

19th
ANNUAL REPORT
2003-2004



CERTIFIED TRUE COPY



FOR, VADILAL ENTERPRISES LTD.

J. J. Jeyaraj
COMPANY SECRETARY

VADILAL ENTERPRISES LIMITED

www.vadilalgroup.com

www.vadilalmarkets.com

BOARD OF DIRECTORS

Chairman
Kashibhai B. Patel

Managing Director
Ramchandra R. Gandhi

Directors
Virendra R. Gandhi
Rajesh R. Gandhi
Devanshu L. Gandhi
Laxmiprasad C. Amin
Ramanlal V. Mehta
Jayantilal M. Shah

COMPANY SECRETARY
Janak Prajapati

AUDITORS
M/s. Kantilal Patel & Co.,
Chartered Accountants, Ahmedabad.
Member Firm of Polaris IA 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
MCS Limited, 101, Shatdal Complex,
1st Floor, Opp. Bata Show Room,
Ashram Road, Ahmedabad - 380 009.
(Phone : 079 - 26582878, 26581296)
(Fax : 079 - 26584027)

SHARE DEPARTMENT
Vadilal House, Shrimali Society,
Nr. Navrangpura Rly. Crossing,
Navrangpura, Ahmedabad-380 009.
(Phone : 079-26584019 to 24)
(Fax : 079-26584027)

19TH ANNUAL GENERAL MEETING

Day - Tuesday
Date - 21st September, 2004
Time - 10.30 a.m.
Venue - Bhalkaka Hall
Near Law Garden,
Ellisbridge,
Ahmedabad - 380 006.

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E-mail : shares@vadilalgroup.com
Web : www.vadilalgroup.com
www.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: 079-26582878, 26581296) (Fax : 079-26584027), as its Registrar & Share Transfer Agent w.e.f. 1st April, 2003 and assigned all the work related to share registry in terms 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.

VADILAL ENTERPRISES LIMITED

SHAREHOLDER INFORMATION**1) Name of Company**

Vadilal Enterprises Limited

2) Company Regn. No.

04-7995

3) Fixed Deposit Department

Fixed Deposit Department of the Company is 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 Annual General Meeting

Book-Closure from 13th September, 2004 to 21st September, 2004 (both days inclusive) for the purpose of 19th Annual General Meeting of the Company.

5) Stock Exchanges where the Shares are listed**AHMEDABAD STOCK EXCHANGE**

(Security Code No. 64510)

Kamdheni Complex,

Opp. Sahajanand College,

Panjarapole, Ambawadi,

Ahmedabad - 380 015.

(Phone : 26307971 - 77)

(Fax : 079 - 26308877)

BOMBAY STOCK EXCHANGE

(Security Code No. 519152)

Phiroze Jeejeebhoy Towers,

25th Floor, Dalal Street,

Fort, Mumbai - 400 001.

(Phone : 2272 1234 / 1233)

(Fax : 91-22-2272 1919 / 3027)

The Annual Listing Fees upto the financial year 2004-2005 have been duly paid to the above Stock Exchanges.

6) Security Code

Ahmedabad Stock Exchange - 64510

Bombay Stock Exchange - 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 the 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 cancelled 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 also 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, the 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 of Directors meets at regular intervals to approve transfers, issue of duplicate certificates, consolidation and splitting of shares etc.

10) Distribution of Shareholding as on 31st March, 2004

No. of Equity Shares held	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholding
Upto 500	1,753	94.10	349,310	40.14
501 to 1000	52	2.79	39,758	4.57
1001 to 2000	21	1.13	31,826	3.66
2001 to 3000	7	0.38	17,099	1.97
3001 to 4000	8	0.43	28,347	3.26
4001 to 5000	3	0.16	13,410	1.54
5001 to 10000	6	0.32	37,574	4.32
10001 to 50000	12	0.64	302,024	34.70
50001 & above	1	0.05	50,800	5.84
Total	1,863	100.00	870,148	100.00

11) Categories of Shareholders as on 31st March, 2004.

