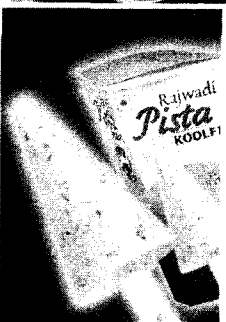


VADILAL ENTERPRISES LTD.



The Ice Cream Experts



BOARD OF DIRECTORS**Chairman & Managing Director**

Ramchandra R. Gandhi

Directors

Virendra R. Gandhi

Rajesh R. Gandhi

Devanshu L. Gandhi

Laxmiprasad C. Amin

Jayantilal M. Shah

Ramanlal V. Mehta (upto 29/01/2006)

AUDITORS

M/s. Kantilal Patel & Co.

Chartered Accountants, Ahmedabad

(A member firm of Polaris International, USA)

BANKER

Bank of India

REGISTERED OFFICE

Aditya Bldg., 5th Floor,

Opp. Sardar Patel Seva Samaj Hall,

Off C.G. Road, Nr. Mithakhali Six Roads,

Ahmedabad – 380 006.

REGISTRAR & SHARE TRANSFER AGENT

(For physical & demat)

MCS Limited, 101, Shatdal Complex,

1st Floor, Opp. Bata Show Room,

Ashram Road, Ahmedabad – 380 009.

(Phone: 079-30070671, 30070678)

(Fax: 079-26584027)

SHARE DEPARTMENT

Vadilal House, Shrimali Society,

Nr. Navrangpura Rly. Crossing,

Navrangpura, Ahmedabad – 380 009.

(Phone: 079-26564019 to 24)

(Fax : 079-26564027)

FOREX ADVISORY SERVICES

Vadilal House, Shrimali Society,

Nr. Navrangpura Rly. Crossing,

Navrangpura, Ahmedabad – 380 009.

(Phone: 079-26564019 to 24)

(Fax : 079-26564026)

21ST ANNUAL GENERAL MEETING

Day - Wednesday

Date - 27th September, 2006

Time - 11.00 a.m.

Venue - Bhaikaka Hall, Nr. Law Garden,
Ellisbridge, Ahmedabad - 380 006.**CONTENTS****PAGE NO.**

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E-mail : shares@vadilalgroup.comWeb : www.vadilalgroup.comwww.vadilalmarkets.com**Notes :**

- The Company has appointed MCS Limited, having its office at 101, Shatdal Complex, 1st Floor, Opp. Bata Show Room, Ashram Road, Ahmedabad – 380 009 (Phone : 079-30070671, 30070678) (Fax: 079-26584027), as its Registrar & Share Transfer Agent and assigned all the work related to share registry in terms of both physical and electronic to MCS Limited.

Members are requested to send their all correspondence relating to Shares including transfer, transmission, demat, remat, change of address, lost certificate, dividend, etc. to MCS Limited (mention as Unit: Vadilal Enterprises Ltd.) at the above mentioned address or to the Company at its Share Department.

- Members are requested to bring their copy of Annual Report to the meeting, as copies of Annual Report will not be distributed at the meeting.
- Members seeking any further information about the Accounts and/or Operations of the Company are requested to send their queries to the Company at its Share Department, at least TEN days before the date of the meeting.
- Members who hold Shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.

SHAREHOLDER INFORMATION

1. Name of Company

Vadilal Enterprises Limited

2. Company CIN No.

L51100GJ1985PLC007995 (Old Registration No. 04-7995)

3. Fixed Deposit Department & Forex Advisory Services

Fixed Deposit Department & Forex Advisory Services of the Company are operated at the following address:

Vadilal House, Shrimali Society,

Near Navrangpura Railway Crossing,

Navrangpura, Ahmedabad – 380 009.

(Phone: 079-26564019 to 24) (Fax: 079-26564027)

4. Book-Closure for 21st Annual General Meeting

Book-Closure from 18th September, 2006 to 27th September, 2006 (both days inclusive) for the purpose of 21st Annual General Meeting of the Company.

5. Stock Exchanges where the Shares are listed

BOMBAY STOCK EXCHANGE LTD.

(Security Code No. 519152)

Department of Corporate Services,

1st Floor, Rotunda Building,

Dalal Street, Fort, B.S. Marg,

Mumbai - 400 001.

(Phone: 91-22-2272 1234 / 1233)

(Fax : 91-22-2272 2082 / 3132)

AHMEDABAD STOCK EXCHANGE LTD.

