



ADF FOODS LTD.

17TH ANNUAL REPORT 2006 - 2007

feeding the world





Dear Shareholder,

It is time to close the year 2006-2007 on a positive note. The emphatic results shown by your Company underline the strong fundamentals that will continue to ensure growth.

Allow me to give you a small snapshot of your company's performance. Net sales / Income from operation increased by 28% from Rs.6228.65 lakh to Rs.7957.08 lakh. There has been a phenomenal 88% growth in profit before tax, that's a leap from Rs.422.83 lakh to Rs.794.70 lakh. While EBIDTA shows 100% growth, Profit after Tax indicated 146% increase compared to the previous year.

These telling results can be attributed to the excellent product mix and the Company's focused marketing effort. This enables us to announce a 100% rise in dividend – from 10% to 20% (interim plus final dividend for 2006-07).

I am pleased to announce that The Scheme of Arrangement between the shareholders and creditors of ADF Foods Ltd., and of Lustre Investment Pvt. Ltd., has reached the advanced stage. The Bombay High Court (being the jurisdictional High Court for M/s. Lustre Investment Pvt. Ltd.) has already approved the said Scheme of Arrangement subject to approval from Gujarat High Court.

ADF has also diversified its product line with the launch of a range of ready-to-eat frozen Wraps in the US market. The Company has also expanded its offerings including international rice meals thereby widening its menu offerings. The initial response to these new products has been positive and encouraging.

The Company's expansion plans within existing units in Nadiad and Nasik are also on track and are to be completed by December, '07, thereby increasing capacity.

The year 2007-2008 has its challenges because of the strengthening of the Indian rupee. As over 90% of the company's revenues are from exports, this directly affects performance. However, your company is taking all efforts to minimise and mitigate this.

With so much happening around, it is indeed a very exciting and a challenging phase for your company. But our aim, as always, will be to grow our business and continuously track and cater to the ever changing consumer tastes and preferences. This will sustain your company's growth and in turn will increase shareholder value as well.

Best Wishes,

A handwritten signature in dark 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. Udwadia
 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
 Dinesh Jaiswal

President (Finance)
 Vice President (Works)
 Senior Manager-Finance & Accounts
 Factory Manager (Nashik)

COMPANY SECRETARY

Anita Gokhale

COUNTRY MANAGER

Steve Pezzack UK - Food Service
 Upinder Thakur - Ethnic Division-UK & Europe
 Vimal Bhalla - North America

AUDITORS

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

M/s. V. P. Thacker & Co.
 Chartered Accountants

SOLICITORS

M/s. Udwadia & 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, India
 Tel.: 0268-2551381 / 2 Fax.: 0268-2565068
 E-mail: nadiadfactory@adf-foods.com

CORPORATE OFFICE

3rd Floor, Acme Industrial Estate
 Sewree Bunder Road, Sewree (East)
 Mumbai 400 015, India
 Tel.: 022-6662 5577
 Fax.: 022-6662 7373, 022-2413 7373
 E-mail: info@adf-foods.com
 website: www.adf-foods.com

**REGISTRAR AND SHARE
TRANSFER AGENTS**

INTIME SPECTRUM REGISTRY LIMITED
 C-13 Pannalal Silk Mills Compound, L.B.S. Marg
 Bhandup (W), Mumbai - 400 078, India
 Tel.: 022-2596 3838 Fax.: 022-2594 6969
 203, Davar House, 197/199 D N Road,
 Mumbai 400 001
 Tel.: 022-2269 4127
 E-mail: helpline@intimespectrum.com
 website: www.intimespectrum.com

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17th Annual General Meeting

On Saturday, 29th September, 2007 at 2.00 pm

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 17TH ANNUAL GENERAL MEETING

Notice is hereby given that the Seventeenth 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 Saturday, 29th September, 2007 at 2.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2007, 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 final dividend for the financial year ended 31st March, 2007.
3. To appoint a director in place of Mr. Ashok H Thakkar who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a director in place of Mr. D.E. Udawadia who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

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. The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday 19th September, 2007 to Saturday 29th September, 2007 (both days inclusive).
3. The dividend, if any, which may be declared, shall be payable on or before 29th October, 2007 to those members of the Company whose names appear:-
 - a) as Beneficial Owners as at the close of business hours on 18th September, 2007 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 18th September, 2007.
4. 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 has implemented 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.
5. Members are hereby informed that dividends for the Financial Year 2003-2004, 2004-2005, 2005-06 and interim dividend paid for 2006-07 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. Members are requested to encash their Dividend Warrants for these years, if not already done after getting them revalidated from the Company.
6. 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.
7. 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.6 above.
8. 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.
9. The Members/proxies are requested to bring the attendance slip duly filled in and signed for attending the meeting. They are also requested to bring their copies of the Annual Report to the Annual General Meeting.



