

### NOTICE

**NOTICE** is hereby given that the 26th **ANNUAL GENERAL MEETING** of the members of **VADILAL INDUSTRIES LIMITED** will be held on Thursday, the 30th September, 2010, at 11.00 a.m., at GICEA, Gajjar Hall, Nirman Bhavan, Opp. 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, 2010 and the Profit and Loss Account for the year ended on that date and reports of the Directors and Auditors thereon.
- 2) To declare dividend on Equity Shares for the year ended on 31st March, 2010.
- 3) To appoint a Director in place of Mr. Chaitan M. Maniar, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Mr. Kshitish M. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
- 5) To appoint M/s. Kantilal Patel & Co., Chartered Accountants, Ahmedabad (Registration No. 104744W) 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 authorise the Board of Directors of the Company to fix their remuneration, apart from re-imburement of out-of-pocket expenses and applicable taxes.

#### SPECIAL BUSINESS :

- 6) **Increase the Authorised Share Capital of the Company and alteration in Clause – V of the Memorandum of Association of the Company:**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution** :

**“RESOLVED THAT** pursuant to the provisions of Sections 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or reenactment thereof for the time being in force), the Authorised Share Capital of the Company of Rs. 10,00,00,000/- (Rupees Ten Crore) divided into 1,00,00,000 (One Crore) equity shares of Rs. 10/- (Rupees Ten) each be and is hereby increased to Rs. 15,00,00,000/- (Rupees Fifteen Crore) divided into 1,50,00,000 (One Crore Fifty Lacs) Equity Shares of Rs. 10/- (Rupees Ten) each with the power to the Board to classify and re-classify from time to time such shares into any class of shares.

**RESOLVED FURTHER THAT** Clause V of the Memorandum of Association of the Company be altered by substituting the existing Clause V thereof by the following new Clause V :

V. The Authorised Share Capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen Crore) divided into 1,50,00,000 (One Crore Fifty Lacs) Equity Shares of Rs. 10/- (Rupees Ten) each with the power to the Board to increase

or reduce the capital of the Company and/or the nominal value of the shares and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferential, deferred, qualified or special rights, privileges or conditions with or without voting rights, as may be determined by or in accordance with the Articles of Association of the Company or as may be decided by the Board of Directors or by the Company in General Meeting, as applicable, in conformity with the provisions of the Act and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions and to consolidate or sub-divide the shares and to issue shares of higher or lower denominations in such manner as may for the time being be provided by the Articles of Association of the Company.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to take all such steps and actions and give such directions and delegate such authorities as may be in its absolute discretion deem necessary for the purpose of giving effect to this resolution and to settle any question that may arise in this regard.”

- 7) **Alteration in Articles of Association of the Company relating to Share Capital :**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :

**“RESOLVED THAT** pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Articles of Association of the Company be and is hereby altered by substituting the existing Article 3 with the following new Article 3 :

3. The Authorised Share Capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen Crore) divided into 1,50,00,000 (One Crore Fifty Lacs) Equity Shares of Rs. 10/- (Rupees Ten) each with the power to the Board to increase or reduce the capital of the Company and/or the nominal value of the shares and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions with or without voting rights, as may be determined by or in accordance with the Articles of Association of the Company or as may be decided by the Board of Directors of the Company in General Meeting, as applicable, in conformity with the provisions of the Act and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions and to consolidate or sub-divide the shares and to issue shares of higher or lower denominations in such manner as may



for the time being be provided by the Articles of Association of the Company.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to take all such steps and actions and give such directions and delegate such authorities as may be in its absolute discretion deem necessary for the purpose of giving effect to this resolution and to settle any question that may arise in this regard.”

**8) Raising funds by way of issue of Specified Securities to Qualified Institutional Buyers on Qualified Institutional Placement (QIP) Basis :**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :

“**RESOLVED THAT** pursuant to the provisions of Sections 81(1A) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and pursuant to the provisions of Chapter - VIII and other applicable provisions, if any, of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended [SEBI (ICDR) Regulations] as in force and subject to all other applicable rules, regulations and guidelines of SEBI, the applicable provisions of Foreign Exchange Management Act, 1999 (FEMA), the Foreign Exchange Management (Transfer or Issue of Securities by Person Resident Outside India) Regulation, 2000 as amended, the Foreign Exchange Management (Borrowing or Lending in Rupees) Regulations, 2000 as amended and such other statutes, notifications, circulars, rules and regulations as may be applicable and relevant, each as amended and enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with Stock Exchanges where the shares of the Company are listed, and subject to requisite approvals, consents, permissions and / or sanctions of Securities and Exchange Board of India (SEBI), Stock Exchanges, Reserve Bank of India (RBI), Foreign Investment Promotion Board (FIPB), Government of India, the relevant Registrar of Companies and any other Regulatory Authority, Institutions or Bodies as may be required under applicable law and regulation and all other authorities as may be required (hereinafter collectively referred to as “the Appropriate Authorities”), and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission, and /or sanction (hereinafter referred to as “the requisite approvals”), which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the ‘Board’ which term shall be deemed to include any committee thereof which the Board may have constituted or hereinafter constitute to exercise

its powers including the powers conferred by this resolution or any person(s) authorised by the Board or its Committee for such persons) the Company be and is hereby authorised to create, offer, issue and allot, from time to time in one or more tranches, equity shares / fully convertible debentures (FCD) / Partly Convertible Debentures (PCD)/Convertible Preference Shares including but without limitations through Global Depository Receipts (GDRs) and/or American Depository Receipts (ADRs) and/or Foreign Currency Convertible Bonds (FCCBs) and/or Foreign Currency Exchangeable Bonds (FCEBs) or any other securities other than warrants, which are convertible into or exchangeable with equity shares at a later date at the option of the Company and/or the holders of the securities and/or securities linked to Equity Shares (hereinafter referred to as Specified Securities) to Qualified Institutional Buyers (hereinafter referred to as QIB) by way of Qualified Institutions Placement (QIP) as per the provisions of SEBI (ICDR) Guidelines through a placement document and/or such other documents/writings/circulars/memorandum and in such manner and on such price, terms and conditions as may be determined by the Board in accordance with the SEBI (ICDR) Guidelines or other provisions of the law as may be prevailing at the time; provided that the price inclusive of premium of the Specified Securities so issued shall not be less than the price arrived in accordance with provisions of SEBI (ICDR) Regulations.

**RESOLVED FURTHER THAT** the aggregate amount of Specified Securities in one or more offering(s) and/or in one or more tranches to be issued and allotted pursuant to the authority granted hereby shall not exceed Rs. 80.00 Crores (Rupees Eighty Crores) or equivalent thereto in any foreign currency at par or at such price or prices and on such terms and conditions and in such manner as the Board may in its absolute discretion determine in consultation with the Lead Managers, Advisors or other intermediaries.

**RESOLVED FURTHER THAT** the relevant date for the determination of applicable price for the issue of the QIP Securities shall be the date on which the Board of the Company decide to open the proposed issue, or the date on which the holder of the securities which are convertible into or exchangeable with equity shares at a later date becomes entitled to apply for the said shares, as the case may be (“Relevant Date”).

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of any Securities as referred to above or as may be necessary in accordance with the terms of the offering, all such shares being pari passu with the then existing shares of the Company in all respects, as may be provided under the terms of the issue and in the offering document.

**RESOLVED FURTHER THAT** such of these Securities to be issued as are not subscribed may be disposed of by the Board to such persons and in such manner and on such terms as the Board in its absolute discretion thinks fit in accordance with the provisions of law.

**RESOLVED FURTHER THAT** for the purpose aforesaid, the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in regard to the issue offer or allotment of securities and utilisation of the issue proceeds including but without limitation to the creation of such mortgage / charge under Section 293(1)(a) of the said Act in respect of the aforesaid Securities either on pari passu basis or otherwise or in the borrowing of loans as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

**RESOLVED FURTHER THAT** the aforesaid Specified Securities shall not be sold by QIBs for a period of one year from the date of allotment except on a recognized stock exchange.

**RESOLVED FURTHER THAT** for the purpose of giving effect to the above, the Board of Directors be and are hereby severally authorised, on behalf of the Company, to take all actions and do all such deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient to the issue or allotment of aforesaid Specified Securities and listing thereof with the stock exchange(s) as appropriate and to resolve and settle all questions and difficulties that may arise in the proposed issue, offer and allotment of any of the said Specified Securities, utilization of the issue proceeds and to do all acts, deeds and things in connection therewith and incidental thereto as the Board in its absolute discretion deem fit, without being required to seek any further consent or approval of the members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.”

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or the Chairman or Managing Directors or any other Officers / Authorised Representatives of the Company to give effect to the aforesaid resolution.

**RESOLVED FURTHER THAT** all actions taken by the Board in connection with any matter referred to or contemplated in any of the foregoing resolutions are hereby approved, ratified and confirmed in all respects.”

**9) Raising of Long Term Funds :**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :

(a) **“RESOLVED THAT** pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force), and enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreement entered into by the Company with the Stock Exchanges, where the securities of the Company are listed and the provisions of the Foreign Exchange Management Act, 1999 as amended, the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 as amended, the Foreign Exchange Management (Borrowing or Lending in Rupees) Regulations, 2000 as amended, the issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Mechanism) Scheme, 1993 as amended, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirement) Regulations, 2009 as amended (the “ICDR Regulations”) as applicable and such other statutes, Notifications, Circulars, rules and regulations as may be applicable and relevant, each as amended subject to any guidelines, regulations, approval, consent, permission or sanction of the Central Government, Reserve Bank of India (RBI) the Foreign Investment Promotion Board (FIPB), the Securities and Exchange Board of India (SEBI), the relevant Registrar of Companies, the relevant Stock Exchanges and any other Regulatory Authorities, Institutions or Bodies as may be required under applicable law and regulations and any other appropriate authorities, institutions or bodies (hereinafter collectively referred to as “the appropriate authorities”) and subject to such conditions as may be prescribed by any one of them while granting such approval(s), consent(s), permission(s) and/or sanction(s) (hereinafter referred to as “the requisite approvals”), which may be agreed to by the Board of Directors of the Company (hereinafter called “the Board”, which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred by this resolution), or any person(s) authorised by the Board or its Committee for such purpose the Company be and is hereby authorised to create offer, issue and allot in one or more rights, public and/or private offering in domestic and/or international markets, Equity Shares / Fully Convertible Debentures (FCDs), Partly Convertible Debentures (PCDs), Bonds / Convertible Notes / Foreign Currency Convertible Bonds (FCCBs), Foreign Currency Exchangeable Bonds (FCEBs), Euro Convertible Bonds

(ECBs), Global Depository Receipts (GDRs), American Depository Receipts (ADRs) convertible into equity shares, Preference Shares whether cumulative or non-cumulative / Redeemable / Convertible at the option of the Company and / or at the option of the holders of the security and / or securities linked to equity shares / preference shares and / or any instrument or securities representing convertible securities such as convertible debentures, bonds or warrants convertible into equity shares / preference shares and / or any other instruments / securities with or without detachable warrants (hereinafter referred to as "Securities") for an amount not exceeding Rs. 80.00 Crores (Rupees Eighty Crores) or any equivalent thereof, whether in Indian currency or foreign currency (inclusive of such premium, as may be fixed on such Equity Shares), to General Public, Promoters / Directors, their Friends, Associates and relatives and Associate / Group Companies, Members, Employees, Investors, International Investors, Companies, Banks, Mutual Funds, Financial Institutions, Other entities, Qualified Institutional Buyers, persons in accordance with applicable laws, rules and regulations and / or guidelines to such persons by way of Public Issue, Right Issue, Euro Issue, Private Placement or Preferential Issues or by one or more of the above method(s) or by any other permissible methods through any prospectus, offer documents, offer letter, placement document or otherwise, whether to shareholders of the Company or not and at such time or times, as the Board may think fit, in one or more trench or trenches, at such price or prices, and on such terms and conditions including face value, premium amount, premium on conversion, number of conversions, number of trenches, exercise price for warrants / options, rate of interest, redemption period, manner of redemption, amount of premium on redemption / conversion, nature of security, manner of calls etc., with the differential rights as to dividend, voting or otherwise and in such manner as the Board may, in its absolute discretion think fit, in consultation with the lead managers, underwriters, advisors or other intermediaries.

- (b) **RESOLVED FURTHER THAT** the Company and/or any agency or body authorised by the Company, may, subject to compliance with all applicable, laws, rules, regulations, guidelines and approvals, issue receipts/certificates, including global certificates representing the Securities issued by the Company with such features and attributes as are prevalent in the international and/or domestic capital markets for instruments of this nature and provide for the tradability or free transferability thereof as per the international and/or domestic

practice and regulations, and under the forms and practices prevalent in the international and/or domestic capital markets.

