



ADF FOODS LTD

16TH ANNUAL REPORT 2005 - 2006



One more year of globetrotting.



Dear Shareholder,

It gives me great pleasure to present the significant progress made by your company in the financial year ended 31st March 2006. After facing numerous hardships head on, we have managed to stay true to our plans and continue to strengthen our business.

As you are aware, due to the dispute over ownership of the brand names Ashoka, Classic Ashoka, Camel and Aeroplane, your company faced some unforeseen problems for a substantial part of the year. This, in turn, affected your company's turnover. However, by successfully introducing new brands such as Des, ADF and Truly Indian in the international market, your company managed to overcome every shortfall.

And today, I am pleased to announce that the dispute over the trademarks mention earlier has been resolved and your company has acquired two brands, namely, Aeroplane & Camel from M/s. American Dry Fruit Stores. Moreover, this year too the board has recommended a 10% dividend to the shareholders.

Your company has also begun to explore fresh opportunities in business activities, global alliances and newer markets. This year, a major thrust will be on backing all the brands with advertising and promotional support in the international market. Our aim is to make all our brands leaders in their respective categories.

I am sure that many of you who have tracked the progress of your company would definitely feel a great sense of pride in its progress. With your constant support, we can continue to aim higher.

Best Wishes,

A handwritten signature in black ink, appearing to read 'Ramesh Thakkar'.

Ramesh Thakkar

Chairman and Managing Director



NEW MARKETS TRADITIONAL WISDOM



NEW PRODUCTS ETHNIC RECIPES



NEW BEGINNINGS AGE OLD VALUES

BOARD OF DIRECTORS

BOARD OF DIRECTORS

Shri Ramesh H.Thakkar
 Shri Ashok H. Thakkar
 Shri D. E. Udawadia
 Shri Nipun C. Shah
 Shri Yasir J. Varawala
 Shri Vikram S. Munshi
 Shri Jay M. Mehta
 Shri Viren A. Merchant
 Shri Bimal R. Thakkar

Chairman and Managing Director
 Executive Director
 Director
 Director
 Director
 Director
 Director
 Executive Director

SENIOR MANAGEMENT

Bhavesh R. Thakkar
 Nagin C. Patel
 Dilip S. Golwala
 Darshan Khatau
 R. R. Singh
 Amit Bhardhwaj

President
 Vice President (Works)
 Senior Manager - Finance & Accounts
 Commercial & Administration Manager
 Factory Manager
 New Product Development Manager

COMPANY SECRETARY

Pramod P. Gharge

COUNTRY MANAGER

Steve Pezzack for UK
 Vimal Bhalla for North America

AUDITORS

M/s. D. P. Ghevaria & Co.
 Chartered Accountants

M/s. K. D. Godbole
 Chartered Accountants

SOLICITORS

M/s. Udawadia & Udeshi
 M/s. Hariani & Company

BANKERS

State Bank of Hyderabad
 Bank of Baroda
 State Bank of India

REGISTERED OFFICE

83/86 GIDC Industrial Estate,
 Nadiad - 387 001
 Gujarat.

REGISTRAR AND SHARE TRANSFER AGENTS

INTIME SPECTRUM REGISTRY LIMITED
 C-13 Pannalal Silk Mills Compound,
 L.B.S. Marg, Bhandup (W)
 Mumbai - 400 078

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16th Annual General Meeting

On Wednesday, 16th August, 2006 at 12.00 noon.

At Sheth Khushaldas Gokaldas Patel Municipal town Hall, Nadiad- 387001, Gujarat

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting.

Shareholders are requested to kindly bring their copies to the Meeting.

ADF FOODS LTD

NOTICE OF THE 16TH ANNUAL GENERAL MEETING

Notice is hereby given that the Sixteenth Annual General Meeting of the Members of the Company will be held at Sheth Khushaldas Gokaldas Patel Municipal Town Hall, Nadiad – 387 001, Gujarat on Wednesday, 16th August, 2006 at 12.00 noon to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2006, the Profit and Loss Account for the year ended on that date and the Report of the Directors and the Auditors thereon.
2. To declare dividend for the financial year ended 31st March, 2006.
3. To appoint a director in place of Shri. Jay Mehta who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a director in place of Shri. Nipun Shah who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a director in place of Shri. Bimal Thakkar who retires by rotation and being eligible offers himself for reappointment.
6. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