Sr. No.	Category of Shareholders	No. of Equity Shares held	% of total Shares
1	Directors & Relatives	185,258	21.29
2	NRIs/ OCBs	200	0.02
3	Corporate Bodies	238,769	27.44
4	Public	445,921	51.25
	Total	870,148	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 19th ANNUAL GENERAL MEETING of the members of VADILAL ENTERPRISES LIMITED will be held on Tuesday, the 21st September, 2004, at 10.30 a.m., at Bhaikaka Hall, Near 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, 2004 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 Kashibhai B. Patel, who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Shri Ramanlal V. Mehta, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors of the Company to fix their remuneration.
- 5) To appoint Shri Ashish C. Doshi, Company Secretary in Whole-time Practice, if required, pursuant to Section 383A of the Companies Act, 1956 to obtain certificate regarding compliance by the Company of all the provisions of the said Act during the financial year 2004-2005 and to authorise the Board of Directors to fix his remuneration.

SPECIAL BUSINESS

- 6) To consider and if thought fit, to pass, with or without modifications, the following Resolution as a **Special Resolution** :-

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 (the Act) read with Schedule XIII of the Act (including any statutory modifications or re-enactment thereof, for the time being in force), and all guidelines for managerial remuneration issued by the Central Government from time to time and subject to the approval of Central Government, if applicable, and also subject to such other approvals as may be necessary, consent of the Company be and is hereby accorded to the re-appointment of Shri Ramchandra R. Gandhi, as a Managing Director of the Company for a further period of Five (5) years with effect from 1st October, 2004 and payment of salary, perquisites, allowances and commission to him and upon the terms and conditions as mentioned in the Explanatory Statement attached hereto and more particularly set out in the draft Agreement to be entered into between the Company and Shri Ramchandra R. Gandhi, a copy whereof submitted to this meeting and for identification signed by the Chairman thereof, which Agreement is hereby specifically approved with authority to the Board of Directors (which term shall be deemed to include any committee thereof for the time being and from time to time, to which all or any of the powers hereby conferred on the Board by this resolution may have been delegated) to alter and/or vary the terms and conditions of the said re-appointment and/or salary, including commission, perquisites and allowances payable from time to time as they deem fit and/or

draft Agreement in such manner as may be agreed upon by the Board of Directors and Shri Ramchandra R. Gandhi within the limits prescribed under Schedule XIII to the Act or any statutory amendment(s) and/or modification(s) thereto and if necessary as may be agreed to between the Central Government and the Board of Directors and as may be acceptable to Shri Ramchandra R. Gandhi."

"RESOLVED FURTHER THAT notwithstanding to the above, in the event of any loss or inadequacy of profits in any financial year of the Company during the tenure of Shri Ramchandra R. Gandhi as a Managing Director of the Company, the remuneration payable to him shall be as mentioned in the Explanatory Statement attached hereto and more particularly set out in the draft Agreement and not exceeding the limits prescribed in Section II of Part II of Schedule XIII to the Act, as amended from time to time subject to the compliance of provisions thereof."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary or increase the remuneration and perquisites including the monetary value thereof as specified in the Agreement (including minimum remuneration) to the extent the Board of Directors may consider appropriate, as may be permitted or authorised in accordance with any provision under the Act, for the time being in force or any statutory modification or re-enactment thereof and/or any Rules or Regulations framed thereunder and in the event of any statutory amendments, modifications or relaxation by the Central government to schedule XIII to the Act and the terms of the aforesaid Agreement between the Company and Shri Ramchandra R. Gandhi shall be suitably modified to give effect to such variation or increase as the case may be, subject to such approvals as may be required by the law."

