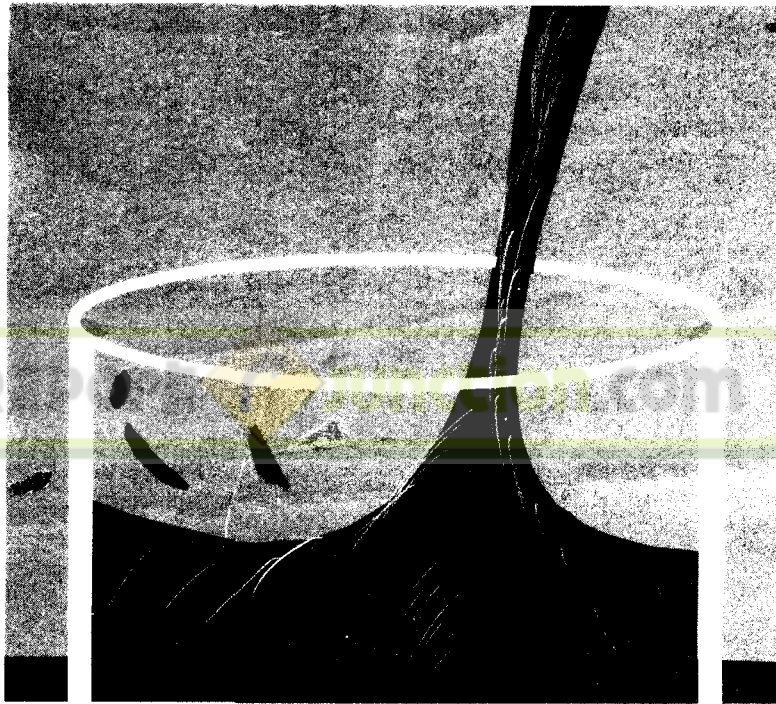


# 16TH ANNUAL REPORT 2002 - 2003



*Nadi'ai Dairy International Ltd.*

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# Vadilal Dairy International Ltd.

## BOARD OF DIRECTORS

MANAGING DIRECTOR

SHRI SHAILESH R. GANDHI

## DIRECTORS

SMT. B. S. GANDHI  
(Up to 31.1.2003)

SHRI VISHNU D. BARHATE  
SHRI S. P. PATIL  
(W.E.F. 30.4.2003)

## NOMINEE DIRECTOR

SMT. V. BHARATHY (IDBI)

## REGISTERED OFFICE

PLOT NO. E-10,  
M.I.D.C. INDUSTRIAL AREA,  
MALEGAON, TALUKA - 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

SHAREX (INDIA) PVT. LTD.  
LUTHRA INDUSTRIAL PREMISES,  
ANDHERI KURLA ROAD,  
SAFED POOL, ANDHERI (E),  
MUMBAI - 400 072.

### 16th Annual General Meeting

Date : 30th Sept. 2003  
Day : Tuesday  
Time : 10.00 a.m.  
Place : Plot No. E-10,  
MIDC Industrial Area,  
Malegaon, Taluka - Sinnar  
Dist - Nasik, Pin - 422 103.

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**NOTICE TO MEMBERS**

Notice is hereby given that the Sixteenth Annual General Meeting of **VADILAL DAIRY INTERNATIONAL LIMITED** will be held at Plot No. E10, MIDC Industrial Area, Malegaon Tauka, Sinnar 422 103, Dist. Nasik Pin - 422 103 on Tuesday 30th September, 2003 At 10.00 a.m. to transact the following business.

**ORDINARY BUSINESS :**

1. To receive consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2003 and the Profit and Loss Account for the year ended 31<sup>st</sup> March 2003 and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri V. D. Barhate who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

**4. SPECIAL BUSINESS:**

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 S.P. Patil as the Whole Time Director of the Company for a period of one year w.e.f. 30.4.2003 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 S.P. Patil.

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 198, 269, 309, 310, 311 read with schedule XIII and other applicable provisions if any, of the Companies Act, 1956 and subject to approval of the Central Government, the approval of the Company be and is hereby accorded to the re-appointment of Shri Shailesh R. Gandhi as the Managing Director of the Company for a period of five years w.e.f. 23<sup>rd</sup> September 2003 on the terms and conditions, including remuneration and perquisites as set out in the draft agreement placed before this meeting and signed by the Chairman 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 Shailesh R. Gandhi.

For **VADILAL DAIRY INTERNATIONAL LTD.**

Place: Mumbai

Date: 8th August 2003.

**Registered Office:**

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

Malegaon, Taluka Sinnar

Dist. Nasik 422 103.

