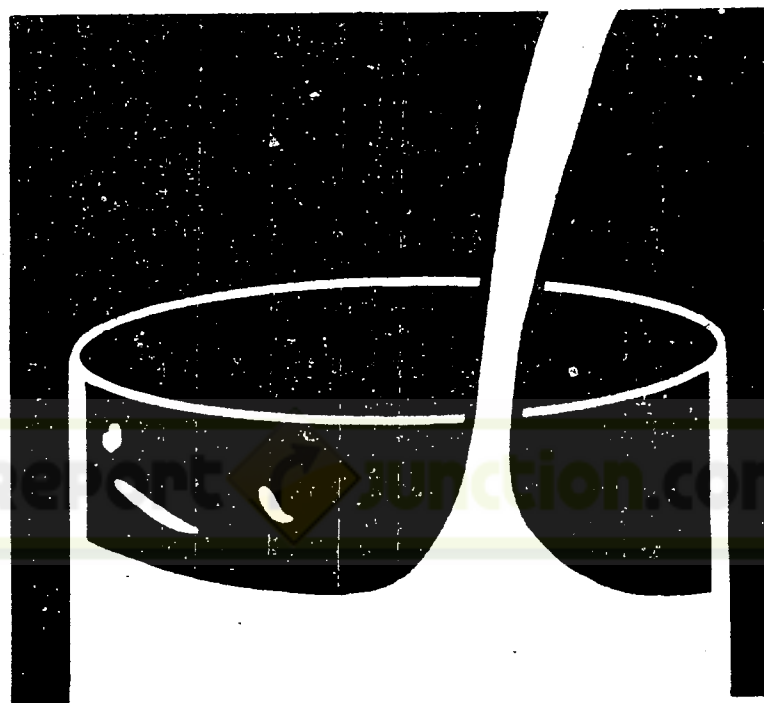


10TH ANNUAL REPORT

1996-97

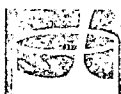
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Vadilal Dairy International Ltd.



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BOARD OF DIRECTORS

SHRI RAMCHANDRA E. GANDHI
CHAIRMAN
SHRI SHAILESH R. GANDHI
MANAGING DIRECTOR
DR. A. C. SHAH
SHRI VAMAN PAREKH
SHRI ARUN GANDHI
SHRI ROHIT MEHTA
SMT. B.S. GANDHI
SHRI M. V. PHADKE
IDBI NOMINEE
SHRI ANAND KHANOLKAR
(W.E.F. 30.06.1997)

REGISTERED OFFICE

PLOT NO. E-10,
M.I.D.C. INDUSTRIAL AREA,
MALEGAON, SINNAR DIST.
NASIK PIN - 422 103.

CORPORATE OFFICE

SHUBHANGAN, PLOT NO. 24,
GULMOHAR ROAD,
JVPD SCHEME,
MUMBAI - 400 049.

AUDITORS

M/S. CHATURVEDI & SHAH,
CHARTERED ACCOUNTANTS,
MUMBAI.
M/S. KANTILAL PATEL & CO.,
CHARTERED ACCOUNTANTS,
AHMEDABAD.

BANKERS

BANK OF BARODA,
UNION BANK OF INDIA.

REGISTRAR & SHARE TRANSFER AGENT

HAMCO SHARE REGISTRY PVT. LTD.
LUTHRA INDUSTRIAL PREMISES
ANDHERI-KURLA ROAD,
SAFED POOL,
ANDHERI (E), MUMBAI 400 072.

10th Annual General Meeting

Date - 18th December, 1997
Day - Thursday
Time - 11.00 a.m.
Place - Plot No. E-10,
M.I.D.C. Industrial Area
Malegaon, Sinnar Dist. Nasik
Pin - 422 103.

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NOTICE TO MEMBERS

Notice is hereby given that the Tenth Annual General Meeting of VADILAL DAIRY INTERNATIONAL LIMITED will be held at the registered office of the company situated at E-10, M.I.D.C Area, Malegaon, Taluka Sinnar, District - Nasik-422 103, on Thursday, December 18th, 1997 at 11.00 a.m to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1997 and the Profit and Loss Account for the year ended 31st March, 1997 and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Rohit Mehta who retires by rotation, and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Smt Bela S. Gandhi who retires by rotation, and being eligible offers herself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the Conclusion of next Annual General Meeting at a remuneration as may be decided by the Board in consultation with them.

