

Cadbury

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CADBURY INDIA LIMITED
62nd Annual Report 2009

BOARD OF DIRECTORS

CHAIRMAN

C Y Pal

MANAGING DIRECTOR

Anand Kripalu

NON EXECUTIVE DIRECTORS

Harsh Mariwala

Radhakrishnan Menon

Suresh Talwar

EXECUTIVE DIRECTORS

Atul Bhatia

V Chandramouli

Rajesh Garg

Jaiboy Phillips

Rajesh Ramanathan

Sunil Sethi

Narayan Sundararaman

COMPANY SECRETARY

Barkha Bordia

AUDITORS

M/s Deloitte Haskins & Sells, Mumbai

ADVOCATES & SOLICITORS

Talwar Thakore & Associates, Mumbai

K. J. John & Co., New Delhi

BANKERS

Citibank NA

HDFC Bank Ltd.

State Bank of India

ABN Amro Bank N.V.

HSBC Ltd.

REGISTERED OFFICE

Cadbury House,

19, Bhulabhai Desai Road,

Mumbai 400 026

Tel.: 40073100 • Fax.: 23521698

WORKS

Thane : 1 Pokharan Road, Eastern Express Highway, Thane 400 606, Maharashtra

Induri : Talegaon Dabhade, Pune 410 507, Maharashtra

Malanpur : Plot No. 25, Malanpur Industrial Area, Village Gurikha, Tehsil Gohad, District Bhind, Gwalior - 477 116, Madhya Pradesh

Baddi : Hadbast No. 199, Village Sandholi Baddi, Tehsil - Nalagarh, Dist Solan - 173205, Himachal Pradesh

Bangalore : Jodi Hanumanapalya Mahadevapura Post, Mangalore Road, Nelamangala -

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Report of the Directors

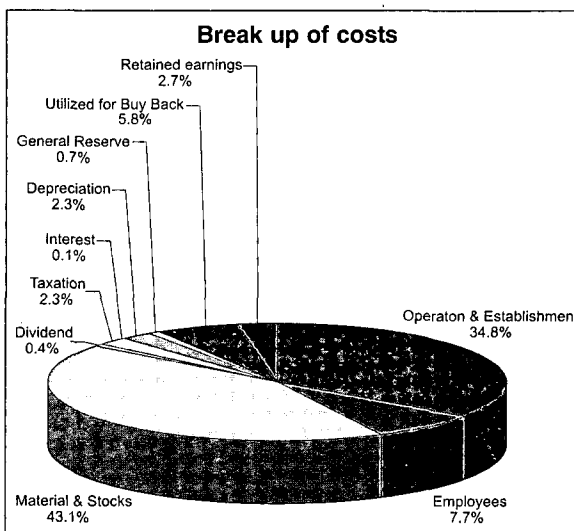
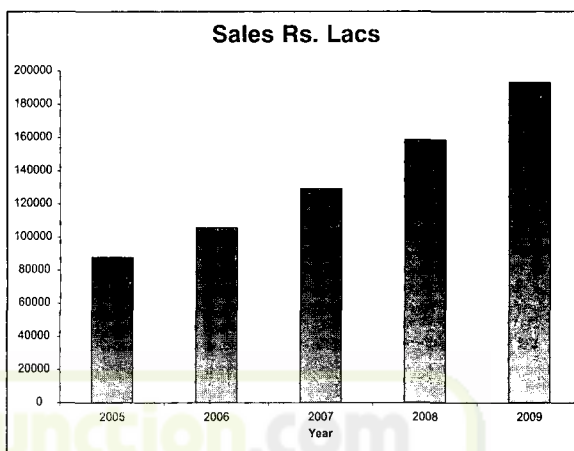
Dear Members,

Your Directors are pleased to present the 62nd Annual Report together with the Audited Accounts of the Company for the year ended December 31, 2009.

1. Financial Highlights

The table below gives the financial highlights of the Company for the financial year 2009 as compared to previous financial year.