**SHAILESH R. GANDHI**

Managing Director

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND, AND 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 26th September, 2003. To 30th September, 2003 (both days inclusive) for the purpose of Annual General Meeting.
4. a) Members are requested to notify change of address, if any, with PIN CODE 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 PIN CODE immediately.

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5. Members are requested to quote Folio Numbers in all correspondence.
6. Please note that pursuant to section 205A of the Companies Act 1956 all unclaimed / unpaid dividends upto the financial year ended 1994-95 have been transferred to the General Revenue Account of the Central Govt. Shareholders who have not encashed the dividend warrant(s) for the said period(s) are requested to claim the amount (s) from the Registrar of Companies, Maharashtra Everest, 100 Marine Drive, Mumbai 400 002. Kindly note that in terms of section 205 C of the Companies Act 1956 the unclaimed dividend for the financial year 1995-96 (which has remain unclaimed for period of seven years from 28<sup>th</sup> Nov. 1996 will become due for transfer to investor education and protection fund in the month of Nov. 2003. Those shareholders who have not encashed the dividend warrant for the financial year 1995-96 are therefore requested to immediately forward the same to the company for revalidation. It may also be noted that once the unclaimed dividend is transferred to the fund no claim shall lie against the fund or the company in respect of the individual amount which were unclaimed.
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 along with them to the meeting.

**DETAILS OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING (PURSUANT OF CLAUSE 49 OF THE LISTING AGREEMENT).**

Name of Director	Mr. V. D. Barhate	Mr.S.R. Gandhi	Mr.S.P. Patil
Date of Birth	16.3.1952	8.11.1956	20.3.1946
Date of Appointment	26.9.2002	23.9.1998	30.4.2002
Qualification	M. Tech. (I.I.T. Kharappur)	IDD (D.T.)	B.Sc. DBM (Mumbai)
Experience	Engineering and Dairy Technologist	26 years in Dairy & Food Processing.	29 years in Dairy & Food Processing

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

Place : Mumbai  
Date : 8th August, 2003.

**SHAILESH R. GANDHI**  
Managing Director

**EXPLANATORY STATEMENT**

Pursuant to Section 173 of the Companies Act, 1956

**Item No. 4.**

In the Board Meeting held on 8<sup>th</sup> August 2003 the Directors appointed Shri S.P. Patil as Whole Time Director of the Company, subject to the approval of the shareholders.

Shri S.P. Patil has been associated with the Company for the past one year and presently holds the position of the Whole Time Director. He is fairly conversant with the affairs of the Company.

It is proposed to execute a new agreement with Shri S.P. Patil with effect from May 2003.

The appointment of Shri S.P. Patil 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 S.P. Patil 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. 30,000/- per month in the scale of Rs.30,000-35,000/- (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.15,000/- 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.

**EARNED/PRIVILEGE LEAVE:**

On full pay an 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 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 of inadequacy of profits in any financial year, Shri S.P. Patil 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 S.P. Patil as a Whole Time Director.

**MEMORANDUM OF INTEREST:**

None of Directors, other than Shri S.P. Patil, 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.

**ITEM NO. 5.**

In the Board Meeting of the Company held on 8<sup>th</sup> August 2003 the Directors appointed Mr. Shailesh R. Gandhi or Managing Director of the company, subject to the approval of the shareholders and in terms of the draft agreement for a period of five years with effect from the same, Subject to the approval of the Central Govt.

Shri Shailesh R. Gandhi has been associated with the company since inception and presently holds the position of Managing Director. He is a I.D.D. (D.T) Considering the performance, knowledge and experience of Shri Shailesh R. Gandhi, in the ice

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cream and Dairy Industry, your Directors are of the opinion that it is in the interest of the company to reappoint him as Managing Director of the company.

The contract between the company and Shri Shailesh R. Gandhi Stands terminated on 23rd September 2003 and It is proposed to execute a new agreement with Shailesh R. Gandhi with effect from 23rd September, 2003.

The appointment of Shri Shailesh R. Gandhi as Managing Director and remuneration payable to him as proposed in the resolution are in accordance with Schedule XIII to the Companies Act, 1956 and subject to the approval of the Central Govt. 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 Shailesh R. Gandhi concerned or interested in the aforesaid resolution.

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

- i) Salary : Rs.87,000/- per month in the slab  
(Rs.87,000 – Rs.5,000 – Rs. 1,12,000)
- ii) Commission : Commission on the net profits of the Company for each financial year not exceeding 1% of the Company's net profits. (Subject to the prior approval of M/s IDBI).