"RESOLVED FURTHER THAT the Board of Directors of the Company, be and is hereby authorised to do all such acts, deeds, matters or things as may be consider necessary, appropriate, expedient or desirable to give effect to this resolution."

- 7) To consider and if thought fit, to pass, with or without modifications, the following Resolution as a **Special Resolution** :-

"RESOLVED THAT pursuant to Section 149 (2A) and all other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of such authorities as may be required, including Reserve Bank of India, approval of the Company be and is hereby accorded to the Board of Directors to carry on the business related to Advisory Services in the ares of Forex, Bullion and Metals (Base and Scrap) under the Forex Advisory Division, as covered under Sub-clause 35 of Other Objects of Clause III(C) of the Memorandum of Association of the Company."

By Order of the Board
For VADILAL ENTERPRISES LIMITED

Registered Office : **RAMCHANDRA R. GANDHI**
5th Floor, Aditya Building, Managing Director
Opp. Sardar Patel Seva Samaj Hall,
Off C.G. Road, Nr. Mithakhali
Six Roads, Ahmedabad - 380 006.
Dated : July 29, 2004

NOTES :

- a) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**

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.

- b) The Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 in respect of Special Business mentioned in the above Notice is annexed hereto.
- c) The Register of Members and Share Transfer Books of the Company will remain closed from 13th September, 2004 to 21st September, 2004 (both days inclusive) for the purpose of 19th Annual General Meeting of the Company.
- d) Members are also 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 - 26582878, 26581296) (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.
- e) 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 the Company Secretary for assistance.
- f) Pursuant to Section 205A of the Companies Act, 1956, the Company has already transferred unclaimed dividend 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 upto 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 - 380 013

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 and 31st March, 1997 (Interim Dividend) 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, 1998 onwards, are requested to make their claims to the Company accordingly, without any delay.

- g) Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
- h) 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.
- i) All documents referred to in the accompanying Notice are open for inspection at the Share Department of the Company during office hours on all working days between 11.00 a.m. to 1.00 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 Special Business 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) Rules, 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. 86.28 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, 2004. The said Certificate has been attached with the Directors' Report for the year ended on 31st March, 2004.

However, the Company may require to appoint Shri Ashish C. Doshi to obtain from him a Certificate for the next financial year 2004-2005 regarding compliance by the Company of all provisions of the Act during the said financial year 2004-2005.

Your Directors, therefore, recommend the resolution for your approval for appointment of Shri Ashish C. Doshi, if required, 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.

ITEM NO. 6

The present term of office of Shri Ramchandra R. Gandhi as a Managing Director of the Company is expiring on 30th September, 2004. The Board of Directors of the Company at their meeting held on 29th July, 2004 has, subject to the approval of Shareholders in General Meeting by passing a Special Resolution and approval of Central Government, if applicable, re-appointed Shri Ramchandra R. Gandhi as a Managing Director of the Company for a further period of five years with effect from 1st October, 2004, on the terms and conditions as to the appointment and payment of salary, perquisites, allowances and commission mentioned below and more particularly mentioned in the draft Agreement to be entered into between the Company and Shri Ramchandra R. Gandhi.

The Department of Company Affairs has vide notification dated 16th January, 2002, amended Schedule XIII to the Companies Act, 1956, revising the limits for payment of managerial remuneration by Companies in case of loss or inadequacy of profits in any financial year. Pursuant to the said notification, the Remuneration Committee, at their meeting held on 29th July, 2004 approved the terms and conditions of payment of salary, perquisites, allowances and commission to Shri Ramchandra R. Gandhi as mentioned below and more particularly mentioned in the draft Agreement to be entered into between the Company and Shri Ramchandra R. Gandhi, subject to the approval of Shareholders in General Meeting by passing a Special Resolution and approval of Central Government, if applicable.

