

Cadbury



CADBURY INDIA LIMITED

59th Annual Report 2006

BOARD OF DIRECTORS

CHAIRMAN

C Y Pal

VICE CHAIRMAN

Rajiv Wahi

MANAGING DIRECTOR

Anand Kripalu

NON EXECUTIVE DIRECTORS

Amit Banati

Harsh Mariwala

Suresh Talwar

EXECUTIVE DIRECTORS

Girish Bhat

V Chandramouli

Radhakrishnan Menon

Jaiboy Phillips

Sanjay Purohit

Sunil Sethi

COMPANY SECRETARY

Monaz Noble

GENERAL MANAGERS

Vivek Aggarwal	Finance
Jimmy Gandhi	Materials
Karen Mackenzie	Quality
Shivanand Sanadi	Legal
Narayan Sundararaman	Marketing

AUDITORS

M/s Deloitte Haskins & Sells, Mumbai

ADVOCATES & SOLICITORS

Crawford Bayley & Co. , Mumbai

K. J. John & Co., New Delhi

BANKERS

Citibank NA

HDFC Bank Ltd.

State Bank of India

ABN Amro Bank N.V.

REGISTERED OFFICE

Cadbury House,
19, Bhulabhai Desai Road,
Mumbai 400 026

Tel.: 40073100 • Fax.: 23521698

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Notice

NOTICE IS HEREBY GIVEN THAT THE FIFTY – NINTH ANNUAL GENERAL MEETING OF THE MEMBERS OF CADBURY INDIA LIMITED will be held on Thursday, May 10, 2007 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 December 31, 2006 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. Girish Bhat**, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of **Mr. Jaiboy Phillips**, 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 appoint Mr. Sunil Sethi as a Director of the Company liable to retire by rotation.
8. To consider and if thought fit, to pass with or without modification (s), as an Ordinary Resolution the following:

“RESOLVED THAT pursuant to the provisions of Sections 198, 262, 269, 309 and 310 and any other applicable provisions of the Companies Act, 1956, the Company hereby accords its approval to the appointment of and remuneration payable to Mr. Sunil Sethi as an Executive Director of the Company for a period of 5 years commencing from July 17, 2006, subject to approval of the Central Government, on the terms and conditions set out in the agreement entered into between the Company and Mr. Sunil Sethi, a copy of 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 an Ordinary Resolution the following:

“RESOLVED THAT pursuant to the provisions of Sections 198, 309, 310, 349 and 350 read with other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval to the increase in the Executive Directors Salary limit (excluding commission, PF, gratuity, superannuation, perquisites and benefits) from the existing maximum payout of Rs 5 lacs p.m. to Rs 6 lacs p.m. effective financial year 2007 and in the Commission payable to the Executive Directors of the Company from the existing maximum limit of Rs. 40 lacs p.a. to Rs. 50 lacs p.a. effective financial year 2007.”

10. To consider and if thought fit, to pass with or without modification (s), as an Ordinary Resolution the following:

“RESOLVED THAT pursuant to the provisions of Sections 198, 309, 310, 349 and 350 read with other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval to the increase in the Commission/Annual Incentive Plan payable to Managing Director, Mr. Anand Kripalu from the existing maximum limit of 75% of annual base salary to maximum limit of 100% of annual base salary effective financial year 2007.”

11. To consider and if thought fit, to pass with or without modification (s), as a Special Resolution the following:

“RESOLVED THAT pursuant to the provisions of Sections 309(4), 349, 350 and any other applicable provisions of the Companies Act, 1956, the Company hereby accords its approval to the increase in the



maximum limit of Commission payable to the Non-Executive Indian Directors, effective December 31, 2006, from Rs. 2 lacs to the maximum limit of Rs. 4 lacs for each financial year, as may be determined by the Board of Directors."