(Security Code No. 64510)

Kamdhenu Complex, Nr. Polytechnic,

Pantrapole, Ambawadi,

Ahmedabad - 380 015.

(Phone: 26307971-77)(Fax: 079-26308877)

The Annual Listing Fees upto the financial year 2006-2007 have been duly paid to the above Stock Exchanges.

6. Security Code

Ahmedabad Stock Exchange Ltd. - 64510

Bombay Stock Exchange Ltd. - 519152

ISIN Number - INE693D01018

7. Dematerialisation of Shares

The Company, consequent to introduction of Depository System (DS), entered into an agreement with NSDL and CDSL and has established an electronic connectivity with both the Depositories. Members, therefore, have the option of holding and dealing in the shares of the Company in electronic form through NSDL and CDSL.

In view of numerous advantages offered by DS, members are requested to avail the facility of dematerialisation of the Company's shares on the Depository as aforesaid. If you wish to maintain your shareholding in the electronic form by joining DS, you will have to open an account with a Depository Participant (DP), who are agents of NSDL and CDSL and lodge your share certificates with your DP for Dematerialisation. The DP will then ensure that the physical share certificates are canceled and after verification by the Company, an equivalent number of shares will be credited to your account with the DP in the electronic form. You are also permitted under the DS to reconvert your electronic shareholding into the physical form of share certificates by a process of Rematerialisation. It may be noted that the DP would charge the investors for its services, which may vary from one DP to another.

It is reiterated that requests for Dematerialisation and Rematerialisation are to be made only to the DP with whom you have opened an account and not directly to the Company.

8. Registrar & Share Transfer Agent

The Company has entrusted the work of Dematerialisation/Rematerialisation of shares to an outside Registrar, viz. MCS Ltd., Ahmedabad. As per SEBI Circular No. D&CC/FITTC/CIR-15/ 2002, dated 27-12-2002, the Company has assigned all the work related to Share Registry in terms of both physical and electronic to MCS Ltd., Ahmedabad. Hence, all Shareholders are requested to send/deliver the documents/correspondence including complaints relating to the Company's share transfer/demat/remat activity to MCS Ltd. at 101, Shatdal Complex, 1st Floor, Opp. Bata Show Room, Ashram Road, Ahmedabad – 380 009.

9. Share Transfer System

Presently, share transfers which are received in physical form are processed and the share certificates returned within a period of 30 days from the date of receipt, subject to the documents being valid and

complete in all respects. Share Transfer Committee of the Board meets at regular intervals to approve transfers, issue of duplicate certificates, consolidation and splitting of shares etc.

As required under Clause 47(c) of Listing Agreement with Stock Exchanges, a certificate is obtained every six months from a Practicing Company Secretary, with regard to, inter alia, effecting transfer, transmission, sub-division, consolidation etc. within one month of their lodgment. The certificates are forwarded to BSE and ASE, where the equity shares are listed.

In terms of SEBI's circular dated 31st December, 2002, Secretarial Audit is conducted on a quarterly basis by Practicing Company Secretary for the purpose of reconciliation of the total Admitted Equity Share Capital with the Depositories and in the physical form with the total issued public paid-up Equity Capital of the Company. Certificates issued in this regard are forwarded to ASE and BSE, where the Equity Shares are listed.

10. Distribution of Shareholding as on 31st March, 2006.

No. of Equity Shares held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Total Shares
Up to 500	1850	93.06	311052	35.75
501 to 1000	66	3.32	52715	6.06
1001 to 2000	29	1.46	43462	4.99
2001 to 3000	11	0.55	26412	3.04
3001 to 4000	10	0.50	36135	4.15
4001 to 5000	6	0.30	27844	3.20
5001 to 10000	6	0.30	41685	4.79
10001 & Above	10	0.50	330843	38.02
Total	1988	100.00	870148	100.00

11. Categories of Shareholders as on 31st March, 2006

Sr. No.	Category of Shareholders	No. of Equity Shares held	% of Total Shares
1	Directors, Relatives & HUF	138042	15.87
2	NRIs/OCBs	988	0.11
3	Corporate Bodies	312324	35.89
4	Public	418794	48.13
Total		870148	100.00

12. Address of Registrar of Companies (ROC), Gujarat

The Registrar of Companies, Gujarat, ROC Bhavan, Opp. Rupal Park, Behind Ankur Bus Stand, Naranpura, Ahmedabad – 380 013. (Phone: 079-27438531, 27437597)

13. Consolidation of Folios

Some of the members might have more than one folio in their individual name or jointly with other person(s) mentioned in the same order. It is desirable to consolidate all similar holdings under one folio. Consolidation helps the members to monitor their holdings effectively. By doing so, it would also enable the Company to avoid unnecessary duplication of effort and related costs. Please write to the Company at the address of Share Dept. given above, requesting in writing, quoting the folio numbers that need to be consolidated and send the relevant Share Certificates.