Shri Ramchandra R. Gandhi has been associated with the Company since its inception and he is looking after day to day affairs of the Company including Marketing, Accounts, Taxation, Administration, Purchases, etc. He has vast experience in Ice-cream business. He is a senior member on the Board of Directors of the Company. Considering the above, your Directors are of the opinion that it is in the interest of the Company to re-appoint him as a Managing Director of the Company.

The terms and conditions and remuneration relating to his re-appointment as Managing Director set out in the draft Agreement, a copy whereof duly initialled by the Chairman is placed at the meeting for the purpose of identification and is subject to the approval of Members of the Company.

Subject to the provisions of Section 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the principal terms and conditions as contained in the draft Agreement relating to re-appointment and particularly payment of remuneration to Shri Ramchandra R. Gandhi are as under :-

- 1) The Managing Director shall, subject to the supervision, direction and control of the Board of Directors of the Company, manage the business and affairs of the Company.

- 2) Period of Agreement: 5(five) years with effect from 1st October, 2004.
- 3) Salary : Rs. 50,000/- (Rupees Fifty Thousand only) per month as Basic Salary.
- 4) Perquisites & Allowances :

In addition to the basic salary, Shri Ramchandra R. Gandhi shall be entitled the following perquisites and allowances. The perquisites and allowances shall be evaluated as per the Income-tax Rules, wherever applicable. In the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost :

Category - A :

- a) House Rent Allowance (HRA) : Rs. 20,000/- per month in lieu of accommodation (furnished or otherwise).
- b) Medical re-imbursement : Expenses incurred for the Managing Director and his family shall be subject to Rs. 2,500/- per month.
- c) Club Fees : Fees of Clubs subject to Rs. 3,000/- per annum excluding admission and life membership fees.
- d) Personal Accident and Mediclaim Insurance Premium : For self and family, total Premium not to exceed Rs. 27,000/- per annum.
- e) Such other privileges, facilities, perquisites and amenities as per the Rules of the Company.

Explanation : For the purpose of perquisites and allowances, family means the spouse, the dependent children and dependent parents of the Managing Director.

Category - B :

- a) Provident Fund : The Company's contribution to Provident Fund as per Rules of the Company.
- b) Gratuity : Payment of Gratuity in accordance with the rules and regulations in force in the Company from time to time, but shall not exceed half a month's salary for each completed year of service.
- c) Superannuation Fund : Superannuation Fund or Annuity Fund benefit in accordance with such Scheme of the Company.

Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these singly or put together are not taxable under the Income-Tax Act, 1961.

Category - C

- a) Provision of car for use on Company's business and telephone at residence (including payment for local calls and long distance official calls) will not be considered as perquisites and shall not be included in the computation of perquisites and allowances for the purpose of calculating the above ceiling. However, personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.
- b) Encashment of leave at the end of the tenure will not be included in the ceiling on perquisites.

5) Commission :

In addition to the Salary, Perquisites and other Allowances as mentioned above and in case of Company having adequate profit in any financial year during his term of office, Shri Ramchandra R. Gandhi shall also be entitled for such financial year to a Commission at the rate of 1% on the net profits of the Company computed in the manner laid down under Section 309(5) of the Companies Act, 1956, subject to the provisions of Section 198, 309 and other applicable provisions, if any, of the Companies Act, 1956.

- 6) The Company shall also re-imburse to the Managing Director, entertainment, travelling and all other expenses incurred by him for the business of the Company and on behalf of the Company.
- 7) Minimum Remuneration : Notwithstanding anything to the contrary herein contained, where in any financial year, during the currency of the tenure of Shri Ramchandra R. Gandhi as a Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and other allowances as specified above and not exceeding the ceiling limits set out in Section II of Part II of Schedule XIII to the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force).
- 8) The terms and conditions of payment of salary, perquisites, allowances and commission specified hereinabove may be enhanced, enlarged, widened, altered or varied from time to time by Remuneration Committee and Board of Directors as they may in their discretion, deem fit, within the maximum amount payable to Managing Director in accordance with Schedule XIII to the Act and in conformity with any amendments to the relevant provisions of the Companies Act and/or the rules and regulations made thereunder from time to time in future and/or such guidelines as may be announced by the Central Government from time to time.
- 9) The Managing Director, so long as he function as such, shall not be paid any sitting fees for attending meetings of the Board of Directors or Committees thereof.
- 10) The Managing Director shall not be liable to retire by rotation.
- 11) For all other terms and conditions not specifically spelt out above, the Rules and Orders of the Company shall apply.