SPECIAL BUSINESS :

5. To consider & if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT Shri Anand S. Khanolkar be and is hereby appointed as a Director of the Company".

6. To consider & if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provision of Sections 198, 269, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the approval of the Company be and is hereby accorded to the appointment of Shri Anand S. Khanolkar as whole-time Director of the Company w.e.f. 30th June, 1997 for a period of one year on the terms and conditions including remuneration and perquisites as set out in the draft agreement to be entered into between the company and Shri Anand S. Khanolkar placed before this meeting."

"FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for the purpose of giving effect to this resolution."

7. To consider & if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT in supersession of the Ordinary Resolution passed in the Annual General Meeting of the Company held on 27th September, 1995 and pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the Board which shall be deemed to include any Committee which the Board may have constituted or may hereafter constitute) for borrowing from time to time any sum or sums of money which together with the moneys already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the Ordinary course of business), either from the Company's bankers and/or one or more persons or Financial Institutions (FI's) and/or Non Banking Finance Companies (NBFC) whether by way of term loan, working capital loan, cash credit, advances, Inter Corporate Deposits, loans or bills discounting, Issue of debentures, or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets and properties whether movable or immovable or stock in trade (including raw materials, stores, spare parts and components in stock or transit) and work-in-progress of the Company on such terms and conditions as may be considered suitable by the Board upto a limit of Rs.100 Crores (Rupees One Hundred Crore only) in excess of the aggregate of the paid up share capital of the Company and its free reserves, i.e. to say, reserves not set apart for any specific purpose."

"FURTHER RESOLVED THAT pursuant to the provisions of Section 293(1)(a) of the Companies Act, 1956 the Board of the Company be and is hereby authorised to secure the borrowings of monies as aforesaid with interest cost and other monies in such manner as they may think fit and for that purpose to execute mortgage, charge and/or hypothecate the whole or any part of the properties and assets of the Company both present and future, and on such terms and conditions as the Board may think fit from time to time."

8. To consider and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT in supersession of the the Ordinary Resolution passed in the Annual General Meeting of the Company held on 27th September, 1995 and pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the Board which shall be deemed to include any Committee which the Board may have constituted or may hereafter constitute).

(A) to the Board of the company mortgaging and/or charging on such terms and conditions at such time or times and in such form and manner as it may think fit, the whole or substantially the whole of the Company's any one or more undertakings or all the undertakings including the present and/or future immovable and/or movable properties and assets of the Company wheresoever situate, together with power to take over the management of the business and



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concern of the Company in certain events, to and/or in favour of Financial Institutions (FIs)/ Banks/Non Banking Finance Company's (NBFC) to secure repayment by the Company of Rupee Loan upto Rs. 100 crores to be provided by FIs/Banks/NBFC together with interest at the respective rates, additional interest, liquidated damages, costs charges, expenses and all other moneys payable by the Company to FIs/Banks/NBFC's in terms of their respective Loan Agreements/Heads of Agreement/Letters of Sanction and other relevant documents entered into/to be entered into by the Company in respect of the said loans and

(B) to the Board of the Company for finalising all documents agreements or other writings in connection with the above financial assistance and accepting any alterations/changes/variations to or in the terms and conditions, notwithstanding that the said documents/agreements may contain a provision empowering the above lenders to take over the management of the business and undertaking or concern or undertakings and/or concerns of the Company in certain events and to do all such acts and things and to take all such further steps as may in the opinion of the Board be necessary or appropriate for the purpose of giving effect to this resolution."

9. To consider and if thought fit, to pass with or without modification, the following resolution as a **Special Resolution** :

"RESOLVED THAT subject to all applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force as may be enacted from time to time) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed and 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"), the consent of the Company be and is accorded to the Board to buy back from the existing holders of the shares on such terms and conditions and upto such limits as may be prescribed by law from time to time and that the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary or proper to implement this resolution."