- (c) **RESOLVED FURTHER THAT** the Board be and is hereby authorised to issue and allot, from time to time, such number of equity shares of the Company at such premium as may be decided by it in its absolute discretion, as may be required to be issued and allotted upon conversion, exchange, redemption or cancellation of any of the Securities or as may be necessary in accordance with the terms of the offering(s), including additional equity shares, all such shares ranking *pari passu* with the existing equity shares of the Company in all respects, except such right as to dividend as may be provided under the terms of the issue and the offer document, if any.
- (d) **RESOLVED FURTHER THAT** the relevant date for the purpose of pricing of the Securities by way of GDRs/ADRs/FCCBs/FCEBs or by way of any preferential issue(s), shall be the date as specified under the applicable law or regulation shall be the date of the meeting in which the Board decides to open the issue.
- (e) **RESOLVED FURTHER THAT** without prejudice to the generality of the above, the issue(s) of Securities may, subject to compliance with all applicable laws, rules, regulations, guidelines and approvals, have all or any terms, or combination to terms, in accordance with domestic and/or international practice, including, but not limited to, conditions in relation to payment of interest, additional interest, premium on redemption, prepayment and any other debts service payments whatsoever and all other such terms as are provided in offerings of such nature including terms for issue of additional equity shares or variation of the conversion price of the Securities during the duration of the Securities.
- (f) **RESOLVED FURTHER THAT** without prejudice to the generality of the above, the aforesaid issue of Securities may have all or any terms or combination of terms including as to conditions in relation to payment of interest, additional interest, premia on redemption, prepayment and any other debt service payments whatsoever, and all such matters as are provided in Securities offerings of this nature including terms for issue of such Securities or variation of the conversion price of the Securities during the tenure of the Securities and the Company is also entitled to enter into and execute all such arrangements as the case may be with any lead managers, managers, underwriters, bankers, financial institutions, solicitors, advisors, guarantors, depositories, custodians and other intermediaries in such offerings of Securities and to remunerate all such agencies including

the payment of commissions, brokerage, fees or payment of their remuneration for their services or the like, and also to seek the listing of such Securities on one or more stock exchanges including international stock exchanges, wherever permissible.

- (g) **RESOLVED FURTHER THAT** the Company may enter into any arrangement with any agency or body authorised by the Company for the issue of Securities in registered or bearer form with such features and attributes as are prevalent in capital markets for instruments of this nature and to provide for the tradability or free transferability thereof as per the international practice and regulations, and under the forms and practices prevalent in securities markets.
- (h) **RESOLVED FURTHER THAT** the Securities issued in foreign markets shall be deemed to have been made abroad and/or in the market and/or at the place of issue of the Securities in the international market and may be governed by applicable laws.
- (i) **RESOLVED FURTHER THAT** for the purpose of giving effect to any issue or allotment of Securities of instruments representing the same, as described in paragraph (a) above, the Board of Directors of the Company be and are hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose, including without limitation appointment of managers, merchant bankers, guarantors, financial and/or legal advisors, depositories, custodians, registrars, trustees, bankers, underwriters and any other advisors, professionals and intermediaries, as may be required and the payment of such fees, commission and other expenses to such intermediaries as it deems fit and the entering into or execution of all such agreements/ arrangement(s)/ MOU(s) / placement agreement(s)/ underwriting agreement(s)/ deposit agreement(s)/trust deed(s)/ subscription agreement/payment and conversion agency agreement/any other agreement(s) or document(s) with any such agencies, listing of Securities and the equity shares to be issued on conversion of the said Securities in domestic and/or international stock exchanges, as the Board may in its absolute discretion deem fit and to remunerate the managers, underwriters and all other agencies/ intermediaries by way of commission, brokerage, fees and the like as may be involved or connected in such offering of securities, with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit.

- (j) **RESOLVED FURTHER THAT** the Board and other designated officers of the Company, be and are hereby severally authorised to make all filings including as regards the requisite listing application/prospectus/offer document/ registration statement, or any draft(s) thereof, or any amendments or supplements thereof, and of any other relevant documents with the stock exchanges (in India or abroad), the RBI, the FIPB, the SEBI, the Registrar of Companies and such other authorities or institutions in India and/or abroad for this purpose and to do all such acts, deeds and things as may be necessary or incidental to give effect to the resolutions above and the Common Seal of the Company be affixed wherever necessary.
- (k) **RESOLVED FURTHER THAT** for the purpose aforesaid, the Board of Directors of the Company be and are hereby severally authorised to settle all questions, difficulties or doubt that may arise in regard to the offer, issue or allotment of Securities and utilisation of the issue proceeds including but without limitation to the creation of such mortgage / charges under Section 293(1)(a) of the said Act in respect of the aforesaid Securities either on pari passu basis or otherwise or in the borrowing of loans as the Board may in its absolute discretion deem fit without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution.”
- (l) **RESOLVED FURTHER THAT** all actions taken by the Board in connection with any matter referred to or contemplated in any of the foregoing resolutions are hereby approved, ratified and confirmed in all respects.”

**10) Appointment of Mr. Virendra R. Gandhi, as a Managing Director of the Company, designated as “Vice-Chairman and Managing Director” for a period of 5 years, w.e.f. 1st June, 2010, without payment of any remuneration :**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution** :

“**RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 316 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 and clarifications, issued by the Central Government from time to time and subject to such approvals as may be necessary, consent of the Company be and is hereby accorded to the appointment of Mr. Virendra R. Gandhi, as a Managing Director of the Company, designated as “Vice-Chairman and Managing

Director” for a period of Five (5) years with effect from 1st June, 2010, without payment of any remuneration 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 Mr. Virendra 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 appointment as they deem fit and/or draft Agreement, in such manner as may be agreed upon by the Board of Directors and Mr. Virendra R. Gandhi.”

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to vary or alter the terms and conditions of his appointment as specified in the Agreement 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 reenactment thereof and/or any Rules or Regulations framed thereunder and in the event 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 Mr. Virendra R. Gandhi shall be suitably modified to give effect to such variation as the case may be, subject to such approval as may be required by law.”

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, appropriate, expedient or desirable to give effect to this resolution and to execute necessary document, agreements and letters, on behalf of the Company.”

- 11) **Increase in overall limit of remuneration to be paid to Mr. Maulin P. Surti, President (Food Processing and Purchase), who is a relative of Mr. Ramchandra R. Gandhi, Chairman of the Company.**

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :

“**RESOLVED THAT** pursuant to the provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time, the Directors’ Relatives (Office or Place of Profit) Rules, 2003 and subject to approval of the Central Government and such

other approvals, permissions and sanctions, if required and as may be necessary and as approved by the Selection Committee, consent of the Company be and is hereby accorded to Mr. Maulin P. Surti, who is a relative of Mr. Ramchandra R. Gandhi, Chairman of the Company, and who holds office as a President (Food Processing and Purchase), and to hold and continue to hold an office or place of profit under the Company as President (Food Processing and Purchase), or with such other designation as the Company’s management may, from time to time, decide upon, a revised monthly salary and other allowances, benefits and perquisites including bonus, reimbursement of medical expenses, LTA/LTC, incentive, etc., for an amount as may be decided by the Board/ Management from time to time, within an overall limit of Rs. 2,00,000/- p.m., with effect from 1st October, 2010 or such other amount as may be decided by the Central Government, while granting its approval to the aforesaid revision in remuneration and acceptable to Mr. Maulin P. Surti.

**RESOLVED FURTHER THAT** the Board of Directors/Management of the Company be and is hereby severally authorised to promote him to higher cadres and/or to sanction him accelerated increments within the said cadre or higher cadre as and when they deem fit, subject, however, to the rules and regulations of the Company, in force, from time to time, provided that total monthly remuneration shall not exceed Rs. 2,00,000/- p.m. or such other amount as may be decided by the Central Government, while granting its approval to the revision.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorised to make application to the Central Government for seeking its approval for the revision in the overall limit of remuneration to be paid to Mr. Maulin P. Surti as mentioned above, to sign the application form, annexures, affidavit, Memorandum of Appearance and all other deeds and documents as may be required to be executed and to represent the Company before the Central Government, Registrar of Companies and such other authorities as may be required in this matter, to accept the suggestions, modifications or alterations as suggested by the Central Government while granting its approval and to do all such acts, deeds, matters and things as may be required, proper and expedient to give effect to this resolution.”

- 12) **Increase in Borrowing Limits**

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** in supersession of Resolution passed for enhancing the borrowing limits upto Rs. 150.00 crores at the 25th Annual General Meeting of the Company held on 26th September,

2009, the Board of Directors (hereinafter referred to as "the Board", which term shall be deemed to include any Committee which the Board may constitute for this purpose), be and is hereby authorized, in accordance with Section 293(1)(d) of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and the Articles of Association of the Company, to borrow any sum or sums of money whether rupee loans or foreign currency loans or other external commercial borrowings (including non-fund based facilities) from time to time at their discretion, for the purpose of the business of the Company, from any one or more Banks, Financial Institutions and other persons, firms, bodies corporate or from any other sources, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may, at any time, exceed upto a sum of Rs. 225.00 Crore (Rupees Two Hundred Twenty Five Crore only) over and above the aggregate of the then paid-up capital of the Company and its free reserves (that is to say reserves not set apart for any specific purpose) and that the Board of Directors be and is hereby empowered and authorized to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as they may, in their absolute discretion, think fit.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion thinks necessary, proper, or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution."

13) **Creation of Charge**

To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** the consent of the Company be and is hereby granted in terms of Section 293(1)(a) and all other applicable provisions of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force), to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may constitute for the purpose) to mortgage/hypothecate and/or create charge/pledge etc., in addition to the mortgages/hypothecations/charges created/to be created by the Company, in such form and manner and with such ranking and at such time and on such terms

as the Board may determine, on all or any of the movable and/or immovable properties of the Company, both present and future and/or the whole or any part of the undertaking(s) of the Company together with the power to take over the management of the business and concern of the Company in certain events of default, in favour of the Banks/Financial Institutions/Other Lender(s), Agent(s) and Trustee(s) for securing the borrowings availed/to be availed by the Company and/or any of the Company's holding / subsidiary / affiliate / associate Company, by way of loan(s) (in foreign currency and/or rupee currency) and Securities (comprising fully/partly convertible Debentures and/or Non Convertible Debentures with or without detachable or non-detachable Warrants and/or secured premium notes and/or floating rates notes/bonds or other debt instruments), issued/to be issued by the Company, from time to time, subject to the limits approved under Section 293(1)(d) of the Companies Act, 1956 from time to time, together with interest at the respective agreed rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on prepayment, remuneration of the Agent(s)/ Trustees, premium (if any) on redemption, all other costs, charges and expenses, including any increase as a result of devaluation / revaluation / fluctuation in the rates of exchange and all other monies payable by the company in terms of the Loan Agreement(s)/ Other Agreement(s), Debenture Trust Deed(s) or any other document, entered into/to be entered into between the Company and the Lender(s)/Agent(s) and Trustee(s) in respect of the said loans/borrowings / debentures and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors or Committee thereof and the Lender(s)/Agent(s)/ Trustee(s).

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board and/or its duly constituted Committee be and are hereby authorized to finalise, settle and execute such documents/deeds/writings/papers/agreements as may be required and do all such acts, deeds, matters and things, as it may in its absolute discretion thinks necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages/charges as aforesaid."

By order of the Board  
For VADILAL INDUSTRIES LIMITED

RAMCHANDRA R. GANDHI  
Chairman

Registered Office :  
Vadilal House, Shrimali Society,  
Nr. Navrangpura Rly. Crossing,  
Navrangpura, Ahmedabad - 380 009.  
Dated : 10th August, 2010



## NOTES :

- (a) **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 THAT THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
- (b) Corporate Members intending to send their authorised representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorising their representatives to attend and vote on their behalf at the meeting.
- (c) In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- (d) 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.
- (e) The Register of Members and Share Transfer Books of the Company will remain closed from 13th September, 2010 to 30th September, 2010 (both days inclusive) for the purpose of payment of dividend on Equity Shares for the year ended 31st March, 2010 as recommended by the Board and if declared at the meeting.
- (f) Dividend of Re. 1.50 per share (@ 15%) on Equity Shares for the year ended on 31st March, 2010 as recommended by the Board, if declared at the meeting, will be paid without deduction of tax at source :
- # to those members, whose names appear on the Register of Members after giving effect to all valid share transfers in physical form lodged with the Company/Share Transfer Agent on or before 11th September, 2010, or
- # in respect of shares held in electronic form, to those "Beneficial Owners" whose names appear in the Statement of Beneficial Ownership furnished by NSDL and CDSL as at the end of business hours on 12th September, 2010.
- (g) Pursuant to Section 205A of the Companies Act, 1956, the Company has already transferred all unclaimed dividends declared upto the financial year ended on 31st March, 1994 (18 months) to the General Revenue Account of the Central Government as required by 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, 31st March, 1997 (Interim & Final Dividend) and 30th September, 1998 (18 months) to the Investor Education and Protection Fund established by the Government under Section 205C(1) of the Act.
- The amount of dividend for the financial year ended on 31st March, 2005, 31st March, 2006, 31st March, 2007, 31st March, 2008 and 31st March, 2009, remaining unpaid or unclaimed for a period of 7 years is due for transfer to the Investor Education and Protection Fund on 3rd November, 2012, 1st November, 2013, 3rd November, 2014, 3rd November, 2015 and 31st October, 2016 respectively. Members, who have so far not encashed their dividend warrants for the said financial years, are requested to approach the Company for revalidation or duplicate dividend warrants. Thereafter, no claims shall lie against the said Fund or the Company for the amount of dividend so transferred nor shall any payment be made in respect of such claims.
- (h) 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.
- (i) 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 or Share Transfer Agent, 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.
- (j) The documents and/or letters referred to in the Resolutions and in the accompanying notice are open for inspection for the members at the Registered Office of the Company on all working days, except Saturdays, between 2.00 p.m. and 4.00 p.m., upto the date of this Annual General Meeting.
- (k) Members are requested to bring their copy of Annual Report to the meeting, as the copies of Annual Report will not be distributed at the meeting.
- (l) 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 Registered Office, at least TEN days before the date of the meeting.
- (m) At this Annual General Meeting, Mr. Chaitan M. Maniar and Mr. Kshitish M. Shah, Directors of the Company, shall retire by rotation and being eligible, offer themselves for re-appointment. Mr. Virendra R. Gandhi has been appointed as a Managing Director of the Company designated as "Vice-Chairman & Managing Director" for a



period of 5 years w.e.f. 1st June, 2010, without payment of any remuneration to him subject to the approval of the members in a General Meeting. As required under Clause 49 of Listing Agreement with the Stock Exchanges, given below are the details of the above Directors to be appointed/re-appointed as Managing Director /Directors of the Company :-

