

**CORPORATE INFORMATION:****BOARD OF DIRECTORS**

Mr. S. R. Gandhi (Managing Director)
 Mr. S. P. Patil
 Mr. V. D. Barhate
 Mr. J. P. Ghaywan
 (Ceased to be Director w.e.f. 10th February, 2012)
 Mr. S. M. Patil
 (Appointment of Additional Director w.e.f. 10th February, 2012)

AUDITORS

B .V SHAH & ASSOCIATES
CHARTERED ACCOUNTANTS
 20-21-22, 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

BANKERS

Bank of Baroda
 Bank of India

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TWENTY FIFTH ANNUAL GENERAL MEETING

Day: Friday

Date: 28th of September, 2012

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 Fifth 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 Friday, 28th September, 2012 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 2012 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. S. P. PATIL**, 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 an ordinary resolution:**

“RESOLVED THAT Mr. S. M. Patil who was appointed by the Board as an Additional Director with effect from 10th February, 2012 and who holds office upto the date of this Annual General Meeting and is eligible for appointment as Director and in respect of whom the Company has received a notice in writing from him pursuant to Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

5. **To consider and, if thought fit, to pass with or without modification s, the following resolutions as Ordinary Resolutions:**

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification or re-enactment thereof, or any other law and subject to such consent(s), approval(s) and permission(s) as may be necessary in this regard and subject to such conditions as may be imposed by any authority while granting such consent(s), permission(s) and approval(s) and as are agreed to by the Board of directors (hereinafter referred to as the Board, which term shall unless repugnant to the context or meaning thereof, be deemed to include any committee thereof and any person authorised by the Board in this behalf), consent of the shareholders be and is hereby accorded to the re-appointment of Mr. Shailesh R. Gandhi as Managing Director of the Company for a further period of five years with effect from October 1, 2012, on the remuneration as set out in the explanatory statement to Item No. 5.

RESOLVED FURTHER THAT the Board be and is hereby authorized to vary, alter and modify the terms and condition of re-appointment including remuneration structure of Mr. S. R. Gandhi as Managing Director by Remuneration Committee within the limits prescribed in Item No. 5 of the explanatory statement.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things as may be deemed necessary to give effect to the above resolution.”

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

Sd/-

**S.R. GANDHI
Managing Director**

Place: Mumbai
Date: 1st September, 2012

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 Monday, 24th September, 2012 to Friday, 28th September, 2012(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**

Sd/-

**S.R. GANDHI
Managing Director**

Place: Mumbai
Date: 1st September, 2012

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



ANNEXURE TO NOTICE

EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173(2) OF THE COMPANIES ACT, 1956:

In conformity with the provisions of Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to Special Business mentioned in the accompanying Notice and should be taken as forming part of the Notice.

ITEM NO. 4

Mr. S. M. Patil was appointed as Additional Director of the Company in the Board Meeting held on 10th February, 2012 and as per Section 260 of the Companies Act, 1956 his term of office expires at the commencement of the forth coming annual general meeting. The Company has received a notice from the shareholders proposing his name for appointment as Director in the forthcoming Annual General Meeting.

The Board accordingly recommends the Ordinary Resolution for your approval.

ITEM NO. 5

Mr. S. R. Gandhi will be completing his current term as Managing Director of the Company on September 30, 2012. The Board recommends to the shareholders, the re-appointment of Mr. S. R. Gandhi as Managing Director for a further term of five years effective October 1, 2012 on the following terms:

Fixed Pay (inclusive of salary, allowances and retirement benefits) to be payable monthly. Such sum as may be determined by the Board and Remuneration Committee from time to time provided that the total fixed pay shall not exceed Rs. 1,00,000/- per month.

The Board recommends the resolution as set out in Item No. 5 for approval of the shareholders as an ordinary resolution. The terms as set out in the resolution and explanatory statement may be treated as an abstract of the terms of appointment pursuant to Section 302 of the Companies Act, 1956.