#### PART "A"

- i) Housing I : The expenditure by the Company on hiring furnished accommodation for the Managing Director will be subject to the following ceiling : Sixty percent of the salary, over and above ten per cent payable by the Managing Director.
- Housing II : In case the accommodation is owned by the Company, ten percent of the salary of the Managing Director shall be deducted by the company.
- Housing III : In case no accommodation is provided by the Company the Managing Director shall be entitled to house rent allowance subject to the ceiling laid down in Housing I.
- Explanation : The expenditure incurred by the Company on gas, electricity, water and Furnishings shall be the valued as per the income tax rules, 1962. This shall, however be subject to a ceiling of ten percent of the salary of the Managing Director.
- i) Medical : Reimbursement of expenses incurred by the Managing Director for self and family subject to a ceiling
- Reimbursement : of one month's salary over a period of three years.
- ii) Leave & Travel : Leave Travel Concession for the Managing Director and his family, once in a year incurred in
- Concession : accordance with the rules of the company.
- iii) Personal Accident: Personal Accident Insurance of an amount, the annual premium of which does not exceed
- Insurance : Rs. 40,000/-
- iv) Club Fees : Fees of clubs subject to a maximum of two clubs but not admission and life membership fee.

#### PART "B"

- i) : Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the rules of the Company from time to time which will not be included in the Computation of the ceiling on perquisites mentioned above to the extent these either singly or put together are not taxable under the Income Tax Act.
- ii) Gratuity : Benefits in accordance with the rules and regulations in force in the company from time to, but shall not exceed a half month's salary for each completed year of service.

- iii) Leave Encashment: As per the rules and Regulations of the Company, encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

**PART "C"**

- i) Car : Provision of car for use on Company's business. Personal use of car for private purposes shall be billed by the Company to the Managing Director.
- ii) Telephone : Provision of telephone at his residence. Personal long distance calls on telephone shall be billed by the company to the Managing Director.

**OTHER BENEFITS:**

- i) : Benefits under loan and other schemes in accordance with the practices rules and regulations in force in the Company from time to time. Such other benefits and amenities as may be provided by the Company to other officers from time to time.

The above remuneration and perquisites as aforesaid to be allowed to the Managing Director shall be subject to such limits for these remuneration and perquisites as is laid down by the Government in Schedule XIII and/or changes/variations/substitutions/made /that may be made therein from time to time.

The scope and quantum of remuneration and perquisites specified hereinabove, may be enhanced, enlarged, widened, altered or varied by the Board of Directors in the light of and in conformity with any amendments to the relevant provisions of the Companies Act and/or the rules and regulations made thereunder and/or such guidelines as may be announced by the Central Government from time to time.

The scope and quantum of remuneration and perquisites specified hereinabove, may be enhanced enlarged, widened, altered or varied by the Board of Directors in the light and in conformity with any amendments to the relevant provisions of the companies act and/or the rules and regulations made there under and/or such guidelines as may be announced by the Central Govt. from time to time.

A copy of the draft agreement to be executed by the company with Shri Shailesh R. Gandhi is open for inspection by the members during the working hours of the company at its Registered Office.

This explanation together with the accompanying notice is and should be treated an abstract under section 302 of the Companies Act, 1956 in respect of the appointment and remuneration payable to Shri Shailesh R. Gandhi as a Managing Director.

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

**SHAILESH R. GANDHI**  
MANAGING DIRECTOR

Place: Mumbai  
Date: 8th August 2003.

**DIRECTORS' REPORT**

To,  
The Members,  
**VADILAL DAIRY INTERNATIONAL LTD.**

Your Directors present the Sixteenth Annual Report together with the Audited statements of account of the Company for the year ended 31<sup>st</sup> March 2003.

**1. FINANCIAL RESULTS:**

	<b>2002-03</b> (Rs.in lacs)	<b>2001-02</b> (Rs. In lacs)
Loss for the year before Depreciation and Financial Charges	160.70	322.59
Add: i) Depreciation	170.66	174.31
ii) Financial charges	1255.40	1051.11
Loss for the year	1586.76	1548.01
Prior year adjustments (net)	22.51	0.36
Add(Excess /Shortage) prov. For Depreciation	—	0
Add : Deficit brought forward from Last year	5773.48	4225.11
Balance of loss carried to balance sheet	<u>7382.75</u>	<u>5773.48</u>

**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:****ICE CREAM DIVISION**

The Company's operations of Ice Cream Division continue to be under tremendous competitive pressure. As reported last year, the company had introduced new schemes and adopted new pricing policies to defend its market share. This had resulted in positive growth in volume during the year 2001-02. This improvement had continued in the year 2002-03 volume again during which volume increased by 27%. Your Directors will continue their efforts in the direction of improving profitability.

**DAIRY DIVISION:**

Towards the end of last year, your Directors were able to obtain job work contract from the Government of Maharashtra for 6 months. This had helped the company to run its Dairy Division on continuous basis though on a very small scale. Your Directors are glad to inform that the contract was renewed without any break and the company continues to convert milk into butter and SMP for the Government. The volume of milk handled had also increased especially during flush milk season in the meanwhile. Efforts for finding long term solution for Dairy Division are continuing.

