

KWALITY LIMITED

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

Notice of Postal Ballot

Notice is hereby given to the members of Kwaliti Limited pursuant to Section 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014 that the following resolutions are proposed to be passed as special resolutions through Postal Ballot.

The proposed resolutions and Explanatory Statement under Section 102(1) of the Act setting out the material facts and reasons for the Resolutions are appended herewith and is being sent to you along with a Postal Ballot Form for your consideration.

1. You are requested to carefully read the instructions printed on the Postal Ballot Form and the Notice and return the completed Form, so as to reach the Scrutinizer on or before 6:00 p.m. on 05.07.2014, the last date for receipt of the completed Postal Ballot Forms. No postage is required to be paid by the Shareholder as the prepaid self-addressed postal envelope is enclosed. Envelope containing Postal Ballots Forms, if deposited with the Company in person or, if sent by courier/registered post at the expense of the registered Shareholder, shall also be accepted by the company.

We are pleased to offer e-voting facility also as an alternate for our members which would enable you to cast your votes electronically, instead of physical postal ballot form. Please carefully read and follow the instructions on e-voting printed in this notice.

In the event the proposed resolutions are approved by requisite majority of shareholders by means of Postal Ballot, the date of declaration of results shall be deemed to be the date of passing of the said resolution.

Special Business:

1. **To consider and if thought fit, to give the assent/dissent, to the following Special Resolution:**

Grant of Employee Stock Options to the employees of the Company under Kwaliti Employee Stock Option Plan 2014:

"RESOLVED THAT pursuant to the provisions of Section 62(1)(b) and all other applicable provisions, if any, of the Companies Act, 2013 (which deems to include the provisions the Companies Act, 1956 applicable, if any, for the time being in force), the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "SEBI ESOP Guidelines") and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the approval and consent of the Company be and is hereby accorded respectively to the 'KDILKwaliti Employee Stock Option Plan 2014' (hereinafter referred to as the "ESOP 2014"/ "Plan") and to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the Remuneration Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution) to create, offer and grant from time to time up to 95,00,000 (Ninety Five lacs only) Options to the permanent employees, existing and future, including the Whole-time Directors (but excluding the Independent Director) of the Company, as may be decided solely by the Board under the Plan, exercisable into 95,00,000 (Ninety Five lacs only) Equity Shares of face value of Re. 1/- each fully paid up, in one or more tranches, on such terms and in such manner as the Board may decide in accordance with the provisions of the law or guidelines issued by the relevant authorities."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot Equity Shares to the eligible employees and Directors of the Company upon exercise of Options from time to time in accordance with ESOP 2014 or allot Equity Shares to a Trust set-up to administer ESOP 2014 and that it may also envisage for providing of any financial assistance to the Trust to enable the Trust to acquire, purchase or subscribe or hold the Equity Shares of the Company for the implementation of the Plan as per applicable laws."

"RESOLVED FURTHER THAT the number of Options that may be granted to any employee including any Whole-time Director of the Company, in any financial year and in aggregate under the ESOP 2014 shall not exceed 1% of the Paid-up Share Capital of the Company."

"RESOLVED FURTHER THAT the Equity Shares to be allotted and issued by the Company in the manner aforesaid shall rank pari passu in all respects with the then existing Equity Shares of the Company."

"RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, change in capital structure, merger and sale of division/undertaking or other re-organisation, change in capital and others, if any additional Equity Shares are

required to be issued by the Company to the Option grantees for the purpose of making a fair and reasonable adjustment to the Options granted earlier, the above ceiling of 95,00,000 (Ninety Five lacs only) Equity Shares shall be deemed to be increased to the extent of such additional Equity Shares issued.”

“RESOLVED FURTHER THAT the grant of Option shall be in accordance with the terms and conditions as regards price, payment, application, allotment etc. as decided by the Committee from time to time in accordance with the SEBI Guidelines.”

“RESOLVED FURTHER THAT in case of any change in capital structure such as Right issue/bonus issue, sub-division or consolidation, then the number of Shares to be allotted and the exercise price payable by the Option grantees under the Plan shall automatically stand reduced or augmented, as the case may be, in the same proportion as the present face value of Re. 1 per Equity Share shall bear to the revised face value of the Equity Shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the Equity Shares allotted under the ESOP 2014 on the Stock Exchanges, where the Shares of the Company are listed and to determine all other terms which for the purpose of giving effect to any offer, issue or allotment of Equity Shares or securities or instruments representing the same, as described above under Scheme 2014 and to do all such acts, deeds and things and to execute all such deeds, documents, instruments and writings as it may at its sole and absolute discretion deem necessary or expedient and to settle any questions, difficulty or doubt that may arise in this behalf without being required to seek further consent or approval of the members.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the terms and conditions of the Employee Stock Options or of the Plan from time to time including but not limited to suspend, withdraw, terminate or revise the ESOP Plan 2014 as it may deem fit, from time to time at its sole and absolute discretion in conformity with the provisions of the Companies Act, 2013, the Memorandum and Articles of Association of the Company, SEBI ESOP Guidelines and any other applicable laws.”