	2009 Rs. Lacs	2008 Rs. Lacs
Sales	193438	158860
Other Income	1267	2506
	194705	161366
Profit before Interest, Depreciation & Tax	27992	24361
Interest	(172)	(520)
Depreciation	(4383)	(3652)
Profit Before Tax and Exceptional Items	23436	20189
Provision for Taxation		
- Current Tax	(3933)	(3855)
- Deferred Tax	(651)	244
Profit after Tax and before exceptional items	18852	16578
Exceptional items and tax adjustments of earlier years	11	—
Net Profit (after tax adjustments of earlier years)	18863	16578
Balance in P & L A/c brought forward	38992	34313
Adjustments made in accordance with the transitional provisions of accounting Standard 15 on Employee Benefits	—	—
Balance available for distribution	57854	50892
Utilized for buy back of Shares		
Proposed Dividend (including Dividend Tax)	11385	9897
Transfer to General Reserve	727	753
Balance in P & L A/c carried forward	1420	1250
	44322	38992
Earnings per share – Basic & diluted in Rupees	59.72	50.62





Report of the Directors

2. Dividend

The Directors recommend dividend of Rs.2/- per share for the financial year ended December 31, 2009. 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 September 17, 2010 or
- (ii) those whose names appear as beneficial owners as at the end of business on September 17, 2010 as per lists to be furnished by the Depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited.

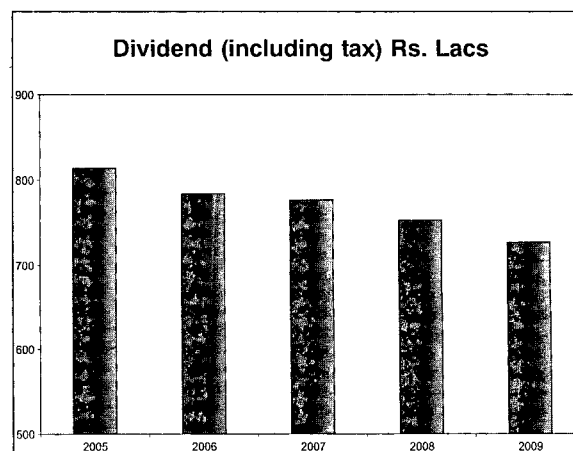
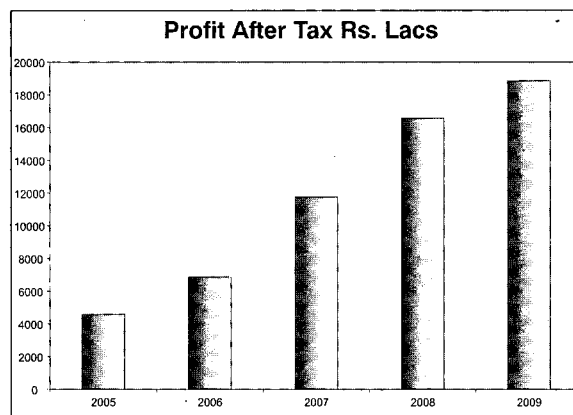
3. Status on Buy-back of equity shares of the Company

At the Annual General Meeting held on May 25, 2009, a Special Resolution was passed by the shareholders for buy-back of 11,16,505 equity shares from shareholders at a price of Rs.1,030/- per share. Accordingly, the Buy-Back Offer was kept open from June 4, 2009 to June 19, 2009 and 11,16,168 equity shares were bought back. The Buyback programme resulted in a reduction in the paid up Share Capital to Rs. 3106.70 lacs from Rs. 3218.32 lacs.

4. Status on reduction of the Paid-up Equity Share Capital of the Company

At the Extra Ordinary General Meeting held on November 16, 2009, a Special Resolution was passed by the shareholders to reduce the Paid-up Equity Share Capital of the Company by paying off/returning to the holders of the equity shares (other than the Promoters viz. Cadbury Schweppes Overseas Limited and Cadbury Mauritius Limited) a sum of Rs. 1,340/- (Rupees One Thousand Three Hundred Forty only) per share being the face value of Rs. 10/- and a premium of Rs. 1,330/- per share pursuant to Section 100 of the Companies Act, 1956 and Articles of the Company's Articles of Association.