**Mr. Chaitan M. Maniar**

Mr. Chaitan M. Maniar is a Partner in the Firm of Crawford Bayley & Co., Solicitors & Advocates, Mumbai. He holds degrees of Master of Arts (Economic & Politics), Bachelor of Commerce and Bachelor of Laws of the University of Bombay. He is an Advocate and a member of the Maharashtra Bar Council. He specialises in Corporate and Commercial Laws with special reference to Company Law, Foreign & Technical Collaborations, Anti-trust and Competition Laws, Cosmetics and Insecticides, Intellectual and Industrial Property Laws - Trade Marks, Patents, Designs and Copyright and drafting of documents generally. He is a Director in following other Companies. He is a member of Remuneration Committee of the Directors of the Company. He is also a member/chairman of various committees of the other Companies, such as Audit Committee, Share Transfer Committee, Shareholder/ Investors' Grievance Committee, as mentioned hereunder. Mr. C. M. Maniar does not hold any shares in Vadilal Industries Limited.

**Directorship:**

- Akzo Nobel Coatings India Private Limited
- Amsar Private Limited
- Chemtex Engineering of India Limited (Alternate Director)
- Gujarat Ambuja Exports Limited
- Foods & Inns Limited
- Godfrey Philips India Limited
- HGC Foundation Private Limited
- Hindalco Industries Limited
- Indo-Euro Investment Company Limited
- Indian Card Clothing Company Limited
- Machine Tools (India) Limited
- Multi Commodity Exchange of India Limited
- MCX Stock Exchange Limited
- Northpoint Training & Research Private Limited
- Pioneer Investcorp Limited
- Sudal Industries Limited
- TCPL Packaging Limited
- Varun Shipping Company Limited

**Chairman of the Board Committee:**

**Shareholders / Investors' Grievance Committee:**

- Varun Shipping Company Limited

**Member of the Board Committees:**

**Audit Committee:**

- Hindalco Industries Limited
- Varun Shipping Company Limited
- TCPL Packaging Limited
- Pioneer Investcorp Limited

**Shareholders/ Investors' Grievance Committee and Share Transfer Committee:**

- Hindalco Industries Limited
- TCPL Packaging Limited
- Pioneer Investcorp Limited
- Godfrey Philips India Limited

**Mr. Kshitish M. Shah**

Mr. Kshitish M. Shah is BS. (Text. Chemistry), BS (Textile Technology), Masters in Textile Technology N. C. State University (USA). He has worked as a Vice-President of Crystex Corporation, USA from 1971 to 1975. He is an Industrialist, manufacturing diecasting, one of the most diversified product line in diecasting industry. It is the largest diecasting unit in India and largest in the State of Gujarat. He is a Joint-Managing Director of Textile Traders Co-Operative Bank Ltd. He is a Honorary Secretary of Gujarat Cancer Society, Apang Manav Mandal. He is a Trustee of Jivaraj Mehta Memorial Foundation, Saath - Suicide Prevention Centre and he is a Founder of Madanmohan Ramanlal Centre of Human Resources Development, Ahmedabad Management Association. He is a Director in the following other Companies. He is a member of the Audit Committee of your Company. He is also a Chairman of the Selection Committee and Remuneration Committee of your Company. He is also a chairman of Audit Committee of Vadilal Chemicals Limited. Mr. Kshitish M. Shah does not hold any shares in Vadilal Industries Limited.

**Directorship:**

- M. Ramanlal Holdings Pvt. Ltd.
- Shree Vyankateswar Engineering Pvt. Ltd.
- Vadilal Chemicals Ltd.
- Textile Traders Co-op. Bank Ltd.
- 21st Century Equipments Pvt. Ltd.
- Purvish Services Pvt. Ltd.

**Mr. Virendra R. Gandhi**

Mr. Virendra R. Gandhi is a Vice-Chairman & Managing Director of the Company. He has vast experience in the Ice-cream business. He is associated with the Company since its inception and looking after the affairs of the Company, particularly after establishment of new Ice-cream manufacturing plant by the Company at Village : Pundhra, Taluka : Mansa, Dist. Gandhidhar (Gujarat) and expansion of existing units of Ice-cream and Processed Foods division. He is a Managing Director of Vadilal Chemicals Limited. He is also a Director in the following other Companies. Mr. Virendra R. Gandhi is a member of Share Transfer & Investors' Grievance Committee of your Company. He is also a member/chairman of various committees of the Companies, such as Audit Committee, Share Transfer Committee, Shareholder/investors' Grievance Committee, as mentioned hereunder. Mr. Virendra R. Gandhi holds 156260 Equity Shares of Rs. 10/- each in Vadilal Industries Limited.

**Directorship:**

- Vadilal Enterprises Ltd.
- Vadilal International Pvt. Ltd.
- Vadilal Chemicals Ltd.
- Vadilal Gases Ltd.
- Numen Technologies Pvt. Ltd.
- Vale Properties Pvt. Ltd.
- Valiant Constructions Pvt. Ltd.
- Vortex Ice-cream Pvt. Ltd.

**Chairman of the Board Committee:**

- Vadilal Enterprises Limited  
(Share Transfer Committee)

**Member of the Board Committee:**

- Vadilal Chemicals Limited  
(Share Transfer and Investors' Grievance Committee)

**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. 6 & 7**

The Company, in order to meet its growth objectives and to strengthen its financial position, is required to generate long term resources by issuing securities. It is therefore deemed appropriate to increase the Authorised Share Capital of the Company from Rs. 10,00,00,000/- to Rs. 15,00,00,000/- and for that purpose, the Memorandum of Association and the Articles of Association of the Company are proposed to be suitably altered as set out at item No. 6 and 7 of the accompanying Notice.

The provisions of the Companies Act, 1956 require the Company to seek the approval of the Members for increase in the Authorised Share Capital and for the alteration of capital clause of the Memorandum of Association and the Articles of Association of the Company.

The Board of Directors accordingly recommend the resolutions set out at item Nos. 6 and 7 of the accompanying notice for the approval of the Members. None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

**ITEM NO. 8**

This resolution relates to a proposal of the Company to offer, issue and allot specified securities by way of placement to Qualified Institutional Buyers through a Qualified Institutional Placement ("QIP") in terms of Chapter – VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Guidelines, 2009. The object of the issue is to fund the growth of the Company, augment its resources for financing the expansion-cum-modernisation plans, ongoing capital expenditures, increase the ability to compete with the competitors in domestic and international market, strengthen its financial position by augmenting long term resources from time to time

and for other business needs.

The detailed terms and conditions of the offer will be determined in consultation with a SEBI registered merchant banker and such other authority or authorities and agencies as may be required to be consulted by the Company considering the prevalent market conditions and other relevant conditions.

The proposed special resolution seeks the enabling authorization of the Members to the Board of Directors, without the need of any further approval from the shareholders, to undertake the Qualified Institutional Placement ("QIP") with the Qualified Institutional Buyers ("QIB"), in accordance with the provisions of Chapter VIII of SEBI (Issue of Capital and Disclosure Requirements) Guidelines, 2009 ("SEBI (ICDR) Guidelines"). Pursuant to the above, the Board may, in one or more tranches, issue and allot equity shares/ fully convertible debentures/party convertible debentures / non convertible debentures with warrants including but without limitations through Global Depository Receipts (GDRs) and/or American Depository Receipts (ADRs) and/or Foreign Currency Convertible Bonds (FCCBs) and/or Foreign Currency Exchangeable Bonds (FCEBs) any other securities (other than warrants), which are convertible into or exchangeable with equity shares on such date as may be determined by the Board but not later than 60 months from the date of allotment (collectively referred to as "QIP" Securities").

The said QIP by the Board shall be subject to the provisions of the SEBI ICDR Guidelines (as amended from time to time) including the pricing, which will not be less than the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchanges during the two weeks preceding the relevant date. The relevant date for the determination of applicable price for the issue of the QIP Securities shall be the date of the meeting in which the Board of the Company decide to open the proposed issue or in case of securities which are convertible into or exchangeable with equity shares at a later date, the date on which the holder of such securities becomes entitled to apply for the said shares, as the case may be. For reasons aforesaid, an enabling resolution is therefore proposed to be passed to give adequate flexibility and discretion to the Board to finalise the terms of the issue.

The securities issued under QIP issue pursuant to offer may, if necessary, may be secured by way of mortgage/hypothecation on the Company's assets as may be finalised by the Board of Directors in consultation with the Security Holders/Trustees in favour of Security Holders/Trustees for the holders of the said securities. As the documents to be executed between the security holders / trustees for the holders of the said securities and the Company may contain the power to take over the management of the Company in certain events, enabling approval is also sought under Section 293(1)(a) of the Companies Act, 1956. In terms of the provisions of Section 81(1A) of the Companies Act, 1956 and the listing agreement entered with the Stock Exchanges, in the case of any proposal

to increase the subscribed capital of the Company by a further issue and allotment of shares, the shares should be first offered to the existing shareholders in the manner laid down in the said section / listing agreement unless the shareholders decide otherwise in a general meeting. The said Special Resolution if passed shall have the effect of allowing the Board on behalf of the Company to offer, issue and allot the Specified Securities otherwise than to the existing shareholders.

The Special Resolution seeks the consent and authorisation of the members to the Board of Directors to take the proposed issue of Securities, in consultation with the Lead Managers, Legal Advisors and other intermediaries and in the event it is decided to issue Securities convertible into equity shares, to issue to the holders of such convertible securities in such manner and such number of equity shares on conversion as may be required to be issued in accordance with the terms of the issue, keeping in view the then prevailing market conditions and in accordance with the applicable provisions of rules, regulations or guidelines.

The Board of Directors accordingly recommends the resolution set out at Item No. 8 of the accompanying notice for approval of the Members.

None of the Directors of the Company are in any way concerned or interested in the above resolution except to the extent of securities that may be subscribed to by the Companies/Institutions, in which they are Directors or members.

#### **ITEM NO. 9**

The Company proposes to raise funds to the tune of Rs. 80.00 Crores to fund the growth of the Company, augment its resources for financing the expansion-cum-modernisation plans, ongoing capital expenditures, increased requirements of long term working capital, increase the ability to compete in domestic and international market, strengthen its financial position by augmenting long term resources from time to time, to explore various opportunities of growth and for other business needs.

In order to address various growth opportunities, the Company would need to raise funds, from time to time, by way of debt or issue of securities or a combination thereof. For this purpose, the Company proposes to evaluate options including issue of equity shares and/or other securities partially/ optionally or fully convertible into equity shares including by way of Fully Convertible Debentures (FCDs), Partly Convertible Debentures (PCDs), Bonds / Convertible Notes / Foreign Currency Convertible Bonds (FCCBs), Foreign Currency Exchangeable Bonds (FCEBs), Euro Convertible Bonds (ECBs), Global Depository Receipts (GDRs), American Depository Receipts (ADRs) convertible into equity shares, Preference Shares whether cumulative or non-cumulative / Redeemable / Convertible at the option of the Company and / or at the option of the holders of the security and / or securities linked to equity shares / preference shares and / or any instrument or securities representing convertible securities such as convertible debentures,

bonds or warrants convertible into equity shares / preference shares and / or any other instruments / securities with or without detachable warrants (hereinafter referred to as "Securities") for an aggregate amount not exceeding Rs. 80.00 crores or equivalent thereof in any foreign currency, in near future to meet its funding requirements. The securities may be listed on one or more Indian and/or foreign stock exchanges.

The proposed issue of Securities upto Rs. 80.00 crores (Rupees Eighty Crores) as above may be made in one or more tranches, in the domestic or international market in one or more currency. The issue price of the security to be issued in the proposed offerings will be determined by the Board of Directors at the time of the offer depending on the then prevailing market conditions and the applicable regulations. The Securities will be listed on such International / Indian Stock Exchanges as the Board may be advised and as it may decide.

The Board, at its meeting held on 10th August, 2010, has approved in principle the raising of funds by the Company through the issue of securities, subject to shareholders' approval and such other approvals as may be required under applicable laws.