2. To consider and if thought fit, to give the assent/dissent, to the following Special Resolution:

Grant of Employee Stock Options to the employees of the Subsidiary Companies of the Company under Kwaliti Employee Stock Option Plan 2014:

“RESOLVED THAT pursuant to the provisions of **Section 62(1)(b)** and all other applicable provisions, if any, of the Companies Act, 2013 (which deems to include the provisions the Companies Act, 1956 applicable, if any, for the time being in force), the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as “SEBI ESOP Guidelines”) and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the approval the Company be and is hereby accorded to the Board of Directors of the Company (*hereinafter referred to as “the Board” which term shall be deemed to include any Committee, including the Remuneration Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution*) to create, offer and grant from time to time up to 5,00,000 (Five lacsonly) Options to the permanent employees, existing and future, including the Whole-time Directors (but excluding the Independent Director) of the existing and future Subsidiary Company(ies) of the Company whether in or outside India, under the Kwaliti Employee Stock Option Plan 2014’ (hereinafter referred to as the **“ESOP 2014”/ “Plan”**), as may be decided solely by the Board under the Plan, exercisable into 5,00,000 (Five lacsonly) Equity Shares of face value of Re. 1/- each fully paid up, in one or more tranches, on such terms and in such manner as the Board may decide in accordance with the provisions of the law or guidelines issued by the relevant authorities.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot Equity Shares to the eligible employees and Directors of the Subsidiary Company(ies) upon exercise of Options from time to time in accordance with ESOP 2014 or allot Equity Shares to a Trust set-up to administer ESOP 2014 and that it may also envisage for providing of any financial assistance to the Trust to enable the Trust to acquire, purchase or subscribe or hold the Equity Shares of the Company for the implementation of the Plan as per applicable laws.”

“RESOLVED FURTHER THAT the number of Options that may be granted to any employee including any Whole-time Director of the Subsidiary Company(ies), in any financial year and in aggregate under the ESOP 2014 shall not exceed 1% of the Paid-up Share Capital of the Company.”

“RESOLVED FURTHER THAT the Equity Shares to be allotted and issued by the Company in the manner aforesaid shall rank *paripassu* in all respects with the then existing Equity Shares of the Company.”

“RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, change in capital structure, merger and sale of division/undertaking or other re-organisation, and others, if any additional Equity Shares are required to be issued by the Company to the Option grantees for the purpose of making a fair and reasonable adjustment to the Options granted earlier, the above ceiling of 5,00,000 (Five lacsonly) Equity Shares shall be deemed to be increased to the extent of such additional Equity Shares issued.”

“RESOLVED FURTHER THAT the grant of Option shall be in accordance with the terms and conditions as regards price, payment, application, allotment etc. as decided by the Committee from time to time in accordance with the SEBI Guidelines.”

“RESOLVED FURTHER THAT in case of any change in capital structure such as Right issue/bonus issue, sub-division or consolidation, then the number of Shares to be allotted and the exercise price payable by the Option grantees under the Plan shall automatically stand reduced or augmented, as the case may be, in the same proportion as the present face value of Re. 1 per Equity Share shall bear to the revised face value of the Equity Shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the Equity Shares allotted under the ESOP 2014 on the Stock Exchanges, where the Shares of the Company are listed and to determine all other terms which for the purpose of giving effect to any offer, issue or allotment of Equity Shares or securities or instruments representing the same, as described above under Scheme 2014 and to do all such acts, deeds and things and to execute all such deeds, documents, instruments and writings as it may at its sole and absolute discretion deem necessary or expedient and to settle any questions, difficulty or doubt that may arise in this behalf without being required to seek further consent or approval of the members.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the terms and conditions of the Employee Stock Options or of the Plan from time to time including but not limited to suspend, withdraw, terminate or revise the ESOP 2014 as it may deem fit, from time to time at its sole and absolute discretion in conformity with the provisions of the Companies Act, 2013, the Memorandum and Articles of Association of the Company, SEBI ESOP Guidelines and any other applicable laws.”