10. To consider and if thought fit, to pass with or without modifications, the following resolution as a **Ordinary Resolution**:

"RESOLVED THAT pursuant to section 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) the Authorised Share Capital of the Company, be and is hereby increased from Rs.10,00,00,000/- (Rupees Ten Crores only) divided into 97,50,000 (Ninety Seven Lakhs Fifty Thousand) equity shares of Rs.10/- (Rupees Ten only) each and 25,000 (Twenty Five Thousand) 13.5% Non-Cumulative Redeemable Preference Shares of Rs.100/- (Rupees One Hundred) each to Rs.15,00,00,000/- (Rupees Fifteen Crores only) divided into 1,00,00,000 (One Crore) Equity Shares of Rs.10/- (Rupees Ten) each and 5,00,000 (Five Lacs) Redeemable Preference Shares of Rs.100/- (Rupees One Hundred) each and clause V of the Memorandum of Association and Article 3 of the Articles of Association of the Company be altered accordingly."

11. To consider and if thought fit, to pass with or without modifications, the following resolution as a **Special Resolution**:

"RESOLVED THAT clause V of the Memorandum of Association of the Company be deleted and substituted by the following :

The Authorised Share Capital of the Company is Rs.15,00,00,000/- (Rupees Fifteen Crores only) divided into 1,00,00,000/- (One Crore) Equity shares of Rs.10/- (Rupees Ten) each and 5,00,000/- (Five Lacs) Redeemable Preference Shares of Rs.100/- (Rupees One Hundred only) each."

12. To consider and if thought fit, to pass with or without modifications, the following resolution as a **Special Resolution**:

A) **"RESOLVED THAT** the Articles of Association of the Company be and are hereby altered in the following manner:-

The existing Article 3 be deleted and in its place the following new Article 3 be substituted :

The Authorised Share Capital of the Company is Rs.15,00,00,000/- (Rupees Fifteen Crores only) divided into 1,00,00,000/- (One Crore) Equity shares of Rs.10/- (Rupees Ten) each and 5,00,000/- (Five Lacs) Redeemable Preference Shares of Rs.100/- (Rupees One Hundred only) each with rights privileges and conditions attaching thereto as are provided in by the Articles of Association of the Company for the time being with power to increase or reduce the capital and to divide the shares in the Capital for the time being into several classes and to attach thereto respectively such preferential of other rights, privileges or conditions in such manner as may be permitted by the Act or provided by the Articles of Association of the Company for the time being and as may be thought expedient.

B) The following new article 8(a) be inserted after the existing article 8 namely :-

"8(a) notwithstanding anything contained in Article 8, but subject to the provisions of the Act and all other applicable provisions of law, as may be in force at any time and from time to time the Company may acquire, purchase, hold, resale any of its own fully/ partly paid shares and may make payments out of funds at its disposal of and in respect of such acquisition / purchase on such terms and conditions as at such times as the board may in its discretion decide and deem fit."

C) The following new article 10(b) be inserted after the existing article 10 namely :-

" 10(b) Subject to the provision of the act and all other applicable provisions, the Company may issue shares either equity or any other kind without voting rights and the resolutions authorising such issue shall prescribe the terms and conditions of the issue of such shares."

13. To consider and if thought fit, to pass with or without modification, the following resolution as a **Special Resolution** :

