

17 TH ANNUAL REPORT 2003 - 2004



Vadilal Dairy International Ltd.



Vadilal Dairy International Ltd.

BOARD OF DIRECTORS

MANAGING DIRECTOR

SHRI SHAILESH R. GANDHI

DIRECTORS

SHRI VISHNU D. BARHATE

WHOLE TIME DIRECTOR

SHRI S. P. PATIL

NOMINEE DIRECTOR

SMT. V. BHARATHY (I.D.B.I.)

REGISTERED OFFICE

PLOT NO. E-10, MIDC INDUSTRIAL
ESTATE MALEGAON, TALUKA SINNAR
DIST. NASIK, PIN 422 103.

CORPORATE OFFICE

GUL MANZIL, 1ST FLOOR, 14 D. J. ROAD,
VILE PARLE (WEST), MUMBAI 400 056.

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.

17TH ANNUAL GENERAL MEETING

Date : 27.12.2004
Day : Monday.
Time : 10.00 A.M.
Place : Plot No. E-10, MIDC Ind. Area,
Malegaon, Taluka - Sinnar
Dist. Nasik, Pin 422 103.

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NOTICE TO MEMBERS

Notice is hereby given that the Seventeenth Annual General Meeting of **VADILAL DAIRY INTERNATIONAL LIMITED** will be held at Plot No. E-10, MIDC Industrial Area, Malegaon Taluka, Sinnar, Dist. Nasik Pin 422 103 on Monday, the 27th of December, 2004 at 10.00 a.m. to transact the following business.

ORDINARY BUSINESS:

1. To receive consider and adopt the Audited Balance Sheet as at 31st March 2004 and the Profit and Loss Account for the year ended 31st March 2004 and the Report of the Directors and Auditors thereof.
2. To appoint Auditors and to fix their remuneration.
3. To appoint a Director in place of Shri. V. D. Barhate who retire by rotation and being eligible offer himself for re-appointment.

SPECIAL BUSINESS:

4. 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 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. 30.4.2004 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.

For **VADILAL DAIRY INTERNATIONAL LTD.**,

Place : Mumbai

Date : 30.11.2004

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(2) of the Companies Act, 1956 in respect of Special Business at item no: 3 is annexed herewith.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 20th of December, 2004 to 27th of December, 2004 (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 number and quoting reference of their Folio Number/s.
 (b) In case your mailing address mentioned on this Annual Report is without the PIN CODE then you are requested to inform your PIN CODE immediately.
5. Members are requested to quote Folio Numbers in all correspondence.

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6. Please note that pursuant to section 205A of the Companies Act, 1956 all unclaimed/ unpaid dividends up to the financial year ended 1995-96 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.
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 up to the date of 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 (IN PURSUANCE OF CLAUSE 49 (vi) (A) OF THE LISTING AGREEMENT)

Name of the Director	Mr. V. D. Barhate	Mr. S. P. Patil
Date of Birth	16.3.1952	20.3.1946
Date of Appointment	26.9.2002	30.4.2002
Qualification	M.Tech(IIT Kharagpur)	B.Sc. D.B.M. (Mumbai)
Experience	Engineering and Dairy Technologist	29 years in Dairy & Food Processing

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

Place : Mumbai
Date : 30/11/2004

SHAILESH R. GANDHI
Managing Director

EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956

Item No.4

The term of appointment of Shri.S. P. Patil, the whole time Director of the Company was up to the period 30.04.2004. During the year, Shri.S. P. Patil was re-appointed as the whole time Director of the Company, subject to the approval of the same by the members of the Company.

Shri S. P. Patil has been associated with the Company for the past two years 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 2004.

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 the Schedule XIII to the Company's Act, 1956 and hence does not require 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 details of 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 to 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 the rules of the company.

EARNED/PRIVILEGE LEAVE:

On full pay an allowance, one month's leave for every 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.

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

Place : Mumbai
Date : 30/11/2004

SHAILESH R. GANDHI
Managing Director



DIRECTORS' REPORT

To

The Members,

VADILAL DAIRY INTERNATIONAL LTD.

Your Directors present the Seventeenth Annual Report together with the Audited statements of account of the Company for the year ended 31st March 2004.

1. FINANCIAL RESULTS:

	2003-04 Rs.Lacs	2002-03 Rs. Lacs
Loss for the year before Depreciation and Financial Charges	215.71	160.70
Add : i) Depreciation	170.46	170.66
ii) Financial charges	1357.97	1255.40
Loss for the year	1744.14	1586.76
Prior year adjustments (net)	5.03	22.51
Add : Deficit brought forward from last year	7382.75	5773.48
Balance of loss carried to balance sheet	<u>9131.92</u>	<u>7382.75</u>

2. DIVIDEND:

In view of the loss suffered by your Company during the year, 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 continued 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. However during the year, the volume of this Division has fallen to 2309 K.Litres, as compared to 2796 K.Litres of last year.

DAIRY DIVISION

Your Company enjoys the job work contract with the Government of Maharashtra and which has helped the division to do trading of Milk during the year to the tune of 107 K.Litres and that of the Milk products to the tune of 540 tons, during the year.

