



*Vadilal Dairy International Ltd.*



*Twenty Second Annual Report  
2008-2009*



# Vadilal Dairy International Ltd.

## BOARD OF DIRECTORS

Mr. Shailesh R. Gandhi	Managing Director
Mr S. P. Patil	Director
Mr. Vishnu D. Barhate	Director
Mr. Jaishekhar Ghaywan	Director

## AUDITORS

B.V. SHAH & ASSOCIATES  
CHARTERED ACCOUNTANTS  
21-22, Swapna Siddhi,  
Akurli Road, Kandivali (East),  
Mumbai-400 101.

## REGISTERED OFFICE

Plot No. M-13, MIDC Ind. Area,  
Tarapur, Boisar, Maharashtra  
Thane - 401506

## REGISTRARS AND SHARE TRANSFER AGENTS

SHAREX DYNAMIC (INDIA) PVT. LTD.  
Luthra Industrial Premises, Andheri Kurla Road,  
Safed Pool, Andheri (E),  
Mumbai-400 072

## BANKERS

Bank of Baroda  
Bank of India

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## TWENTY SECOND ANNUAL GENERAL MEETING

Day : Tuesday      Date : 29<sup>th</sup> of September, 2009      Time : 10.00 A.M.

Venue : Plot No. M-13, MIDC, Industrial Area, Tarapur, Boiser, Maharashtra, Thane- 401506.

## ATTENTION

Shareholders please note that pursuant to recent changes in applicable laws and regulations, in order to receive and participate in all corporate actions of the Company, you are requested to:-

- Inform our Registrar/Depository Participants, if not already done earlier, for updating details of your PAN number. Non-submission of PAN number is a cause of rejection especially by shareholders holding securities in physical form.
- Inform your Depository Participant to reactivate your account for credit actions. Frozen Demat Accounts may lead to non-credit/delayed credit of securities allotted to your account.
- Update your address with Registrar/Depository Participants to ensure timely receipt of shareholder communication.

**NOTICE**

Notice is hereby given that the Twenty Second Annual General Meeting of VADILAL DAIRY INTERNATIONAL LIMITED will be held at the Plot no. M-13, MIDC, Industrial Area Tarapur, Boiser, Maharashtra - 401506 on Tuesday, 29<sup>th</sup> September, 2009 at 10.00 A.M. to transact the following business.

**ORDINARY BUSINESS:**

1. To receive, consider & adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2009 and Profit & Loss Account for the year ended on that date together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr Jaishekhar P. Ghaywan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint B. V. Shah & Associates, Chartered Accountants, Mumbai, as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS:**

4. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

**"RESOLVED THAT**, pursuant to BIFR order dated 31st December, 2007, the Board of Directors of the Company (hereinafter referred to as the "Board") be and is hereby authorized to accept, create, issue, offer and allot Equity linked Convertible Share Warrants to the tune of Rs.2,00,00,000 ( Rupees Two Crores only ) to Promotors on preferential basis and the conversion of such instruments or securities representing Equity Shares at par in accordance with the BIFR order after the expiry period of Eighteen months from the date of allotment of Equity linked Convertible Share Warrants."

**"RESOLVED FURTHER THAT** the Board be and is hereby authorized to issue and allot Equity Shares upon conversion/exercise of right attached to Equity linked Convertible Share Warrants referred above or as may be necessary in accordance with the terms of the offer(s) and all such shares shall rank pari passu inter-se and with the then existing Equity Shares of the Company in all respects."

**"RESOLVED FURTHER THAT** for the purpose of giving effect to any offer, issue or allotment of Equity linked Convertible Share Warrants, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable to give effect to such resolution."

For and on behalf of the Board  
For **VADILAL DAIRY INTERNATIONAL LIMITED**

Place: Mumbai  
Date: 21<sup>st</sup> August, 2009

S.R. GANDHI  
Managing Director

**Registered Office:**  
Plot no. M-13, MIDC Ind. Area,  
Tarapur, Boisar, Maharashtra  
Thane: 401506



## NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND, AND VOTE INSTEAD OF HIM/HER AND 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 Register of Members and Share Transfer Books of the Company will remain closed from Friday, 25<sup>th</sup> September, 2009 to Tuesday, 29<sup>th</sup> September, 2009 (both days inclusive) for the purpose of Annual General Meeting.
3. (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.
4. Members are requested to quote Folio Numbers in all correspondences.
5. 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.
6. 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.
7. Members are requested to bring their copy of Annual Report along with them to the Meeting.