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"RESOLVED THAT in accordance with the provisions of Sections 80, 81 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and in accordance with the provisions of the Memorandum & Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the Company's shares are listed and subject to the approval of all other concerned authorities, if any, and to the extent necessary and such other approvals, permissions, sanctions, as may be required and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board") and/or a duly authorised committee thereof for the time being exercising the powers conferred by the Board, the consent of the Company be and is hereby accorded to the Board to offer/issue/allot in the course of domestic and/or international offering, Redeemable Preference Shares of the face value of Rs.100/- each, whether convertible or non-convertible of the face value of Rs.100/- each, of an aggregate nominal amount not exceeding Rs.5,00,00,000 (Rupees Five Crores only) with or without detachable or non-detachable warrants or any other financial instruments (hereinafter for brevity's sake referred to as "Securities") as the Board at its sole discretion may at any time or times hereafter decide, to such person or persons, whether or not shareholders of the Company, as the Board or Committee may at its sole discretion decide, including one or more of the members, promoters, debenture-holders, employees, Non resident Indians, Overseas Corporate Bodies (OCBs), Foreign Institutional Investors (FIIs), corporate bodies, companies, private or public or other entities, in one or more combinations thereof, whether through public issue, right issue, private placement, preferential allotment, exchange of securities, conversion of loan or otherwise in one or more modes or combinations thereof and in one or more tranches, at such price or prices as the Board or Committee thereof may in its absolute discretion think fit, in consultation with advisors or such persons and on such terms and conditions including the number of shares to be issued, rate of dividend, amount of premium, if any on redemption, redemption period, manner of redemption, the ratio of exchange of shares or securities and matters incidental thereto;"

"RESOLVED FURTHER that in event of any equity shares being issued against the Securities, this resolution shall be deemed to have authorised the Board/Committee in terms of Section 81 of the Companies Act, 1956 to offer/issue/allot as many equity shares of the Company as are required for the purpose on such terms as the Board /Committee may in its sole discretion deem proper".

"RESOLVED FURTHER THAT such of these Securities to be issued as are not subscribed may be disposed off by the Board /Committee thereof to such persons and in such manner and on such terms as the Board/Committee in its absolute discretion think most beneficial to the Company including offering or placing them with Banks/Financial Institutions/ Investment Institutions/Mutual Funds/ Foreign Institutional Investors/Corporate Bodies/ such other persons or otherwise as the Board or Committee thereof may in its absolute discretion decide".

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board/Committee be and is hereby authorised to do all such acts, deeds, matters and things as it may be in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer / issue, allotment and utilisation of the proceeds, issue of securities and further to do all such acts, deeds, matters and things and to finalise and execute all documents and writings as may be necessary, proper, desirable or expedient as it may deem fit".

14. To consider and if thought fit, to pass with or without modification, the following resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to section 81 and other applicable provisions of the Companies Act, 1956 and subject to the approval of Government of India (GOI) Securities & Exchange Board of India (SEBI), Reserve Bank of India (RBI), if any, and subject to the consents, permissions, and sanctions as may be necessary of other appropriate authorities, institutions or bodies, consents, authority and approval of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board") and /or duly authorised committee thereof for the time being exercising the powers conferred by the Board, the consent of the company be and is hereby accorded to the Board to issue / offer equity shares convertible bonds / depository receipts / non convertible debt bonds with or without warrants in the international market to Foreign Institutional Investors / Foreign Companies, whether incorporated or not / Overseas Corporate Bodies (OCBs) / Foreign Nationals / Non Resident Indians (NRIs) / such other entities as may be decided by the Board through prospectus and / or offering letter or circular and/or on private placement basis from time to time in one or more tranches as may be deemed appropriate by the Board for an amount of US\$ 6 Million on such terms and conditions as may be decided by the Board".

"RESOLVED FURTHER THAT for the purpose of giving effect of this resolution the Board/the authorised committee be and is hereby authorised to do all such acts, deeds, matter and things as it may, in its absolute discretion, deem necessary or to settle any question, difficulty or doubt that may arise in regard to the offer, issue, allotment and utilisation of issue proceeds of the equity shares/ convertible bonds / depository receipts / non convertible debt bonds with or without warrants as it may deem fit".

15. To consider & if thought fit, to pass with or without modification, the following resolution as a **Special Resolution** :

"RESOLVED THAT subject to the provisions of the relevant laws as applicable from time to time and subject to such consents, permissions and sanctions as may be required from appropriate authorities, the consent of the Company be and is hereby accorded for acquiring and holding of Equity Shares in the Capital of the Company by the Foreign Institutional Investors, Overseas Corporate Bodies & Non Resident Indians upto an aggregate limit of 30% of the Paid



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up Equity Share Capital of the Company or upto such other limit as may be permitted by law and approved by the Board of Directors of the Company provided, however that equity shareholding of a single Foreign Institutional Investor or a sub-account of a Foreign Institutional Investor in the Company shall not at any time exceed 10% of the Paid up equity share capital of the Company or such other limit as may be permitted by law and approved by the Board of Directors of the Company".

