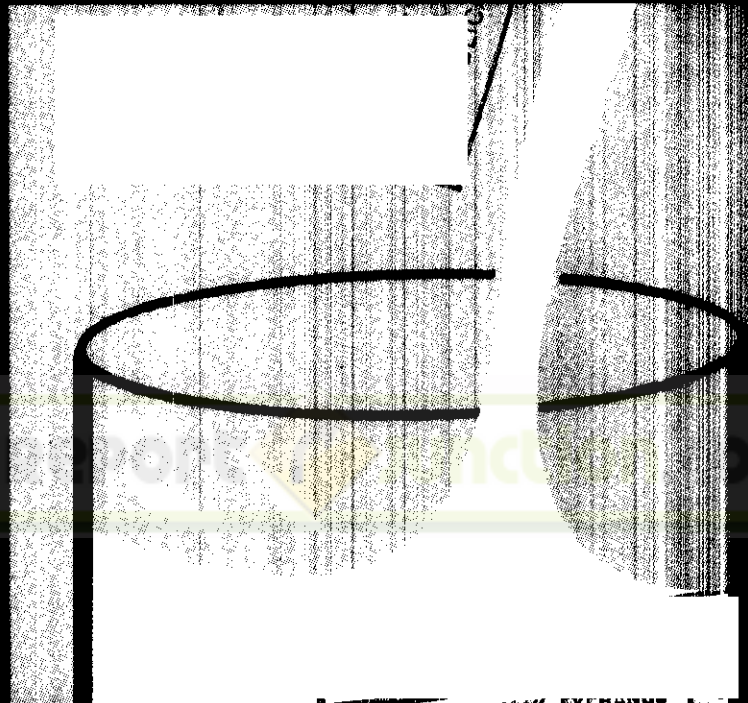


12TH ANNUAL REPORT 1998 - 99



Vadilal Dairy International Ltd.



Vadilal Dairy International Ltd.

BOARD OF DIRECTORS

CHAIRMAN

SHRI RAMCHANDRA R.GANDHI

MANAGING DIRECTOR

SHRI SHAILESH R.GANDHI

DIRECTORS

{ SHRI ARUN GANDHI
SHRI ROHIT MEHTA
SMT. B.S.GANDHI

WHOLETIME DIRECTOR

SHRI ANAND KHANOLKAR

NOMINEE DIRECTORS

{ SHRI M.V.PHADKE(IDBI)
SHRI S.D.MAHALE(SICOM)

REGISTERED OFFICE

PLOT NO. E-10,
MIDC 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

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

12th Annual General Meeting

Date : 6th August. 1999

Day : Friday

Time : 11.00 a.m.

Place : Panchavati Sinnar Motels Pvt. Ltd.
Nasik Pune Highway.
Opp. Bus Station. Sinnar 422 103
Dist. Nasik

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NOTICE TO MEMBERS

Notice is hereby given that the Twelfth Annual General Meeting of VADILAL DAIRY INTERNATIONAL LIMITED will be held at Panchavati Sinnar Motels Pvt. Ltd., Nasik-Pune Highway, Opp. Bus Station, Sinnar 422 103, Dist. Nasik on Friday 6th August 1999 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, 1999 and the Profit and Loss Account for the year ended 31st March 1999 and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Ramchandra Gandhi who retires by rotation, and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Rohit Mehta who retires by rotation, and being eligible offers himself 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 and thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to Provision of Section 293 (1) (e) of the Companies Act 1956, and other applicable provisions, if any, the members hereby approve and ratify the donation of Rs. 284202/- made by the Company during the year 1998-99 for various causes."

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

"RESOLVED THAT pursuant to provision of section 198,269,309,310,311 read with 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 re-appointment of Shri Anand Khanolkar as the Whole Time Director of the Company for a period of one year w.e.f. 30th June, 1999 on the terms and conditions, including remuneration and perquisites as set out in the draft Agreement placed before this meeting and signed by the Managing Director for the purpose of identification. The agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said re-appointment and/or agreement in such manner as may be agreed to by and between the Directors and Shri Anand Khanolkar."

For VADILAL DAIRY INTERNATIONAL LIMITED

SHAILESH R. GANDHI
Managing Director

Place: Mumbai

Date : 11th June, 1999

Registered Office :

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

Taluka - Sinnar, District - Nasik 422 103.