The Board therefore recommends approval for the re-appointment of Shri Ramchandra R. Gandhi as a Managing Director of the Company. Special Resolution is required to be passed by the Shareholders as per provisions of Schedule XIII to the Companies Act, 1956, as Shri Ramchandra R. Gandhi has already attained the age of 70 years.

This explanation together with the accompanying notice is and should be treated as an abstract of the terms of re-appointment and payment of remuneration as

mentioned in the draft Agreement proposed to be entered into between the Company and Shri Ramchandra R. Gandhi under Section 302 of the Companies Act, 1956.

The draft Agreement to be entered into by the Company with Shri Ramchandra R. Gandhi and referred to in the Resolution contained in item 6 of the Notice will be open for inspection by the members at the Share Department of the Company on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. upto the date of Annual General Meeting.

Shri Ramchandra R. Gandhi is interested in the resolution. Shri Rajesh R. Gandhi and Shri Virendra R. Gandhi, Directors of the Company, being related to Shri Ramchandra R. Gandhi may be deemed to be concerned or interested in the resolution. Save and except the above, none of the other Directors of the Company is, in any way, concerned or interested in the resolution.

ITEM NO. 7

As per the provisions of Section 149 (2A) of the Companies Act, 1956, approval of the Shareholders in General Meeting is required to carry on any business as set out in the Other Objects under Clause III(C) of the Memorandum of Association of the Company.

As a matter of expediency, approval of the Shareholders is sought to enable the Company to carry on the business of Advisory Services in the area of Forex, Bullion and Metals under the Forex Advisory Division as specified in Other Objects of Clause III(C) of the Memorandum of Association of the Company.

Forex area covers Forex Advisory & Forex Exposure Management of Importers and Exporters. The Bullion area covers Bullion informative services on Gold and Silver, a complete useful guidance to bullion traders, importers and jewellers. Metals area covers LME-Metal informative service on Base & Scrap Metals, a complete useful guidance and information to metal traders, importers and metal scrap indenting agents. The division would also expand its services beyond geographical boundaries and plans to capitalize digital revolution by knowledge portal www.vadilalmarkets.com. The division would also establish franchisee arrangement to market its various services segment.

The Directors therefore recommend resolution for approval of the Shareholders as per Item No. 7 of the accompanying Notice.

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

The Company's Memorandum and Articles of Association will be open for inspection at the Company's Share Department between 11.00 a.m. to 1.00 p.m. on all working days except holidays upto the date of this meeting.

By Order of the Board
For **VADILAL ENTERPRISES LIMITED**

RAMCHANDRA R. GANDHI
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 : July 29, 2004

DIRECTORS' REPORT

To,

The members,

VADILAL ENTERPRISES LIMITED

Your Directors have pleasure in presenting herewith the 19th Annual Report together with the Audited Statement of Accounts for the year ended on 31st March, 2004.