For and on behalf of the Board  
For **VADILAL DAIRY INTERNATIONAL LIMITED**

Place: Mumbai  
Date: 21<sup>st</sup> August, 2009

S.R. GANDHI  
Managing Director

**Registered Office:**  
Plot no. M-13, MIDC Ind. Area,  
Tarapur, Boisar, Maharashtra  
Thane: 401506



## EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NO. 4.

The Company has received BIFR Order vide letter dated 31<sup>st</sup> December, 2007 as per which the Company needs to induct an amount of Rs. 200 Lakhs by the promoters in the form of Convertible Share Warrants which shall be converted into Equity Shares without the requirement of following the provisions of Section 81(1A), 295,372A and other applicable provisions of the Companies Act, 1956, SEBI ( Disclosure & Investor Protection) Guidelines, 2000 for Preferential Allotment of Shares and also without following provisions of SEBI (Substantial Acquisition of Shares And Takeovers) Regulations 1997, SEBI (Central Listing Authority) Regulation 2003 and ceiling on promoters holding from applicability of which the Company is exempted.

In this connection, the Board of Directors now proposes to issue Equity linked Convertible Share Warrants to Promoters which will have a Conversion Option, which needs to be exercised by the promoters within 18 months from the date of allotment of the said Instruments and after the said conversion, Promoters will be eligible for the Equity Shares of the Company.

The Conversion Option would be required to be exercised within 18 (eighteen) months from the date of issue of the Instruments. The number of Instruments allotted to Promoters on conversion shall rank pari passu in all respect with the then existing shares of the company.

Thus, the Equity shares which would be allotted if the right attached to such Instruments is exercised would be during the next financial year 2010-11.

Pursuant to the proposed allotment of Equity Shares:

1. There will be no change in the Board of Directors of the Company.
2. There will be no change in the control of the Company.

None of the Directors is interested or concerned in this resolution except Mr. Shailesh R. Gandhi, Chairman & Managing Director of the Company.

For and on behalf of the Board  
For **VADILAL DAIRY INTERNATIONAL LIMITED**

Place: Mumbai  
Date: 21<sup>st</sup> August, 2009

S.R. GANDHI  
Managing Director



## DIRECTORS' REPORT

To  
The Members,  
**VADILAL DAIRY INTERNATIONAL LIMITED**

Your Directors are pleased to present the Twenty Second Annual Report for the year ended 31<sup>st</sup> March 2009.

### 1. FINANCIAL RESULTS

(Rs. in lakhs )

Particulars	2008-09	2007-08
Profit / (Loss) for the year before providing Depreciation and Financial Charges	176.47	93.19
Less : 1) Depreciation	17.94	18.59
2) Financial charges	0.67	0.85
Profit for the year	157.86	73.75
Prior year adjustment (Net)	(102.17)	(0.49)
Fringe Benefit Tax	1.18	0.98
Loss brought forward from last year	(325.02)	(15841.49)
Add : Adjustments as per BIFR Order	NIL	15444.19
Balance of Loss carried to Balance Sheet	(270.51)	(325.02)

### 2. DIVIDEND

In view of the past accumulated losses suffered by your Company during the year, Directors regret their inability to recommend dividend during the year.

### 3. 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, 2009, 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 Profit 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 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 2009 on a going concern basis, despite the fact that the Company's net worth is totally eroded. The company's Rehabilitation Scheme as sanctioned by BIFR is under implementation. The directors are hopeful that the company's performance will improve after successful implementation of the Sanctioned Scheme.

The auditors have also regretted to non-preparation of cost records pursuant to Rules formed by the Central Government u/s 209(1) (d) of the Companies Act, 1956. The Directors are taking necessary steps to get the cost records prepared at the earliest.



The statutory auditors in their certificate of Corporate Governance reported that:

- i) There has been no submission of quarterly results to Stock Exchanges.
- ii) Non-publication of quarterly results in English and regional language news papers.

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 lapses. 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 two of the three members of the Audit Committee are Non- Executive Directors and no Non- Executive Director is the chairman of the Investor Grievance and shareholders Committee. With the BIFR background, some lapses on non-compliances are there, however your management is confident of coming out of the same. Thus your Directors do not wish to further comment on the report of the auditor.