**NOTES :**

1. 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.
2. The relevant explanatory statement pursuant to section 173 of the Companies Act. 1956 is annexed hereto.
3. The Register of Members and Share Transfer Books of the company will remain closed from Friday 30th July 1999 to Friday the August 6, 1999 (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	28.11.2000
1995-96	28.11.2001

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.

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

Your company is authorised by its Articles of Association to subscribe to charitable and other funds not directly relating to the business of the company subject to the approval of the shareholders.

The company has made donations of Rs. 2,50,000 by way of cheque to Ahmed Taiyeb Kapadia Trust and other donation of Rs. 34,202/- The total donations made by the company is Rs.2,84,202/- These are exceeding the limits specified under section 293 (1) (e) of the Companies Act 1956. The Company has made above donations for good and worthy causes; members are requested to ratify the said donations.

None of the directors of your company is interested either directly or indirectly in the said resolution and your directors recommend the adoption of proposed resolution in the public interest.

ITEM NO.6

In the Board Meeting held on 11th June, 1999 the Directors appointed Shri Anand Khanolkar as Whole Time Director of the Company, subject to the approval of the shareholders.

Shri Anand S. Khanolkar has been associated with the Company for the past 10 years and presently holds the position of the Whole Time Director. He is a Law graduate and I.D.D. (D.T) and is fairly conversant with the affairs of the Company. He was appointed as Whole Time Director for a period of one year from 30th June 1998.

The contract between the Company and Shri Anand Khanolkar stands terminated with effect from 30th June 1999 and it is proposed to execute a new agreement with Shri Anand Khanolkar with effect from 1st July 1999.

The appointment of Shri Anand Khanolkar as Whole Time Director and remuneration payable to him as proposed in the resolution are in accordance with schedule XIII to the Company's Act, 1956 and hence do not require the approval of the Central Government. However, the consent and approval of the Shareholders in General Meeting is required. Accordingly, this resolution is proposed for consent and approval.

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

The draft Agreement proposed to be entered into between the Company and the Whole Time Director contains the following terms and conditions.

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.

PERQUISITE :

Following perquisites in addition to the salary, restricted to a maximum amount equivalent of Annual Salary for the purpose of calculating the ceiling, the perquisites and allowances shall be evaluated as per Income Tax Rules, wherever applicable in the absence of any 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.

Gratuity :

As per rules of the Company.



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Earned/Privilege Leave :

On full pay and allowance, one month's leave for every eleven month 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, 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 :

Provisions 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 entitled for any sitting fees for attending the Board/Committee meetings.

Minimum Remuneration :

In the 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.

Inspection by Members :

A copy of draft agreement to be executed by the Company at its Registered Office.

This explanation together with accompanying notice is and should be treated as an abstract under Section 302 of the Companies Act, 1956 in respect of the re-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.

The Whole Time Director shall be subject to other service conditions, rules and regulations of the company.

For and on behalf of the Board
for VADILAL DAIRY INTERNATIONAL LTD.,

Place : Mumbai
Date : 11th June, 1999

SHAILESH R. GANDHI
MANAGING DIRECTOR

Report Junction.com

12th Annual Report 1998-99



DIRECTOR'S REPORT

To,

The Members.

VADILAL DAIRY INTERNATIONAL LTD.

Your Directors present the Twelfth Annual Report together with the audited statements of account of the Company for the year ended 31st March, 1999.

1. FINANCIAL RESULTS :

	1998-99 (Rs. in lacs)	1997-98 (Rs. in lacs)
Profit (Loss) for the year before Depreciation and Financial Charges :	(1013.42)	245.57
Less : i) Depreciation	195.61	195.50
ii) Financial charges	608.17	516.04
Less : Provision for Taxation	—	—
Profit (Loss) for the year	(1817.20)	(465.97)
Add : (Less)		
Prior year adjustments (net)	2.37	(22.49)
Add : Surplus brought forward from last year	(443.62)	44.84
Amount available for appropriation	—	(443.62)
Balance carried forward to the next year's account	(2263.19)	(443.62)

2. DIVIDEND :

In view of the loss suffered by your Company during the year the Director regret their inability to recommend dividend during the year.