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things and execute all such documents deeds and writings as may be required for the aforesaid purpose and which the Board may deem fit in the interest of the Company".

For and on behalf of the Board,

For **VADILAL DAIRY INTERNATIONAL LIMITED.**

RAMCHANDRA R.GANDHI
Chairman

Place : Mumbai

Date : 28th October, 1997.

Registered Office :

E-10 M.I.D.C Area, Malegaon,

Taluka - Sinnar, District -Nasik 422 103.

NOTES :

1. The relevant explanatory statement pursuant to section 173 of the Companies Act,1956 is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND, AND ON A POLL, VOTE INSTEAD OF HIM/HER. A PROXY NEED NOT BE A MEMBER, PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. The Register of Members and Share Transfer Books of the company will remain closed from Tuesday 16th December, 1997 to Thursday 18th December, 1997 (both days inclusive) for the purpose of Annual General Meeting.
4. a) Members are requested to notify change of address, if any, with PINCODE, quoting reference to their Folio Number.
b) In case your mailing address mentioned on this Annual Report is without the PINCODE, then you are requested to inform your PINCODE immediately.
5. Members are requested to quote Folio Numbers in all correspondence.
6. Members are advised that the following unclaimed Dividends will be transferred to Central Government on respective due dates.

DIVIDEND	DUE DATES
1994-95	28/11/1998
1995-96	28/11/1999

The members who have not encashed the Dividend Warrants are advised to approach the Company for obtaining duplicate Dividend Warrants.

7. Documents referred to in the accompanying Notice are open for inspection at the **Registered Office** of the Company during office hours on all working days except holidays between 10.00 a.m and 12.00 noon upto the date of the Annual General Meeting.
8. In case you intend to raise any query in the forthcoming Annual General Meeting, you are requested to please forward the same at least 7 days before the date of the meeting to the Corporate office, so that the same may be attended to your entire satisfaction.
9. Members are requested to bring their copy of Annual Report alongwith them to the meeting.

**EXPLANATORY STATEMENT****Pursuant to Section 173 of the Companies Act, 1956.****ITEM NO. 5**

Shri Anand S. Khanolkar is appointed as an Additional Director of the Company at the meeting of the Board of Directors held on 30th June, 1997 under Section 260 of the Companies Act, 1956. Shri Anand S. Khanolkar is 47 years of age and is I.D.D.(D.T.), B.A., LL.B. He has over 26 years of experience. He holds office only upto the date of this meeting and in respect of whom the Company has received notices in writing under Section 257 of the Companies Act, 1956 alongwith deposit of Rs.500/- for each notice, from certain Shareholders intimating their intention to propose Shri Anand S. Khanolkar as a candidate for the office of Director.

None of the Directors, other than Shri Anand S. Khanolkar concerned or interested in the aforesaid resolution.

ITEM NO. 6

The Board of Directors in its meeting held on 30th June, 1997 has appointed Shri Anand Khanolkar as a Whole-time Director of the Company for a period of one year on the following remuneration subject to approval of the Members:

SALARY

Rs. 25,000 per month in the scale of Rs. 25,000-30,000.

Annual increments will be decided by the Chairman/Managing Director considering merit, and the performance of the Company.

PERQUISITES

Following perquisites in addition to salary, restricted to a maximum amount equivalent of Annual Salary. For the purposes of calculating the ceiling, the perquisites and allowances shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such Rules, they shall be evaluated at actual cost.

Medical Reimbursement

Reimbursement of actual expenses for self and family as per rules of the Company, not exceeding Rs. 10,000 per annum.

Leave Travel Concession

Once in a year as per rules of the company.

Provident Fund

Company's contribution subject to a ceiling of 12% of the salary.

Pension / Superannuation fund

Company's contribution subject to a ceiling of 15% of the salary.

Gratuity

As per rules of the Company.