12. To consider and if thought fit, to pass with or without modification (s), as a Special Resolution the following:

"RESOLVED THAT pursuant to the provisions of Article 13 of the Articles of Association of the Company and in accordance with the provisions of Sections 77A and 77B and all other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as "the Act") and the provisions contained in the Private Limited Company and Unlisted Public Limited Company (Buy-back of Securities) Rules, 1999 as amended upto date (hereinafter referred to as "the Buy-back Regulations") including any statutory modification(s) or re-enactment of the said Act or Rules framed thereunder from time to time or the Buy-back Regulations, for the time being in force and subject to such approvals, permissions and sanctions as may be necessary and further subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which expression shall be deemed to include a Committee thereof), the consent of the Company be and is hereby accorded to the Board to purchase or buy-back its fully paid-up equity shares of the face value of Rs.10/- each up to a maximum of 11,53,374 equity shares and cash outflow not exceeding Rs.9400 lacs (Rupees Ninety-four crores only) at a price not exceeding Rs.815/- (Rupees Eight hundred fifteen) per equity share (hereinafter referred to as "the Buy-back").

RESOLVED FURTHER THAT the Board be and is hereby authorised to implement the Buy-back within a period of twelve months from the date of passing of this Resolution (or such extended period as may be permitted under the Act or the Buy-back Regulations or by the appropriate authorities) in one or more tranches from out of the Company's Free Reserves and/or the Securities Premium Account and/or the proceeds of earlier issue of shares other than equity shares made specifically for buy-back purposes, by adopting the methodology involving purchase of the Equity Shares from the existing equity shareholders on a proportionate basis, in such manner as may be prescribed by the Act and/or the Buy-back Regulations and on such terms and conditions as the Board may from time to time in its absolute discretion deem fit.

RESOLVED FURTHER THAT within the limits of maximum of 11,53,374 equity shares and cash outflow not exceeding Rs.9400 lacs (Rupees Ninety-four crores only) at a price not exceeding Rs.815/- (Rupees Eight hundred fifteen) per equity share stipulated as aforesaid, the Board be and is hereby authorised to determine the aggregate amount to be utilised towards the Buy-back including the number of equity shares to be bought back, the specific price for individual transactions in the Buy-back and the time frame for the completion of the modalities for the closure of the Buy-back.

RESOLVED FURTHER THAT subject to applicable statutory regulations and within the overall limits of a maximum of 11,53,374 equity shares and cash outflow not exceeding Rs.9400 lacs (Rupees Ninety-four crores only) at a price not exceeding Rs.815/- (Rupees Eight hundred fifteen) per equity share, the Board be and is hereby authorised to implement Buy-back through one or more of the other permitted methodologies including tender route, within a period of twelve months (or such permitted extended period) from the date of passing of this resolution and the Board may decide to close the Buy-back through the methodology of purchase of the Equity Shares from the existing equity shareholders on a proportionate basis.

RESOLVED FURTHER THAT nothing contained hereinabove shall confer any right on the part of any shareholder to offer and/or any obligation on the part of the Company or the Board to buy-back any shares, and/or impair any power of the Company or the Board to terminate any process in relation to such Buy-back, if so permissible by law.

RESOLVED FURTHER THAT the buy-back of shares from non-resident shareholders, and/or shareholders of foreign nationality shall be subject to such further approvals as may be required including approvals, if any, from the Reserve Bank of India under the Foreign Exchange Management Act, 1999 and the Rules/Regulations framed thereunder.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of its powers to any Committee of Directors of the Company for giving effect to the aforesaid Resolutions."

**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 12 stated above is annexed hereto.
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from April 28, 2007 to May 10, 2007, both days inclusive.
- (d) Dividend on Equity Shares as recommended by the Directors for the financial year ended December 31, 2006 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 27, 2007, 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 27, 2007.
- (e) The Company has transferred the unclaimed amounts of dividends up to the financial year ended January 2, 1999 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 the depository 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 27, 2007. 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.

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By Order of the Board of Directors

Monaz Noble
Company Secretary

Mumbai

Date : March 29, 2007

Registered office :

Cadbury House
19, Bhulabhai Desai Road
Mumbai 400 026.



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

Item Nos. 7 & 8

The Board of Directors appointed Mr. Sunil Sethi as an Executive Director of the Company with effect from July 17, 2006 for a period of 5 years.