As the above reduction of the Company's paid-up equity share capital was subject to the confirmation of the Bombay High Court, the Company filed a petition to seek confirmation of the Court. The petition was admitted by the Court on December 18, 2009. Pursuant to an order passed on April 25, 2010 by the Bombay High Court, with the consent of the Company and shareholders who had objected to the petition, the Court appointed M/s Ernst & Young as independent valuers to value





Report of the Directors

the shares of the Company. The valuation by the said Valuers was to be final and binding on the Company and all objectors and shareholders, subject to the Court finding any grave infirmity in the valuation report. The Court appointed valuers have given a revised valuation of the equity shares of the company at Rs. 1743/- per share. The petition is now due to be heard and decided finally.

5. Particulars of employees

As on December 31, 2009 the total number of employees on Company records was 2155.

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.

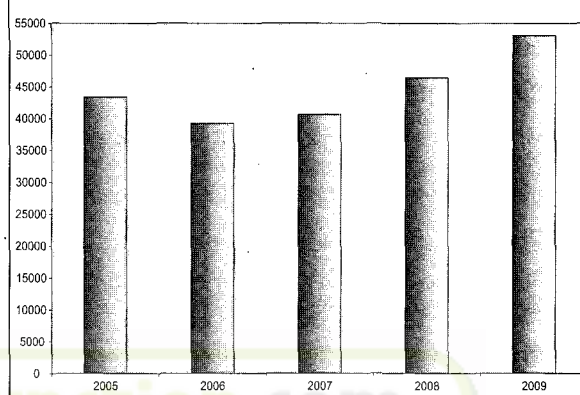
6. Quality & Food Safety

Quality and Food Safety standards are being raised throughout the Supply Chain. All vendors are being audited as per Cadbury requirements and a forum is created for implementing GFSI (Global Food Safety Initiative) standards. Consumer Relevant Quality Standards and 6 sigma techniques are being deployed for manufacturing products right the first time. All the manufacturing sites are implementing FSSC 22000 standards. Depots and distributor audits are being conducted regularly and end-to-end cold chain systems are being implemented across the distribution chain. Quality capability is being enhanced continuously by conducting Analytical and Microbiological Proficiency Improvement programmes.

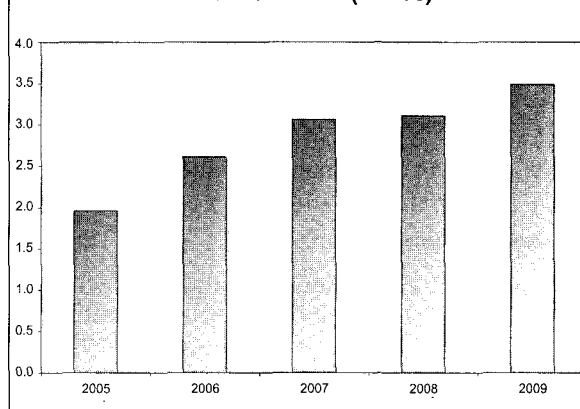
7. Environment, Health, Safety and Sustainability

Strong focus on the implementation for priority safety standards and commercial safety has reduced the overall LTIFR to 0.02. Further, tracking of TRFR has been initiated, which is at a level of 0.84. Water consumption per ton has come down by 20% through initiatives on reduce, reuse, recycle and replenish initiative. Subsequent to the rain water harvesting, Bangalore plant has completed the second phase of water neutral program by implementing reverse osmosis plant to treat the waste water and use it back in in boilers and cooling towers. Carbon emission have come down by 15%. Sedex registration has been completed by all plants including contract manufacturing operations. Ethical sourcing audit has been completed at Baddi site by external agency.

Shareholders' Funds Rs. Lacs



Asset Turnover (Times)





Report of the Directors

8. Directors

Resignations

Mr. Sanjay Purohit resigned as Executive Director with effect from July 9, 2010. The Board places on record its appreciation of the valuable services rendered by him during his tenure as Director.

Appointments

Mr. Rajesh Ramanathan has been appointed as an Executive Director with effect from May 1, 2010. Mr. Narayan Sundararaman has been appointed as an Executive Director with effect from June 8, 2010.