7. To consider and if thought fit to pass with or without modifications the following resolution as an Ordinary Resolution :
 “RESOLVED THAT pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, and other applicable provisions, if any, the Board of Directors of the Company be and is hereby authorized to borrow from time to time any sum or sums of money on such terms and conditions and with or without security as the Board of Directors may think fit which, together with the moneys already borrowed by the Company (apart from temporary loans obtained or to be obtained from the company's bankers in the ordinary course of business), may exceed the aggregate for the time being of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount of money/moneys so borrowed by the Board shall not at any time exceed the limit of Rs. 50 Crores (Rupees Fifty Crores only).
 RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do and perform all such acts, deeds and things as may be necessary, desirable or expedient to give effect to this resolution.”
8. To consider and if thought fit to pass the following resolution as an Ordinary Resolution:
 “RESOLVED THAT pursuant to Sections 198, 269, 309, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the re-appointment of Shri. Bimal Ramesh Thakkar as Executive Director of the Company for a period of three years from 1st June 2006 at the remuneration including perquisites set out in the draft Agreement to be entered into between the Company and Shri. Bimal R. Thakkar placed before this meeting and initialed by Shri. Ramesh H. Thakkar, a director of the Company for the purposes of identification, with authority to the Board of Directors to alter or vary the said remuneration and/or perquisites as it may deem fit and as may be acceptable to Shri Bimal R. Thakkar within the limits specified in Schedule XIII to the Companies Act, 1956 or any statutory modification or re-enactment thereof.
 RESOLVED FURTHER THAT where in any financial year during Shri. Bimal R. Thakkar's term of office as Executive Director, the Company makes no profits or the profits made are inadequate, the Company may pay Shri. Bimal R. Thakkar remuneration by way of salary and perquisites not exceeding the limits laid down in Section II of Part II of Schedule XIII to the Companies Act, 1956 or any statutory modification or re-enactment thereof as may be agreed to by the Board of Directors and Shri Bimal R. Thakkar.
 RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary or expedient to give effect to this resolution.”
9. To consider and if thought fit to pass the following resolution as a Special Resolution:
 “RESOLVED THAT pursuant to the provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government and subject to such changes as the Central Government may stipulate and as acceptable to the Board of Directors, the consent of the Company be and is hereby accorded to the payment of remuneration to Shri. Bhavesh R. Thakkar, President with effect from 1st April 2007 as mentioned below:

**NOTICE OF THE 16TH ANNUAL GENERAL MEETING**

- (i) salary : Rs.70000 - 10000 - 90000;
- (ii) house rent allowance : 40% of basic salary;
- (iii) other allowance Rs.5000/- per month;
- (iv) commission of one-third of 0.5% of export sales subject to a ceiling of Rs.50,000/- (Rupees Fifty Thousand Only) per month;
- (v) reimbursement of medical expenses incurred by him and his family subject to a ceiling of one month's basic salary in a year, or three months' basic salary over a period of three years;
- (vi) leave travel allowance for himself and his family once in a year in accordance with the rules of the Company, and in case of leave not availed of, encashment of the same at the end of his tenure;
- (vii) fees of not more than two clubs excluding admission and life membership fees;
- (viii) benefit of a Personal Accident Insurance Policy to be effected by the Company provided that the premium of such policy do not exceed Rs.20,000/- (Rupees Twenty Thousand Only) per annum;
- (ix) contribution to the Company's Provident Fund, Superannuation Fund and Annuity Fund in accordance with the rules of the Funds;
- (x) gratuity at half month's salary for each completed year of service;
- (xi) provision of one car with driver for use on Company's business and a telephone at his residence; use of car with driver and telephone at residence not to be considered as a perquisite;
- (xii) the appointee shall be entitled to reimbursement of expenses actually and properly incurred by him for the business of the Company.

