32	1,759.48	684.94	19.98	2,424.44	5,977.87	4,086.89
<u>Leased Assets</u>										
Vehicles	127.33	383.82	-	511.15	23.72	64.33	-	88.05	423.11	103.62
Total (B)	127.33	383.82	-	511.15	23.72	64.33	-	88.05	423.11	103.62
Tangible Assets (A) + (B)- 10A	5,973.71	2,968.32	28.57	8,913.47	1,783.20	749.27	19.98	2,512.49	6,400.98	4,190.51
<u>Intangible Assets</u>										
Computer Software	0.69	1.40	-	2.09	0.40	0.46	-	0.86	1.23	0.29
Total (C)- 10B	0.69	1.40	-	2.09	0.40	0.46	-	0.86	1.23	0.29
Work in Progress (D)- 10 C	-	8.99	-	8.99	-	-	-	-	8.99	-
Figures for the Current Year	5,974.40	2,978.71	28.57	8,924.55	1,783.60	749.73	19.98	2,513.35	6,411.20	4,190.80
Figures for the Previous Year	3,220.60	2,761.56	7.76	597.44	1,435.29	352.93	4.62	1,783.60	4,190.80	1,785.31

Note 11 Goodwill (On consolidation)

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Goodwill		
Add: Goodwill on acquisitions	-	-
Add: Addition due to increase in stake in subsidiary company	4.70	-
Closing Balance	4.70	-
Total	4.70	0.00

Note 12 Long-term loans and advances

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Unsecured considered good		
(a) Capital advances	157.83	34.05
(b) Security deposits	23.23	13.54
(c) Loans and advances to related parties (See note 24.8)	1.85	0.00
(d) Mat Credit entitlement	1,736.77	0.00
Total	1,919.68	47.59

Notes Forming Part of Consolidated Financial Statements

Note 13 Inventories

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
(a) Raw materials	69.35	65.03
(b) Work-in-progress (Refer Note below)	2,212.98	889.56
(c) Finished goods (other than those acquired for trading)	7,234.73	5,280.63
(d) Stock-in-trade (acquired for trading)	374.66	0.00
(e) Stores and spares	24.88	22.94
(f) Packing Material	89.10	83.78
Total	10,005.69	6,341.94

Note: Details of inventory of work-in-progress

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Fat/Butter/Cream/Ghee	648.58	422.93
SMP/WMP/DW/DC/SNF	1,564.40	466.64
	2,212.98	889.56

(Refer note 1(f) for note of valuation for inventories)

Note 14 Trade receivables

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Unsecured, considered good	1.77	5.13
	1.77	5.13
Less: Provision for doubtful trade receivables	0.00	0.00
	1.77	5.13
Other Trade receivables		
Unsecured, considered good	66,018.85	41,455.95
	66,018.85	41,455.95
Less: Provision for doubtful trade receivables	0.00	0.00
	66,018.85	41,455.95
Total	66,020.62	41,461.09

Notes Forming Part of Consolidated Financial Statements

Note 15 Cash and Bank Balance

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Cash and Cash Equivalents :		
(a) Cash on hand	156.66	10.98
(b) Balances with banks		
(i) In current accounts	981.35	56.63
Other Bank Balances		
(i) In deposit accounts held against bank guarantee (Refer Note (i) below)	148.19	82.87
(ii) in deposit accounts	1.27	0.00
(iii) In earmarked accounts		
- Unpaid dividend accounts	22.11	0.00
Total	1,309.58	150.48

Notes:

(i) Balances with banks include deposits amounting to ₹141.62 (As at 31 March, 2011 ₹8.06) which have an maturity of more than 12 months.