Section 81(1A) of the Companies Act, 1956, provides, inter alia, that where it is proposed to increase the subscribed share capital of the Company by allotment of further shares, such further shares shall be offered to the persons who on the date of the offer are holders of the equity shares of the Company, in proportion to the capital paid up on those shares as of that date unless the Members decide otherwise. The Listing Agreements with the various Stock Exchanges also provide that the Company shall issue or offer in the first instance all Securities to the existing equity shareholders, unless the Members decide otherwise. The Special Resolution seeks the consent and authorisation of the Members to the Board of Directors to make the proposed issue of Securities and in the event it is decided to issue Securities convertible into equity shares, to issue to the holders of such convertible Securities in such manner and such number of equity shares on conversion as may be required to be issued in accordance with the terms of the issue. This Special Resolution gives (a) adequate flexibility and discretion to the Board to finalise the terms of the issue, in consultation with the Lead Managers, Underwriters, Legal Advisors and experts or such other authority or authorities as need to be consulted including in relation to the pricing of the Issue which will be fixed keeping in view the then prevailing market conditions and in accordance with the applicable provisions of rules, regulations or guidelines, and (b) powers to issue and market any Securities issued pursuant to the international offer including the power to issue such Securities in such tranche or tranches with / without voting rights.

The Board of Directors accordingly recommend the special resolution set out at Item No. 9 of the accompanying Notice for the approval of the Members. None of the Directors of the Company is, in any way,



concerned or interested in the said resolution except to the extent of securities that may be subscribed to by the Companies/Institutions, in which they are Directors or members.

#### **ITEM NO. 10**

The Board of Directors of the Company has, at its meeting held on 24th May, 2010, appointed Mr. Virendra R. Gandhi, as a Managing Director of the Company, designated as "Vice-Chairman and Managing Director", for a period of 5 years w.e.f. 1st June, 2010, without payment of any remuneration to him, on the terms and conditions as to appointment mentioned below and more particularly described in the draft Agreement to be entered into between the Company and Mr. Virendra R. Gandhi, subject however, to the provisions of Section 198, 269, 309, 316 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and the approval of the shareholders of the Company by way of an Ordinary Resolution to be passed at the General Meeting.

Mr. Virendra Gandhi is associated with the Company since its inception and he is looking after the affairs of the Company, particularly after establishment of new ice-cream manufacturing plant by the Company at Village : Pundhra, Taluka : Mansa, Dist. : Gandhinagar (Gujarat) and expansion of the existing units of ice-cream and processed food division. He has vast experience in Ice-cream business. Keeping in view the contribution made by Mr. Virendra R. Gandhi to the growth and development of the Company, the Board of Directors of the Company are of the view that it is in the interest of the Company to appoint Mr. Virendra R. Gandhi, as a Managing Director of the Company.

Subject to the provisions of Section 198, 269, 309, 316 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the principal terms and conditions as contained in the said draft Agreement for appointment of Mr. Virendra R. Gandhi, as a Managing Director 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. The period of Agreement shall be for a period of 5 years w.e.f. 1st June, 2010.
3. The Company shall reimburse to the Managing Director, entertainment, traveling and all other expenses incurred by him for the business of the Company and on behalf of the Company.
4. Mr. Virendra R. Gandhi, being a Managing Director in another Company, is entitled for the remuneration in the said another Company, which shall not exceed the higher maximum limit admissible from any one of the Companies as per the provisions of Schedule - XIII of the Companies Act, 1956.
5. 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 committee thereof.

6. The Managing Director shall not be liable to retire by rotation.
7. The terms and conditions of his appointment as Managing Director specified herein above may be altered or varied from time to time by the Board of Directors as they may in their discretion, deem fit, 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.
8. For all other terms and conditions not specifically mentioned as above, the Rules and Orders of the Company shall apply.
9. The above terms and conditions of appointment may be treated as an abstract of the terms of appointment as mentioned above and in the draft Agreement of appointment proposed to be entered into between the Company and Mr. Virendra R. Gandhi under Section 302 of the Companies Act, 1956.

The Board therefore recommends approval of the appointment of Mr. Virendra R. Gandhi as a Managing Director of the Company as mentioned above.

This explanation together with the accompanying notice is and should be treated as an abstract of the terms of appointment as mentioned in the draft Agreement proposed to be entered into between the Company and Mr. Virendra R. Gandhi under Section 302 of the Companies Act, 1956.

The draft Agreement to be entered into between the Company and Mr. Virendra R. Gandhi and referred to in the Resolution contained in Item No. 10 of the Notice is available for inspection at the Registered Office of the Company on all working days, except Saturdays, between 2.00 p.m. and 4.00 p.m. upto the date of Annual General Meeting.

Mr. Virendra R. Gandhi is interested in the resolution. Mr. Ramchandra R. Gandhi and Mr. Rajesh R. Gandhi, Directors of the Company, being related to Mr. Virendra 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. 11**

Mr. Maulin P. Surti, a relative of Mr. Ramchandra R. Gandhi, Chairman of the Company, was appointed as General Manager (Food Processing) with a basic salary of Rs. 9400/- p.m. in the scale of 5600-500-8100-650-13300 and other perquisites, allowances and benefits aggregating to Rs. 42,000/- p.m. The said remuneration of Rs. 42,000/- was approved by the Shareholders of the Company by way of a Special Resolution passed at an Extra-Ordinary General Meeting of the Company held on 17th June, 2003.

Keeping in view the result oriented contribution made by him in the growth and development of the Company, he was elevated as Vice-President (Food Processing and Purchase) w.e.f. 1st October, 2004 without any increase in the remuneration. Thenceforth, the shareholders of the Company, vide a Special Resolution passed at the 24th Annual General Meeting held on

29th September, 2008 approved the overall limit of remuneration of Rs. 1,50,000/- p.m., with effect from 1st October, 2008. The said overall limit of remuneration was also approved by the Central Government vide a letter dated 11th June, 2009.

Looking to the continuous efforts made by him in the development of the Company, he has been further elevated to President (Food Processing and Purchase) and the Company proposes to increase the remuneration to be paid to Mr. Maulin P. Surti, for such amount as may be decided by the Board/ Management from time to time within overall limit of Rs. 2,00,000/- p.m., with effect from 1st October, 2010.

Pursuant to the provisions of Section 314 of the Companies Act, 1956 read with Rule 10C of the Companies (Central Government's) General Rules and Forms, 1956 and the Directors' Relatives (Office or Place of Profit) Rules, 2003, no relative of a Director shall be appointed at any office or place of profit in the Company, which carries a total monthly remuneration of Rs. 50,000/- or more, except with the prior approval of shareholders of the Company by a Special Resolution and the approval of Central Government.

In terms of requirements of Section 314(1B) of the Companies Act, 1956 read with Directors' Relatives (Office or Place of Profit) Rules, 2003, the Selection Committee has conducted its selection process and recommended the Board of Directors to increase the overall limit of remuneration to be paid to Mr. Maulin P. Surti, President (Food Processing and Purchase) with effect from 1st October, 2010 or such other date as may be approved by the Central Government while according its approval.

The scale of basic salary and the perquisites to which, Mr. Maulin P. Surti will be entitled, as may be decided by the Board from time to time within the revised overall limit as approved by the Central Government, will be the same as are applicable to other employees of the company in the same grade, who have similar experience. Mr. Maulin P. Surti is also subject to all other service conditions as applicable to any other employee of the company.

The proposed increase in overall limit of remuneration to be paid to Mr. Maulin P. Surti will also be subject to the prior approval of the Central Government for which necessary application will be made by the Company. The Special Resolution set out in the notice also authorises the Board of Directors to accept such modifications or amendments or variations in the terms and conditions of remuneration to be paid to Mr. Maulin P. Surti, as may be suggested by the Central Government while according its approval and as may be accepted by Mr. Maulin P. Surti.

The Directors therefore recommend the Resolution as mentioned in Item No. 11 of the Notice for approval of the Members.

Save and except Mr. Ramchandra R. Gandhi, none of the Directors is, in any way, concerned or interested in the said resolution.

#### **ITEM NO. 12**

In terms of the provisions of Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of the

Company, cannot except with the consent of the Company in general meeting, borrow moneys, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of aggregate of the paid-up capital and its free reserves that is to say reserves not set apart for any specific purpose.

The Shareholders of the Company had at the 25th Annual General Meeting held on 26th September, 2009 approved borrowings upto an amount of Rs. 150.00 crores and authorized the Board to borrow funds from time to time for the business of the Company.

Keeping in view the Company's business requirements and its growth plans including expansion made recently by the Company and also for further proposed expansion-cum-modernisation of its Ice-cream manufacturing plants situated at Pundhra and Bareilly and Processed Food manufacturing plant situated at Dharampur, it is considered desirable to increase the said borrowing limits from Rs. 150.00 Crores to Rs. 225.00 Crores.

The Directors therefore recommend the Resolution as mentioned in Item No.12 of the Notice for approval of the Members.

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

#### **ITEM NO. 13**

The Borrowings by a Company, in general is required to be secured by mortgage/hypothecation/ pledge or charge on all or any of the movable or immovable properties of the Company in such form, manner and ranking as may be determined by the Board of Directors of the Company from time to time, in consultation with the lender(s).

The mortgage/hypothecation/pledge and/or charge on any of the movable and/or immovable properties and/or the whole or any part of the undertaking(s) of the Company, to secure borrowings of the Company or of any of its holding, subsidiary, affiliate or associate company, with a power to the charge holders to take over the management of the business and concern of the Company in certain events of default, may be regarded as disposal of the Company's undertaking(s) within the meaning of Section 293(1)(a) of the Companies Act, 1956. Hence, it is necessary for the Members to pass a resolution under the said Section.

The Directors therefore recommend the Resolution as mentioned in Item No. 13 of the Notice for approval of the Members.

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

By order of the Board  
For VADILAL INDUSTRIES LIMITED

RAMCHANDRA R. GANDHI  
Chairman

#### **Registered Office :**

Vadilal House, Shrimali Society,  
Nr. Navrangpura Rly. Crossing,  
Navrangpura, Ahmedabad - 380 009.

Dated : 10th August, 2010



## DIRECTORS' REPORT

To,  
The Members,  
VADILAL INDUSTRIES LIMITED  
Ahmedabad.

Your Directors have pleasure in presenting herewith the 26th Annual Report together with the Audited Statement of Accounts for the year ended on 31st March, 2010.

### INCOME FROM OPERATIONS

The Company earned the total income from operations of Rs.18,889.88 Lacs during the year ended on 31st March, 2010 as against Rs.14,790.90 Lacs earned during the previous year ended on 31st March, 2009.

### FINANCIAL RESULTS:

(Rs. in lacs)

Particulars	Year ended 31-3-2010	Previous year ended 31-3-2009
(a) Profit for the year before Depreciation and Financial Expenses	2076.07	1434.95
(b) Less: Depreciation	564.97	483.22
Financial Expenses (Net)	631.90	749.22
(c) Profit before Exceptional & Prior Year items	879.20	202.51
(d) Prior Year's Adjustments (Net)	(0.05)	17.11
(e) Profit before tax	879.15	219.62
(f) Provision for Tax (Refer Note I of Schedule 22)		
— Current Tax	327.00	0.00
— Current (MAT Tax)	0.00	23.40
Less : MAT credit entitlement	0.00	(9.20)
— Deferred Tax charge/(release)	0.00	14.20
— Fringe Benefit Tax	(28.49)	72.00
— (Short) / Excess Provision of Tax / Deferred Tax of earlier years (Net)	0.00	14.50
(g) Net Profit after Tax	575.17	108.68
(h) Profit Brought Forward	286.28	283.51
Amount available for appropriation	861.45	392.19
Appropriation:-		
— Proposed Dividend	107.82	86.25
— Tax on Proposed Dividend	17.91	14.66
— General Reserve	395.00	5.00
— Balance carried to Balance Sheet	340.72	286.28
Total	861.45	392.19

### DIVIDEND:

The Directors have recommended dividend of Re.1.50 per share (@15.00%) on 71,87,830 Equity Shares of Rs.10/- each of the Company for the Financial Year ended on 31st March, 2010. The Company declared Re.1.20 per share (@12%) dividend on 71,87,830 Equity Shares of Rs.10/- each for the previous Financial Year ended on 31st March, 2009. This will absorb Rs.107.82 lacs as against Rs.86.25 lacs absorbed in the previous year. The corporate dividend tax payable by the Company on the said dividend will be Rs.17.91 lacs as against Rs.14.66 lacs in the previous year. If approved, the dividend will be paid without deduction of tax at source to the shareholders.

### MANAGEMENT DISCUSSION AND ANALYSIS:

Management Discussion and Analysis Report has been enclosed herewith as per Annexure "A" and forming part of the Directors' Report.

### ADDITIONAL DISCLOSURES:

In line with the requirements of Listing Agreement with the Stock Exchanges and the Accounting Standards of the Institute of Chartered Accountants of India, your Company has made additional disclosures in the Notes on Accounts for the year under review in respect of Related Party Transactions, Employees Benefits, Taxes on Income and Expenses, Derivative Instruments, Segmental Reporting (in Notes on Consolidated Accounts), Calculation of EPS, etc.