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NOTES**10. Information required to be furnished under Clause 49 IV (G) of the Listing Agreement:**

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. Mr. Ashok H Thakkar

Mr. Ashok H Thakkar is one of the promoters of the company. Presently he is working as the Executive Director of the company. He has played an instrumental role in promoting the company's products in international markets, development of brands and tapping new markets for the products. His exemplary contribution and guidance has helped the company to grow in size over the years.

The details of the Companies in which Mr. Ashok H Thakkar holds directorships and Committee Memberships are as follows:

Other Directorships

- Mishal International (India) Private Limited
- H J Thakkar Property Investment Limited
- Lustre Investment Private Limited
- Power Brands (Foods) Private Limited

Committee Memberships

- ADF Foods Ltd.- Administrative Committee
- ADF Foods Ltd.- Share Transfer Committee

As on date Mr. Ashok H Thakkar has 6,21,000 shares in the Company as a sole / first holder and 6,21,000 equity shares as joint holder.

2. Mr. D. E. Udawadia

Mr Darius E Udawadia is a Post-Graduate from the University of Bombay. He is an Advocate and Solicitor of the Bombay High Court. He is also a Solicitor of the Supreme Court of England. Mr. Udawadia was a partner of Crawford Bayley & Co., Mumbai one of India's leading law firms for over 21 years. He has during his nearly 42 years of active law practice acquired valuable knowledge, experience and expertise in the following areas of law, namely Corporate Law, Mergers, Acquisitions and Takeovers, Corporate Re-structuring, Foreign Collaboration, joint ventures, project and infrastructure finance, telecommunication, international loan and finance related transactions and financial instruments, mutual funds, real estate and conveyancing.

The details of the Companies in which Mr. D.E.Udawadia holds directorships and Committee Memberships are as follows:

Other Directorships

- ABB Limited
- AstraZeneca Pharma India Limited
- Bombay Burmah Trading Corp Limited
- Coromandel Fertilisers Limited
- Development Credit Bank Limited
- Eureka Forbes Limited
- ITD Cementation India Limited
- JM Financial Limited
- Macmillan India Limited
- Mechanalysis (India) Limited
- MPS Technologies Limited
- Sundaram-Clayton Limited
- Wyeth Limited

ADF FOODS LTD.

NOTES

- Avestha Gengraine Technologies Pvt Limited
- Avestha Nordic Research Pvt Limited
- Habasit lakoka Pvt Limited
- J M Financial & Investment Consultancy Services Pvt Limited
- JM Financial Trustee Co. Pvt Limited
- JM Financial Consultants Pvt Limited
- Nitesh Estates Pvt Limited
- Quantum Advisors Pvt Limited

Committee Membership

- ABB Limited – Audit Committee & Shareholders' Grievance committee
- AstraZeneca Pharma India Ltd.- Audit Committee
- Bombay Burmah Trading Corp. Ltd. - Audit Committee
- Coromandel Fertilisers Ltd. - Audit Committee
- Development Credit Bank Ltd. - Audit Committee
- ITD Cementation India Ltd. - Audit Committee
- Macmillan India Ltd. - Audit Committee
- Sundaram-Clayton Ltd. - Audit Committee
- Wyeth Ltd. - Audit Committee

As on date Mr. D.E.Udwadia has no shareholding in the company.

By order of the Board
For ADF Foods Ltd.

RAMESH H. THAKKAR
Chairman & Managing Director

Registered Office:
83/86 GIDC Industrial Estate
Nadiad 387 001, Gujarat

Mumbai, 30th June, 2007



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DIRECTORS' REPORT

To The Members

Your Directors are pleased to present the Seventeenth Annual Report on the business and operations of your Company and the Audited Financial Accounts for the year ended 31st March, 2007.

