

Cadbury



CADBURY INDIA LIMITED

57th Annual Report 2004

BOARD OF DIRECTORS

CHAIRMAN

C Y Pal

VICE CHAIRMAN

Rajiv Wahi

MANAGING DIRECTOR

Bharat Puri

DIRECTORS

Non Executive

Harsh Mariwala

Jaithirth Rao

Suresh Talwar

Executive

Girish Bhat

Radhakrishnan Menon

Jaiboy Phillips

Sanjay Purohit

Company Secretary

Monaz Noble

General Managers

Vivek Aggarwal	Finance
Jimmy Gandhi	Procurement Business Services
Sharad Gangal	Employee Relations & H R Services
Shivanand Sanadi	Legal Affairs
Sunil Taldar	Sales
Ajit Tawde	Science & Technology
Cedric Vaz	Operations

Auditors

M/s. Deloitte Haskins & Sells, Mumbai

Advocates & Solicitors

Crawford Bayley & Co., Mumbai

K.J. John & Co., New Delhi

Bankers

Citibank N A

HDFC Bank

State Bank of India

Registered Office:

Cadbury House

19, Bhulabhai Desai Road, Mumbai 400 026.

Tel.: 23514558

Fax: 23521698

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Notice

NOTICE IS HEREBY GIVEN THAT THE FIFTY – SEVENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF CADBURY INDIA LIMITED will be held on Thursday, April 21, 2005 at 3.00 p.m. at Sunville, Royal Room, 3rd Floor, 9, Dr. Annie Besant Road, Worli, Mumbai 400 018 to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended January 2, 2005 and the Balance Sheet as on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of **Mr. Suresh Talwar**, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of **Mr. Jaiboy Phillips**, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of **Mr. Radhakrishnan Menon**, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

7. To consider and if thought fit, to pass with or without modification (s), as an Ordinary Resolution the following: "RESOLVED THAT subject to the provisions of Sections 198, 269, 309 and 310 and any other applicable provisions of the Companies Act, 1956, the Company hereby accords its approval to the re-appointment of and remuneration payable to Mr. Girish Bhat as an Executive Director of the Company for a period of 5 years commencing from June 7, 2004 on the terms and conditions set out in the agreement entered into between the Company and Mr. Girish Bhat, a copy whereof initialed by the Chairman of the Board for the purpose of identification, is placed before the meeting."
8. To consider and if thought fit, to pass with or without modification (s), as an Ordinary Resolution the following: "RESOLVED THAT subject to the provisions of Sections 198, 269, 309 and 310 and any other applicable provisions of the Companies Act, 1956, the Company hereby accords its approval to the re-appointment of and remuneration payable to Mr. Bharat Puri as Managing Director of the Company for a period of 3 years commencing from January 1, 2005 on the terms and conditions set out in the agreement entered into between the Company and Mr. Bharat Puri, a copy whereof initialed by the Chairman of the Board for the purpose of identification, is placed before the meeting."
9. To consider and if thought fit, to pass with or without modification (s), as a Special Resolution the following: "RESOLVED THAT subject to the provisions of Sections 309(4) and other applicable provisions, if any, of the Companies Act, 1956 the Company hereby accords its approval to payment of commission to the Non-Executive Indian Directors of the Company for a further period of 5 years with effect from January 3, 2005, determined in accordance with the provisions of Sections 198, 349 and 350 of the Companies Act, 1956, provided that the amount payable to each of them shall be determined by the Board, subject to the maximum of Rs. 2,00,000 (Rupees Two Lakh) for each financial year."

NOTES :

- (a) 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 ONLY ON A POLL AND THE PROXY NEED NOT BE A MEMBER.
A proxy form, duly completed and stamped, must reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
- (b) The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item no.7 to 9 stated above is annexed hereto.
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from April 9, 2005 to April 21, 2005, both days inclusive.
- (d) Dividend on Equity Shares as recommended by the Directors for the financial year ended January 2, 2005 when declared at the meeting will be paid:
 - (i) to those Members whose names appear on the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company on or before April 8, 2005, or
 - (ii) in respect of shares held in electronic form, to those "Deemed Members" whose names appear in the Statement of Beneficial Ownership furnished by the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) as at the end of business hours on April 8, 2005.