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

The Company has also received notice under Section 257 of the Companies Act, 1956, along with a deposit of Rs. 500 from a member intimating his intention to propose the candidature of Mr. Sethi for the office of a Director of the Company.

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

- | | | | |
|--------------|---|---|--|
| Clause 1 | Parties to the Contract | : | (a) Cadbury India Limited
(b) Mr Sunil Sethi |
| Clause 2 | Effective date of appointment as Executive Director | : | July 17, 2006 |
| | 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 | : | Salary |

and benefits

- Rs 2,30,000/- p.m. excluding allowances
- Utility Allowance of Rs 37,500/- p.m.
- Special Allowance of Rs 20,000/- p.m.
- 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. 40,00,000 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.



- | | |
|---|---|
| <p>Clause 7 Confidentiality</p> <p>Clause 8 Termination of the agreement</p> <p>Clause 9 Notices to either parties</p> | <ul style="list-style-type: none"> - Housing Loan, Furniture & Appliance Scheme as per Company policy - Reimbursement of expenses reasonably incurred in cash or by credit card while on Company duty - 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. - 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 - 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 Sethi 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. Sethi 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 Board of Directors recommend this Resolution for the approval of the Members.

Memorandum of Interest

Except Mr. Sethi, no other Director is concerned or interested in this Resolution.

Item No. 9

In view of the substantial growth of the business of the Company, over the last few years, the responsibilities of the Executive Directors have increased tremendously. The market for experienced senior management personnel has also substantially changed in view of the many opportunities in India and abroad. Remuneration, perquisites, commission and benefits level therefore need to conform to international standards.

It is accordingly proposed to increase the limit of salary (excluding PF, gratuity, superannuation, perquisites and benefits) and commission as indicated in the resolution. The other terms and conditions of the agreement approved remain unchanged.

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

Memorandum of Interest

Except the Executive Directors, none of the other directors are concerned or interested in this resolution.



Item No. 10

In view of the substantial growth of the business of the Company, over the last few years, the responsibilities of the Managing Director has increased tremendously. It is therefore proposed to increase the limit of Commission/ Annual Incentive Plan payable to him as indicated in the resolution. The other terms and conditions of the agreement approved remain unchanged.

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

Memorandum of Interest

Except Mr. Kripalu, no other Director is concerned or interested in this resolution.

Item No. 11

At the Annual General Meeting of the Company held on April 21, 2005 the Members had approved payment of commission to Non-Executive Indian Directors of the Company, subject to an individual limit of Rs. 2 lacs for each financial year. In view of the substantial growth of the business of the Company, over the last few years, requiring greater involvement of non-executive directors it is proposed that the individual limit of commission payable to them be raised from Rs. 2 lacs p.a. to Rs. 4 lacs p.a., effective December 31, 2006.

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

Memorandum of Interest

Except the Non-Executive Indian Directors, none of the other directors are concerned or interested in this resolution.

Item No. 12

As required under the provisions of Section 77A(3) of the Companies Act, 1956 ("the Act") and Regulation 4 of the Private Limited Company and Unlisted Public Limited Company (Buy-back of Securities) Rules, 1999 as amended upto date read with Schedule I annexed thereto ("Buy-back Regulations"), the following Explanatory statement sets out the various details required to be disclosed.