Retirement by Rotation

Mr. Harsh Mariwala, Mr. Atul Bhatia and Mr. Radhakrishnan Menon are retire by rotation and, being eligible, offer themselves for re-appointment.

9. Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors' confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently, and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at December 31, 2009 and of the profit of the Company for the year ended December 31, 2009;
- proper and sufficient care has been taken 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;
- the annual accounts have been prepared on a going concern basis.

10. Audit Committee

The Audit committee comprises of two non-executive directors and one executive director. Mr. C. Y. Pal is the Chairman of the Audit Committee. During 2009, four Audit Committee meetings were held.

11. Fixed Deposits

There were no outstanding Fixed Deposits at the end of this or the previous year. The Company did not accept any Fixed Deposits during the year.

12. Subsidiary Company

Induri Farm Limited, the wholly owned subsidiary of your Company made a profit of Rs 2.46 Lacs during the year under review (previous year profit of Rs 16.57 Lacs) for which no adjustments have been made in the books of the Company. The Statement pursuant to Section 212 (1)(e) of the Companies Act, 1956, is given at the end of Notes to the Accounts

13. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars required under Section 217 (1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are attached as Appendix "A" to this report.

14. Cost Auditor

The Central Government's Cost Audit Order specifies audit of Cost Accounting Records of Malted Milk Food - Bournvita every year. The Board of Directors, subject to the approval of the Central Government, have appointed Mr. V V Deodhar, Cost Accountant, Mumbai, to carry out this audit for the current year at a remuneration of Rs. 48,000/- plus reimbursement of out-of-pocket expenses.

15. Acknowledgment

The Directors sincerely appreciate the high degree of professionalism, commitment and dedication displayed by employees at all levels.

The Directors would also like to acknowledge the sustained guidance, assistance and advice received during 2009 from Cadbury plc.

For and on behalf of the Board of Directors

C Y PAL

Chairman

Place : Mumbai :

Date : August 5, 2010



Annexure 'A' To The Directors' Report

Additional information as required under the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988;

CONSERVATION OF ENERGY

(a) Energy conservation measures taken :

Energy conservation continues to be an area of emphasis and is regularly monitored in every manufacturing unit of the Company.

The following energy conservation measures were taken up during the year.

- i) Installation of 66KVA line in Baddi.
- ii) Automatic blow down controller for boilers
- iii) Energy audits.
- iv) Replacement of Freon based refrigeration system with Ammonia based chillers in Malanpur plant.
- v) Use of Solar system for street lightning.

(b) Additional investment and proposals being implemented for reduction of consumption of energy:

Following investments and proposals are at various stages of implementation.

- i) Rationalizing capacity of milk chilling compressor.
- ii) Installation of steam jet ejector vacuum system for oven crumb
- iii) Energy efficient pumps
- iv) Interlocks to stop idle running of assets
- v) Recovery of steam leakages
- vi) Replacement of mercury street lights with LED lights

(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

The implementation of energy saving projects has helped in containing energy costs.

(d) Total energy consumption and energy consumption per unit of production in prescribed form 'A' :

A) POWER AND FUEL CONSUMPTION IN RESPECT OF :

1) Electricity

a) Purchased

Units (KWH in lacs)

Total amount (Rs in lacs)

Rate per unit (Rs.)

b) Own Generation

Through Diesel Generator

Units (KWH in lacs)

Units per litre of diesel oil

Cost per unit (Rs/unit)

2) Furnace Oil/LSHS/LDO/HSD/SKO

Qty. (K Ltrs.)