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXIES NEED NOT BE MEMBERS. In order to be valid, proxy forms duly complete in all respects, should be lodged with the Company at its Registered Office not later than forty-eight hours before the commencement of the meeting.
2. An Explanatory Statement as required under section 173 of the Companies Act, 1956, in respect of business under Item Nos. 7, 8 and 9 of the Notice, is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 9th August 2006 to 16th August 2006 (both days inclusive).
4. The dividend, if any, that may be declared shall be payable on or before 5th September 2006 to those members of the Company whose names appear:-
 - a) as Beneficial Owners as at the close of business hours on 16th August, 2006 as per the list to be furnished by National Securities Depository Ltd., and Central Depository Services (India) Ltd., in respect of the shares held in electronic form; and
 - b) as members in the Register of Members of the Company as on 16th August 2006.
5. The Securities and Exchange Board of India (SEBI) and Reserve Bank of India (RBI) have advised all listed companies to mandatorily use the Electronic Clearing Services (ECS) facility wherever possible for dividend payment to the members. In view of this stipulation the Company proposes to implement the ECS facility. Members are requested to provide the Company with ECS mandate for crediting the future dividend payment directly to their respective bank accounts. The Company shall be able to coordinate with the bankers only on receipt of the necessary information. The main information required therein is the type of account, name of the bank and the account number. It should be signed by all the Members, as per the specimen signature recorded with the Company.
6. Members are hereby informed that dividends for the Financial Year 2003-2004 and 2004-2005 remaining unpaid/ unclaimed over a period of seven years from the date of transfer of such dividends to the Unpaid Dividend Account of the Company have to be transferred by the Company to the Investor Education and Protection Fund pursuant to Sections 205 A and 205 C of the Companies Act, 1956.

ADF FOODS LTD

NOTES

7. Members holding shares in the same set of names under different ledger folios are requested to apply for consolidation of such folios and send the relevant share certificates to the Company's Registrar & Transfer Agents, M/s. Intime Spectrum Registry Ltd. at C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai: 400 078.
8. Members holding shares in physical segment are requested to immediately notify change in their address/status, if any, immediately to the Company's Registrar & Transfer Agents, M/s. Intime Spectrum Registry Ltd., at the address mentioned at item No.7 above.
9. Members who would like to ask any questions on the accounts are requested to send their questions to the Registered Office of the Company atleast 10 days before the Annual General Meeting to enable the Company to answer their queries satisfactorily.
10. Members are requested to bring their copies of the Annual Report to the Annual General Meeting.
11. The Members/proxies should bring the attendance slip duly filled in and signed for attending the meeting.
12. **INFORMATION REQUIRED TO BE FURNISHED UNDER CLAUSE 49.IV (G) OF THE LISTING AGREEMENT:**

The particulars of Directors who are proposed to be reappointed at this Annual General Meeting are given below as required pursuant to Clause 49.IV (G) of the Listing Agreement:

1. **Shri. Jay Mehta**

Shri Jay Mehta has completed his MBA- IMD from Lausanne Switzerland in 1991 and BS (Industrial Engineering) Columbia University, New York U.S.A. He is the Group Director – Indian operations of the Mehta Group and Executive Vice Chairman of Saurashtra Cement Ltd. He has also headed the group Cement Business in India and been a pioneer in the industry.

The details of the Companies in which Shri. Jay Mehta holds the directorships and Committee memberships are as follows :

Name of the Company
Other Directorships
Saurashtra Cement Ltd.
Prachit Holdings Ltd.
Pranay Holdings Ltd.
Reeti Investments Ltd.
Ria Holdings Ltd.
Gujarat Sidhee Cement Limited
Agrima Consultants International Ltd.
Arclightz Filmz Pvt. Ltd.
Sujata Motors (India) Pvt. Ltd.
Villa Trading Co. Pvt. Ltd.
Mehta Pvt. Ltd.
Omna Exports Pvt. Ltd.
Galaxy Technologies Pvt. Ltd.
Committee Memberships
Gujarat Sidhee Cement Limited- Share Transfer & Investor Grievances Committee
Saurashtra Cement Ltd.- Share Transfer & Investor Grievances Committee
Saurashtra Cement Ltd.- Executive Committee

As on date Shri Jay Mehta has no shareholding in the Company.

**NOTES****2. SHRI. NIPUN SHAH**

Shri Nipun Shah is a Fellow member of Institute of Chartered Accountants of India. Shri Shah is presently into practice in the field of Management Consultancy, Portfolio Management, Taxation & Auditing.

The details of the Companies in which Shri Nipun Shah holds directorships and Committee Memberships are as follows:

Name of the Company
Other Directorships
Nagarwalla Estate Pvt. Ltd.
Jush Investment Pvt. Ltd.
Noshil Estate Pvt. Ltd.
Committee Memberships
ADF Foods Ltd.- Audit Committee
ADF Foods Ltd.- Remuneration Committee

As on date Shri Nipun Shah holds 7,200 equity shares in the Company.