3. To consider and if thought fit, to give the assent/dissent, to the following Special Resolution:

Approval for extension of job work already executed with M/s Pashupati Dairies Private Limited and Approval for taking Land, Building, Plant & Machinery including godown on Lease from M/s Pashupati Dairies Private Limited:

“RESOLVED THAT the approval be and is hereby accorded to the Board of Directors of the Company for the further extension of Job Work agreement with M/s PASHUPATI DAIRIES PRIVATE LIMITED’ (the related party) for a period of 2 months effective from 1st April, 2014 till 31st May, 2014 in terms and conditions contained in the draft agreement placed before the Board and initialed by the Chairman for the purposes of identification.

“FURTHER RESOLVED THAT pursuant to the provisions of Section 188 read with the relevant rules of the Companies Act, 2013 and other applicable provisions made there under including any statutory modifications or re-enactments thereof for the time being in force, and subject to such approval(s), consent(s), permission(s) and sanction(s) as may be necessary, the Company do enter into a contract to take land, building, plant and machinery including the godown on lease from M/s Pashupati Dairies Private Limited having its Registered Office at village Kumarherha, NH-73, Dehradun Road, Saharanpur, Uttar Pradesh-247001 w.e.f 1st June, 2014, for manufacture of products on the following terms and conditions:

- ✍ Name of the related party: M/s Pashupati Dairies Private Limited
- ✍ Nature of the relationship: 1. Mr. Sanjay Dhingra, Chairman & Managing Director is also director and member in M/s Pashupati Dairies Private Limited.
2. Mr. Sidhant Gupta, Director is related indirectly in M/s Pashupati Dairies Private Limited
- ✍ Duration of the Contract: Total duration of lease is of 5 years subject to the further renewal of 5 years on the terms and conditions mutually consented by the both parties.
- ✍ Particulars of the contract: The Contract is an arrangement for taking land, building, plant and machinery including the godown, belonging to the company.
- ✍ Material terms of the Contract or arrangements:
 - o Commencement of the contract: 1st June, 2014
 - o Monthly lease rent: Rs. 5,00,000/- (Rupees Five Lacsonly) per month as lease money inclusive of all the taxes.
- ✍ All the commercial terms are on arm's length basis and all factors relevant to the contract have been considered.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to file such necessary forms, documents and papers with all the concerned authorities and to do all such acts, deeds, matters and things as may be necessary or expedient to give effect to this resolution.”

By order of the Board of Directors
For **Kwality Limited**

Sd/-
Deepa Kapoor
Company Secretary

Place: New Delhi
Date: May 30, 2014

NOTES:

1. Explanatory Statements setting out all the material facts concerning each item of the proposed business and reasons thereof pursuant to Section 102 (1) of the Companies Act, 2013 read with section 110 of the Companies Act, 2013 are annexed to this Notice.
2. In terms of section 110 of the Companies Act, 2013 read with Rule 22 and Rule 20 of the Companies (Management and Administration) Rules 2014, assent or dissent of the members in respect of the Special Resolutions contained in the Postal Ballot Notice are sought by Postal Ballot or through electronic voting. **If a shareholder has voted through e-voting facility, he is not required to send Postal Ballot Form. However, in case a member votes through e-voting facility as well as send his Postal Ballot Form, the votes casted through e-voting shall be considered and his/her votes casted through Postal Ballot shall be ignored by the Scrutinizer.**
3. The Board of Directors of the Company at their meeting held on 30th May 2014, have appointed Mr. Mukun Arora of M/s MukunVivek & Company, Company Secretaries in Practice, as the Scrutinizer for conducting the Postal Ballot Voting process (including e-voting) in a fair and transparent manner.
4. Members are requested to exercise their voting rights by using the attached Postal Ballot Form only or voting by the electronic means, No other form or a photocopy of the Form is permitted.
5. The notice is being dispatched/mailed to all the members whose names appear on the register of members/list of beneficial owners as received from the National Securities Depository Ltd. (NSDL)/Central Depository Services (India) Ltd. (CSDL) on 30th May 2014 and voting rights shall be reckoned on the paid-up value of the shares registered in the name of the shareholders as on the same date.
6. A member desiring to exercise vote by e-voting/physical Postal Ballot Form is requested to carefully read the instructions printed on the Postal Ballot Form.
7. The Shareholders opting to vote through physical mode i.e. by sending duly filled up Postal Ballot Form are requested to send the Postal Ballot to the Scrutinizer so as to reach not later than 6.00 p.m. on 05th July 2014. Any Postal Ballot Form received after 6.00 p.m. on 05th July 2014 shall be treated as invalid and shall be ignored.
8. The voting through e-voting facility and through Postal Ballot Form shall commence from 10.00 a.m. on 06th June 2014 and shall end at 6.00 p.m. on 05th July 2014. Therefore, the shareholders are requested to kindly cast their votes well within the aforesaid period.
9. The Scrutinizer will submit his report to the Chairman of the Company after completion of the scrutiny and the result of postal ballot process (including e-voting) will be announced by Mr. Sanjay Dhingra, Chairman & Managing Director of the Company, or in his absence by any other person so authorised by him, at 12.00 p.m. on 07th July at the Registered Office of the Company at KDIL House, F-82, Shivaji Place, Rajouri Garden, New Delhi-110027. The result of the Postal Ballot process will also be published in a newspaper and hosted on the website of the Company www.kdil.in.
10. The resolution(s) will be taken as passed effectively on the date of announcement of the results as above, if the result of the Postal Ballot indicates that the requisite majority of the shareholders have assented to the resolution(s).