Total amount (Rs in lacs)

Average rate (Rs/ltr)

	2009	2008
	388.9	379.4
	1,734.0	1,589.7
	4.5	4.2
	97.1	37.4
	3.3	3.2
	9.2	11.3
	615.8	480.9
	169.4	161.3
	27.5	33.6



Annexure 'A' To The Directors' Report

3) Bagasse / Saw Dust / Coal / Wood

Qty (in tones)
Total amount (Rs in lacs)
Average rate (Rs per kg)

28,006.2	24,515.3
1,223.3	685.4
4.4	2.8

4) RLNG

Qty (in '000 MMBTU)
Total amount (Rs in lacs)
Average rate (Rs per '000 MMBTU)

12.6	15.4
76.2	77.7
6.0	5.0

B) CONSUMPTION PER UNIT OF PRODUCTION

Confectionery and Food Drinks

- (i) Electricity (KWH/T)
- (ii) Furnace Oil/LHS/LDO/HSD/(KL/T)
- (iii) Bagasse / Coal (KGS/T)
- (iv) RING (MMBTU/T)

597.1	519.6
0.0	0.0
344.1	305.6
0.2	0.2

TECHNOLOGY ABSORPTION

e) Efforts made in technology absorption in prescribed Form 'B' :

Research & Development

1. Activities at the Science & Technology centre in areas of innovation in product, packaging & process:

- BOURNVITA L'IL CHAMPS-new BOURNVITA variant for 2-5 years old, specially designed for growing needs of children in this age group
- BUBBALOO flavour variants to sustain excitement with the brand and product
- HALLS - launch of new flavour variant (Lime Menthol) and new blister pack as additional choices for consumers
- ECLAIRS - relaunch of the product with more chewy caramel and higher level of more liquid centre
- ECLAIRS STICK PACK - convenient to carrying format
- CADBURY PERK relaunched offering 50% greater value to consumers
- CADBURY DAIRY MILK SILK - fine milk chocolate matching sensorial of international chocolates
- Indian cocoa bean screening - evaluation of Indian cocoa beans of various origins to understand quality parameters

2. Benefits derived:

- Higher value offering PERK has been accepted as excellent 'value for money' product and has driven growth in the format
- CADBURY DAIRY MILK SILK has strengthened CADBURY DAIRY MILK brand image as the best Indian chocolate
- BOURNVITA L'IL CHAMPS delivers (I) Omega-3 fatty acids - crucial to cognitive development of children, (II) Choline- important in aiding neuro transmission, and (III) Whey Protein - which enables muscle development
- New variants and packs for HALLS and ECLAIRS has enabled these brands to record good growths
- Characterisation of Indian cocoa beans has provided insights into their quality improvement areas
- Nearly 500 tons of consumption of packaging material was reduced through continuous optimisation of structure and dimensions
- Alternative sources of South East Asian cocoa beans were tested to reduce dependence on West African source of cocoa beans
- R&D expert support was extended to Egypt, South Africa and Malaysia

3. Future Plans:

- Explore new product opportunities to sustain growth within the business
- Continuous renovation and extension of existing products and brands to sustain market share
- Leverage increased availability of local cocoa beans for reducing cocoa beans importation



Annexure 'A' To The Directors' Report

- Sustained reduction in packaging consumption through continuous optimisation initiatives
- Support R&D activities in Emerging Markets

4. Expenditure on R&D

	Rs Lacs
a. Capital	89.29
b. Recurring	794.89
c. Total	884.78
d. Total as % of turnover	0.46 %

Technology Absorption, Adoption and Innovation:

Efforts continue to assimilate technology from affiliate group companies for improving product quality.

FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to export initiatives taken to increase the development of new markets for products and services:

The Company's Exports in 2009 were to Sri Lanka, Dubai, USA, Maldives, Afghanistan, Bangladesh and Ukraine.

2. Total foreign exchange used and earned :

	Rs. Lacs
Foreign exchange earnings	1898.38
Foreign exchange outgoings	21566.86*

(*includes raw materials, components and spare parts, capital goods and other expenditure in foreign currency including dividend.)



Auditors' Report to the Members of Cadbury India Limited

1. We have audited the attached Balance Sheet of Cadbury India Limited, as at December 31, 2009 and also the Profit and Loss Account and the Cash Flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books.
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub - section (3C) of Section 211 of the Companies Act, 1956.
 - (e) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the directors are disqualified as on December 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2009;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Deloitte Haskins & Sells,
Chartered Accountants
Firm Registration No. : 117366W

P.B. Pardiwalla
Partner
Membership number: 40005

Place: Mumbai
Date: March 11, 2010