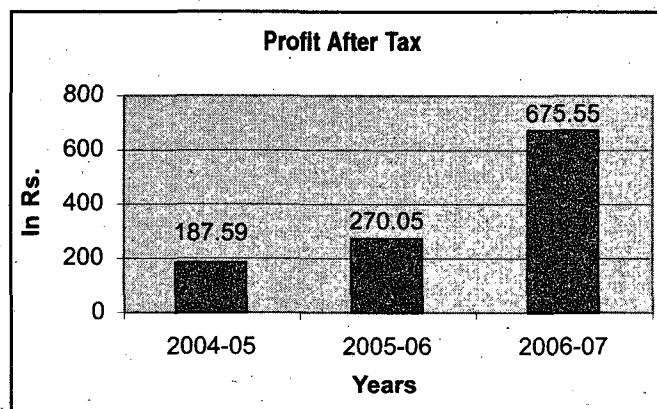
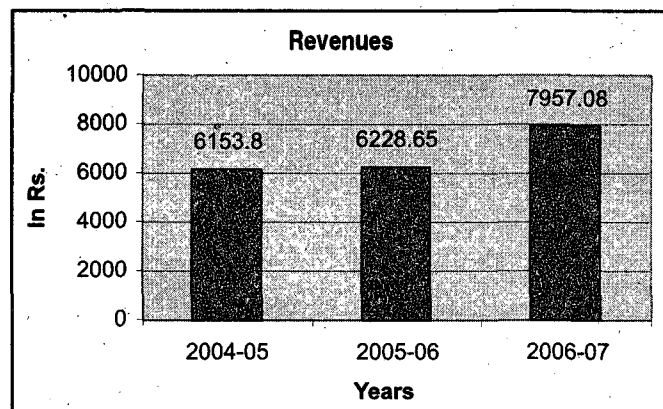
FINANCIAL RESULTS AND OPERATIONS

	2006-07 Rs. in Lakh	2005-06 Rs. in Lakh
1) Net sales/Income from operation	7957.08	6228.65
2) Other Income	188.43	122.51
Sub-total	8145.51	6351.16
3) Total expenditure		
a) Increase (+) / decrease (-) in stock in trade	80.19	37.66
b) Consumption of raw materials	3638.69	3338.39
c) Staff Cost	295.12	2007.45
d) Other expenditure	2673.77	238.63
4) Interest	258.64	170.76
5) Depreciation	404.40	135.44
6) Profit (+)/Loss (-) before tax (1+2-3-4-5)	794.70	422.83
7) Provision for taxation	131.23	98.29
8) Deferred tax Assets/(Liabilities)	12.08	(54.49)
9) Net Profit (+) / Loss (-) (6-7-8)	675.55	270.05
10) Prior Period Expenses/(Income) (Net off)	15.52	1.71
11) Net Profit(+) / Loss(-) (9+10-11)	660.03	268.34

The year under review has shown good growth in terms of sales as compared to the previous year (28%) and has resulted into 88% growth in profit before tax. The gross contribution to sales has improved by 5% and EBITDA has grown by 100%. PAT has also shown 146% increase for the year under consideration. This has all been possible due to better product mix and focused marketing efforts.

During the year, the company sustained its investments in building brands and maintained its focus on making its products more visible and conveniently available whilst ensuring greater product freshness. Your company is stable and healthy, with strong fundamentals and is focused on long term, sustainable and profitable growth. This stability and health lies in the consumer franchise, strength and vitality of the brands in its varied portfolio, which have over the years built a relationship of trust and confidence with consumers.