Instructions for members for voting electronically are as under:-

(A) In case of members receiving e-mail:

- (i) Log on to the e-voting website www.evotingindia.com.
- (ii) Click on “Shareholders” tab to cast your votes.
- (iii) Now, select the Electronic Voting Sequence Number - “EVSN” along with “KWALITY LIMITED” from the drop down menu and click on “SUBMIT”
- (iv) If you are holding shares in Demat form and have already voted earlier on www.evotingindia.com for a voting of any Company, then your existing login id and password are to be used. If you are a first time user follow the steps given below.

- (v) Now, fill up the following details in the appropriate boxes:

	For Members holding shares in Demat Form	For Members holding shares in Physical Form
User ID	For NSDL: 8 Character DP ID followed by 8 Digits Client ID For CDSL: 16 digits beneficiary ID	Folio Number registered with the Company
PAN*	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department when prompted by the system while e-voting (applicable for both demat shareholders as well as physical shareholders)	
DOB#	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.	
Dividend Bank Details#	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.	

*Members who have not updated their PAN with the Company/Depository Participant are requested to use the default number: <ABCDE1234F> in the PAN field.

Please enter any one of the details in order to login. In case either of the details are not recorded with the depository please enter the value <No. of shares held by you as on 30th May 2014> in the Dividend Bank details field.

- (vi) After entering these details appropriately, click on "SUBMIT" tab.
- (vii) Members holding shares in physical form will then reach directly the EVSN selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Kindly note that this changed password is to be also used by the Demat holders for voting for resolutions for the Company or any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform.
- (viii) For members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this notice.
- (ix) Click on the relevant EVSN on which you choose to vote.
- (x) On the voting page, you will see Resolution Description and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xi) Click on the "Resolutions File Link" if you wish to view the entire Resolutions.
- (xii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xiii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xiv) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xv) If Demat account holder has forgotten the changed password then Enter the User ID and Captcha Code click on Forgot password & enter the details as promoted by the system.
- (xvi) Institutional shareholders (i.e other than Individuals, HUF, NRl etc) are required to log on to <https://www.evotingindia.co.in> and register themselves as Corporates. After receiving the login details they have to link the account(s) which they wish to vote on and then cast their vote. They should upload a scanned copy of the Board resolution and Power of Attorney (POA) which they have missed in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.
- (B) In case of members receiving the physical copy of Notice of Postal Ballot [for members whose e-mail IDs are not registered with the company/ depository participant(s) or requesting physical copy]:**

Please follow all steps from sl. no. (i) to sl. no. (xvi) above, to cast vote.

- (C) The voting period begins on 06.06.2014 at 10:00 AM and ends on 05.07.2014 at 6:00 PM. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- (D) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 1 and 2

Equity based compensation is considered to be an integral part of employee compensation across sectors which enables alignment of personal goals of the employees with organizational objectives by participating in the ownership of the Company through stock based compensation scheme/ plan. Your Company believes in rewarding its the employees including Directors of the Company as well as that of the Subsidiary Company(ies) for their continuous hard work, dedication and support, which has led the Company and the Subsidiary Company(ies) on the growth path. The objective of the ESOP 2014 is to provide an incentive to attract and retain the key employees by way of rewarding their performance and motivate them to contribute to the overall corporate growth and profitability.