### QUALITY ASSURANCE AND SYSTEMS

#### ISO 22000:2005 AND ISO 9001:2000 CERTIFICATES

The Company has always made continuous efforts to improve the process of manufacturing and to achieve quality and efficiency in each of its operations. This is evident from the award of ISO 9001:2000 to the Company conferred upon by Nemko AS, Certification Department, towards Quality Management System for its Processed Food Division situated at Dharampur, Dist. Valsad, Gujarat. The Company has also received award of ISO 22000:2005 from Nemko AS, Certification Department, towards Food Safety Management System for the said Processed Food Division. The Company has already been awarded Two Star Export House Status by Joint Director General of Foreign Trade, Ministry of Commerce and Industry for export of Processed Foods Products.

The Company has also obtained ISO 22000:2005 Certification from Bureau Veritas, Mumbai for its ice-cream plant at Pundhra in the State of Gujarat and Bareilly in the State of Uttar Pradesh for Management System.

The Company has received, for 2 years in a row i.e. in the year 2008 & 2009, 7 awards in both the years in the Great Indian Ice-Cream Contest organised by Indian Dairy Association (IDA).

#### **FINANCE:**

During the year under review, the Company has availed part of additional Term Loans sanctioned by Bank of Baroda, State Bank of India and Exim Bank towards part financing the expansion-cum-modernization of its existing manufacturing units. During the year under review, Rupee Term Loan as availed by the Company from BOB and SBI have been converted into Foreign Currency Loan (FCNRB).

The Company has repaid Working Capital Demand Loan to IDBI Bank Ltd. and the same has been renewed towards part of total Working Capital Facilities. The Company has also availed for the said purpose Working Capital Demand Loan of from Exim Bank. The Company has also availed the enhanced Working Capital Facilities from IDBI Bank Ltd., a Consortium Bank. The Company has also fully repaid the Working Capital facilities of Rs. 400 lacs availed from South Indian Bank Ltd. (SIB), a Consortium Bank, for which, the charge has been duly satisfied by way of modification.

The Company has duly repaid during the year under review the unsecured Short Term Loan availed by the Company last year from Development Credit Bank Ltd. (DCB). The Company has again received the unsecured Short Term Loan from DCB during the year under review and partly repaid to DCB. The Company has also availed Buyers' Credit Facility from IDBI Bank Ltd.

In terms of the provisions of Investor Education and Protection Fund Rules, 2001 (IEPF), during the year under review, the Company has transferred the unclaimed Principal amount of fixed deposit of Rs. 42,560/- and interest on fixed deposit of Rs. 40,000/- upto 31-3-2002, to IEPF established by the Central Government under Section 205C(1) of the Companies Act, 1956.

#### **FIXED DEPOSITS:**

The Company has no overdue deposits outstanding other than those unclaimed deposits of Rs. 23.61 lacs as on 31st March, 2010. As on date of this Report, deposits aggregating Rs. 12.33 lacs thereof have been claimed and either paid or renewed. The Company has mobilised Fixed Deposit of Rs. 588.57 lacs during the year ended on 31st March, 2010, after complying with the provisions of Section 58 A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 as amended. After repaying the maturities during the year, the total Fixed Deposits as on 31st March, 2010 stood at Rs. 996.41 lacs.

#### **SUBSIDIARY COMPANY:**

The Company has incorporated a wholly-owned subsidiary company namely Vadilal Industries (USA) Inc., in the State of New Jersey in USA during the year under review. As required under Section 212 of the Companies Act, 1956, the Reviewed Financial Statements (Unaudited) of Vadilal Industries (USA) Inc. for the period from 11-8-2009 (date of inception) to 31-3-2010, alongwith reports of Directors and Auditors thereon, for the year ended on 31st March, 2010 are annexed herewith. The statement under Section 212(1)(e) of the Companies Act, 1956 relating to the said Subsidiary Company is also annexed herewith.

#### **CONSOLIDATED FINANCIAL STATEMENTS:**

As stipulated by Clause 32 of Listing Agreement with Stock Exchanges, Consolidated Financial Statements of the Company, its subsidiary company namely, Vadilal Industries (USA) Inc. and Vadilal Cold Storage, a Partnership Firm, for the year ended on 31st March, 2010 have been prepared by the Company in accordance with the requirements of Accounting Standard - 21 "Consolidated Financial Statements" and Accounting Standard 23 "Accounting for investments in Associates" issued by the Institute of Chartered Accountants of India. The Audited Consolidated Financial Statements form part of the Annual Report.

During the year under review, Vadilal Chemicals Ltd. ceased to be an Associate of the Company due to disinvestment of entire holding by the Company. As such, the financial statement of Vadilal Chemicals Ltd. has not been included in the Consolidated Financial Statements for the year 2009-2010.

#### **CORPORATE GOVERNANCE:**

Being a Listed Company, the Company has taken necessary measures to comply with the Listing Agreement with the Stock Exchanges including revised Clause 49 regarding Corporate Governance. A separate report on Corporate Governance for the year ended on 31st March, 2010 is attached herewith as a part of this Annual Report. A certificate from Statutory Auditors of the Company regarding compliance of Corporate Governance as stipulated under the revised Clause 49 of Listing Agreement is obtained by the Company and annexed to the Corporate Governance Report.

#### **RESPONSIBILITY STATEMENT:**

To the best of their knowledge and belief and according to the confirmation and explanations obtained by them, your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956 and confirm :

- that in the preparation of Annual Accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- that they have selected such accounting policies and applied them consistently and made judgments and estimates that are 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 31st March, 2010 and of the profit or loss of the Company for that year;
- that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that they have prepared the Annual Accounts on a going concern basis.



#### **INSURANCE:**

All insurable interests of the Company including buildings, plant and machinery, furniture & fixtures and other insurable interest are adequately insured.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

As required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988, details relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are given in the Annexure -"B" attached hereto and forming part of the Directors' Report.

#### **LISTING AGREEMENT WITH STOCK EXCHANGES:**

Pursuant to the provisions of Listing Agreement with the Stock Exchanges, the Company declares that the Equity Shares of the Company are listed on the Bombay Stock Exchange Limited and Ahmedabad Stock Exchange Limited. The Company confirms that it has paid Annual Listing Fees due to the Bombay Stock Exchange Ltd. and Ahmedabad Stock Exchange Ltd. upto the Financial Year - 2010-2011.

#### **PARTICULARS OF EMPLOYEES:**

The statement of particulars of employees providing information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 form part of this report. However, as per provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report excluding this statement is being sent to all members. Any member interested in obtaining a copy of this statement may write to the Company Secretary at the Registered Office of the Company.

#### **DIRECTORS:**

Pursuant to the provisions of Section 255 and 256 of the Companies Act, 1956 and Articles of Association of the Company, Mr. Chaitan M. Maniar and Mr. Kshitish M. Shah, Directors of the Company, shall retire by rotation at this Annual General Meeting, and being eligible, offer themselves for re-appointment. The Members are requested to consider their re-appointment as Directors of the Company, for which necessary resolutions have been incorporated in the notice of the meeting. The brief resume/details relating to the said Directors, who are to be re-appointed are furnished in the Notes to the Notice of the Annual General Meeting.

Mr. Virendra R. Gandhi has been appointed as a Managing Director of the Company, designated as Vice- Chairman and Managing Director, for a period of 5 years with effect from 1st June, 2010, without payment of any remuneration to him. Necessary resolution has been incorporated in the Notice of the Annual General Meeting seeking Members approval for appointment of Mr. Virendra R. Gandhi, as a Managing Director of the Company, designated as Vice-Chairman and Managing Director. The brief resume / details relating to the Mr. Virendra R. Gandhi is furnished in the Notes to the Notice of the Annual General Meeting.

#### **CORPORATE SOCIAL RESPONSIBILITY**

The Company daily provides Ice-cream to the patients of M.P. Shah Cancer Hospital, the Gujarat Cancer and Research Institute, New Civil Hospital Compound, Asarwa, Ahmedabad. Under "Yuva Unstoppable" programme organised by an Institution, the employees of the Company attended Municipal Schools in Ahmedabad and helped the students in learning english. The Company had organised blood donation camp in 2009 in association with PRATHMA Blood Bank. The employees of the Company had contributed 33 bottles.

#### **AUDITORS:**

M/s. Kantilal Patel & Co., Chartered Accountants, Ahmedabad, holds office as Statutory Auditors of the Company until the conclusion of this Annual General Meeting and as recommended by Audit Committee, the Board recommends their appointment, as Statutory Auditors of the Company, for the Financial Year – 2010-2011 and to hold office from the conclusion of the ensuing 26th Annual General Meeting till the conclusion of the next Annual General Meeting of the Company. The Company has received a certificate from the said Auditors under Section 224(1B) of the Companies Act, 1956 to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Act. The Members are requested to consider their appointment as Statutory Auditors of the Company for the Financial Year - 2010-2011, at a remuneration to be decided by the Board of Directors.

#### **AUDITORS' REPORT OF THE COMPANY:**

The following clarifications have been made by the Directors in respect of the observations made by the Auditors in CARO report for the year ended on 31st March, 2010 :-

1. There was a slight short fall in maintaining liquid assets during the financial year ended on 31-3-2010 due to inadvertence.
2. Advance Income Tax which remain outstanding for a period of more than 6 months from the date it became payable, has been subsequently paid by the Company.
3. The company has not paid sales tax overdue for more than six months due to pending litigation / legal cases. The company has obtained a stay against the said litigation.

#### **ACKNOWLEDGEMENT:**

The Directors place on record the appreciation and gratitude for the co-operation and assistance extended by various departments of the Union Government, State Government, Bankers and Financial Institutions.

The Directors also place on record their appreciation of dedicated and sincere services of the employees of the Company at all levels.

The Company will make every effort to meet the aspirations of its Shareholders and wish to sincerely thank them for their whole hearted co-operation and support at all times.

**By Order of the Board of Directors**

Date : 10th August, 2010.

Place : Ahmedabad

**Ramchandra R. Gandhi**  
Chairman



**ANNEXURE "A" TO THE DIRECTORS' REPORT  
MANAGEMENT DISCUSSION AND ANALYSIS**

**1) INDUSTRY STRUCTURE & DEVELOPMENT, BUSINESS OVERVIEW AND SUSTAINABLE GROWTH OPPORTUNITIES.**

**a) Ice-cream Division**

India, being the largest milk producer in the world with an estimated annual production of more than 100 million tons of ice-creams per year. Considering Indian economy's quantum growth in recent years, ice-cream market is also zooming at new horizons. Total Indian Market size including organized and unorganized is estimated approx. Rs. 3000 crores, out of which organized sector contributes more than half. There is a huge untapped potential of specialized Ice-cream outlets at malls and other public flow areas-major city points where people used to visit very frequently. The franchisee based parlors' concept is getting tremendous response. Another motivating factor for the industry is overall development of Tier-II and Tier – III towns and cities, where average household per capita income is as encouraging as urban consumers.

Today's consumer is more materialistic, having more money to spend and there is vast portfolio of ice-cream flavors available in market offer a consumer plethora of options at hand to choose. Moreover the innovative modern ice-cream retail outlets alluring them to rush there and consume ice-creams.

The industry structure and ongoing transformation offers opportunities for organized players to invest and grow. Vadilal Ice-cream division showing a sustainable growth year to year, which has been triggered by increasing demand for newer varieties and change in consumer preferences which has been catered by novel products and providing value added products to the consumers. There is considerable increase in demand for impulses and novelties and a completely new segment of catering and institutional consumers from where a large chunk of revenues would be generated.

**Like 2008, this year too VADILAL topped winners list by receiving 7 awards**

After 2008, Vadilal has once again been honoured with 7 prestigious awards at "THE GREAT INDIAN ICE-CREAM CONTEST – 2009" organised by INDIAN DAIRY ASSOCIATION AND DANISCO. THE GREAT INDIAN ICE-CREAM CONTEST is a national competition aims at finding the best ice-creams of the country in each class and honour them with the recognition they deserve. In THE GREAT INDIAN ICE-CREAM CONTEST – 2009, in all 184 entries participated. Each ice-cream judged by panel of 25 judges on different parameters like appearance, flavour, texture and quality. All the recommendations and decisions were based on blind tasting, all the products were coded and company's identity was not revealed. Vadilal received total 7 awards bifurcated in – 2 best in the class – 2 gold medals – 1 silver medal and 2 bronze medals.

**b) Processed Food Division**

It is anticipated that exports of agricultural products from India will be double in approx. US\$20.6 billion in next five years from now. The share of Indian processed food products will grow from 2% to 5% during this period. Agro-based industry is growing rapidly in India and food processing is set to grow at 12% p.a. Even though the private sector participation in the Indian Food Industry is limited to a few plants with huge manufacturing volumes but some co-operatives have transformed certain sub-sectors within the Industry.

The mainstream market and overall market of ethnic food products in US and European subcontinent has been reeling under effects of recession in year – 2009. Moreover, the stocks have depleted over a span of time and this fact in itself provides immediate growth in the near future. But, this growth can be sustained with offerings of value for money products in the international market.

**c) Forex Division**

**RBI AUTHORISED AD.II CATEGORY LICENCE HOLDER.**

The Division has received licence from RBI to conduct business activities linked with Money Changing and current account related transactions. The Division now takes care in Money Changing activities such as buying and selling Travellers Cheques, Currency Notes of all major traded currencies of the world. Besides having licence under AD.II category, the Company now takes care of issuance of Demand Drafts, transfer of money abroad through Swifts, Telegraphic Transfer, etc. RBI has, looking to the functions of the Division, has renewed the AD.II category licence for consequent year. The Division has also applied for permission to conduct Trade related transactions, which is under consideration of RBI.