1. The Board of Directors of the Company ("the Board") at its meeting held on March 29, 2007 considered and approved the proposal for buy-back of fully paid up equity shares of the Company upto a maximum of 11,53,374 equity shares and cash outflow not exceeding Rs.9400 lacs (Rupees Ninety-four crores only) at a price not exceeding Rs.815/- (Rupees Eight hundred fifteen) per equity share (hereinafter referred to as "the Buy-back") in accordance with the provisions contained in Article 13 of the Company's Articles of Association and Section 77A and 77B and all other applicable provisions of the Act and the Buy-back Regulations.
2. The Buy-back proposal is being suggested having regard to the fact that the shares of the Company are delisted from the Stock Exchanges and, as a consequence thereof, the same cannot be traded on the floor of the Stock Exchanges. The Buy-back will provide an option to the shareholders to sell their shares at the value arrived at by two independent valuers appointed by the Board.
3. The Buy-back is proposed to be implemented by the Company by adopting the methodology involving purchase of the Equity Shares from the existing equity shareholders on a proportionate basis in such manner as may be prescribed by the Act and under the Buy-back Regulations, and on such terms and conditions as may be determined by the Board at a later date. The Company shall not buy-back its shares from any person through negotiated deal whether on or through spot transactions or through any private arrangements in the implementation of the Buy-back. As an enabling provision, approval of the members is sought to empower the Board to resort to other permitted methodologies of implementing the Buy-back including tender route, subject to the Company fulfilling applicable statutory regulations.
4. The equity shares of the Company are proposed to be bought back at a price not exceeding Rs. 815/- (Rupees Eight hundred fifteen only) per equity share in terms of the above resolution. This price has been arrived at as per the valuation made by the two reputed and independent valuers appointed by the Board for



this purpose using accepted valuation methodologies as considered relevant and appropriate by them. The buy-back price as proposed above, while providing an option to the shareholders to sell their shares at the value as derived above, will ensure that the growth of the Company is not impaired in any way .

5. The Buy-back size represents 25% of the aggregate of the Company's paid up equity capital and free reserves as on December 31, 2006. The maximum number of shares to be bought back i.e. 11,53,374 shares represent 3.4% of the outstanding fully paid shares of the Company as on December 31, 2006. The above resolution seeks the consent of the shareholders for the Board (including a Committee thereof) to determine the price and the number of equity shares to be bought back by the Company within the aforesaid limits. The funds required for the Buy-back will be met out of the free reserves of the Company. The debt equity ratio of the Company after the Buy-back will be well within the limit of 2:1 as prescribed under the Act.
6. (a) The aggregate shareholding of the Promoters (Cadbury Schweppes Overseas Ltd., UK) and of the Directors of the Promoters where the Promoter is a Company and of the persons who are in the control of the Company (hereinafter collectively referred to as "the Promoters") as on the date of this notice is 182,13,120 equity shares constituting 53.01% of the issued share capital of the Company.
- (b) No shares were either purchased or sold by the Promoters (Cadbury Schweppes Overseas Ltd., UK) during the period of six months preceding March 29, 2007, i.e., the date of the Board Meeting at which the Buy-back was approved and the date hereof.
7. Cadbury Schweppes Mauritius Limited (CSML) will participate in the Buy-back.
8. As per the provisions of the Act, the Special resolution passed by the shareholders approving the Buy-back shall be valid for a maximum period of 12 months from the date of passing of the said Resolution. The Board shall determine the time frame for completion of the Buy-back within this validity period.
9. In accordance with the regulatory provisions, the shares bought back by the Company will compulsorily be cancelled and will not be held for re-issue at a later date.
10. In terms of provisions of section 77A(8) of the Act, the Company will not be entitled to make a fresh issue of equity shares for a period of six months from the date of completion of the Buy-back envisaged under this resolution except in cases/circumstances mentioned in the said section.
11. The Company confirms that there are no defaults subsisting in the repayment of deposits, redemption of debentures or preference shares or repayment of term loans to any financial institutions or banks.
12. **The Board confirms :**
 - (i) that it has made the necessary and full enquiry into the affairs and prospects of the Company and has formed the opinion.
 - (a) that immediately following the date on which the general meeting is convened, there will be no grounds on which the Company could be found unable to pay its debts; and
 - (b) as regards its prospects for the year immediately following the date of the general meeting, that having regard to their intentions with respect to the management of the Company's business during that year and to the amount and character of the financial resources which will, in the view of the Board be available to the Company during that year, the Company will be able to meet its liabilities as and when they fall due and will not be rendered insolvent within a period of one year from the date of the general meeting; and
 - (ii) in forming its opinion for the above purposes, the Board has taken into account the liabilities as if the Company were being wound up under the provisions of the Companies Act, 1956 (including prospective and contingent liabilities).
13. The text of the report dated March 29, 2007 received from Messrs. Deloitte Haskins and Sells, the statutory auditors of the Company, addressed to the Board of Directors is reproduced below :