- (e) The Company has transferred the unclaimed amounts of dividends up to the financial year ended December 28, 1996 to the General Revenue Account / Investor Education and Protection Fund of the Central Government as required under Sections 205A and 205C of the Companies Act, 1956.
- (f) Members are requested to encash their Dividend Warrants on receipt as Dividend remaining unclaimed for seven years are required to be transferred to the Investor Education and Protection Fund established by the Central Government under Section 205C of the Companies Act, 1956. Once unclaimed dividends are transferred to this fund, Members will not be entitled to claim these dividends.
- (g) Members seeking any information or clarification on the Accounts are requested to send in written queries to the Company, at least one week before the date of the meeting. Replies will be provided in respect of such written queries received only at the meeting.
- (h) Members/Proxies should bring the Attendance Slip sent herewith, duly filled in, for attending the meeting.
- (i) Members are requested to immediately address their communications regarding transfer of shares, change of address, dividend mandates, etc. quoting their folio number(s) to the Company's Registrar & Transfer Agent:

M/s Sharepro Services,
912, Raheja Centre,
Free Press Journal Road
Nariman Point, Mumbai 400 021

Telephone (022) 22825163
22844668
22881568
22881569
Fax : (022) 22825484

OR

Satam Industrial Estate
3rd Floor, Above Bank of Baroda
Cardinal Gracious Road
Chakala, Andheri (E)
Mumbai - 400 099

Telephone: (022) 28215168
28348218
28329828
28215991
28347719
Fax : (022) 28375646

- (j) Members holding shares in identical order of names in more than one folio are requested to write to the Company's aforesaid Registrar & Transfer Agent, and send their share certificates to enable consolidation of their holdings into one folio.
- (k) Members holding shares in dematerialised form, may please note that while opening a depository account with participants they may have given their bank account details, which will be printed on their dividend warrants. However, if Members want to change/correct the bank account details, they should communicate the same immediately to the concerned Depository Participant. Members are also requested to furnish the MICR code of their bank to their Depository Participant. **The Company will not entertain any direct request from Members for deletion / change in the bank account details furnished by Depository Participants to the Company.**
- (l) Members holding shares in physical form are requested to note that, in order to avoid any loss/interception in postal transit and also to get prompt credit of dividend through Electronic Clearing Service (ECS), they should submit their ECS details to the Company's Registrar & Transfer Agent by April 8, 2005. The requisite ECS application form can be obtained from the Company's Registrar & Transfer Agent. Alternatively, Members may provide details of their bank account quoting their folio numbers by the said date, to the Company's Registrar & Transfer Agent to enable them to print such details on the dividend warrants.
- (m) Members who hold shares in the physical form can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in single name are advised, in their own interest to avail of the nomination facility by filling Form 2B. Blank forms will be supplied by Company's Registrar & Transfer Agent on request. Members holding shares in the dematerialised form may contact their Depository Participant for recording nomination in respect of their shares.
- (n) Members are requested to bring their copy of the Annual Report to the Annual General Meeting.

By Order of the Board of Directors

MONAZ NOBLE
Company Secretary

Mumbai
Date : March 3, 2005

Registered office :

Cadbury House
19, Bhulabhai Desai Road
Mumbai 400 026.



Explanatory Statement under Section 173(2) of the Companies Act, 1956

Item No. 7

The Board of Directors re-appointed Mr. Girish Bhat as an Executive Director of the Company with effect from June 7, 2004 for a period of 5 years.

The terms of appointment, remuneration and perquisites of Mr. Bhat as set out in the Agreement referred to in the resolution are subject to the approval of the Shareholders of the Company.