3. SHRI BIMAL R. THAKKAR

Shri. Bimal R. Thakkar is a graduate of Commerce and has completed his diploma in Export Management. He had been sponsored by Trade Development Institute of Ireland for an International Training Programme by the said Institute for a course in International Business and Marketing. Shri. Bimal R. Thakkar has been associated with ADF Foods Limited from its inception and has played an instrumental role in the achievement of the following milestones for the Company:

- ◆ Initial Public Offer for the Company
- ◆ Subsequent Private Placements
- ◆ Setting up of new factory at Nasik
- ◆ Expansion of existing facility in Nadiad
- ◆ Setting up of a wholly owned subsidiary company in the United Kingdom by the name and style of ADF Foods UK Limited
- ◆ Creation and developing three new brands viz. ADF, DES and TRULY INDIAN in the international market and acquisition of 2 brands viz. CAMEL and AEROPLANE from M/s. American Dry Fruit Stores.

Name of the Company
Other Directorships
ADF Foods U.K. Limited
Committee Memberships
ADF Foods Limited - Administrative Committee

As on date Shri. Bimal Thakkar holds 621000 equity shares in the Company.

A D F F O O D S L T D

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956.

ITEM NO. 7

The Board of Directors has in its meeting approved setting up of a unit in SEZ (Special Economic Zone) at Surat, Gujarat. The company is also developing new brands and new products to cater the needs of international market.

In order to fund all these expansion activities, the Company may be resorting to secured borrowings from time to time in the form of loans/ issue of bonds/debentures and other forms of financial assistance from various Financial/ Investment Institutions/ Banks which necessitate creation of security in favour of the lenders/trustees to the bond/debenture holders.

Section 293 (1) (d) of the Companies Act, 1956 requires that the Directors of the Company should obtain the consent of the shareholders in the General Meeting to enable them to borrow moneys where the amount to be borrowed together with the amount already borrowed by the company exceeds the aggregate of the paid-up capital of the company and its free reserves, that is to say, reserves not set aside for any specific purposes.

In order to meet the requirements and to enable the company to borrow for its purposes further amounts, the borrowing limits need to be sanctioned by the members. The purpose of this resolution is to seek members' consent to the borrowing limits.

None of the directors of the Company is interested in this resolution.

ITEM NO. 8

Shri. Bimal Thakkar was appointed as Executive Director of the Company for a period of three years from 1st June 2003 to 31st May 2006. The appointment of Shri Bimal Thakkar, as also the remuneration payable to him as Executive Director, were approved by the members at the thirteenth Annual General Meeting held on 29th August, 2003.

The Board of Directors of the Company at its meeting held on 27th June 2006 has, subject to the approval of the Members in the Annual General Meeting, re-appointed Shri. Bimal Thakkar as Executive Director of the company for a further period of three years from 1st June 2006 to 31st May 2009 (both days inclusive) upon the remuneration and perquisites set out in the draft Agreement referred to in the Resolution at Item No. 8 in the notice.

The remuneration and perquisites payable to Shri Bimal Thakkar upon his re-appointment as Executive Director are in conformity with the requirements of Schedule XIII to the Companies Act, 1956. It is now proposed to re-appoint Shri. Bimal Thakkar as Executive Director for a period of 3 years w.e.f. 1st June, 2006 till 31st May, 2009 on such remuneration in terms of the provisions of Schedule XIII which stipulates obtaining the approval of the Shareholders in a general meeting.

The material provisions of the said draft Agreement relating to Shri. Bimal Thakkar's re-appointment referred to in the Resolution at Item No. 8 of the Notice are as under:

1. Shri. Bimal Thakkar to be re-appointed as Executive Director for a period of three years from 1st June 2006 to 31st May 2009 (Both days inclusive).
2. As Executive Director, Shri Bimal Thakkar to faithfully and diligently manage and conduct the business and affairs of the Company and do all such acts for the purpose as may be assigned or entrusted to him by the Board or as may be vested in him under the Company's Articles of Association and to comply with all lawful directions issued by the Board and to use his best endeavours to promote the company's interests.
3. As Executive Director, Shri Bimal Thakkar to have power to sign all contracts and other documents to be executed by the company, to represent the Company in dealings with others and to sign all papers required to be filed in any court proceedings by or against the Company.
4. As Executive Director, Shri Bimal Thakkar to have power to appoint, dismiss or remove employees as per the rules of the Company, the appointment or removal of any officer of the Company to, however, be subject to approval of the Board.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956.**