Accordingly the Board of Directors ("the Board") of the Company at its meeting held on May 30, 2014 approved introduction of the KDILKwality ESOP 2014 (hereinafter referred to as the "ESOP Scheme 2014") subject to the Approval of the members and the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time (the "SEBI Guidelines") and authorised the Remuneration Committee to formulate the detailed terms and conditions of the ESOP Scheme-2014 and to administer and implement the ESOP Scheme 2014 in accordance with the SEBI Guidelines provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time (the "SEBI Guidelines")..

Approval of the members is being sought for issue of Stock Option to the eligible employees of the Company including its Managing and/or Whole Time Directors. and that of its Subsidiary Company(ies) as decided by the Remuneration Committee from time to time in due compliance of the SEBI Guidelines.

The ESOP Scheme 2014 is being formulated in accordance with SEBI Guidelines

The main features of the ESOP 2014 which are as under:

1. Total number of Options to be granted:

95,00,000 (Ninety five lacs) Options and 5,00,000 (Fivelacs) exercisable into an aggregate of 1,00,00,000 of Equity Shares in the Company of face value of Re. 1/- each fully paid-up, would be available for grant to the eligible employees of the Company and eligible employee of the Subsidiary Company(ies) respectively under ESOP 2014, in one or more tranches.

Vested options lapsed due to non-exercise and/or unvested options that get cancelled due to resignation of the employees or otherwise, would be available for being re-granted at a future date. The Board is authorized to re-grant such lapsed / cancelled options as per the provisions of ESOP 2014.

SEBI ESOP Guidelines require that in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division, and others, a fair and reasonable adjustment needs to be made to the Options granted. Accordingly, if any additional Equity Shares are issued by the Company to the Option grantees for making such fair and reasonable adjustment, the above ceiling Shares shall be deemed to be increased to the extent of such additional equity shares issued.

2. Identification of classes of employees entitled to participate in the Employee Stock Option Scheme(s):

Following classes of employees are entitled to participate in the ESOP 2014:

- Permanent employees of the Company working in India or out of India;
- Whole-time Directors of the Company.
- Permanent employees and Whole-time Directors of the Subsidiary Company (ies). (Excluding its associate companies and subsidiary Companies)

Following persons are not eligible:

- an Employee who is a Promoter or belongs to the Promoter Group;
- a Director who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the issued and subscribed Shares of the Company; and
- an Independent Director within the meaning of the Companies Act, 2013.

3. Transferability of Employee Stock Options:

The Options granted to an employee shall not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of the Option grantee, the right to exercise all the Options granted to him till such date shall be transferred to his legal heirs or nominees.

4. Requirements of vesting and period of vesting:

The Options granted shall vest so long as an employee continues to be in the employment of the Company or the Subsidiary Company. The Compensation Remuneration Committee may, at its discretion, lay down certain performance metrics on the achievement of which such Options would vest, the detailed terms and conditions relating to such performance-based vesting, and the proportion in which Options granted would vest subject to the minimum vesting period of 1 year.

5. Maximum period within which the Options shall be vested:

Options granted under ESOP 2014 would vest subject to maximum period of 6 years from the date of grant of such Options.

6. Exercise price or pricing formula:

The Exercise Price shall be the price not being less than the face value of an Equity Share as determined by the Remuneration Committee.

7. Exercise period and the process of Exercise:

The vested Options shall be eligible for exercise on and from the date of vesting. The vested Options need to be exercised within a maximum period of 5 years from the date of vesting of such Options.

The vested Option shall be exercisable by the Employees by a written application to the Company/ Remuneration Committee or any Trust formed in this behalf expressing his/ her desire to exercise such Options in such manner and on such format as may be prescribed by the Remuneration Committee from time to time. The Options shall lapse if not exercised within the specified exercise period.

In case of cashless system of exercise of vested Options, the Remuneration Committee shall be entitled to specify such procedures and/or mechanisms for the Shares to be issued thereon as may be necessary and the same shall be binding on the all the Option grantees.

8. Appraisal process for determining the eligibility of employees under ESOP 2014:

The appraisal process for determining the eligibility of the employees will be decided by the Remuneration Committee from time to time.

The employees would be granted Options under the ESOP 2014 based on various parameters such as work performance, period of service, rank or designation and such other parameters as may be decided by the Remuneration Committee from time to time.

9. Maximum number of Options to be issued per employee and in aggregate:

The number of Options that may be granted to any specific employee under the Plan shall not exceed the number of Shares equivalent to 1% of the Paid-up Share Capital of the Company per grant and in aggregate.

