



Twenty Third Annual Report
2009-2010

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 Indl. 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 THIRD ANNUAL GENERAL MEETING

Day: Wednesday, Date: 29th of September, 2010 Time: 11.30 A.M.

Venue : Plot no. M-13, MIDC, Industrial Area Tarapur, Boiser – 401506, Maharashtra – 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 Participants, 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 Third Annual General Meeting of **VADILAL DAIRY INTERNATIONAL LIMITED** will be held at the Plot no. M-13, MIDC, Industrial Area Tarapur, Boisar- 401506, Maharashtra on Wednesday, 29th September, 2010 at 11.30 A.M. to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider & adopt the Audited Balance Sheet as at 31st March 2010 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. Vishnu D. Barhate, 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.

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

Place: Mumbai
Date: 21st August, 2010

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 Thursday, 23rd September, 2010 to Wednesday, 29th September, 2010 (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: 21st August, 2010

S.R. GANDHI
Managing Director

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

DIRECTORS' REPORT

To
The Members,
VADILAL DAIRY INTERNATIONAL LIMITED

Your Directors are pleased to present the Twenty Third Annual Report for the year ended **31st March 2010**.

1. FINANCIAL RESULTS

Particulars	2009-2010	2008-2009
Profit / (Loss) for the year before providing Depreciation and Financial Charges.	171.68	176.47
Add: i) Depreciation	22.07	17.94
ii) Financial Charges	0.51	0.67
Profit for the year	149.10	157.86
Prior year adjustment (net)	91.57	102.17
Fringe Benefit Tax	NIL	1.18
Loss brought forward from last year	(270.51)	(325.03)
Balance of Loss carried to Balance sheet	(212.98)	(270.52)

2. DIVIDEND

In view of the past accumulated losses suffered by your Company, Directors regrets their inability to recommend any dividend for 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 31st March, 2010, 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 provision 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 31st March 2010 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 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 submission of quarterly results to Stock Exchanges.
- ii) Publication of quarterly results in English and regional language news papers.

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.

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: 21st August, 2010

S.R. GANDHI
Managing Director

Addendum to Para 3 above :

Despite the Company's best efforts to employ full time qualified Company Secretary, it is not getting the same in view of the existing financial constraints.

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 2009-10	PREVIOUS YEAR 2008-09
ELECTRICITY		
a) Purchase unit	1236490	1441927
Total amount (Rs.)	6164751	7052006
Rate/ Unit (Rs.)	4.99	4.89
b) Own generation		
i) Through diesel generation unit	Nil	Nil
Units 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)	38.00	66.58
Total cost (Rs.)	1353480	2382421
Average Rate (Rs.)	35.62	35.78

4. OTHER / INTERNAL GENERATION

Qty (units)	Nil	Nil
Total cost (Rs.)	Nil	Nil
Rate /Unit (Rs.)	Nil	Nil

Consumption per litre of production	2009-10	2008-09
Product Electricity	Electricity	
	(Kwh/Ltrs.)	(Kwh/Ltrs.)
Ice cream & Milk products	0.87	0.89

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

Place: Mumbai
 Date: 21st August, 2010

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. Also 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 remained 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 stockists/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 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 it 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 LIMITE

Place: Mumbai
Date: 21st August, 2010

S.R. GANDHI
Managing Director

CORPORATE GOVERNANCE REPORT

The foundation on which the super structure of Corporate Governance rests is in the "The Theory of Trusteeship". The shareholders while placing their capital in the hands of Board of Directors put them in the fiduciary capacity. The Trustees, in turn are required to run the business with **TRANSPARENCY, FULL DISCLOSURE, FAIRNESS to all and INDEPENDENT MONITORING AND SUPERVISION** which enables the Company to perform efficiently and maximize long term value for shareholders. This is the essence of '**GOOD CORPORATE GOVERNANCE**'. It also puts in place and enhances the trust of creditors, employees, suppliers, customers and public at large.

At Vadilal Dairy International Ltd. it is also considered as a business necessity and thus it has ensured:

- * A strong team of non executive directors.
- * Capable and result oriented management team.
- * Due importance to compliance of laws, rules and regulations.
- * Appropriate internal control systems and procedures to effectively monitor the role of the management and the affairs of the Company.

This year's annual report has made substantial disclosures on the Board of Directors, Financial and Stock performance which are as follows:-

1. Board of Directors:

Within the constraints of the tag of a "Sick" Company, the Company has tried to keep its Board as broad based as possible.

The Company's Board comprises of the following :

- | | | | |
|----|-----------------------------|---|-------------------|
| 1. | Shri. Shailesh R. Gandhi | : | Managing Director |
| 2. | Shri. S. P. Patil | : | Director |
| 3. | Shri. V. D. Barhate | : | Director |
| 4. | Shri. Jaishekhar P. Ghaywan | : | Director |

2. Number of Board Meetings and attendance record of Directors:

It is important for the shareholders to know as to have many times the Board met during 2009-10 and the attendance record of Directors. The Company therefore, makes here below full disclosures of number of Board meetings held during the year 2009-10 as well as attendance record of each director at the Board Meeting.

Details of Board Meeting:

Number of Board meetings held from 1.4.2009 to 31.3.2010

07.05.2009	05.08.2009	21.08.2009
01.09.2009	31.10.2009	30.01.2010

Attendance Record of Directors

	Name of Directors	No. of Meeting Held	No. of Meeting Attended	Whether attended A.G.M 30.09.2009
1	Shri. Shailesh R. Gandhi	6	4	Yes
2	Shri. V. D. Barhate	6	5	Yes
3.	Shri. S. P. Patil	6	5	Yes
4	Shri. Jaishekhar P. Ghaywan	6	3	Yes

3. Directors interest in the Company:

For the sake of transparency the Company is committed to make full disclosures regarding the interest of and payments to all directors. The Directors of the Company are paid sitting fees for attending meeting of the Board of Directors at the rate of Rs.500/- per meeting attended by them.

4. Audit Committee:

The Board of Directors constituted an Audit Committee comprising three Directors viz. Shri V. D. Barhate (Chairman), Shri. Shailesh R. Gandhi, and Shri. Jaishekhar P. Ghaywan.

During the year the committee has met 4 times. The constitution of Audit Committee also meets with the requirements u/s 292A of the Companies Act, 1956.