The material terms of appointment and remuneration of Mr. Bhat as set out in the said Agreement are as follows:

- | | | |
|--------------|--|--|
| Clause 1 | Parties to the Contract | : (a) Cadbury India Limited
(b) Mr Girish Bhat – Executive Director |
| Clause 2 | Effective date of re-appointment as Executive Director | : June 7, 2004 |
| | Duration of the term | : 5 years |
| Clause 3 | Duties of Executive Director | : Substantial powers of management subject to such restrictions as the Board may impose from time to time. |
| Clause 4 | Place of Work | : Regd. Office of the Company |
| Clause 5 & 6 | Remuneration, Perquisites and Benefits | : Salary
- Rs 2,36,000/- p.m. excluding allowance
- Utility Allowance of Rs 4,02,000/- p.a.
- Any increases within the overall limit of Rs 5,00,000/- p.m. as may be approved by the Board of Directors from time to time. |

Commission

- Commission upto maximum of Rs. 20,00,000 p.a.

Provident fund, Gratuity and Superannuation:

- As per applicable rules from time to time and Company policy.

Perquisites /Benefits

- Company accommodation
- Gas, electricity and water expenses to be reimbursed by the Company
- Medical Reimbursement and Personal Accident Insurance as per the Company policy
- Leave Travel Allowance, once in a year, as per the rules of the Company
- Club fees – Membership of 1 club
- Use of car with driver
- Reimbursement of expenses on telephone at residence.
- Housing Loan, Furniture & Appliance Scheme as per Company policy
- Reimbursement of expenses reasonably incurred in cash or by credit card while on Company duty

- | | | |
|----------|------------------------------|--|
| Clause 7 | Confidentiality | : - Executive Director not to divulge, disclose or use for his own purpose, information, knowledge etc. relating to the business activities of the Company gathered during employment with the Company. |
| Clause 8 | Termination of the agreement | : - Automatic termination due to superannuation, resignation, etc.
- Immediate termination due to misconduct, conviction for a criminal offence or dishonest acts.
- Termination with 3 months notice during prolonged illness or incapacity.
- Mutual notice for termination |
| Clause 9 | Notices to either parties | : - Mode of Service |



APPENDIX

1. Inventions and improvements
2. Confidential information – not to divulge trade secret or confidential information
3. Non Solicitation – after termination of the employment
4. Non Competition
5. Return of papers – after termination of the agreement

The Board of Directors of the Company is authorised to vary the aforesaid remuneration, perquisites and benefits, including the monetary value thereof, provided the said variation is as per Company policy and within the overall limits laid down in the relevant provisions of the Companies Act, 1956 and Schedule XIII thereto.

In the event of loss or inadequacy of profits in any financial year of the Company, payment of remuneration will be made in accordance with the provisions of Schedule XIII to the Companies Act, 1956.

Mr Bhat will not be entitled to sitting fees for attending meetings of the Board of Directors or Committees thereof.

A copy of the aforesaid Agreement entered into between the Company and Mr. Bhat is available for inspection by the Members at the Registered Office of the Company, between 10.00 a.m. to 1.00 p.m. on any working day of the Company up to the date of the Annual General Meeting.

The aforesaid explanatory statement may also be treated as an abstract of Mr. Bhat's contract of service under Section 302 of the Companies Act, 1956.

The Board of Directors recommend this Resolution for the approval of the Members.

Memorandum of Interest

Except Mr. Bhat, no other Director is concerned or interested in the said Resolution.

Item No. 8

The Board of Directors re-appointed Mr. Bharat Puri as an Managing Director of the Company with effect from January 1, 2005 for a period of 3 years.

The terms of appointment, remuneration and perquisites of Mr. Puri as set out in the Agreement referred to in the resolution are subject to the approval of the Shareholders of the Company.

The material terms of appointment of Mr. Puri as set out in the said Agreement are as follows :

- | | | |
|--------------|---|--|
| Clause 1 | Parties to the Contract | : (a) Cadbury India Limited
(c) Mr Bharat Puri – Managing Director |
| Clause 2 | Effective date of re-appointment as Managing Director | : January 1, 2005 |
| | Duration of the term | : 3 years |
| Clause 3 | Duties of Managing Director | : Substantial powers of management subject to such restrictions as the Board may impose from time to time. |
| Clause 4 | Place of Work | : Regd. Office of the Company |
| Clause 5 & 6 | Remuneration, Perquisites and Benefits | : Salary |

Salary

- Rs 4,16,670/- p.m. excluding allowance
- Utility Allowance of Rs 4,25,000/- p.a.
- Any increases within the overall limit of Rs 10,00,000/- p.m. as may be approved by the Board of Directors from time to time.