**2) FUTURE STRATEGY**

**a) Ice-cream Division**

The Company primarily focuses on increasing the ice-cream consumption by continuously offering novel products at affordable rates. The Company's future strategy is continuously serving consumers with innovative & value added products. With major expansion in both the Pundhra & Bareilly plant, the Company is able to cater the needs of consumers more effectively. With the addition of imported candy machine & double Sunday machine in capacity has created stronger hold in market. Due to this expansion the Company has been able to add innovative candies like 3 layered candies, mini candies & innovative chocolate candies in the product portfolio.

In order to meet the increasing demand of ice-cream products, the Company is planning to make further expansion cum modernisation of its ice-cream manufacturing units situated at Pundhra and Bareilly. This will result in enhancement of existing production and storage capacity and automation of its existing manufacturing facilities.



**b) Processed Food Division**

Three pronged strategy will be adopted for continuous growth in the long term. Increased coverage of products in Vadilal's brand through distribution to Asian cash & carry and grocery retail store formats. An effort to increase the existing market share by advertising in electronic media, print media, event participation, promotional schemes etc. is underway.

Another growth area to be focused is placement of products in Vadilal's brand or private labels for supermarket chains, multiplexes, cash & carry wholesalers. They command considerable market share of the total retail market enabling to reach the end consumer with optimal efforts and greater leverage while dealing with the Asian retail format stores.

Finally, sales of frozen, fruits and vegetables in bulk packaging will be focused. Either the importers supplying to food industry, Hotel, Restaurant & Catering (HoReCa) business will be targeted with competitive pricing strategy or direct access to the food industry will be established to generate greater demand. Further, warehousing at strategic locations for this purpose is in pipeline in Europe at the same time it has already been implemented in US subcontinent.

**Domestic Market :**

The year 2009-10 was one more successful year for the company's processed food division – domestic. The division has initiated its operation in new territories like Uttar Pradesh & Haryana. In the same year division has introduced new products like Frozen Lilva Kachori & Patra. The division is also keen to establish itself well in territories like Delhi, Orissa & Bihar in the next year

**3) HIGHLIGHTS OF FINANCIAL PERFORMANCE AND OPERATIONAL PERFORMANCE.**

Inspite of stiff competition, particularly in ice-cream industry, your Company has earned an Income from Operations of Rs. 18,889.88 lacs during the year ended on 31st March, 2010 as against Rs. 14,790.90 lacs earned during the previous year ended on 31st March, 2009.

Your Company has earned the Gross Profit of Rs. 2076.07 lacs before Depreciation and Financial Expenses during the year ended on 31st March, 2010 as compared to Rs. 1434.95 lacs earned during the previous year ended on 31st March, 2009.

The Company has earned the Net Profit of Rs. 575.17 lacs during the year ended on 31st March, 2010 after providing Financial Expenses and Depreciation and other adjustments and after making Provision for Current Tax of Rs. 327.00 lacs, Deferred Tax release of Rs. 28.49 lacs and other adjustments as compared to Net Profit of Rs. 108.68 lacs earned during the previous year ended on 31st March, 2009.

**4) SEGMENT WISE PERFORMANCE.**

The Company has identified three business segments in line with the Accounting Standard on Segment Reporting (AS 17). These are (1) Ice-cream (2) Processed Foods and (3) Others. Below mentioned table gives the audited financial results of these segments.

Segment revenue, results and capital employed for the year ended 31st March, 2010		(Rs. in lacs)
<b>Segment Revenue (Sales plus income from services)</b>		
Ice-cream		15510.78
Processed Foods		3443.10
Others		214.89
Total:		19168.77
Less : Inter-segment revenue		(102.53)
<b>Net Sales/Income from Operations</b>		<b>19066.24</b>
<b>Segment Results (PBIT)</b>		
Ice-cream		1494.01
Processed Foods		133.43
Others		5.08
Total:		1632.52
Less : Interest (Net) & prior year adjustment		
Other unallocable expenditure	616.65	
	149.20	765.85
<b>Total Profits (PBT)</b>		<b>866.67</b>
<b>Capital employed in segments</b>		
(Segment assets less liabilities) - as at 31st March, 2010		
Ice-cream		8227.46
Processed Foods		5179.28
Others		149.55
Total Capital employed in segments		13556.29
Add : Unallocable corporate assets less corporate liabilities		(9658.19)
<b>Total Capital Employed</b>		<b>3898.10</b>

## 5) RISK AND CONCERN

### a) Ice-cream Division

For Vadilal, competition is not a risk but a feel that continuously motivating us for innovation that keeps us one step ahead than competitors. The Company has tackled competition successfully in past and capable to overcome it efficiently. Now a days the markets are flooded with new local and regional players with cheaper and shoddy product options, but vadilal with its experience and expertise of more than 8 decades for providing quality ice-cream products is well equipped to face such challenges.

### b) Processed Food Division

The economy of US and Europe has been witnessing unparalleled recession in their history since the end of year 2008. These countries will take around 1 to 2 years more before they completely recover from the effects of recession. Still discount retail chains are improving their volumes and other retail formats are also in a overdrive to offer better prices to attract customers.

This year as well fluctuations in major currencies vis a vis US Dollars across the globe has remained a major concern. In spite of offering competitive US\$ pricing, the prices in the local currency are not competitive enough in many countries.

## 6) INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY.

In view of the management, the Company has adequate internal control systems for the business processes followed by the Company. The External and Internal Auditors carry out periodical reviews of the functioning and suggest changes if required. The Company has also a sound budgetary control system with frequent reviews of actual performance as against those budgeted.

The Audit Committee of the Board meets periodically to review various aspects of the performance of the Company and also reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening them from time to time. The External Auditors also attend these meetings and convey their view on the business processes and also of the policies of financial disclosures. When found necessary, the Committee also gives suggestions on these matters.

The Company has always made continuous efforts to improve the process of manufacturing and to achieve quality and efficiency in each of its operations. This is evident from the award of ISO 9001:2000 to the Company conferred upon by Nemko AS, Certification Department, towards Quality Management System for its Processed Food Division situated at Dharampur, Dist. Valsad, Gujarat. The Company has also received award of ISO 22000:2005 from Nemko AS, Certification Department, towards Food Safety Management System for the said Processed Food Division. The Company has already been awarded Two Star Export House Status by Joint Director General of Foreign Trade, Ministry of Commerce and Industry for export of Processed Foods Products.

The Company has also obtained ISO 22000:2005 Certification from Bureau Veritas, Mumbai for its ice-cream plant at Pundhra in the State of Gujarat and Bareilly in the State of Uttar Pradesh for Management System.

The Company has received total 7 awards in the Great Indian Ice-Cream Contest organised by Indian Dairy Association (IDA) & Danisco, in December, 2009.

## 7) HUMAN RESOURCES

The Company has total staff strength of 418 at all locations, which includes 185 workers. The Company recognizes the important role that its employees need to play for the growth of various business activities. The human resource policies and processes of the Company are in line with this.

The Company has been maintaining cordial and healthy Industrial Relations, which has helped to a great extent in achieving the steady growth.

## 8) CAUTIONARY STATEMENT

The statements made and figures given in the various sections of "Management Discussion and Analysis" are keeping in mind the Company's objectives, estimates and expectations. The Actual results may differ from those expected depending upon the economic conditions, changes in Govt. Regulations, tax regimes and other external and internal factors.



## ANNEXURE "B" TO THE DIRECTORS' REPORT

[Information 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 and forming part of the Directors' Report for the year ended on 31st March, 2010]

### A) CONSERVATION OF ENERGY

#### a) Energy Conservation measures taken :

##### Ice-cream Division :

In order to reduce cost of production, save consumption of energy and increase the productivity, the Company has taken several measures which mainly include the following :

- Modification in layout of refrigeration and production plant to have better productivity.
- Installation of an efficient energy consumption monitoring system to keep a track of the situation on daily basis and take up the preventive measures immediately.
- Insulation of stream line to reduce and save energy cost.
- Installation of new Cold Stores to have better storage of finished goods.
- Installation of new machineries with latest technology to have faster production at lower cost.
- Installation of new storage devices to have better storage of raw materials.
- Direct co-ordination with Village Lebel Co-operatives to ensure fresh milk at least time and cost.
- Repairing and renovation of existing Cold Rooms to meet them with the current requirement.

##### Processed Food Division:

So far as Processed Foods Division is concerned, the Company has taken the following measures towards conservation of energy and technology updates :

- Restructuring of existing production line to have maximum productivity at lower cost.
- Installation of Additional Process Control Measures in canning line products.
- Installation of a well differentiated engineering scrap yard for speedy disposal of scraps.
- Repairing of Old Cold Storage and rearrangement thereof to reduce energy cost.
- Transfer of Old Plate Freezer to Force Refrigeration System to reduce freezing cycle line and to increase productivity.
- Installation of new Weight Bridge for effective control over raw materials.

#### b) Additional investments and proposals, if any, for reduction of consumption of energy:

##### Ice-cream Division :

- Restructuring and renovating of existing production facilities to reduce the production cost.
- Expansion cum modernisation of manufacturing units situated at Pundhra and Bareilly to increase the production capacity to meet increasing demand for ice-cream.
- The Company is planning to install new machineries having updated technologies and higher capacity of production.
- The Company is planning to install new Extrusion line for putting new products in the market.
- The Company is planning to increase the batch size of our mix plant to reduce the working hours and save energy.
- As the Company has very high product matrices, it has ordered several new continuous ice cream freezers, which will help the Company to increase the productivity.

##### Processed Food Division:

- Renovation of all sections of the plant is in progress to meet Global Hygiene Food Safety Standards for ISO 22000 and BRC Certifications.
- Restructuring of Plant and Machinery layout is in process for unidirectional man and material movement.
- The Company is planning to install new Wood Fired Boiler at the factory for reducing fuel cost.
- New Auto Seamer will be installed in Canning Line to increase production capacity and reduce wastage due to manual operations.
- New FFS Machine for packing IQF Products will be installed to improve productivity and reduce man power requirement.
- To minimize the energy losses, all stream lines, chilled water / brine and ammonia lines will be insulated.
- New packaging material and engineering store is built and will be in operation for minimizing material movement, easy access and better control.
- Well differentiated separate waste collection area will be constructed for better hygiene and better returns from scrap sale.
- Bar coding system is proposed for maintaining FIFO, easy and effective control of finished goods.

#### c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

##### Ice-cream Division

- The measures listed in (a) and (b) above would result in lower consumption of power and thereby lower cost of production of the finished goods. This will ultimately result in lower cost of production, increase the productivity and improve profitability.

**Processed Food Division**

- The measures listed in above (a) and (b) would result in energy saving, increase in production rate, improvement in quality and avoiding in production break-down due to power-off.

d) **Total Energy Consumption and Energy Consumption per unit of production as per prescribed Form-A :**  
As per Annexure - A attached.

**B) TECHNOLOGY ABSORPTION****RESEARCH AND DEVELOPMENTS****a) Specific areas in which R & D carried out by the Company :**

- New product development related to frozen products.
- Process modifications to improve productivity.
- Product diversification in similar type of products.

**b) Benefits derived as a result of the above R & D :**

- To continuously upgrade the quality of products, the Company has given a thrust to Research and Development (R&D) activities and this has resulted in better acceptance of the products by all classes of consumers.

**c) Future Plan of Action :**

- The Company is planning to introduce various new products which will include full range of Frozen vegetables, Fruits and Ready to serve foods by considering consumer requirements as well as export demand.

d) **Expenditure on R & D :** Rs. 6.12 lacs.

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:****a) Efforts in brief, made towards technology absorption, adaptation and innovation :**

- The Raw Material Processing room has been renovated for a better production efficiency, better energy utilization and improved hygiene.
- The Company has totally shifted to wood fired boiler from earlier oil fired boiler to minimize the use of petroleum products. One Effluent Treatment Plant (ETP) has been commissioned for the treatment of Effluent before discharge.
- The Company has installed a refrigeration plant with Screw compressors and liquid overfeed system.
- The Company has installed storage tanks and Glucose tanks with loading and un-loading facility for a smooth and hygiene handling of raw-material.

**b) Benefits derived as a result of the above efforts :**

As per B (b) above.

**c) In case of Imported technology (imported during last five years reckoned from the beginning of the financial year) following information to be furnished :**

The Company has not imported any technology, hence the questionnaire is not applicable.

**C) FOREIGN EXCHANGE EARNINGS AND OUTGO :**

As against Foreign Exchange Earnings of Rs. 1887.18 lacs for the previous year ended on 31st March, 2009, the Company has earned Foreign Exchange of Rs. 2089.84 lacs for Export of Goods on FOB value for the year ended on 31st March, 2010.

As against Foreign Exchange Outgo of Rs. 226.20 lacs for the previous year, the Outgo during the year under review was Rs. 662.84 lacs.