Note 16 Short-term loans and advances

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Unsecured considered good		
(a) Security deposits	21.91	5.80
(b) Loans and advances to employees	2.56	0.22
(c) Advance Recoverable in cash or kind or for value to be received	3,704.43	3,559.81
(d) Prepaid Expenses	14.77	3.48
(e) Balances with government authorities		
(i) VAT credit receivable	19.40	18.02
(ii) Duty Drawback Receivable	1.42	1.42
(f) Grant-in-Aid Receivable	0.00	14.72
(g) Deposit with Haryana Livestock Development Board (Cess)	79.22	72.96
Total	3,843.70	3,676.42

Note 17 Other current assets

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
(a) Unamortized expenses		
(i) Deferred Licences Fee	14.25	19.30
(b) Accruals		
(i) Interest accrued on Fixed deposits	1.23	2.20
Total	15.48	21.50

Notes Forming Part of Consolidated Financial Statements

Note 18 Revenue from operations

	Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
		(₹ In Lacs)	(₹ In Lacs)
(a)	Sale of products (Refer Note (i) below)	2,41,195.85	1,60,246.95
(b)	Sale of services (Refer Note (ii) below)	427.58	556.67
	Total	2,41,623.43	1,60,803.62

Note	Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
		(₹ In Lacs)	(₹ In Lacs)
(i)	Sale of products comprises :		
	<u>Manufactured goods</u>		
	Fat/Butter/Cream/Ghee	76,113.74	54,150.60
	SMP/WMP/DW/DC/SNF	56,021.83	39,702.95
	Milk/Toned Milk/Double Toned Milk	86,083.05	45,280.35
	Curd	17,626.08	10,066.60
	Total - Sale of manufactured goods	2,35,844.71	1,49,200.50
	<u>Traded goods</u>		
	Fat/Butter/Cream/Ghee	1,639.56	2,417.98
	SMP/WMP/DW/DC/SNF	3,684.62	8,628.47
	Cattle Feed	26.97	-
	Total - Sale of traded goods	5,351.15	11,046.45
	Total - Sale of products	2,41,195.85	1,60,246.95
(ii)	Sale of services comprises :		
	Milk Processing & Packing	427.58	556.67
	Total - Sale of services	427.58	556.67

Note 19 Other income

	Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
		(₹ In Lacs)	(₹ In Lacs)
(a)	Interest income (Refer Note (i) below)	3.55	16.84
(b)	Net gain on foreign currency transactions and translation (other than considered as finance cost)	0.20	0.00
(c)	Other non-operating income (net of expenses directly attributable to such income) (Refer Note (ii) below)	4.83	4.44
	Total	8.58	21.28

Kwality Dairy (India) Limited

Notes Forming Part of Consolidated Financial Statements

Note	Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
		(₹ In Lacs)	(₹ In Lacs)
(i)	Interest income comprises:		
	Interest from banks on deposits	3.55	6.69
	Interest on overdue trade receivables	0.00	10.15
	Total - Interest income	3.55	16.84

Note	Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
		(₹ In Lacs)	(₹ In Lacs)
(ii)	Other non-operating income comprises:		
	Profit on sale of fixed assets	4.11	0.00
	Miscellaneous income	0.72	4.44
	Total - Other non-operating income	4.83	4.44

Note 20.a Cost of materials consumed

Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Opening stock	65.03	39.64
Add: Purchases	2,16,862.95	1,36,686.83
	2,16,927.98	1,36,726.47
Less: Closing stock	69.35	65.03
Cost of material consumed	2,16,858.63	1,36,661.44
Material consumed comprises:		
Milk	1,97,748.39	1,23,146.08
Butter fat/Ghee	12,658.71	9,917.74
Others	6,451.53	3,597.62
Total	2,16,858.63	1,36,661.44

Note 20.b Purchase of traded goods

Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Fat/Butter/Cream/Ghee	1,827.57	2,333.89
SMP/WMP/DW/DC/SNF	3,638.05	8,396.47
Cattle Feed	27.61	0.00
Total	5,493.24	10,730.36

Kwality Dairy (India) Limited

Notes Forming Part of Consolidated Financial Statements

Note 20.c Changes in inventories of finished goods, work-in-progress and stock-in-trade

Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Inventories at the end of the year:		
Finished goods	7,609.39	5,280.63
Work-in-progress	2,212.98	889.56
	9,822.37	6,170.19
Inventories at the beginning of the year:		
Finished goods	5,280.63	4220.39
Work-in-progress	889.56	501.12
	6,170.19	4,721.51
Net increase / decrease	(3,652.18)	(1,448.68)

Note 21 Employee benefits expense

Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Salaries and wages	828.79	352.04
Contributions to provident and other funds	15.88	11.41
Gratuity & Leave Encashment (Refer Note 24.9)	(0.65)	17.33
Staff welfare expenses	14.79	10.78
Total	858.82	391.56