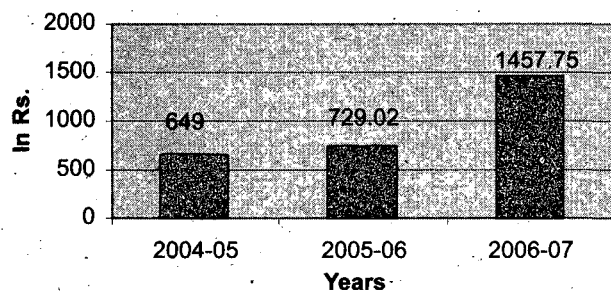
HIGHLIGHTS



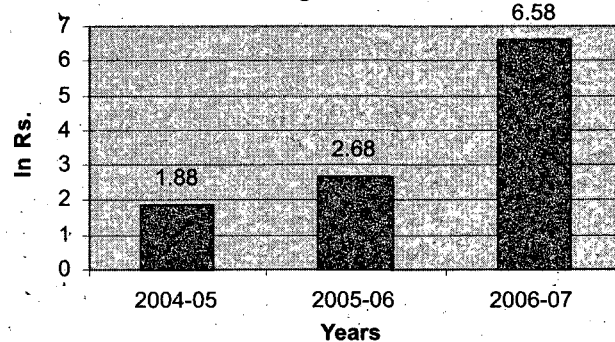
ADF FOODS LTD.

DIRECTORS' REPORT

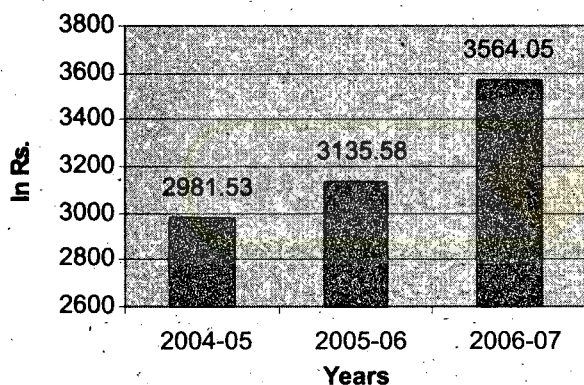
Earning before Interest, Depreciation, Tax and Amortisation



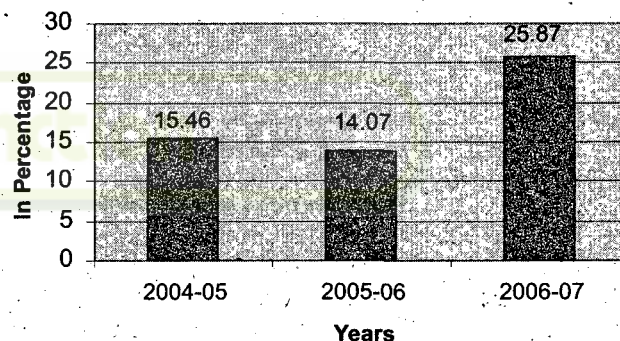
Earnings Per Share



Net Worth

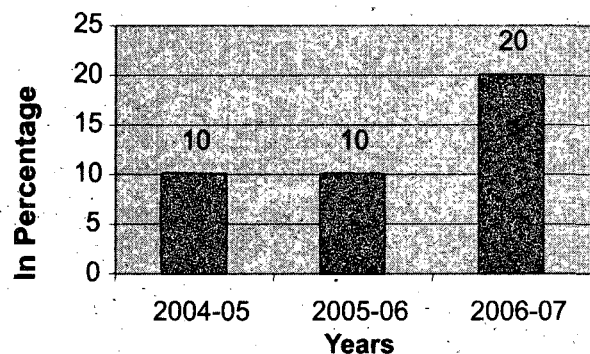


Return on Capital Employed



DIVIDEND

Dividend



An Interim Dividend of Re. 1/- per share (i.e. @ 10%) was declared and paid in March, 2007.

In addition to this, in view of the excellent results, your Directors are pleased to recommend a final dividend at Re.1/- per share (i.e. @ 10 %) which makes the total dividend for the year of Rs. 2/- per share (@ 20 %)



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NEW BEGINNINGS AGE OLD VALUES

DIRECTORS' REPORT**SCHEME OF ARRANGEMENT FOR AMALGAMATION OF LUSTRE INVESTMENT PRIVATE LIMITED**

Your company uses several tradenames in its business, which inter alia, includes 'Ashoka' and 'Classic Ashoka' which contribute significantly to the gross revenues of your company. The ownership of these tradenames lies with M/s Power Brands (Foods) Private Limited (formerly a partnership firm M/s Power Brands (Foods), which has been reorganized as a company under Part IX of the Companies Act, 1956). Lustre Investment Private Limited, a private limited company having its registered office in Mumbai and wholly owned by the promoters of your company, owns 99% shares of the said M/s Power Brands (Foods) Private Limited.