**ANNEXURE - FORM A****Form for disclosure of particulars with respect to Conservation of Energy**

	Year ended on 31-3-2010	Year ended on 31-3-2009
<b>PUNDHRA - GANDHINAGAR (ICE-CREAM DIVISION)</b>		
<b>(A) Power and Fuel Consumption :</b>		
1) Electricity		
a) Purchased -		
i) Units KWH	7886280	6340667
Total Amount (Rs.)	4,85,62,099.00	3,87,82,238.00
Rate/Unit (Rs.)	6.16	6.21
b) Own Generation -		
i) Through Diesel Generator		
Units KWH	23408	30832
Units per liters of diesel	2.98	3.23
Cost per unit (Ltrs.) (Rs.)	12.90	12.07
2) Coal		
Qty. (Tones)	Nil	Nil
Total Cost	Nil	Nil
Average rate (Rs.)	Nil	Nil



	Year ended on 31-3-2010	Year ended on 31-3-2009	
3) Furnace Oil/LDO			
a) Furnace Oil for Boiler			
Qty. (Kg./K. Liters)	2,45,741.09	2,08,006	
Total Amount (Rs.)	69,06,262.00	60,69,205.00	
Average rate (Rs.)	28.10	29.18	
b) HSD for Boiler			
Qty. (Kg./K. Liters)	Nil	Nil	
Total Amount (Rs.)	Nil	Nil	
Average rate (Rs.)	Nil	Nil	
4) Other/internal generation			
Qty.	Nil	Nil	
Total Cost	Nil	Nil	
Rate/unit	Nil	Nil	
<b>(B) Consumption per unit of production.</b>			
	Unit of Measurement	Year ended on 31-3-2010	Year ended on 31-3-2009
<u>Ice-cream</u>			
Electricity :	Units	0.74	0.74
Diesel for steam generation :	Liters	Nil	Nil
<b>DUDHESHWAR – AHMEDABAD (ICE-CREAM DIVISION)</b>			
<b>(A) Power and Fuel Consumption :</b>			
1) Electricity			
a) Purchased -		1589470	1361400
i) Units KWH		86,95,068.00	72,20,455.00
Total Amount (Rs.)		5.47	5.30
Rate/Unit (Rs.)			
b) Own Generation -			
i) Through Diesel Generator			
Units KWH		Nil	Nil
Units per liters of diesel		Nil	Nil
Cost per unit (Ltrs.) (Rs.)		Nil	Nil
2) Coal			
Qty. (Tones)		Nil	Nil
Total Cost		Nil	Nil
Average rate (Rs.)		Nil	Nil
3) Furnace Oil/LDO			
a) Furnace Oil for Boiler			
Qty. (Kg./K. Liters)		Nil	Nil
Total Amount (Rs.)		Nil	Nil
Average rate (Rs.)		Nil	Nil
b) HSD for Boiler			
Qty. (Kg./K. Liters)		Nil	200
Total Amount (Rs.)		Nil	6924.00
Average rate (Rs.)		Nil	34.62
4) Other/internal generation			
Qty.		Nil	Nil
Total Cost		Nil	Nil
Rate/unit		Nil	Nil
<b>(B) Consumption per unit of production.</b>			
	Unit of Measurement	Year ended on 31-3-2010	Year ended on 31-3-2009
<u>Ice-cream</u>			
Electricity :	Units	Nil	Nil
Diesel for steam generation :	Liters	Nil	Nil
<b>Note : Ahmedabad, Dudheshwar factory is used as a storage hub. All Production is done at Pundhra factory only.</b>			
<b>BAREILLY, UTTAR PRADESH (ICE-CREAM DIVISION)</b>			
<b>(A) Power and Fuel Consumption :</b>			
1) Electricity			
a) Purchased -			
i) Units KWH		5623642	5432428
Total Amount (Rs.)		2,75,84,455.00	2,72,02,688.00
Rate/Unit (Rs.)		4.91	5.01
b) Own Generation -			
i) Through Diesel Generator			
Units KWH		1046015	375511
Units per liters of diesel		87,19,436.00	38,11,701.00
Cost per unit (Ltrs.) (Rs.)		8.33	10.15

	Year ended on 31-3-2010	Year ended on 31-3-2009	
2) Coal			
Qty. (Tones)	Nil	Nil	
Total Cost	Nil	Nil	
Average rate (Rs.)	Nil	Nil	
3) Furnace Oil/LDO			
a) Furnace Oil for Boiler			
Qty. (Kg./K. Liters)	Nil	40456	
Total Amount (Rs.)	Nil	13,83,149.00	
Average rate (Rs.)	Nil	34.18	
b) HSD for Boiler			
Qty. (Kg./K. Liters)	Nil	1850	
Total Amount (Rs.)	Nil	60125.00	
Average rate (Rs.)	Nil	32.50	
c) WOOD/HUSK for Boiler			
Qty. (Kg.)	1825771	1267078	
Total Amount (Rs.)	45,34,490.00	34,15,355.00	
Average rate (Rs.)	2.48	2.67	
4) Other/internal generation			
Qty.	Nil	Nil	
Total Cost	Nil	Nil	
Rate/unit	Nil	Nil	
<b>(B) Consumption per unit of production.</b>			
	Unit of Measurement	Year ended on 31-3-2010	Year ended on 31-3-2009
<u>Ice-cream</u>			
Electricity :	Units	0.72	0.73
Diesel for steam generation :	Liters	Nil	Nil
<b>DHARAMPUR, DIST. VALSAD(PROCESSED FOODS DIVISION)</b>			
<b>(A) Power and Fuel Consumption :</b>			
1) Electricity			
a) Purchased -			
i) Units	3749670	3521955	
Total Amount (Rs.)	2,35,33,061.00	2,16,35,405.00	
Rate/Unit (Rs.)	6.28	6.14	
b) Own Generation -			
i) Through Diesel Generator			
Units	11344	19632	
Units per litre of diesel	1.41	1.54	
Cost per unit (Ltrs.) (Rs.)	25.95	24.95	
ii) Through Steam Turbine			
Generation Units	Nil	Nil	
Units per litre of Fuel / Gas	Nil	Nil	
2) Coal			
Qty. (Tones)	Nil	Nil	
Total Cost	Nil	Nil	
Average rate (Rs.)	Nil	Nil	
3) Furnace Oil/LDO			
a) Furnace Oil for Boiler			
Qty. (Kg./K. Liters)	203450	173407	
Total Amount (Rs.)	55,94,627.49	45,76,100.10	
Average rate (Rs.)	27.50	26.39	
4) Other/internal generation			
Qty.	Nil	Nil	
Total Cost	Nil	Nil	
Rate/unit	Nil	Nil	
<b>(B) Consumption per unit of production.</b>			
	Unit of Measurement	Year ended on 31-3-2010	Year ended on 31-3-2009
<u>Processed Food</u>			
Electricity :	Units	0.557	0.597
Diesel for steam generation :	Liters	0.031	0.032



## CORPORATE GOVERNANCE REPORT

### Report on Corporate Governance for the year ended on 31st March, 2010 (2009-2010)

#### Brief statement on Company's philosophy on Code of Governance :-

In April, 2000, the Securities and Exchange Board of India (SEBI) introduced a comprehensive code on Corporate Governance. Pursuant to this, the Stock Exchanges have amended Listing Agreements. A report, in line with the requirement of the Stock Exchanges pursuant to Clause 49 of Listing Agreement as amended, is given below.

Over the past few years, the transition in the business environment, coupled with liberalisation and changing market conditions, has led to a fundamental shift in the management's approach to enhancing shareholder value. In this context, Corporate Governance has attained paramount importance for ensuring fairness, transparency, accountability and responsibility to all stakeholders.

The Company's philosophy on Corporate Governance is aimed at making the top management of the Company in the efficient conduct of its business and in making its obligation to Shareholders.

#### The Report on Corporate Governance is divided into nine parts :-

- 1) Board of Directors,
- 2) Remuneration of Directors,
- 3) Committees of the Board - Audit Committee, Remuneration Committee and Share Transfer and Investors' Grievance Committee,
- 4) General Body Meetings,
- 5) Disclosures,
- 6) Code of Conduct,
- 7) Means of Communication,
- 8) General Shareholder information, and
- 9) Compliance of non-mandatory requirements

#### 1) Board of Directors

##### (i) Composition and category of Directors :

The Board of the Company comprises Executive and Non-executive Directors. The majority Directors on the Board are Non-executive Directors. The day-to-day management of the Company is conducted by the Managing Directors of the Company, subject to the supervision, direction and control of the Board of Directors of the Company.

The Board of Directors of the Company as on 31-03-2010 consists the following 8 Directors, out of which, majority Directors are Non-executive Directors and ½ of the total Directors are Independent Directors :-

<b>Category</b>	<b>Name of the Directors</b>
➤ Promoters & Non-executive Directors	Mr. Ramchandra R. Gandhi, Chairman Mr. Virendra R. Gandhi, Vice-Chairman #
➤ Promoters & Executive Directors	Mr. Rajesh R. Gandhi, Managing Director Mr. Devanshu L. Gandhi, Managing Director
➤ Non-executive and Independent Directors	Mr. C. M. Maniar, Mr. Kshitish M. Shah Mr. Rohit J. Patel, Mr. Rajesh K. Pandya @

# Appointed as a Managing Director of the Company designated as "Vice-chairman and Managing Director" for a period of 5 years, w.e.f. 1st June, 2010 subject to approval of shareholders at the ensuing 26th Annual General Meeting.

@ Appointed on 25-06-2009.

##### (ii) Number of Board Meetings held and the dates on which held :

The Board met 7 times during the year under review on 27-05-2009, 30-06-2009, 22-07-2009, 26-09-2009, 15-10-2009, 19-01-2010 and 25-01-2010. The gap between two Board Meetings did not exceed 4 months.

The Board Meetings were held at the Registered Office of the Company.

##### (iii) Attendance of each Director at the Board Meetings (7 Board Meetings) held during the year from 01-04-2009 to 31-03-2010, last Annual General Meeting (AGM) and number of Directorship and Chairmanship / Membership of Committee of each Director in various Companies as on 31-03-2010:

Name of Director	Attendance		No. of Directorships and Committee member/ Chairmanship (including Vadilal Industries Limited)		
	Board Meetings (7 Board Meetings)	Last AGM	Directorship*	Committee Membership **	Committee Chairmanship **
Ramchandra R. Gandhi	6	Yes	4	4	2
Virendra R. Gandhi#	6	Yes	4	3	1
Rajesh R. Gandhi	7	Yes	5	3	Nil
Devanshu L. Gandhi	7	Yes	4	3	Nil
C. M. Maniar	5	Yes	15	9	1
Kshitish M. Shah	6	Yes	2	2	1
Rohit J. Patel	6	Yes	3	2	1
Rajesh K. Pandya @	5	Yes	4	1	-



# Appointed as a Managing Director of the Company designated as "Vice-chairman and Managing Director" for a period of 5 years, w.e.f. 1st June, 2010 subject to approval of shareholders at the ensuing 26th Annual General Meeting.

@ Appointed as an Additional Director of the Company w.e.f. 25th June, 2009 and appointed as a Member of Audit Committee of the Directors of the Company.

\* This excludes Directorships held in Private/Foreign Companies and Companies incorporated under Section 25 of the Companies Act, 1956.

\*\* Committees of Directors includes Audit Committees and Shareholders/ Investors' Grievance Committees.

None of the Directors of the Company is a member of Board of more than 15 Companies, in terms of Section 275 of the Companies Act, 1956. None of the Directors is a member of more than 10 Board level Committees or a Chairman of more than 5 such Committees as required under Clause 49 of Listing Agreement. The necessary disclosures regarding Committee positions have been made by the Directors.

(iv) **Relationship between the Directors :-**

Name of the Director	Name of the Relative Director	Nature of relation
Mr. Ramchandra R. Gandhi	1. Mr. Virendra R. Gandhi	Son
	2. Mr. Rajesh R. Gandhi	Son
Mr. Virendra R. Gandhi	1. Mr. Ramchandra R. Gandhi	Father
	2. Mr. Rajesh R. Gandhi	Brother
Mr. Rajesh R. Gandhi	1. Mr. Ramchandra R. Gandhi	Father
	2. Mr. Virendra R. Gandhi	Brother

No other Directors have any relations inter-se.

(v) **Information supplied to the Board :-**

Among others, this includes:

- Annual operating plans and budgets and updates,
- Capital budget and updates,
- Quarterly Results of the Company and its operating divisions or business segments,
- Minutes of meetings of Audit Committee & other Committees of the Board,
- The information on recruitment and remuneration of senior officers just below the Board level,
- Show cause, demand, prosecution notices and penalty notices, which are materially important,
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems,
- Any material default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company,
- Any issue, which involves possible public or product liability claims of substantial Nature,
- Details of any Joint Ventures or Collaboration Agreement,
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property,
- Significant labour problems and their proposed solutions. Significant development in Human Resources/ Industrial Relations front,
- Sale of material nature of investments, subsidiaries, assets, which is not in normal course of business,
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material,
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

The Board is routinely presented with all information required under Clause 49 of Listing Agreement wherever applicable and materially significant. These are submitted either as a part of the Agenda papers or are tabled in the course of Board Meeting. Action taken report on the decision / minutes of the previous meeting is placed at the immediately succeeding meeting of the Board/Committee for noting by the Board/Committee.

