



CORPORATE INFORMATION:

BOARD OF DIRECTORS

Mr. Shailesh R. Gandhi (Managing Director)
Mr. S. P. Patil
Mr. V. D. Barhate
Mr. J.P. Ghaywan

AUDITORS

B .V SHAH & ASSOCIATES

CHARTERED ACCOUNTANTS

21-22, Swapna Siddhi,
Akurli Road, Kandivali (East),
Mumbai-400 101

REGISTRARS AND SHARE TRANSFER AGENTS

SHAREX DYNAMIC (INDIA) PVT. LTD.

Luthra Industrial Premises,
Andheri Kurla Road,
Safed Pool, Andheri (E),
Mumbai-400 072

REGISTERED OFFICE

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

CORPORATE OFFICE

'Gul Manzil' 1st Floor,
14, Dashrathlal Joshi Road,
Vile Parle (W)
Mumbai- 400 056

BANKERS

Bank of Baroda
Bank of India

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TWENTY FOURTH ANNUAL GENERAL MEETING

Day: Thursday

Date: 29th of September, 2011

Time: 11.30 A.M.

Venue: Plot no. M-13, MIDC, Industrial Area Tarapur, Boiser – 401506, Maharashtra – 401506

ATTENTION

Shareholders are requested to 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.

Important Communication to Members

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To support this new path introduced on the front of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to send and accordingly register their e-mail addresses on the e-mail provided by the Company (vadilal@vsnl.com) as soon as possible.



NOTICE

Notice is hereby given that the Twenty Fourth 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 Thursday, 29th September, 2011 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 2011 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. J. 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.

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

Place: Mumbai
Date: 6th September, 2011

SHAILESH 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, 23rd September, 2011 to Thursday, 29th September, 2011 (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: 6th September, 2011

**SHAILESH 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 have pleasure in presenting the Twenty Fourth Annual Report for the financial year ended **March 31, 2011**.

1. FINANCIAL HIGHLIGHTS :**(Rs. in lakhs)**

PARTICULARS	2010-2011	2009-2010
Profit Before Depreciation and Financial Charges	84.86	171.68
Less: Depreciation	20.16	22.07
Financial Charges	3.47	0.51
Profit before Prior Year adjustments	61.23	149.10
Prior year adjustments (net)	42.12	91.57
Profit Before Tax	19.11	57.53
Provision for Tax	Nil	Nil
Profit After Tax	19.11	57.53
Profit/(Loss)brought forward from last year	(212.98)	(270.51)
Balance of Profit/(Loss) carried to Balance sheet	(193.87)	(212.98)

2. RESULTS OF OPERATIONS:

The company achieved the total sales of Rs. 1490.18 lacs as against Rs. 1341.16 lacs achieved during the previous year ended on 31st March, 2010.

The company earned the profit after tax of Rs. 19.11 lacs as against Rs. 57.53 lacs earned for the year ended on 31st March, 2010.

There was significant inflation in prices of raw material, packing materials and other key input prices. This rise in costs of major ingredients of ice-cream put tremendous pressure on the margins of the business.

3. BIFR:

The company has been declared as a sick unit by BIFR (Board for Industrial & Financial Reconstruction) on 19.06.2000 under Case No.200/1999. The BIFR has sanctioned a Rehabilitation Scheme for the company (SS-07) vide their Order dated 31.10.2007. This Rehabilitation Scheme is under implementation.

4. DIVIDEND:

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

5. DIRECTORS:

Pursuant to the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. J.P. Ghaywan, Director of the Company, retire by rotation at this Annual General Meeting, and being eligible, offer himself for re-appointment.

6. 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.

- That in the preparation of the accounts for the financial year ended 31st March, 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- 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.
- 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 2011 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.**

You are aware that the Company is a sick Company and therefore there has been frequent turnover of the required personnel. Further despite the Companies efforts to employ whole time Company Secretary, Company is unable to employ qualified company secretary as per the provisions of Section 383A of the Companies Act, 1956.

7. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

The Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the listing agreement with the Stock Exchanges in India, is presented in a separate section which forms, part of the Annual Report.

8. FINANCE:

During the year under review, the company availed the short term loan from the banks against the security of it's fixed deposits held in the banks.

During the year, being a licensed user of the reputed and an established trademark of "Vadilal" for it's ice-cream products, the company made the payment of outstanding royalty and security deposit to the licensors of the said trademark in view of mutual understanding with the licensors.

9. AUDITORS AND AUDITORS' REPORT:

M/s. B V. Shah & Associates, Chartered Accountants, (Registration No.040210), the Auditors of the Company hold their office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment as the Company's Statutory Auditors from the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting. The Company has received their willingness to act as Auditors of the Company along with a letter from them to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

The Notes on Accounts referred to in the Auditors' Report are self-explanatory and do not call for any other comments.

10. CORPORATE GOVERNANCE REPORT:

The Company is committed to maintain the highest standard of Corporate Governance and adhere to the Corporate Governance requirements set out by SEBI. The Company has also implemented several best Corporate Governance Practices as prevalent globally.

The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

The requisite Certificate from the Auditors of the Company confirming compliance with the condition of Corporate Governance as stipulated under the aforesaid Clause 49 is attached to this Report.

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

The particulars relating to conservation, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are provided in the Annexure-A to this Report.

12. ACKNOWLEDGEMENT:

Your Directors would like to express their sincere appreciation of the co-operation and assistance received from shareholders, bankers, regulatory bodies and other business constituents during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the commitment displayed by all executives, officers and staff, resulting in the successful performance of the Company during the year.

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

Place: Mumbai
Date : 6th September, 2011

**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 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 2010-11	PREVIOUS YEAR 2009-10
1. Electricity		
a) Purchase unit	1336525	1236490
Total amount (Rs.)	7279443	6164751
Rate/ Unit (Rs.)	5.45	4.99
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)	43.00	38.00
Total cost (Rs.)	1726980	1353480
Average Rate (Rs.)	40.16	35.62
4. Other/Internal Generation		
Qty (units)	Nil	Nil
Total cost (Rs.)	Nil	Nil
Rate /Unit (Rs.)	Nil	Nil
Consumption per liter of production	2010-11	2009-10
Product	Electricity	Electricity
	(Kwh/Ltrs.)	(Kwh/Ltrs.)
Ice cream	0.55	0.87



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 : 6th September, 2011

**SHAILESH 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.

1. PERFORMANCE OF THE COMPANY:

The Company is facing stiff competition from other ice-cream producing Companies. The Company is facing very heavy burden of Value Added Tax (VAT) and Central Excise (excise on ice-cream introduced in the last Budget). Due to the above mentioned reasons coupled with inflation in the prices of raw material, packing material and other key inputs, Ice Cream business has no longer remained profitable. However, Management is trying its best to improve the working of the Company.

2. 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.

3. BUSINESS OUTLOOK:

As per the order of the Board for Industrial and Financial Reconstruction (BIFR) Rehabilitation Scheme is under implementation and the Company is putting its best efforts with a view to take your Company back to its origin of pride and glory.

4. 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. Now-a-days the markets are flooded with new local and regional players with cheaper products. There are few concerns like rising infrastructure and input costs, which the company should take in mind.

5. INTERNAL CONTROL SYSTEM 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.

6. 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.