Note 22 Finance costs

Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
(a) Interest expense on Borrowings	6,356.27	3,562.07
(b) Other Borrowings Cost	153.22	138.04
Total	6,509.49	3,700.12

Notes Forming Part of Consolidated Financial Statements

Note 23 Other expenses

Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	(₹ In Lacs)	(₹ In Lacs)
Consumption of stores and spare parts	28.07	34.87
Consumption of packing materials	1,283.52	1,108.03
Power and fuel	778.27	612.29
Rent	76.45	21.93
Repairs and maintenance - Buildings	86.75	30.18
Repairs and maintenance - Machinery	177.85	134.79
Insurance	8.10	4.97
Rates and taxes	2.80	0.72
Telephone & Cellular Expenses	23.57	14.70
Travelling and conveyance	119.49	39.05
Printing and stationery	16.28	15.38
Transportation Charges	585.40	263.30
Commission & Brokerage	99.17	52.31
Rebate & Discount	48.55	358.59
Advertisement & Sales Promotion	456.98	601.06
Donations and contributions	0.10	0.45
Legal and professional	159.17	163.85
Payments to auditors (Refer Note 24.5)	2.50	2.00
Processing Charges of Milk	1,260.58	749.68
Vehicle Running Expenses	30.30	22.39
Loss on fixed assets sold	0.00	0.44
Bank Charges	9.78	12.09
Bad- Debts W/off	2.34	0.00
Prior period items	3.10	0.00
Miscellaneous expenses	151.97	136.67
Total	5,411.09	4,379.74

Notes Forming Part of Consolidated Financial Statements

24.1 Contingent Liabilities :

(₹ In Lacs)

	As at 31 March, 2012	As at 31 March, 2011
<u>Claim against the company not acknowledged as debts</u>		
Milk Cess disputed by the company relating to issue of applicability, against which the company has filed an appeal with Supreme Court of India (A sum of ₹79.22 lacs(Pre.Yr. ₹72.96 Lacs) deposited under protest)	271.81	246.60
Demand by Dy. Excise and Taxation Commissioner relating to Sales Tax /Vat exemption /deferment with interest, against which company has filed an appeal before Joint Excise and Taxation Commissioner (Appeals), Faridabad.	32.73	Nil
A civil suit filed by M/s S.M. Milkose Ltd. for disputed supply of material against Co. pending before Delhi High Court.	156.97	156.97
Contingent Liability for Bills Discounted	Nil	1,701.47
Liability under Bank Guarantee	147.05	13.46
Estimated amount of Contracts remaining to be executed on capital account and not provided for	84.83	77.83

24.2 The deferred tax liability comprise of the following :

(₹ In Lacs)

	As at 31 March, 2012	As at 31 March, 2011
Deferred Tax Liability		
Related to Fixed Assets	46.80	(90.27)
Deferred Tax Assets		
Due to Disallowance under the Income Tax Act, 1961	0.52	5.40
	47.32	(84.87)

24.3 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.

Notes Forming Part of Consolidated Financial Statements
24.4 Earnings etc. In foreign exchange during the year

(₹ In Lacs)

Foreign Exchange Outgo	For the year ended 31 March, 2012	For the year ended 31 March, 2011
Capital Goods	13.11	0
Raw Material	73.71	0
Professional Fees	22.71	0
Capital Investment in Subsidiary	143.20	0
Loan to Subsidiary	56.34	0
Foreign Tour & Travels	4.06	0
Misc Expenses	0.12	0
	313.25	

24.5 Payment to Auditors :

(₹ In Lacs)

	For the year ended 31 March, 2012	For the year ended 31 March, 2011
Audit Fees	2.00	1.50
Tax Audit Fees	0.50	0.50
	2.50	2.00

24.6 Managerial Remuneration

(₹ In Lacs)

	For the year ended 31 March, 2012	For the year ended 31 March, 2011
Salaries and Allowances	220.28	23.16

24.7 Statement of Earning Per Share

(₹ In Lacs)