Earned/Privilege leave

On full pay and allowance, one months leave for every eleven months of service; Encashment of leave accumulated but not availed at the end of tenure of office, in accordance with the rules of the company.

Company's contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income-tax Act, gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

Car & Telephones

Provision of car for use on Company's business and telephone at residence. However, personal long distance calls on telephone and use of car for private purpose shall be billed by the company.

Sitting Fees

The Whole-time Director shall not be paid any sitting fees for attending the Board/Committee meetings.

Minimum Remuneration

In the event of absence or inadequacy of profits of the Company in any financial year, Shri Anand Khanolkar shall be entitled to receive such minimum remuneration as is permissible under Section II of Part II of Schedule XIII of the Act.

The Whole-time Director shall be subject to the other service conditions, rules and regulations of the Company.

INSPECTION BY MEMBERS

A copy of draft agreement to be executed by the Company with Shri Anand Khanolkar is open for inspection by the Members during the normal working hours of the Company at its Registered Office.

This explanation together with the accompanying notice is and should be treated as an abstract under Section 302 of the Companies Act, 1956 in respect of appointment and remuneration payable to Shri Anand Khanolkar as a Whole-time Director.

MEMORANDUM OF INTEREST

None of the Directors, other than Shri Anand Khanolkar, is concerned or interested in the above resolution.

ITEM NO. 7

At the Annual General Meeting of the Company held on 27th September, 1995, the Shareholders of the Company had given their consent to the Board of Directors for borrowing in excess of the Paid-up Capital and Free Reserves of the company upto a limit of Rs.50 Crores. Considering the total future requirement of funds, it is considered necessary and expedient to increase the borrowing powers of the Board of Directors to the extent specified in the proposed resolution i.e. Rs.100 Crores.

The Directors recommend the above resolution for your approval. None of the Directors of the Company is concerned or interested in any way in the aforesaid resolution.

ITEM NO. 8

In the resolution set out in the Item No.7 of the Notice, it has been proposed that the borrowing powers of the Board of Directors of the Company be increased from Rs.50 Crores to Rs.100 Crores. The loans to the extent of the increased borrowing power may be secured by creating of mortgage/charges on properties/undertakings of the company in favour of the lenders and/or their agents.

Mortgaging by the Company of its properties or the whole or substantially the whole or any or all of the undertakings of the Company in favour of the lenders and/or their agents, within the overall limit of the borrowing power of the Directors may be regarded as disposal of the Company's properties in terms of Section 293(1)(a) of the Companies Act, 1956. It is therefore considered necessary for the members to authorise the Board of Directors to create mortgage/charge in the manner proposed in the resolution set out at item No.8 of the notice to secure the loans to be taken by the Company to the extent of enhanced borrowing powers of the Board of Directors as proposed in the resolution set out at item No.7 of the Notice i.e. Rs.100 Crores.



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Your Directors recommend the resolution set out in item No.8 of the convening Notice for adoption.
None of the Directors is interested in the resolution.

ITEM NO. 9

At present a company having a share capital cannot purchase its own shares unless such purchase is authorised by its Articles of Association and is also approved by the shareholders by a Special Resolution and such Special Resolution is confirmed by the Court. Section 77 of the Companies Act, 1956 restricts the purchase of its own shares by a Company unless the same is done with a view to reduce its capital in pursuance of Section 100 to 104 and Section 402 of the Companies Act, 1956. However, it is anticipated that amendments to the Companies Act may provide for buy back of shares subject to certain stipulations. The Directors, therefore, feel it would be desirable to have an enabling power from the Shareholders for this purpose, in terms as set out in Item No.9 of the Notice.

ITEM NO. 10, 11, 12(A) & 13

The present authorised Share Capital of the Company is Rs.10 Crores. It is considered desirable that the present authorised Share Capital be increased to Rs.15 Crores by creation of 2,50,000 additional equity shares of Rs.10/- each and 4,75,000 preference shares of Rs.100/- each. The Special Resolution at Item No. 11, 12(A) are for the proposed alteration/ amendment in the Memorandum and Articles of Association of the Company consequent upon proposed increase in the Authorised Share Capital.