14. Nomination facility

The Companies (Amendment) Act, 1999 has provided for a facility of nomination in the Shares of a Company. Your Company has already offered the facility of nomination to the members. Individual Shareholders can avail of the facility of nomination and may submit to the Company the prescribed Form 2B at the Share Dept. of the Company. It is advisable to avail of this facility especially by Shareholders who currently hold Shares in single name.

The Nominee shall be the person in whom all rights of transfer and/or amount payable in respect of the Shares shall vest in the event of the death of the Shareholders. A minor can be a nominee provided the name of the guardian is given in the Nomination Form.

The facility of the nomination is not available to non-individual Shareholders such as Societies, Trusts, Bodies Corporate, Partnership Firms, Kartas of HUF and holders of Powers of Attorney.

In case of any assistance, please contact at the Share Dept. of the Company at Vadilal House, Shrimali Society, Near Navrangpura Railway Crossing, Navrangpura, Ahmedabad – 380 009. Telephone Nos. 079-26564019 to 24 and Fax No. 079 – 26564027.

NOTICE

NOTICE is hereby given that the 21st ANNUAL GENERAL MEETING of the members of VADILAL ENTERPRISES LIMITED will be held on Wednesday, the 27th September, 2006, at 11.00 a.m., at Bhaikaka Hall, Nr. Law Garden, Ellisbridge, Ahmedabad-380 006, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2006 and the Profit and Loss Account for the year ended on that date and reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Laxmiprasad C. Amin, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Jayantilal M. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s Kantilal Patel & Co., Chartered Accountants, Ahmedabad as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors of the Company to fix their remuneration.
5. To appoint Shri Ashish C. Doshi, Company Secretary in Whole-time Practice, pursuant to Section 383A of the Companies Act, 1956 to obtain certificate regarding compliance by the Company of all provisions of the said Act during the financial year 2006-2007 and to authorise the Board of Directors to fix his remuneration.

By Order of the Board
For VADILAL ENTERPRISES LIMITED

RAMCHANDRA R. GANDHI
Chairman & Managing Director

Registered Office:

5th Floor, Aditya Building,
Nr. Sardar Patel Seva Samaj Hall,
Off C.G. Road, Nr. Mithakhali
Six Roads, Ahmedabad - 380 006

Dated : 26th June, 2006

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

THE INSTRUMENT APPOINTING PROXY SHOULD HOWEVER BE DEPOSITED AT THE SHARE DEPARTMENT OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

2. Corporate Members intending to send their authorised representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
3. In case of joint holders attending the Meeting, only such joint holders who is higher in the order of names will be

entitled to vote.

4. The Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 in respect of Item No. 5 mentioned in the above Notice is annexed hereto.
5. The Register of Members and Share Transfer Books of the Company will remain closed from 18th September, 2006 to 27th September, 2006 (both days inclusive) for the purpose of 21st Annual General Meeting of the Company.
6. Members are requested to send their all correspondence relating to Shares including transfer, transmission, change of address etc. to MCS Limited, Registrar & Share Transfer Agent of the Company at 101, Shatdal Complex, 1st Floor, Opp. Bata Show Room, Ashram Road, Ahmedabad - 380 009 (Phone: 079 - 30070671, 30070678) (Fax: 079 - 26584027) or at the Share Department of the Company situated at Vadilal House, Shrimali Society, Near Navrangpura Railway Crossing, Navrangpura, Ahmedabad - 380 009.
7. Under the provisions of the Companies Act, 1956 as amended by Companies (Amendment) Act, 1999 w.e.f. 31st October, 1998, members holding shares in physical form may file Nomination Forms in respect of their shareholdings. Such members willing to avail of this facility may submit to the Company at the Share Department the prescribed Form 2B or write to or contact at Share Department for the Company for assistance.
8. Pursuant to Section 205A of the Companies Act, 1956, the Company has already transferred unclaimed dividend declared upto the financial year ended 31st March, 1994 to the General Revenue Account of the Central Government as per Rule 4A of the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Those Shareholders who have so far not claimed or collected their dividend up to the aforesaid financial year may claim their dividend by an application in Form II of the aforesaid Rules to the Registrar of Companies, Gujarat at ROC Bhavan, Opp. Rupal Park, Behind Ankur Bus Stand, Naranpura, Ahmedabad - 380013.