**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. The Directors put on record co-operation received from employees in adverse conditions which preclude it from paying salaries/wages in time.



**6. DIRECTORS :**

- A. SHRI V.D. BARHATE Director retire by rotation and being eligible offer themselves for re-appointment.
- B. Shri S.P. PATIL has been appointed as a Whole Time Director of the company subject to approval of the shareholders at the ensuing Annual General Meeting.
- C. Shri S.R.GANDHI has been appointed as Managing Director of the company subject to approval of the shareholders at the ensuing Annual General Meeting and subject to approval of the Central Government.
- D. Smt. B. S. GANDHI has resigned as a Director of the Company w.e.f. 31st Jan. 2003. The Board places on record its appreciation for valuable contribution made by her to the operations of the Company.

**7. STATUS AT BIFR**

As you are aware the Company has been registered with the Board for Industrial and Financial Reconstruction (BIFR) since 1999 and it has been declared as a Sick Company under Sick Industrial Companies (Special Provisions) Act, 1985. The Company had so far submitted two rehabilitation proposals. However, the peculiar circumstances in which the company is operating its dairy division in Maharashtra does not allow it to offer a rehabilitation package strictly within the norms acceptable to Banks/FI's. The Rehabilitation package submitted by the Company were therefore not considered by the Operating Agency / Banks and other FIS at all. The Company has therefore represented that this decision should be reviewed as it strongly believes that a more pragmatic approach on the part of Banks/FIs would help the Company in view of the conditions in which its Dairy Division is operating.

**8. CORPORATE GOVERNANCE**

Pursuant to clause 49 of the Listing Agreement with Stock Exchange, a separate section titled "CORPORATE GOVERNANCE" is attached to this Annual Report.

**9. DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed;

- i) That in the preparation of the accounts for the financial year ended 31<sup>st</sup> March, 2003, the applicable accounting standards have been followed along with proper explanations relating to material departures if any.
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year under review;
- iii) That the Directors have taken proper and sufficient care 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.
- iv) That the Directors have prepared the accounts for the financial year ended 31<sup>st</sup> March, 2003 on a going concern basis. Despite the fact that the Company's net worth is totally eroded because the directors feel that if the revival proposal submitted by the company is implemented under directives of the BIFR, health of the company can be revived.
- v) The Auditors in their Report have referred to Note No. 1 and which is self explanatory. The Auditors have stated in their Report that all the directors of the Company other than nominee director, are disqualified under Section 274(1)(g) of the Companies Act, 1956.

As the members are aware, the Company is a sick Company and has not been able to service interest on debentures privately placed with industrial Development Bank of India. Disqualification under Section 274(1)(g) has arisen because of this. However, the Company is advised that disqualification precludes the Directors from becoming directors in other Companies only and not from acting as directors of this Company.

In the annexure to Auditors' Report it has been stated the Company is, in the process of compiling cost records. As this was the first year, there has been some delay. However, the directors have taken steps to ensure their speedy compilation.

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The auditors in their certificate of Corporate Governance reported that

- i) there has been delay in submission of quarterly results to stock exchanges beyond the stipulated time.
- ii) non-publication of quarterly results in English and Regional Language News Papers.
- iii) No full time Company Secretary as required by the Companies Act, 1956.

You are aware that the Company is a sick Company and therefore there has been frequent turnover of the required personnel which resulted into the above delays. Further despite Company's best efforts to employ full time qualified Company Secretary, it is not getting the same in view of the existing financial position.

The Auditors have further reported that only two of the three members of the Audit Committee are Non-Executive Directors and no Non-Executive Director as the chairman of Investor Grievance and Shareholders Committee.

Since the Company has defaulted in making payment of interest to the Non-Convertible Debentures the directors are become disqualified for being appointed as directors under section 274(1)(g) of the Companies Act, 1956. In view of this, the Company is not in a position to appoint independent directors.

#### 10. 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.

#### 11. COST AUDITORS:

Pursuant to the directives of the Central Govt. under the provisions of Section 233B of the Companies Act 1956, qualified Cost Auditors M/s. Goyal, Goyal & Associates have been appointed to certify the maintenance of cost audit records by the Company in respect of its ice cream and dairy division.

#### 12. 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').

#### 13. 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 has not been given as company has no employees drawing, more than specified limit.

#### 14. 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  
For VADILAL DAIRY INTERNATIONAL LTD.

Place: Mumbai  
Date: 8th August 2003

SHAILESH R. GANDHI  
MANAGING DIRECTOR