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

Sd/-

**S.R. GANDHI
Managing Director**

Place: Mumbai
Date: 1st September, 2012

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 Fifth Annual Report for the financial year ended **March 31, 2012.**

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

PARTICULARS	2011-2012	2010-2011
Profit Before Depreciation and Financial Charges	(30.82)	42.74
Less: Depreciation	26.95	20.16
Financial Charges	3.38	3.47
Profit Before Exceptional Items and Tax	(61.15)	19.11
Exceptional Items	140.07	Nil
Profit Before Tax	(201.22)	19.11
Provision for Tax	Nil	NIL
Profit After Tax	(201.22)	19.11
Profit/(Loss)brought forward from last year	(193.87)	(212.98)
Balance of Profit/(Loss) carried to Balance sheet	(395.09)	(193.87)

2. RESULTS OF OPERATIONS:

The Company achieved the total revenue of Rs.2264.83 lacs as against Rs.1493.58 lacs achieved during the previous year ended on 31st March, 2011.

The Company incurred net loss of Rs. 201. 22 lacs as against net profit of Rs. 19.11 lacs earned for the year ended on 31st March, 2011.

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 coupled with non recovery of old debts put tremendous pressure on the margins of the business.

3. Board for Industrial and Financial Reconstruction (BIFR):

The Company was 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.

The BIFR has granted various reliefs and concessions in it's above referred order necessary for rehabilitation of the Our Company. One of such concessions was granted in the form of exemption from payment of Sales Tax/VAT for a period of 5 years from cut- off date of the scheme i.e. 31.03.2007 during rehabilitation period. This concession was denied by the Sales Tax authority of the State Government of Maharashtra during the year. Against this denial the company has filed appeal with the BIFR praying to direct the Sales Tax authorities to grant relief to Our Company. The final Judgment is yet to be ordered by the BIFR. The Board of the Company is hopeful for a positive order from BIFR.

The Company had already received Rs. 2,50,00,000/- from promoters and its group companies as per the terms of BIFR's Order. As per Order of BIFR, the promoters and its group companies are to be issued equity shares against their investment in the company. The said amount is treated as share application money in the balance sheet, pending allotment, as the approval of shareholders is pending.

4. DIVIDEND:

In view of the 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. S. P. Patil, 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.

- i) That in the preparation of the accounts for the financial year ended 31st March, 2012, 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, 2012 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 383 A 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 loans from the banks against the security of its fixed deposits held in the banks.

During the year, being a licensed user of the reputed and an established Trademark of "Vadilal" for its ice-cream products, the Company made the additional payment of 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 the Financial Statements 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**

Sd/-

**S.R. GANDHI
Managing Director**

Place: Mumbai
Date: 1st September, 2012

**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 will be reduction in energy consumption and consequent impact on the cost of production of goods.
- 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 2011-12	PREVIOUS YEAR 2010-11
1. Electricity		
a) Purchase unit	1713916	1336525
Total amount (Rs.)	10908594	7279443
Rate/ Unit (Rs.)	6.36	5.45
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)	36.40	43.00
Total cost (Rs.)	1568834	1726980
Average Rate (Rs.)	43.10	40.16
4. Other/Internal Generation		
Qty (units)	Nil	Nil
Total cost (Rs.)	Nil	Nil
Rate /Unit (Rs.)	Nil	Nil
Consumption per liter of production Product	2011-12 Electricity (Kwh/Ltrs.)	2010-11 Electricity (Kwh/Ltrs.)
Ice cream	0.52	0.55



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) Improvement in quality and material utilization.

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.4 lacs (P.Y. Rs. Nil)

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

Sd/-

**S.R. GANDHI
Managing Director**

Place: Mumbai
Date: 1st September, 2012



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 increased from 1% to 2% by the Government 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 and non- recovery of old debt 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**

Sd/-

**S.R. GANDHI
Managing Director**

Place: Mumbai
Date: 1st September, 2012