Commission

- Guaranteed commission upto maximum of Rs. 15,00,000/- p.a.
- Under annual bonus plan upto maximum of Rs 50,00,000/- p.a.

Provident fund, Gratuity and Superannuation:

- As per applicable rules from time to time and Company policy.

Perquisites /Benefits

- Furnished Company accommodation
- Gas, electricity and water expenses to be reimbursed by the Company
- Medical Reimbursement and Personal Accident Insurance as per the Company policy
- Leave Travel Allowance, once in a year, as per the rules of the Company
- Club fees – Membership of 2 clubs
- Use of cars with driver
- Reimbursement of expenses on telephone at residence.
- Housing Loan, Furniture & Appliance Scheme as per Company policy
- Reimbursement of expenses reasonably incurred in cash or by credit card while on Company duty



Clause 7	Illness	: - Medical leave & Remuneration Entitlement during long absence due to illness
Clause 8	Confidentiality:	: - Managing Director not to divulge, disclose or use for his own purpose, information, knowledge etc. relating to the business activities of the Company gathered during employment with the Company.
Clause 9	Termination of the agreement	: - Automatic termination due to superannuation, resignation, etc. - Immediate termination due to misconduct, conviction for a criminal offence or dishonest acts. - Termination with 3 months notice during prolonged illness or incapacity. - Mutual notice for termination
Clause 10	Notices to either parties	: - Mode of Service

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5. Return of papers – after termination of the agreement

The Board of Directors of the Company is authorised to vary the aforesaid remuneration, perquisites and benefits, including the monetary value thereof, provided the said variation is as per Company policy and within the overall limits laid down in the relevant provisions of the Companies Act, 1956 and Schedule XIII thereto.

In the event of loss or inadequacy of profits in any financial year of the Company, the payment of remuneration will be in accordance with the provisions of Schedule XIII to the Companies Act, 1956.

Mr Puri will not be entitled to sitting fees for attending meetings of the Board of Directors or Committees thereof.

A copy of the aforesaid Agreement entered into between the Company and Mr. Puri is available for inspection by the Members at the Registered Office of the Company, between 10.00 a.m. to 1.00 p.m. on any working day of the Company upto to the date of the Annual General Meeting.

The Board of Directors recommend this Resolution for the approval of the Members.

Memorandum of Interest

Except Mr Puri, no other Director is concerned or interested in the said appointment.

Item No. 9

At the Annual General Meeting of the Company held on April 20, 2000 the Members had approved payment of remuneration to the Non-Executive Indian Directors of the Company, by way of commission not exceeding 1% of the net profit of the Company, subject to an individual limit of Rs. 2,00,000 (Rupees Two Lakh) for each financial year, for a period of 5 years from January 2, 2000. The said approval expired on January 2, 2005. The Board of Directors recommend extension of the said approval for payment of remuneration to Non-Executive Indian Directors, by way of commission not exceeding 1% of the net profit of the Company which will be determined in accordance with the provisions of Section 198 read with Sections 349 and 350 and other applicable provisions, if any, of the Companies Act 1956, with effect from January 3, 2005, for a further period of 5 years.

The Board of Directors recommend this Resolution for the approval of the Members.

Except Mr C Y Pal, Mr. S N Talwar, Mr. H Mariwala and Mr. J Rao no other Director of the Company is interested or concerned in the said Resolution.

By Order of the Board of Directors

MONAZ NOBLE
Company Secretary

Mumbai

Date : March 3, 2005

Registered office :

Cadbury House
19, Bhulabhai Desai Road
Mumbai 400 026.



Chairman's Statement

Dear Shareholder,

In my last year's address to you, I had dealt in detail with the chocolate "infestation incident" reported by the media in the fourth quarter of 2003. The after effect of the incident was felt right through the first half of 2004, when consumer demand for chocolate declined. However, the extensive steps taken by the Company, the most significant of them being further strengthening of the packaging material resulted in gaining back the confidence of the consumers. This was reflected by the unprecedented growth in the Company's chocolate volume during the festive season, thus reinforcing the belief that Cadbury chocolates are the most loved confectionery products.