#### **4. 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').

For and on behalf of the Board  
For **VADILAL DAIRY INTERNATIONAL LIMITED**

Place: Mumbai  
Date: 21<sup>st</sup> August, 2009

Report  junction.com

S.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 at 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 2008-09	PREVIOUS YEAR 2007-08
1.	ELECTRICITY		
a)	Purchase unit	1441927	1751440
	Total amount (Rs.)	7052006	8298177
	Rate/ Unit (Rs.)	4.89	4.74
b)	Own generation		
i)	Through diesel generation unit	Nil	Nil
	Unit per litre of diesel	Nil	Nil
	Cost/unit (Rs.)	Nil	Nil
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)	66.58	64.09
	Total cost (Rs.)	2382421	2039424
	Average Rate (Rs.)	35.78	31.82
	Other/Internal Generation		
	Qty (units)	Nil	Nil
	Total cost (Rs.)	Nil	Nil
	Rate /Unit (Rs.)	Nil	Nil
Consumption per litre of production		2008-09	2007-08
Product		Electricity (Kwh/Ltrs.)	Electricity (Kwh/Ltrs.)
Ice cream & Milk products		0.89	1.00



**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 up gradation.

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.

**C) FOREIGN EXCHANGE EARNINGS AND OUTGO**

The foreign exchange outgoing and earnings for the year is Rs. Nil (P.Y. Rs. Nil)

For and on behalf of the Board  
For **VADILAL DAIRY INTERNATIONAL LIMITED**

Report  junction.com

Place: Mumbai  
Date: 21<sup>st</sup> August, 2009

S.R. GANDHI  
Managing Director



## MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis Report form a part of the Annual Report of the Company. It indicates the Company's movement in the external environment Vis-a-Vis its own strengths and resources.

### Performance of the Company

The Company is facing stiff competition from other ice-cream producing Companies. A Large number of foreign brands are entering the market thereby creating more competition for the Company. The Company is facing very heavy burden of Value Added Tax(VAT). Due to the above mentioned reasons coupled with excessive price cutting by competitors, Ice-cream business has no longer remain profitable. However, Management is trying its best to improve the working of the Company.

### Strategy

The Company has introduced new varieties of ice cream in more attractive packs and has made them available with the Company's stockist dealers. The Company's policy of innovative scheme to attract consumers will be continued.

### Business Outlook

The Company had received the Order from Honorable BIFR sanctioning the Rehabilitation Scheme on 31.12.07. The Sanctioned Scheme as per Guideline given by BIFR is under implementation. The Company has seen a ray of hope to ride through the most difficult period.

### Threats

1. Marketing will be the most problematic area where improvements are called for and continuous quality improvement will be the need of the hour for which urgent measures are called for from all stakeholders.
2. Increasing competition from other manufactures and foreign Companies will be a major problem.

### Internal Control and their Adequacy

The Company has a compact organization Structure which helps to run business operation smoothly. The Company has adequate internal control system, commensurate with the size and nature of its operations. The scope of the internal audit is to ensure that the control system established by the management is correctly implemented.

All assets and resources are used efficiently and are adequately protected. All internal policies and statutory guidelines are complied with. There is accuracy in timing of financial reports and management information.

Audit Committee, the details of which has been provided in the Corporate Governance Report has been entrusted with detailed terms of reference to review and look into proper recording of transactions and preparation of financial statement. One of the important functions of the Audit Committee is to review the adequacy of internal control systems and compliance thereof.

### Human Resource Development

The Company's progress is largely attributed to the wholehearted support from its manpower. The technical team were constantly challenged for quality performance and expected to work with an entrepreneurial spirit on the project.

### Cautionary Statement

Statements made in the Management Discussion and analysis describing business outlook, projections, opportunities and threats, etc. may be "forward looking statement" within the meaning of the applicable securities, laws and regulations. Actual results could differ from those expressed or implied. Readers are hence advised not to place undue reliance on these statements and are advised to conduct their own investigation and analysis of the information contained or referred to in this section before taking any action with regard to their own specific objections. Further, the discussion herein reflects the perception on major issues as on date and opinions expressed herein are subject to change without notice. The Company undertakes no obligation to publicly update or revise any of the opinions or forward looking statements expressed in this report, consequent to any new information, future event or otherwise.

For and on behalf of the Board  
For **VADILAL DAIRY INTERNATIONAL LIMITED**

Place: Mumbai  
Date: 21<sup>st</sup> August, 2009

S.R. GANDHI  
Managing Director