During the year under review, your company initiated process of amalgamation of Lustre Investment Private Limited with a view to ensure un-interrupted availability of these tradenames owned by M/s Power Brands (Foods) Private Limited.

As per the Scheme of Arrangement between the shareholders and creditors of your company and of Lustre Investment Private limited, the latter will get amalgamated into your company on approval of the said Scheme of Arrangement by the Gujarat High court. The Bombay High Court (being the jurisdictional High Court for M/s Luster Investment Private Limited) has already approved the said Scheme of Arrangement subject to approval from Gujarat High Court. On amalgamation as aforesaid, your company will replace M/s Lustre Investment Private Limited as the 99% shareholder in M/s Power Brands (Foods) Private Limited.

BUSINESS DEVELOPMENT

Your company constantly innovates and renovates products in its portfolio to create value that can be sustained over the long term, by offering high quality, safe food products at affordable prices providing nutrition, health and wellness. Your Company's mission is to become the premier organization serving traditional, spice-rich Indian cuisine in the world. In its strive to attain this, your company has been constantly taking efforts to develop typical Indian food and cuisines with its authentic taste in frozen and ready-to-eat form. The new brands which were introduced in the international market last year viz. Des and Truly Indian have received a satisfactory response. ADF brand has been phased out by Aeroplane brand. The other renowned brands of the company viz. Camel, Aeroplane and Ashoka are constantly adding to the company's strength in the market.

Due to newly developing social structure of nuclear families and lack of time, the demand for ready-to-eat foods is on rise and so are the opportunities for the business for your company. In its efforts to diversify its product line, your company has launched a range of Ready-to-eat Frozen (Wraps) and has also expanded its menu by introducing / developing **non-Indian** dishes viz. Asian Dishes and Mediterranean Dishes. The response to all these new products has been satisfactory. Moreover, the Company's constant endeavour is to look at new forms / technologies of packing which are most convenient and retain freshness of food to the maximum possible.

TECHNOLOGY AND QUALITY

Your Company is committed to continuous improvement in terms of product quality and customer service. The Company has already obtained various quality certifications such as the internationally recognized BRC (British Retail Consortium) Global Standard - Foods, ISO 22000/ HACCP & ISO 9001:2000 certifications for its plants located at Nadiad, Gujarat and Nashik, Maharashtra.

FIRE IN NADIAD FACTORY

On 18th March, 2007 a major fire broke out in Nadiad factory destroying all the packing material of plastic and paper as also a part of the factory building. It took over 8 hours for the fire engines to control the fire fully by which time an estimated loss of about Rs. 2 crore had taken place. The plant & machinery, stock and factory building were fully insured. The insurance company will take about 4 to 6 months to settle the claim as per the procedures involved.

SWOT ANALYSIS FOR THE COMPANY**STRENGTHS:**

- High quality and safe food products at affordable prices
- Strong and well differentiated brands
- Ongoing product innovation and renovation

ADF FOODS LTD.

DIRECTORS' REPORT

- Well diversified product portfolio
- Efficient distribution network that allows wide reach and coverage
- Capable and committed human resources

WEAKNESSES:

- strengthening of rupee hitting profits
- ability to pass through price increases in various markets due to intense competition

OPPORTUNITIES:

- Development of modern retail channels resulting in possibility of entering back into Indian markets
- Potential for growth through increased penetration
- Growing preference for "ready-to-eat" food
- Increasing popularity of Indian food in overseas markets

THREATS/CHALLENGES:

- Competitive environment with diverse players
- Rising prices of raw material
- Change in fiscal benefits/laws
- People attraction & retention

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(AA) of the Companies Act, 1956 with respect to Director's Responsibility Statement, it is hereby confirmed:

- that in the preparation of the annual accounts for the financial year ended 31st March, 2007, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- 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;
- that the directors had prepared the accounts for the financial year ended 31st March, 2007 on a going concern basis.

CORPORATE GOVERNANCE

In compliance with the requirements of Clause 49 of the Listing Agreement with the Stock Exchange, a separate report on Corporate Governance along with Auditors' certificate on its compliance has been provided elsewhere in this Annual Report.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Ashok H Thakkar and Shri D E Udwadia, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for reappointment.

AUDITORS

M/s D. P. Ghevaria & Company, Chartered Accountants and M/s. V. P. Thacker & Co., Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for re-appointment as Auditors.