However, pursuant to Section 205A of the Act as amended by the Companies (Amendment) Act, 1999 (1st Amendment), which came into effect from 31-10-1998, the Company has already transferred unclaimed dividend declared for the financial year ended on 31st March, 1995, 31st March, 1996, 31st March, 1997 and 31st March, 1998 to the Investor Education and Protection Fund established by the Government under Section 205C(1) of the Act. However, the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of 7 years from the date of its transfer to the Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund (the Fund) set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.

Members who have not yet encashed their dividend warrant(s) for the financial year ended 31st March, 1999 onwards, are requested to make their claims to the Company accordingly, without any delay.

9. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.

10. Members are requested to intimate immediately the change in their registered address, if any, to their Depository Participants (DPs) in respect of their electronic share accounts and to the Company at its Share Department or to MCS Limited at the address mentioned above in respect of their physical share folios, if any. In case of mailing address mentioned on this Annual Report is without PINCODE, members are requested to kindly inform their PINCODE immediately.
11. All documents referred to in the accompanying Notice are open for inspection for the members at the Share Department of the Company during office hours on all working days between 2.00 p.m. to 4.00 p.m. upto the date of the Annual General Meeting.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT AS REQUIRED UNDER 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 the Item No. 5 mentioned in the accompanying Notice and should be taken as forming part of the Notice.

ITEM NO. 5

Pursuant to Section 383A of the Companies Act, 1956 read with the Companies (Compliance Certificate) Rule, 2001, every Company, having paid-up share capital between Rs. 10 Lacs and Rs. 2 Crores, is required to file with the Registrar of Companies (ROC), a Certificate from a Secretary in Whole-time Practice certifying that the Company has complied with all provisions of the Companies Act, 1956 and a copy of such

certificate is required to be attached with the Directors' Report of the Company.

Your Company having paid-up share capital of Rs. 86.41 lacs was required to appoint Shri Ashish C. Doshi, a Secretary in Whole-time Practice to obtain from him a Certificate regarding compliance by the Company of all provisions of the Act during the financial year ended on 31st March, 2006. The said Certificate has been attached with the Directors' Report for the year ended on 31st March, 2006.

However, the Company is required to appoint Shri Ashish C. Doshi to obtain from him a Certificate for the next financial year 2006-2007 regarding compliance by the Company of all provisions of the Act during the said financial year 2006-2007.

Your Directors, therefore, recommend the resolution for your approval for appointment of Shri Ashish C. Doshi for the above purpose as per Item No. 5 of the Notice.

None of the Directors of the Company, in any way, concerned or interested in this resolution.

By Order of the Board
For VADILAL ENTERPRISES LIMITED

RAMCHANDRA R. GANDHI
Chairman & Managing Director

Registered Office:

5th Floor, Aditya Building,
Opp. Sardar Patel Seva Samaj Hall,
Off C.G. Road, Nr. Mithakhali
Six Roads, Ahmedabad - 380 006

Dated: 26th June, 2006

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DIRECTORS' REPORT

To,
The members,
VADILAL ENTERPRISES LIMITED

Your Directors have pleasure in presenting herewith the 21st Annual Report together with the Audited Statement of Accounts for the year ended on 31st March, 2006.

FINANCIAL RESULTS

(Rs. in Lacs)

Sr. Particulars No.	Year ended 31-3-2006	Year ended 31-3-2005
(a) Profit for the year before Depreciation and Financial Expenses	413.03	479.36
(b) Less: Depreciation 314.82 Financial Expenses 30.09	344.91	297.30 55.28
(c) Profit before tax and Exceptional Items	68.12	126.78
(d) Exceptional Items	0.00	62.45
(e) Provision for Tax		
— Current	3.41	4.04
— Deferred Tax (Net Charge)	18.15	20.07
— Fringe Benefit Tax	20.00	0.00
(f) Profit after Tax	26.56	40.22
(g) Balance of Profit brought forward from previous year	4.60	(35.62)
Amount available for Appropriation	31.16	4.60
APPROPRIATION		
Balance Profit carried to Balance Sheet	31.16	4.60
	31.16	4.60

TURNOVER & PROFITS

In spite of stiff competition in the market particularly in ice-cream business during the year under review, your Company has achieved sales turnover of Rs. 11187.21 lacs as compared to sales turnover of Rs. 10786.68 lacs achieved during the previous year ended on 31st March, 2005.