5. Shri. Bimal Thakkar to be entitled to-
- salary in the range of Rs. 70000 - 10000 - 90000;
 - house rent allowance at 40% of basic salary;
 - commission @ 1/3rd of 0.5 % of export sales subject to a maximum of Rs. 50,000/- (Rupees Fifty Thousand Only) per month;
 - reimbursement of medical expenses incurred by him and his family subject to a ceiling of one month's basic salary in a year or three month's basic salary over a period of three years;
 - leave travel allowance for himself and his family once in a year incurred in accordance with the rules specified by the Company and incase leave not availed of, encashment of the same at the end of his tenure under the Agreement;
 - fees of not more than two clubs excluding admission and life membership fees;
 - benefit of Personal Accident Insurance and Mediclaim policy to be effected by the Company provided that the premium of such policy to not exceed Rs. 20,000/- per annum;
 - contribution to Company's Provident Fund, Superannuation Fund, and Annuity Funds in accordance with the rules of the Funds;
 - gratuity at half a month's salary for each completed year of service;
 - provision of One car with driver for use on Company's business and telephone at his residence; use of car with driver and telephone at residence shall not be considered as a perquisite;
 - reimbursement of expenses actually and properly incurred by him for the business of the Company.
6. As Executive Director, Shri Bimal Thakkar to be paid remuneration by way of salary, allowance and perquisites within the limits prescribed under Schedule XIII to the Companies Act, 1956 if, in any financial year during his tenure as Executive Director, the Company has no profits or the profits made are inadequate.
7. Salary and perquisites payable to the Executive Director may be revised by the Board from time to time within the limits prescribed in Schedule XIII of the Companies Act, 1956.
8. The Executive Director to devote his full time and attention to the business of the company.
9. The Agreement may be terminated by the company or the Executive Director by six months prior notice in writing to the other.

The above terms may be treated as an abstract as required under Section 302 of the Companies Act, 1956.

Authority is also being sought to be conferred on the Board to make such alterations or variations in the perquisites of Shri Bimal Thakkar during his tenure as Executive Director as is deemed fit and as acceptable to him but within the limits specified in Schedule XIII to the Companies Act, 1956.

Authority is also being sought to the payment by the Company to Shri Bimal Thakkar of remuneration by way of salary and perquisites not exceeding the limits stated in Section II of Part II of Schedule XIII to the Companies Act, 1956, if, in any financial year during his term of office as Executive Director, the company makes no profits or the profits made are inadequate.

The Board of Directors considers that the remuneration and perquisites proposed to be paid to Shri Bimal Thakkar are commensurate with his duties and responsibilities as Executive Director and, therefore, recommend the Resolution at item no.8 of the notice. The approval of the members is necessary in view of the provisions of Schedule XIII to the Companies Act, 1956.

A copy of the said draft Agreement will be available for inspection by the Members at the registered office of the company between 11a.m. and 1p.m. on any working day except Saturday.

Shri Bimal R. Thakkar is interested in the Resolution at item no.8 in the Notice since it relates to his re-appointment as Executive Director and to the remuneration proposed to be paid to him.

ADF FOODS LTD**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956**

Shri Ramesh H. Thakkar and Shri Ashok H. Thakkar, being relatives of Shri. Bimal R. Thakkar, may also be deemed to be interested in the Resolution at Item No. 8 of the notice.

ITEM NO. 9

Shri. Bhavesh R. Thakkar is currently acting as a President of the Company. It is now proposed to revise his remuneration w.e.f. 1st April 2007 as specified in the resolution. Since he is related to some of the directors of the Company, approval of shareholders is required by way of special resolution under section 314 of the Companies Act, 1956 for the proposed revision in the remuneration. The proposal will also require the approval of the Central Government. Shri. Ramesh H. Thakkar, Shri. Ashok H. Thakkar, Shri. Bimal R. Thakkar being relatives of Shri. Bhavesh R. Thakkar are deemed to be concerned or interested in the said resolution.

By order of the Board
RAMESH H. THAKKAR
Chairman & Managing Director

Registered Office:

83/86 GIDC Industrial Estate,
Nadiad – 387 001. Gujarat.

Mumbai, 27th June, 2006

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