The Company margins remained under pressure throughout the year due to rising cocoa prices and hardening of prices of dairy products. Sugar prices were also on the rise due to substantially lower sugar cane crop in the country. Further, the material cost increased on account of the steps taken by the Company to strengthen the packaging material of its chocolate range. Thus, though the topline grew by a commendable 7%, the additional cost pressures impacted the profitability.

Two of Cadbury's oldest and most loved brands, CADBURY DAIRY MILK and BOURNVITA, are among India's inaugural superbrands. The Superbrands India Council evaluated over 700 consumer brands, in 98 different categories, to identify 101 winners. BOURNVITA was launched in India in 1947. Its superbrand status recognizes its long connection with Indian consumers. BOURNVITA enjoys high growth rates, with more than 50% market share in western India, and market leadership in the north. CADBURY DAIRY MILK chocolate dominates the Indian chocolate market, with a volume share of 26.3% in the urban market. This brand was launched in the UK in 1905 and therefore celebrates its centenary this year.

Over the years, we have built a stimulating work environment in the Company, which encourages innovation in product development and processes. In the near future a lot of the work in this area will get converted into superior product offerings. One of this, as you already know, is the launch in January 2005 of a unique aniseed flavoured chewing gum CLORETS BILKUL. This product launch heralds the entry of your Company into the local gums market, of which Cadbury Schweppes is one of the global leaders.

As always the emphasis of the Company on growing people capabilities has seen many employees being placed in overseas assignments for the Asia Pacific Region of Cadbury Schweppes, which helps to enrich their experience and also to the contribution made by these employees to the Company.

We are committed to our goal of delivering outstanding consumer value through our superior products and our committed people. Let me take this opportunity to thank the employees, suppliers, distributors, retailers, bankers, consumers and the shareholders for their unwavering support. I also thank the Cadbury Schweppes Group for its continued valuable support extended throughout the year.

I am sure 2005 will see Cadbury move further ahead in its vision of Growing to Greatness.

With warm regards.

Mumbai : March 3, 2005

C Y PAL
Chairman



Report of the Directors

Dear Members,

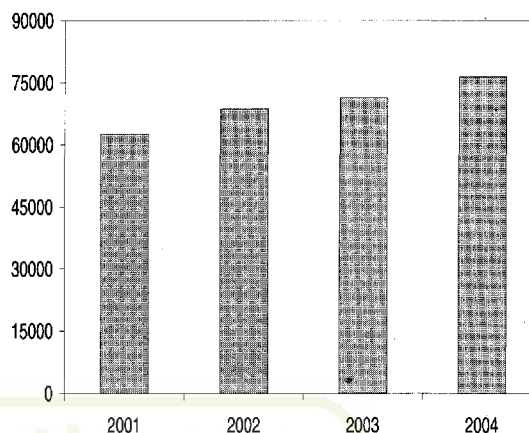
Your Directors are pleased to present the 57th Annual Report together with the Audited Accounts of the Company for the year ended January 2, 2005.

1. Financial Highlights

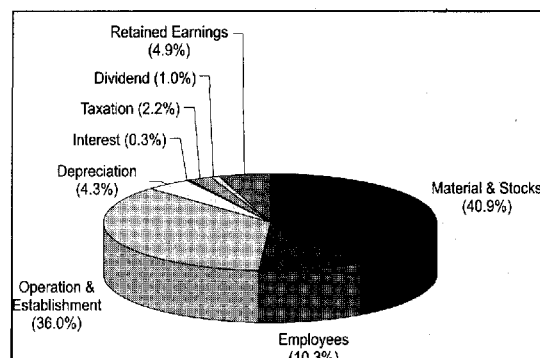
The table below gives the financial highlights of the Company in the financial year 2004 as compared to previous financial year.