Your Company has earned Gross Profit of Rs. 413.03 lacs as compared to Rs. 479.36 lacs earned during the previous year ended on 31st March, 2005. Your Company has earned Net Profit of Rs. 26.56 lacs during the year under review as compared to Net Profit of Rs. 40.22 lacs earned during the previous year ended on 31st March, 2005.

DIVIDEND

In view of inadequate profit earned by the Company during the year under review and to conserve the resources of the Company, your Directors regret their inability to recommend any dividend on Equity Shares for the year ended on 31st March, 2006.

OPERATIONS - MARKETING FOCUS**Ice-cream Division**

The ice cream market in India is estimated to be about US\$ 200 million per annum. The industry structure and ongoing transformation offers opportunities for organized players to invest and grow. As the Indian market matures and consumers become more quality and brand conscious, the organized sector is poised to grow and gain prominence. High level of competition within the industry has led to innovations in several areas, thereby raising the overall capability levels in the sector. This will facilitate sustained growth in the sector and help it to become globally competitive.

The Company primarily focuses on increasing the ice-cream consumption by minimizing the price factor and eliminating the barriers for availability of ice cream. For the availability of

ice cream, the Company has got the largest fleet of Refrigerated Vehicles in India, backed by the strong Distribution Network comprising of C&F Agents, Distributors and Retail Dealers. Distribution network is continuously being improved by appointing new C&F Agents, Distributors and Dealers, together with making proper investment in respective territories for providing infrastructure. The Company clearly dominated the market in Gujarat, Rajasthan, Uttar Pradesh, Uttaranchal, Haryana and Delhi. Also the regional competitors often feel the presence of Vadilal in West Bengal, Orissa, Bihar, Jharkhand, Madhya Pradesh, Chhattisgarh, Tamilnadu, Chandigarh, Punjab, Himachal Pradesh, and Jammu.

As far as price factor is concerned, the Company is adopting the consumer-oriented strategy, whereby more and more benefits are passed on to the end consumer, that are accruing out of the economies of scale [in procurement and production]. Such benefits are passed on in the form of value for money products like "Buy One Get One Free". The Company has introduced similar offers on Economy Packs, Cups & Candies that triggered off a tremendous growth.

The overall vision of the Company to increase the consumption of ice-cream on a national level is fully supported by appropriate promotion and market communication. The Company is among the frontiers, and maximum spender on Paper advertisement all over India. This spending actually surpasses the annual advertising budget of some of the regional players.

Processed Food Division

Agriculture represents almost one third of India's GDP, which is highest among developed and developing countries. Moreover, India is world's 2nd largest producer of vegetables and fruits. Food Processing sector is the single largest organized customer of the agriculture sector. With focused approach of GOI for development of processed food industry, the production of processed Fruits & Vegetables in the country has increased a lot in recent years. The food processing sector is growing at 8 to 8.5 %. The prominent processed items are fruit pulps and juices, frozen fruits and vegetables, fruit based ready-to-serve beverages, canned fruits and Vegetables, jams, squashes, pickles, chutneys and dehydrated vegetables.

In its recent policies, Government of India has recognised the importance of Processed Food sector and decided to give boost to this industry through various policy measures. The excise duty on certain ready-to-eat packaged foods is reduced to 8% from 16%. The sector has also been accorded priority sector status for the purpose of lending by Banks. This will result in increased credit flow to this industry segment.

Many of the processed food products are made available in the local markets. The Company has already achieved significant volumes in frozen peas and corn. Apart from this, large quantities of mango pulp and mango ras (a pulp based proprietary product) are also being sold in the domestic market.

FINANCE

During the year under review, Bank of India, Ahmedabad Corporate Banking Branch, has enhanced the working capital facility enjoyed by the Company from Rs. 305 lacs to Rs. 555 lacs, including term loan of Rs. 200 lacs. The Company has also availed term loans from IDBI Ltd.

In terms of the provisions of Investor Education and Protection Fund Rules, 2001, the Company has transferred the unclaimed dividend amount of Rs. 19,907/- (including interest amount of Rs. 2,162/- on fixed deposit) declared for the financial year ended on 31st March, 1998 to the Investor Education and Protection Fund established by the Government under Section 205C(1) of the Companies Act, 1956.

FIXED DEPOSITS

The Company has no overdue deposits outstanding other than those unclaimed of Rs. 1.15 lacs as on 31st March, 2006. As on date of this report, deposits aggregating Rs. 0.25 lacs thereof have been claimed and paid or renewed. The