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 place 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 of the Company 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.

**7. STATUS AT BIFR:**

As you are aware of the Company has been registered with the Board for Industrial and Financial Reconstruction (BIFR) since 1999 and it has been declared as a Sick Industrial Companies (Special Provisions) Act, 1985.

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 31st March, 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures if any.
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgments 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 provision of the Companies Act, 1956 for safeguarding the assets of the Company and the preventing and detecting fraud and other irregularities.
- iv) That the Directors have prepared the accounts for the financial year ended 31st March 2004 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.

During the year under consideration, the records required to be maintained under Cost Records to be kept are kept properly.

The statutory 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 has been appointed.

You are aware that the Company is a sick company and therefore there has been frequent turnover of the required personnel which resulted in to 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 the Investor Grievance and Shareholders Committee.

Since the Company has defaulted in making payment of interest to the Non- Convertible Debentures the directors of the company are disqualified 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. EXTENTIONFORHOLDINGANNUALGENERALMEETING**

Due to the heavy turnover of manpower, the management has decided to obtain extention of holding the Annual General Meeting. Accordingly, the application was made to the Registrar of Companies, Mumbai & they have sanctioned the extention to hold the Annual General Meeting before 31st December 2004 vide their letter reference, 107525/TA dtd. 20th September, 2004.

11. 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.

12. COST AUDITORS:

Pursuant to the directives of the Central Govt. under the provisions of Section 233 B 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.

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

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

14. PARTICULARS OF EMPLOYEES:

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies. Particularly of Employees Rules 1975 as amended forms part of this report has not been given as company has no employees drawing salary more than the specified limit.

15. 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 : 30/11/2004

SHAILESH R. GANDHI
Managing Director

**ANNEXURE 'A' TO DIRECTORS' REPORT**

Particulars required under the Companies (Disclosure of particulars in the report of Board of director(s) Rules, 1988.

A) CONSERVATION OF ENERGY

- i) Energy conservation measures taken optimum utilization of cold storage, switching off power supply of intervals for cold storages whenever temperature reaches the desired level and switching off power supply whenever not required in office premises.
- ii) Additional investment and proposals for reduction of consumption of energy.
 - a) Improving system power factor by adding capacitors.
 - b) Replacing existing machines/equipments with more productive energy efficient machines/equipments.
- iii) Impact of measures of two points above for reduction energy consumption and consequent impact on the cost of production of goods. The measures taken have resulted in savings in the cost of production.
- iv) Total energy consumption & energy consumption per unit of production. Form 'A'

FORM-A

(SEE RULE-2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY.**A) POWER & FUEL CONSUMPTION**

	CURRENT YEAR 1.4.2003 TO 31.3.2004	PREVIOUS YEAR 1.4.2002 TO 31.3.2003
1. ELECTRICITY		
a) Purchase unit	3,333,914	3,547,679
Total amount (Rs.)	13,120,311	14,499,844
Rate/ Unit (Rs.)	3.94	4.09
b) Own generation		
i) Through diesel generation unit	1952	7616
Unit per Litre of diesel	1.27	2.90
Cost/unit (Rs.)	18.93	7.58
ii) Through Steam Turbine /Generator units	Nil	Nil
Units per Litre of fuel oil/ Gas	Nil	Nil
2. Coal (Specify Quality & where used)		
Quantity (Tones)	Nil	Nil
Total Cost (Rs.)	Nil	Nil
Average Rate (Rs.)	Nil	Nil
3. Furnace Oil / LDO		
Qty. (K. Litres)	831	974
Total cost (Rs.)	10,288,007	11,589,068
Average Rate (Rs.)	12.38	11.90
4. Other/Internal Generation		
Qty (units)	Nil	Nil
Total cost (Rs.)	Nil	Nil
Rate /Unit (Rs.)	Nil	Nil
Consumption per litre of production	2003-04	2002-03
Product	Electricity (KWH/LTRS.)	Electricity (KWH/LTRS.)
Ice cream & Milk products	88	88

**B) Research & Development**

- a) Specific areas in which R & D carried out by the company.

The R & D efforts of the Company are directed towards process Development, energy conservation, pollution control, efficiency Improvement and quality upgradation.

- b) Benefits derived as a result of the above R & D.

- i) Increase in productivity improvement in quality and material utilization
ii) Reduction in manufacturing cost.

- c) Future Plan of Action

Continuation of the present work in R & D for introduction of new Products and processes improvement in the existing products and processes in the areas in which the company is operating.

d) Expenditure on R & D	2003-04 Rupees	2002-03 Rupees
a. CAPITAL EXPENDITURE	Nil	Nil
b. RECURRING	6,253	12,161
c. TOTAL	<u>6,253</u>	<u>12,161</u>

Total R & D expenditure a percentage of total turnover

Negligible

Negligible

- d. Technology absorption, adaption & innovation

Nil

Nil

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The foreign exchange outgoing and earning for the year are Rs. Nil (P.Y. Rs. Nil)

For and on behalf of the Board

Place : Mumbai

Date : 30/11/2004

SHAILESH R. GANDHI

Managing Director