	For the year ended 31 March, 2012	For the year ended 31 March, 2011
Net Profit attributable to Equity Shareholders (₹ In lacs)	9,234.51	4,594.31
Weighted Average Number of Equity Shares i) used as denominator for calculating EPS	20,31,86,434	20,31,86,434
ii) Nominal value per share (in ₹)	1.00	1.00
iii) Basic/Diluted Earning Per Share (in ₹)	4.54	2.26

Kwality Dairy (India) Limited

Notes Forming Part of Consolidated Financial Statements

24.8 Related Party Disclosures

As per Accounting Standard 18 disclosures of transactions with the related parties are given below:

Relationships

1	Subsidiary Company	Kwality Dairy Products FZE
2	Key managerial personnel (KMP)	Sh. Sanjay Dhingra Sh. Sidhant Gupta
3	Significant Influence (SI)	Ms Kanika Dhingra
4	Enterprises on which Key Managerial person having significant influence	JTPL Pvt Ltd Pashupati Dairies Pvt Ltd
5	Relative of Key Managerial Person	Ms. Kanika Dhingra Dr. Ved Parkash Gupta

Transactions with related parties during the year (₹ In Lacs)

	Relationship	For The Year Ended 31 March, 2012	For The Year Ended 31 March, 2011
Investment in Subsidiary	Subsidiary	143.20	0.00
Loans to Subsidiary	Subsidiary	56.34	0.00
Services Received	KMP	0.00	1.42
	Enterprises in which SI	938.00	263.01
Managerial remuneration	KMP	220.28	23.16
Dividend Paid	KMP	99.66	50.00
	Significant Influence	52.49	0.00
Purchase of Goods	Enterprises in which SI	86.29	0.00
Sales of Goods	Enterprises in which SI	12.82	0.00
Royalty	Enterprises in which SI	9.00	9.00
Finance Taken - Loans	Enterprises in which SI	3,300.00	2,500.00
Collateral Security/guarantee	KMP	4,500.00	0.00
	Enterprises in which SI	2,000.00	2,500.00
Guarantee taken for Financial Limits	KMP & SI	60,000.00	39,000.00
Shares Pledge for Loan	KMP	3,700.00	0.00

Balances with related parties (₹ In Lacs)

	Relationship	As at 31 March, 2012	As at 31 March, 2011
Investment in Subsidiary	Subsidiary	143.20	0.00
Loans to Subsidiary	Subsidiary	56.34	0.00
Amount Payable in respect of Services recd.	Enterprises in which SI	1.15	0.00
Amount Payable in respect of Loans	Enterprises in which SI	5,800.00	2,500.00
Amount Payable in Respect of Royalty	Enterprises in which SI	8.10	0.00
Collateral Security/guarantee	KMP	4,500.00	0.00
	Enterprises in which SI	4,500.00	2,500.00
Guarantee taken for Financial Limits	KMP & SI	60,000.00	39,000.00
Shares Pledge for Loan	KMP	3,700.00	0.00

Notes Forming Part of Consolidated Financial Statements

Disclosures in respect of material transactions with related parties

(₹ In Lacs)

	For The Year Ended 31 March, 2012	For The Year Ended 31 March, 2011
Kwality Dairy Products FZE		
-Investment in Capital	143.20	0.00
-Loans	56.34	0.00
Sanjay Dhingra		
-Guarantee against loan	4,500.00	0.00
-Shares Pledge against loan	3,700.00	0.00
Pashupati Dairies Pvt Ltd		
-Inter Corporate Loans received	3,300.00	2,500.00
-Purchase of Goods	86.29	0.00
-Sales of Goods	12.82	0.00
-Services Received	938.00	263.01
-Royalty	9.00	9.00
JTPL Pvt Ltd	2,000.00	2,500.00
-Collateral Security/guarantee		
Sanjay Dhingra & Kanika Dhingra	60,000.00	39,000.00
-Guarantee taken for Financial Limits		

24.9 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 Lacs)