FINANCIAL RESULTS

(Rs. in Lacs)

	Year ended 31-3-2004	Year ended 31-3-2003
(a) Profit for the year before Financial Expenses and Depreciation	195.62	328.84
(b) Less : Depreciation 266.94 Financial Expenses 63.16	205.38	92.40
	330.10	297.78
(c) Profit/(Loss) before tax	(134.48)	31.06
(d) Provision for Tax -- Current -- Deferred Tax (Net Charge)		
	(42.50)	1.55
(e) Profit/(Loss) after Tax	(91.98)	29.51
(f) Profit brought forward	56.36	44.63
Amount available for Appropriation	(35.62)	74.14
APPROPRIATION		
(a) Proposed Dividend	—	6.90
(b) Tax on Proposed Dividend	—	0.88
(c) General Reserve	—	10.00
(d) Balance Profit carried to Balance Sheet	(35.62)	56.36
	(35.62)	74.14

TURNOVER & PROFITS

In spite of stiff competition in the market particularly in ice-cream business during the year under review, the sales turnover of your Company has been increased by 18.61 %. Your Company has achieved sales turnover of Rs. 11035.20 lacs as compared to sales turnover of Rs. 9303.83 lacs achieved during the previous year ended on 31st March, 2003.

Your Company has earned Gross Profit of Rs. 195.62 lacs as compared to Rs. 328.84 lacs earned during the previous year ended on 31st March, 2003. However, your Company has incurred Net Loss of Rs. 91.98 lacs during the year under review as compared to Net Profit of Rs. 29.51 lacs earned during the previous year ended on 31st March, 2003.

DIVIDEND

In view of loss incurred by the Company during the year under review, your Directors regret their inability to recommend any dividend on Equity Shares for the year ended on 31st March, 2004.

OPERATIONS - MARKETING FOCUS

The ice-cream market has been slowly picked up after de-reservation of the sector in 1997. For last 2-3 years, the ice-cream market in India is growing at around 25%

per annum. This growth rate is expected to continue for another 2-3 years because of the lower base. Per capita consumption of ice creams in India is one of the lowest at around 150-200ml per annum and ice-cream penetration at all India level is estimated to be 15%. This provides ample growth opportunities in the market. The ice-cream industry in India has been witnessing a flurry of activities during the last few years. Entry of major competitor with a low price strategy as well as introduction of several regional brands have increased the level of competition and also expanded the market size. Withdrawal of another competitor from the smaller cities and towns, in line with their strategy to concentrate only in the metros, has created large space in such markets for the other brands.

The focus at Vadilal has been to eliminate and minimise the barriers of price & availability in increasing the consumption. As far as availability is concerned, Vadilal already had an excellent penetration level in Western India viz. Gujarat and Rajasthan and in certain states of Northern India viz. Uttar Pradesh and Uttaranchal. There were territories such as Delhi, West Bengal, Bihar, Jharkhand, Orissa, Punjab, Haryana, Chandigarh, etc. where there was an ample scope to increase the penetration level and the focus in these territories was to improve the network of distribution. Thus, new C&FAs, distributors and dealers were appointed and investments were made in deployment of freezers in the market place. Over the years, your Company has developed a cold chain as well as distribution network. The network is serviced by a large fleet of refrigerated vehicles. Also there is a continuous programme of expansion of the network.

Vadilal is adopting a consumer oriented strategy as far as the price factor is concerned, wherein the priority was on passing more and more benefits to the ultimate consumers. All the benefits accruing out of the economies of scale (in procurement and production) were passed on to the consumer in the form of value for money offers like "Buy One Get One Free". Here too, the focus was mainly on take-away packs, which in a way has changed the consumption pattern amongst consumers. The consumption pattern has shown a shift from impulse to take-away packs, which triggered off a tremendous growth in the take-away packs. In order to revive the impulse category also, Vadilal introduced similar offers on Cups and Candies and the results were the same.

"Vadilal" Brand enjoys the reputation for successful innovation and development of flavours. Its new offerings are eagerly awaited throughout the year, not to mention the summer season. Your Company is offering highest products range in the ice-cream industry. Today, your Company has more than 200 products and 300 product matrix.

FINANCE

During the year under review, part of the domestic working capital facilities availed by the Company from Bank of India, Ahmedabad Corporate Banking Branch, were converted into foreign currency loan with forward booking of foreign currency, thereby, your Company could be able to save the interest cost of around 7% per