3. COMPANY'S PERFORMANCE :

The income from sales and services came down by 47% to Rs. 2089.68 lacs from Rs. 3926.61 lacs in the previous year. Your Company's performance during the year suffered mainly because of the problems faced in the Dairy Division. The inadequacy of working capital and a high interest had already made Dairy operations unviable during the previous year.

The Dairy Industry in the country has been facing peculiar problems from which it finds itself difficult to come out. Milk being a daily necessity, this Industry was kept under public/co-operative sector for a very long time. Large players in this industry till early 1990s were either under the control of various Municipalities or Co-operative sector, both of which were getting direct/indirect subsidies/grants from the State/Central Governments. During liberalisation process, dairy industry was opened for private sector also and your Company was the first one to get an MMPO licence, and it put up a modern fully integrated plant near Nasik. However, inspite of liberalisation, Government control on milk prices continued so also direct/indirect support to the Public Sector/Co-operative Sector in the Industry. Thus, Private Sector Dairy units were not allowed a level playing field to operate. Many of the Private Sector units were therefore forced to close their operations shortly after starting the business.

Your company was fortunate in having Ice Cream unit within its wings and was therefore able to use surplus funds generated from the Ice Cream for keeping the Dairy Operations going. However, surpluses of Ice Cream division are too meagre to sustain large deficits of Dairy Operations. Thus the capacity utilisation which had reached 50 to 60% immediately after start up of the Dairy unit gradually come down almost to about 10% during 1997-98 resulting in a loss of Rs. 466 lacs during the year and further fell to about 5% during the year under review resulting in a further additional loss.

In addition, during the year, it was noticed that part of the finished goods stock in the form of skimmed milk powder, ghee and cheese had got contaminated and had become substandard. With a view to keep up company's brand name as also to avoid possible actions from Food and Drug Administration Authorities, the Company is required to destroy these stocks subsequent to the, date of Balance Sheet. The fact of destruction of stocks being a material event affecting Accounts for the year ended 31st March 1999 has been recognised while preparing enclosed Accounts.



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Apart from this, your company was served with additional demands during the year in respect of past sales tax liabilities. Though the company has taken up these in appeals, Company is advised to make provision for this liability in the Accounts as the assessments got completed during the year.

Cumulative effect of the above factors has resulted in a substantial loss wiping out entire net worth of the Company. The Company has therefore become sick under sick Industrial Companies (Special Provisions) Act, 1985 (SICA) requiring reference to the Board for Industrial and Financial Reconstruction (BIFR) under section 15 of the SICA. Your Directors are making necessary proposals for revival package which will be submitted to the BIFR for their approval and implementation.

4. FIXED DEPOSITS :

Your Company has not accepted any fixed deposits from the public as defined u/s 58(A) of the Companies Act, 1956.

5. INDUSTRIAL RELATIONS :

The industrial relations with employees have been cordial during the year.

6. DIRECTORS :

Shri R.R. Gandhi and Shri. Rohit Mehta, Directors retire by rotation and being eligible offer themselves for reappointment

Dr. A. C. Shah ceased to be the Director of the Company with effect from 24th May, 1999. The Board places on record its deep appreciation of his very valuable contribution to the Company.

7. AUDITORS :

M/s. Chaturvedi & Shah, Chartered Accountants, Mumbai and M/s. Kantilal Patel & Co., Chartered Accountants, Ahmedabad retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment as Joint Auditors.

Auditors in their Report have referred to Notes No. 1 to 4 in Schedule 20. These notes are self explanatory.

8. Y2K.

The software being used by the Company are already Y2K compliant. Your Directors will ensure that hardware upgrades are also in place in time to avoid the Y2K problems.

9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

Particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo forms part of this report (Annexure 'A')

10. CASH FLOW STATEMENT :

Cash flow statement pursuant to Clause 32 of the Listing Agreement is annexed herewith and forms part of this report (Annexure 'B')

11. PARTICULARS OF EMPLOYEES :

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

12. ACKNOWLEDGEMENTS :

Your Directors record their gratitude to the Financial Institution, Banks and other Government departments for their assistance and co-operation during the year. Your Directors also wish to place on record their appreciation of the dedicated services of the employees of your Company.

For and on behalf of the Board

Place : Mumbai
Date : 11th June, 1999

SHAILESH R. GANDHI
Managing Director