Keeping in view the general corporate purposes, including capital expenditure, working capital requirements, investments, mergers, amalgamations, acquisitions, reconstructions, arrangements or any other re-organisation as the Board may decide, the Board of Director consider that it would become necessary to raise financial resources at appropriate time(s) by issue of preference shares, in the course of domestic / international offering, to such persons and in such manner, as stated in the resolution.

The Company, if necessary, in consultation with the appropriate authorities and advisors will fix at the relevant time the detailed terms of issue including the price of issue, rate of dividend, period of redemption etc. The said resolution is an enabling resolution conferring authority on the Board to cover all present and future contingencies and corporate requirements.

Section 81 of the Companies Act, 1956, provides, inter alia, that when it is proposed to increase the issued capital of the Company by allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in Section 81 unless the shareholders in the General Meeting decides otherwise. Also the listing Agreement with the Stock Exchanges provide, inter alia that the Company in the first instance should offer all the shares and debentures to be issued for subscription prorata to the equity share holders unless the shareholders in a General Meeting decide otherwise. Accordingly, consent of the shareholders is being sought. Pursuant to the provisions of section 80, 81 and all other applicable provisions of the Companies Act, 1956, and in terms of the provisions of the listing agreements executed by the Company with the various stock exchanges of India where the Company's securities are listed. The Director recommend the resolution for approval of the shareholders.

All the Directors of the Company may be deemed to be concerned or interested to the extent they may be entitled to the securities that may be offered, applied and allotted to them.

ITEM NO.12(B) & (C)

Article No.8 of the existing Articles of Association of the company permits the Company to reduce the Capital subject to the provision of Act from time to time by Special Resolution. Article 23 of the Articles of Association prohibits the Company from applying any of its funds for the purchase of any shares of the Company. In anticipation of the amendment of the Companies Act, 1956 of the re-enactment thereof it is proposed to consider the introduction of new article 8(a) in the Articles of Association of the Company as mentioned in the resolution set out at Item No.9 of the Notice to enable the Company to purchase any of its own shares.

It is proposed to insert a new article 10(B) as set out at Item No.12(C) of the Notice to enable the Company to issue shares with non voting rights in accordance with the laws as may be then prevailing. In the event that it is permitted by law to issue shares with non voting rights the resolution confers authority to the Board for the purpose. Accordingly, the Directors recommend the resolution for approval of the shareholders.

None of the Directors is interested in the above resolution.

ITEM NO.14

The Company need funds to meet the margin money for working capital, the normal capital expenditure, to repay high cost debt, and future expansion, it is proposed to raise an amount in US\$ 6 Million at the appropriate time by way of equity / debt in the international market. The issue will be priced as per the terms of the SEBI guidelines. The shares that are to be issued will rank pari passu in all respects with the existing shares of the Company except that, with regard to any dividend declared for the financial year of the Company, in which shares are allotted, they will qualify for the dividend only on prorata basis from the date of such allotment.

Your Directors recommend the resolution for your approval.

None of the Directors is concerned or interested in this resolution.

ITEM NO.15

The aggregate Equity holdings by FIIs, OCBs, and NRIs in the capital of any company was limited to 24% of the paid-up Equity capital of the company. The Government of India vide Press Note No. F 14/11/96-NRI dated 04.04.1997 have permitted the companies to raise aggregate portfolio investment limit by FIIs, NRIs & OCBs upto 30% of issued and paid-up capital of the respective companies subject to passing of a special resolution by the members of the company concerned. Your company intends to support this initiative of the Government of India in providing further incentives to NRIs, OCBs and FIIs by proposing the resolution at Item No 15. This resolution enable NRIs, OCBs and FIIs to acquire shares of your company through authorised dealers with the revised ceiling under the portfolio investment scheme of the Reserve Bank of India.

Your Directors, therefore recommend the resolution for your approval.

None of the Directors of your company is concerned or interested in the proposed resolution.

For and on behalf of the Board

For VADILAL DAIRY INTERNATIONAL LTD.

RAMCHANDRA R.GANDHI
Chairman

Place : Mumbai

Date : 28th October, 1997.