10. Disclosure and Accounting Policies:

The Company shall comply with the disclosure and the accounting policies prescribed under the SEBI ESOP Guidelines.

11. Method of Option valuation:

To calculate the employee compensation cost, the Company shall use the Intrinsic Value method for valuation of the options granted. The difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options and the impact of this difference on profits and on EPS of the company shall also be disclosed in the Directors' report.

As the ESOP 2014 provides for issue of shares to be offered to persons other than existing shareholders of the Company, consent of the members is being sought pursuant to Section 62(1)(b) and all other applicable provisions, if any, of the Companies Act, 2013 and as per Clause 6 of the SEBI ESOP Guidelines.

A copy of the Plan shall be kept for inspection by the members for 3 days i.e. from June 18, 2014 to June 20, 2014 at the Registered Office during office hours.

None of the Directors, Key Managerial Personnel of the Company including their relatives are interested or concerned in the resolution, except to the extent of their entitlements, if any, under the ESOP Scheme.

ITEM NO. 3:

Job Work between the company and "Pashupati Dairies Private Limited" (the Related Party) in which Mr. Sanjay Dhingra, Managing Director and Mr. Sidhant Gupta, Director of the Applicant Company is holding the position (Directly / Indirectly) of Director/member in the Related Party and the earlier approval in this regard was granted by the Hon'ble Office of Regional Director (Northern Region) which expired on 31st March, 2014.

It was advised that the agreement be extended further for a period of 2 months w.e.f 01.04.2014 to 31.05.2014 entered with the Related Party for Job work in the manufacturing of Dairy products like Malted Butter, Pure Ghee, Skimmed Milk Powder, Whole Milk Powder, Skimmed Milk concentrate and standardization / pasteurization of Milk in various packing or loose form. Therefore, a supplement agreement has been executed with M/s. Pashupati Dairies Private limited for further period of two months for job work and consent of the members is being sought for the same.

Further, it was recommended that a lease agreement be entered with M/s Pashupati Dairies Private Limited for taking on lease the land, building, Plant & Machinery including godown for a period of 5 years. The provisions of Section 188 read with the relevant rules of the Companies Act, 2013 require a Company to obtain prior approval of members by way of Special Resolution before entering any related party transaction.

Disclosure as required to be given under Rule 15 of the Companies (Meetings of Board and its Powers) Rules 2014 is given below:

1.	Name of the related party	M/s Pashupati Dairies Private Limited
2.	Name of the director or key managerial personnel who is related, if any	(i) Mr. Sanjay Dhingra, Managing Director (ii) Mr. Sidhant Gupta, Director
3.	Nature of relationship	1. Mr. Sanjay Dhingra, Chairman & Managing Director is also director and member in M/s Pashupati Dairies Private Limited. 2. Mr. Sidhant Gupta, Director is related indirectly in M/s Pashupati Dairies Private Limited
4.	Nature: Material terms & Monetary value:	Dry Lease Agreement for taking land, building, plant and machinery including the godown, belonging to M/s Pashupati Dairies Private Limited. a) Contract is effective from 1 st June, 2014 for a period of 5 year i.e. from 01.06.2014 to 31.05.2019, subject to the further renewal of 5 years on the terms and conditions mutually consented by the both parties. b) Further there is a lock-in period of two year and during this period neither party has the right to terminate the present agreement. And in case Second Party terminates the agreement in the lock-in period, they shall reimburse the entire cost of construction incurred by the First party towards the construction of godown given by the Second Party. c) The agreement may be terminated by both the parties after the lock-in period and before the expiry of the agreement by giving six months written notice to the other party. d) The Company shall pay Rs.5,00,000/- (Rupees Five Lac only) per month as lease money inclusive of all the taxes to Second Party i.e. Pashupati Dairies Private Limited.

The Board of Directors of the Company has approved the terms and conditions of the agreement in the Board Meeting held on 30.05.2014 and recommends the resolution as set out in the accompanying notice for the approval of members of the Company as Special Resolution.

Except Mr. Sanjay Dhingra, Managing Director and Mr. Sidhant Gupta, Director of the Company, No other Directors and Key Managerial Personnel of the Company including their relatives are interested or concerned in the resolution.

The above proposals are in the interest of the Company and the Directors recommend the Resolution Nos. 1, 2 and 3 of the Notice for consent and approval by the Members.

By order of the Board of Directors
For **Kwality Limited**

Sd/-
Deepa Kapoor
Company Secretary

Place: New Delhi
Date: May 30, 2014