7. 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 : 6th September, 2011

**SHAILESH R. GANDHI
Managing Director**

**REPORT ON CORPORATE GOVERNANCE****1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:**

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:-

2. BOARD OF DIRECTORS:

- i. The Board of Directors of the Company not only oversees the management functions but also supervises, directs and manages the performance of the Company. The Board has constituted various committees of Directors', for the matters requiring Special attention and their effective and efficient disposal.
- ii. The Board of Directors of the Company consists of Four Directors including a Chairman and a Managing Director. Out of Four Directors, Two are Non-Executive Independent Directors. The said composition conforms to the clause 49 of the Listing Agreement entered into with Stock Exchange.
- iii. Details of the Directors constituting the Board, their attendance at the Board Meetings of the Company and the last Annual General Meeting and their Directorships in other Public Limited Companies (excluding 'Vadilal Dairy International Limited') are as follows:

Sr. No.	Name of Director	Designation	Attendance in Board meetings		Attendance in last AGM held on 29th September, 2010
			Held	Attended	
1.	Mr. Shailesh R. Gandhi	Chairman, Managing Director, Non- Independent	5	5	Yes
2.	Mr. S. P. Patil	Non-Independent Director	5	5	Yes
3.	Mr. V. D. Barhate	Independent Director	5	5	Yes
4.	Mr. J.P. Ghaywan	Independent Director	5	5	Yes

Independent Director' means a Non-Executive Director who apart from receiving Director's remuneration does not have any material pecuniary relationship or transactions with the Company, its promoters, its directors, its management or its subsidiaries and associates and nor is a substantial shareholder of the Company, which may affect independence of the Director.

As stipulated under Clause 49 (I) (C) of the Listing Agreement, none of the Director is a Member of more than 10 Committees or a Chairman of more than 5 Committees across all the companies in which he is a Director. (Committees being Audit Committee and the Shareholders'/Investors' Grievance Committee)



iv. Five Board Meetings were held during the year and the gap between two meetings did not exceed four months. The dates on which the said meetings were held are as follow:

15th May, 2010; 14th August, 2010; 21st August, 2010; 15th November, 2010; 8th February, 2011

Details of Directors retiring by rotation and being eligible for re-appointment is as under.

In accordance with the provisions of Section 256 of the Companies Act, 1956, Mr. J.P.Ghaywan is liable to retire by rotation. He being eligible, offers himself for re-appointment. A brief resume and other information as required under Clause 49(VI) (G) of the Listing Agreement in respect of the said Director are given as under

Name of Director	Mr. J.P.Ghaywan
Date of Appointment	11th August, 2008
Qualification	Indian Dairy Diploma(IDD)
Nature of expertise in specific functional areas	Production in Quality Control in respect of Dairy and Milk Products

Committees of the Board

As of 31st March, 2011, your Company has three committees. They are:

- ☐ **Audit Committee**
- ☐ **Shareholder's/Investor's Grievance Committee**
- ☐ **Remuneration Committee**

a) **Audit Committee:**

The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement entered into with the Stock Exchange read with Section 292A of the Companies Act, 1956.

Objective:

The Audit Committee reviews, acts and reports to the Board of Directors, inter-alia, with respect to:

- discussion and review of quarterly, half yearly and annual financial results;
- review of the adequacy of the internal control system with the Management, Internal Auditors and Statutory Auditors;
- review of Company's financial reporting processes, changes in the Accounting Policies and its compliance with regulatory guidelines;
- review of financial and risk management system;
- recommendation for appointment of Statutory Auditors and the remuneration payable to them.

The Committee also reviews the observations of the Internal and Statutory Auditors along with the comments and action taken thereon by the management and invites senior executives to its meetings as and when necessary.

Composition & Meetings:

The Audit Committee is composed of Executive / Non-Executive Independent Directors as per the requirement of Clause 49 of the Listing Agreement. The members of the Audit Committee have requisite financial, legal and management expertise.

During the year under review 4 meetings of the Audit Committee were held on 15th May, 2010; 14th August, 2010; 15th November, 2010 and 8th February, 2011.

Sr. No.	Name of Directors	Designation	Attendance in Board meetings	
			Held	Attended
1.	Mr. Shailesh R. Gandhi (Chairman)	Non-Independent Director	4	4
2.	Mr. V. D. Barhate	Independent Director	4	4
3.	Mr. J.P. Ghaywan	Independent Director	4	4