	2004 Rs. Lacs	2003 Rs. Lacs
Sales	76405	71421
Other Income	1786	1855
	78191	73276
Profit before Interest, Depreciation & Tax	9989	10483
Interest	(241)	(185)
Depreciation	(3395)	(3089)
Profit Before Tax and Exceptional Items	6353	7209
Provision for Taxation		
- Current Tax	(2176)	(3130)
- Deferred Tax	(48)	486
Profit after Tax and before Exceptional Items	4129	4565
Exceptional items and tax adjustments of earlier years	492	—
Net Profit (after tax adjustments of earlier years)	4621	4565
Balance in P & L A/c brought forward	12050	8741
Balance available for distribution	16671	13306
Proposed Dividend (including Dividend Tax)	814	806
Transfer to General Reserve	350	450
Balance in P & L A/c carried forward	15507	12050
	16671	13306
Earnings per share – Basic & diluted in Rupees	12.94	12.78

Sales Rs. Lacs



Break up of costs





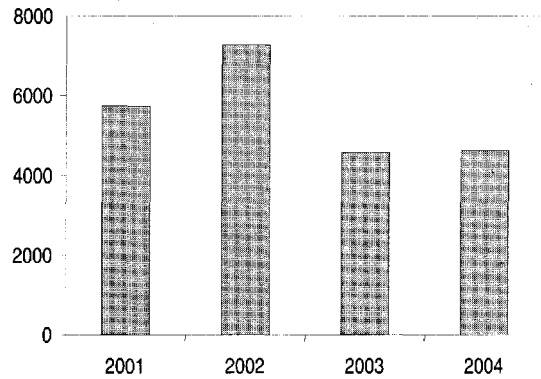
Report of the Directors

2. Dividend

The Directors recommend dividend of Rs. 2/- per share for the financial year ended January 2, 2005. The dividend, if approved at the forthcoming Annual General Meeting, will be paid to:

- (i) all those Equity Shareholders whose names appear on the Register of Members of the Company, after taking into account all valid share transfers in physical form lodged with the Company on or before April 8, 2005 or
- (ii) those whose names appear as beneficial owners as at the end of business on April 8, 2005 as per lists to be furnished by the Depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited.

Profit After Tax Rs. Lacs



3. Acquisition of equity shares of Cadbury India Limited

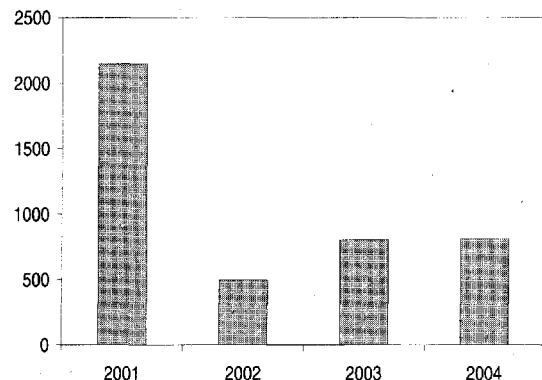
Cadbury Schweppes Plc ("CS Plc") through its subsidiaries, Cadbury Schweppes Overseas Limited ("CSOL") and Cadbury Schweppes Mauritius Limited ("CSML") had acquired equity shares of the Company in excess of 90% which led to delisting of the Company's equity shares from The Stock Exchange, Mumbai with effect from January 20, 2003 and National Stock Exchange Ltd., Mumbai with effect from February 7, 2003. This was followed by an exit option to shareholders, which terminated on January 19, 2004. Thereafter, CSML obtained approval of the Foreign Investment Promotion Board, Government of India for extension of the permission for the acquisition of the balance equity share capital of the Company held by the public. Accordingly, offer letters were sent by CSML to all the shareholders on January 12, 2005, stating its intention to purchase the balance equity shares held by the public at a price of Rs. 500/- per share (as offered in all the previous offers). This offer is scheduled to close on July 15, 2005.

4. Particulars of employees

As on January 2, 2005 the total number of employees on Company records was 1897.

Information on particulars of Employees' Remuneration as per Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 forms part of this report.

Dividend (Including Tax) Rs. Lacs



5. Quality Initiatives

The company follows the internationally accepted HACCP (Hazard Analysis & Critical Control Points) programme, which is the most comprehensive food safety system, to ensure that all products are free from physical, chemical and microbiological contamination. Further, strengthening of the packaging material by