Defined Benefit Plan	For the year ended 31 March, 2012	For the year ended 31 March, 2011
Change in Benefit Obligation	Gratuity & Leave Encashment	Gratuity & Leave Encashment
Liability at the beginning of the year	34.95	18.77
Interest Cost	3.06	1.54
Current service cost	13.04	11.90
Benefit Paid	(0.95)	(1.14)
Actuarial gain/loss on obligation	(16.75)	3.88
Liability at the end of year-recognized in the Balance Sheet	33.35	34.95
Expenses recognized in the Income Statement		
Current service cost	16.1	13.4
Net Actuarial gain / (loss) to be recognized	(16.8)	3.9
Expenses recognised in Profit and Loss statement	(0.65)	17
Discount rate current	8.75% per annum	8.25% per annum
Salary escalation current	5% per annum	5% per annum
Mortality	LIC 94-96 Ultimate	LIC 94-96 Ultimate
Withdrawal rate 18 to 58 Years	2% per annum	2% per annum

An amount of ₹64,994/- (PY. - ₹17,32,340/-) as contribution towards defined contribution plan is recognized as expense in the Profit & Loss Statement

Notes Forming Part of Consolidated Financial Statements

24.10 Future commitments in respect of assets acquired under Finance Scheme :

(₹ In Lacs)

	For the year ended 31 March, 2012	For the year ended 31 March, 2011
<u>Minimum Installments</u>		
Payable within one year	127.53	40.91
Later than one year but not later than 5 years	258.47	51.97
<u>Present Value of minimum installments</u>		
Payable within one year	97.86	34.58
Later than one year but not later than 5 years	219.93	48.62

24.11 Other Notes

Disclosure as per Clause 32 of the Listing Agreement with the Stock Exchanges

Loans and advances in the nature of loans given to subsidiaries, associates & others and investment in shares of the Company by such parties:

Name of the party	Relationship	Amount outstanding as at 31 March, 2012 (₹ in Lacs)
Kwality Dairy Products FZE Dubai- Investment (Maximum amount outstanding during the year ₹143.20 lacs (PY ₹ Nil))	Subsidiary	143.20 (Nil)
Kwality Dairy Products FZE Dubai- Loans and advance (Maximum amount outstanding during the year ₹56.34 (PY ₹ Nil))	Subsidiary	56.34 (Nil)

The revised Schedule VI has become effective from April 1, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year figure have been regrouped/reclassified wherever necessary to correspond with the current year classification/ disclosure.

During the year ended March 31,2012 the company has promoted a wholly owned subsidiary Kwality Dairy Products FZE in free trade zone of Dubai in UAE. The total amount contributed on account of capital and interest free loan of ₹199.54 lacs equivalent to AED 1 Million and AED 393,393 respectively.

As per our Report of even date

On Behalf of Board of Directors

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

Sd/-
CA P.P. Mukerjee,
Membership No.:089854
Proprietor

Place: New Delhi
Dated:14th August,2012

Sd/-
(Sanjay Dhingra)
Managing Director

Sd/-
(Sidhant Gupta)
Executive Director

Sd/-
(Deepa Kapoor)
Company Secretary

Kwality Dairy (India) Limited

Statement pursuant to Section 212(8) of the Companies Act, 1956 relating to Subsidiary Company.

In accordance with the General Circular No 2/2011 dated 8 February 2011, issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, the Statement of Profit and Loss and other documents of the subsidiary are not being attached with the Annual Accounts of the Company. This Annual Report contains Consolidated Financial Statements of the Company and its subsidiary prepared in accordance with the relevant Accounting Standards and the same has been duly audited by the Statutory Auditors. The Annual Accounts of the following subsidiary company and the related information will be made available to the share holders of the Company and its subsidiary Company on request and will also be kept open for inspection by the share holders at the Registered Office of the Company and the subsidiary Company

Name of Subsidiary Company: Kwality Dairy Products FZE

	(Amount in ₹)
Reporting Currency	INR
Exchange Rate(Closing Rate)	13.85
Exchange Rate(Average Rate)	13.89
Capital	1,38,50,000
Reserves	1,35,94,143
Total Assets	9,54,68,349
Total Liabilities excluding Shareholders funds	6,80,24,206
Investments other than Investments in Subsidiaries	Nil
Turnover	21,60,43,310
Profit before Tax	1,35,95,333
Provision for Taxation	Nil
Profit after Tax	1,35,95,333
Proposed Dividend	Nil
Country	U.A.E



Jug Jug Jiyo!

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