2) **Remuneration to all Directors :**

The aggregate value of salary, perquisites, other allowances and commission paid including contribution towards Provident Fund to the two Managing Directors of the Company during the year ended on 31-03-2010 (i.e. from 01-04-2009 to 31-03-2010) are as follows, as approved by the Shareholders at the 25th Annual General Meeting of the Company held on 26th September, 2009, by passing a Special Resolution towards modification in terms of remuneration payable to them:-

Name of Managing Director	Salary	Perquisites/ Allowances	Commission @ 2% on Net Profit #	Amount (Rs. in lacs)	
				Contribution to PF	Total
Mr. Rajesh R. Gandhi	21.60	11.47	12.03	2.59	47.69
Mr. Devanshu L. Gandhi	21.60	11.43	12.03	2.59	47.65

# The Overall Managerial Remuneration to be paid to both the Managing Directors can not exceed 10% of the



Net Profit of the Company and hence, the commission payable to the Managing Directors is restricted to 1.26% of the Net Profit (instead of 2%) to each Managing Director.

Besides this, the above Managing Directors are also entitled to Superannuation or Annuity Fund, to the extent not taxable and Gratuity and encashment of Leave as per Rules of the Company.

The Company has not paid Bonus to the above Managing Directors of the Company for the financial year ended on 31-03-2010.

The two Managing Directors have been reappointed as Managing Directors of the Company for a further period of 5 years w.e.f. 1st April, 2009 upto 31st March, 2014 as approved by Remuneration Committee and Board of Directors of the Company, at their respective Meetings held on 28-07-07. The said re-appointments were approved by the shareholders of the Company at the 23rd Annual General Meeting of the Company held on 29-09-2007. The Company has entered into an Agreement on 19/11/2007 with Mr. Rajesh R. Gandhi and Mr. Devanshu L. Gandhi for a period of 5 years for their appointment, powers, duties and payment of remuneration. Subsequently, the Remuneration Committee and Board of Directors have also, at their respective meetings held on 25th October, 2008 partially modified the terms of payment of remuneration to the aforesaid Managing Directors for a period of 3 years w.e.f. 1st April, 2009 to 31st March, 2012. The shareholders of the Company have, at the 25th Annual General Meeting of the Company held on 26th September, 2009 approved the aforesaid modification in terms of remuneration to the aforesaid Managing Directors, subject to approval of the Central Government, if required. In this regard, the Company has entered into a Supplemental Agreement on 30th September, 2009 with Mr. Rajesh R. Gandhi and Mr. Devanshu L. Gandhi modifying the terms of remuneration payable to them for a period of 3 years from 1st April, 2009 to 31st March, 2012.

The Managing Directors are required to give 3 months notice in writing to the Company to resign from the office of Managing Director. The Company does not have a scheme for grant of stock options either to the Managing Directors or Employees. None of the other Directors are paid remuneration except sitting fees for attending Board and Committee Meetings.

The Company has paid sitting fees to all Non-executive Directors of the Company for attending Board Meetings, as under, held during the year ended on 31-03-2010:

Sr. No.	Name of the Director	Amount in Rs.
1	Mr. Ramchandra R. Gandhi	36,000/-
2	Mr. Virendra R. Gandhi # @	24,000/-
3	Mr. C. M. Maniar	30,000/-
4	Mr. Kshitish M. Shah	36,000/-
5	Mr. Rohit J. Patel	36,000/-
6	Mr. Rajesh K. Pandya +	30,000/-

# Ceased to be a Managing Director of the Company w.e.f. 1st July, 2009.

@ Appointed as a Managing Director of the Company designated as "Vice-chairman and Managing Director" for a period of 5 years, w.e.f. 1st June, 2010 subject to approval of shareholders at the ensuing 26th Annual General Meeting.

+ Appointed as an Additional Director of the Company w.e.f. 25th June, 2009.

The Company has also paid sitting fees to the following Non-executive Directors of the Company for attending Audit Committee meetings, held during the year ended on 31-03-2010 :-

Sr. No.	Name of the Director	Amount in Rs.
1	Mr. Ramchandra R. Gandhi	24,000/-
2	Mr. Kshitish M. Shah	24,000/-
3	Mr. Rohit J. Patel	24,000/-
4	Mr. Rajesh K. Pandya @	20,000/-

@ Appointed as an Additional Director & Member of Audit Committee of the Company w.e.f. 25th June, 2009.

The non-executive Directors of the Company are also reimbursed the traveling and out-of-pocket expenses for attending such meetings.

The details of shares held by Non-executive Directors of the Company as on 31st March, 2010 are as under :

Sr. No.	Name of the Director	No. of Equity Shares held
1	Mr. Ramchandra R. Gandhi	47798
2	Mr. Virendra R. Gandhi	156260

No other Non-executive Directors hold any shares in the Company.

### 3) Committees of the Board :

#### (a) Audit Committee :

##### (i) Composition

As on 31-03-2010, there were 4 members of Audit Committee as under :-

1	Mr. Rohit J. Patel	-	Chairman
2	Mr. Ramchandra R. Gandhi	-	Member
3	Mr. Kshitish M. Shah	-	Member
4	Mr. Rajesh K. Pandya @	-	Member

@ Appointed as a Member of Audit Committee of the Company w.e.f. 25th June, 2009.

All members of Audit Committee as mentioned above are Non-executive Directors. The constitution of the Audit Committee also fulfills the requirements under Section 292A of the Companies Act, 1956 apart from the requirements pursuant to Clause 49 of Listing Agreement with the Stock Exchanges.

Out of the 4 members of the Audit Committee, 3 members are Independent Directors, namely, Mr. Kshitish M. Shah, Mr. Rohit J. Patel and Mr. Rajesh K. Pandya.

Mr. Rohit J. Patel, who is the Chairman of the Audit Committee was present at the last Annual General Meeting of the Company held on 26-09-2009. No queries related to financial results were raised by the members present at the said meeting. Mr. Ramchandra R. Gandhi, Member of the Audit Committee, has the knowledge of Finance & Accounts.

Mr. Nikhil Patel, who is a Company Secretary of the Company, is a Secretary to the Audit Committee.

(ii) **Meeting and Attendance :**

The Audit Committee met 7 times during the year under review on 27-05-2009, 30-06-2009, 22-07-2009, 26-09-2009, 15-10-2009, 19-01-2010 and 25-01-2010.

The presence of the Members of the aforesaid Audit Committee Meetings are as under :

Sr. No.	Name of the Director	No. of Audit Committee Meetings attended.
1	Mr. Rohit J. Patel	6
2	Mr. Ramchandra R. Gandhi	6
3	Mr. Kshitish M. Shah	6
4	Mr. Rajesh K. Pandya @	5

@ Appointed as a Member of Audit Committee of the Company w.e.f. 25th June, 2009.

The representative of the Statutory Auditors was present in all meetings of the Audit Committee. The Internal Auditors were also present in the meetings. The Managing Directors of the Company were also generally invited to attend the Audit Committee meetings. The Minutes of the Audit Committee Meetings are sent to all Directors of the Company at the time of Board Meeting and are confirmed in the Board Meeting.

(iii) **Terms of reference :**

The terms of reference of the Audit Committee as stipulated by the Board are as under and they are in accordance with all items listed in Clause 49(II)(D) of Listing Agreement with Stock Exchanges :

- a) Oversight of the Company's financial reporting process and disclosure of its financial information.
- b) Recommending the appointment and removal of external Auditor, fixation of audit fee and also approval for payment for any other services.
- c) Reviewing with the management, the annual financial statements before submission to the Board, focusing primarily on :
  - Any changes in accounting policies and practices,
  - Major accounting entries based on exercise of judgment by management,
  - Qualifications in draft Audit Report,
  - Significant adjustments arising out of audit,
  - The going concern assumption,
  - Compliance with accounting standards,
  - Compliance with stock exchange and legal requirements concerning financial statements,
  - Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interest of Company at large.
- d) Reviewing with the management, external and internal Auditors, the adequacy of internal control systems. Discussions with Internal Auditors any significant findings and follow-up thereon.
- e) Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- f) Discussions with external Auditors before the audit commences, nature and scope of audit as well as to have post-audit discussion to ascertain any area of concern.
- g) Reviewing the Company's financial and risk management policies.
- h) To look into the reasons for substantial defaults in the payment to the depositors, shareholders (in case of non-payment of declared dividends) and creditors.
- i) It shall have discussions with the Auditors periodically about internal control systems, the scope of audit including observations of the Auditors and review the half yearly and annual financial statements before submissions to the Board. Review of annual financial statements of Subsidiary Companies.
- j) It shall ensure compliance of internal control systems.
- k) Taking note of Report on Corporate Governance.

(b) **Remuneration Committee :**

The Remuneration Committee of the Directors of the Company was constituted by the Board of Directors at their meeting held on 1st February, 2003 pursuant to the provisions contained in Schedule XIII to the Companies Act, 1956. The Remuneration Committee consists the following three Directors of the Company, as on 31st March, 2010, namely :



1. Mr. Kshitish M. Shah - Chairman
2. Mr. C. M. Maniar - Member
3. Mr. Rohit J. Patel - Member

The Remuneration Committee was re-constituted by the Board at their meeting held on 30th June, 2007 by introducing Mr. C. M. Maniar as the member in place of Mr. M. N. Vora, who ceased to be a member of Remuneration Committee due to his sad demise.

The constitution of Remuneration Committee fulfills the requirements of Schedule XIII to the Companies Act, 1956. All members of the Remuneration Committee are independent and non-executive directors of the Company.

The Remuneration Committee was constituted by the Board for the purpose of taking its approval for payment of managerial remuneration to Mr. Rajesh R. Gandhi and Mr. Devanshu L. Gandhi, Managing Directors of the Company.

(c) **Share Transfer and Investors' Grievance Committee :**

(i) **Composition :**

The Board of Directors of the Company has constituted a Share Transfer and Investors' Grievance Committee, comprising of 4 Directors of the Company, namely:

- 1 Mr. Ramchandra R. Gandhi - Chairman & Non-executive Director
- 2 Mr. Virendra R. Gandhi - Member
- 3 Mr. Rajesh R. Gandhi - Member
- 4 Mr. Devanshu L. Gandhi - Member

The Committee, inter alia, approves the transfer of Shares, issue of duplicate Share Certificates, splitting and consolidation of Shares etc. The Committee also looks after redressal of Shareholder's complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc. The Board of Directors have delegated the power of approving transfer of Shares etc. to the Share Transfer and Investors' Grievance Committee.

(ii) **No. of Shareholders complaints received and not solved to the satisfaction of the Shareholders :**

The total number of complaints received and replied to the satisfaction of Shareholders during the year under review were as under :

No. of Complaints outstanding as on 31-03-2009	-	Nil
No. of complaints received during the year under review	-	15
No. of complaints disposed off during the year under review	-	15
No. of complaints outstanding as on 31-03-2010	-	Nil

(iii) **Name and designation of Compliance Officer :**

The Board has designated Mr. Nikhil Patel, Dy. General Manager (Secretarial & Legal) and Company Secretary, as the Compliance Officer of the Company pursuant to Clause - 49 of Listing Agreement.

(iv) **Number of pending transfers :**

No requests for transfer and dematerialisation were pending for approval as on 31st March, 2010.

(d) **Selection Committee :**

The Selection Committee of the Company was constituted by the Board of Directors, at its meeting held on 24-05-2010, for the purpose of approving appointment and payment of remuneration to any person, who is a relative of a Director of the Company, to hold any office or place of profit in the Company and approving any increase / revision in remuneration to be paid to such person, under Section 314 of the Companies Act, 1956 read with the Rules made there under.

The Selection Committee consists the following three Directors of the Company, as on 31st March, 2010, namely :

1. Mr. Kshitish M. Shah - Chairman
2. Mr. Rohit J. Patel - Member
3. Mr. Rajesh K. Pandya - Member

The Selection committee of the Company shall, as and when the matter comes, at its duly convened meeting, approve the appointment and remuneration to be paid to a relative of any Director of the Company, after considering his or her education, qualification, experience in the respective field and such other factors, as may be considered at the time of appointment of a non-relative in the Company.

4) **General Body Meetings :**

(i) **Location and Time for last 3 Annual General Meetings (AGM) were :**

Year	AGM	Location	Date	Time
2008-2009	25th	GICEA, Gajjar Hall, Nirman Bhavan, Opp. Law Garden, Ellisbridge, Ahmedabad – 380 006.	26-09-2009	10.30 a.m.
2007-2008	24th	Sheth Shri Amrutlal Hargovandas Memorial Hall, Gujarat Chamber of Commerce and Industry (GCCl), Ashram Road, Ahmedabad.	29-09-2008	12.30 p.m.
2006-2007	23rd	Bhaikaka Hall, Nr. Law Garden, Ellisbridge, Ahmedabad	29-09-2007	1.00 p.m.

(ii) **Resolution carried out through Postal Ballot :**

No postal ballots were used/invited for voting at the above meetings in respect of Special Resolutions passed in the above said meetings.

At the forthcoming 26th AGM, no resolution is proposed to be passed through Postal Ballot.

**5) Disclosures :**

(i) Transaction with related parties are disclosed in Note No. 6 of Schedule 23 to the Notes on Accounts for the year ended on 31st March, 2010, in the Annual Report as required by the Accounting Standard (AS) 18 issued by ICAI.

However, there are no materially significant related party transactions made by the Company with its promoters, directors or the management or their subsidiaries etc. that may have potential conflict with the interests of the Company at large.

The Independent Directors, who are also Non-executive Directors, who apart from receiving sitting fees for attending Board Meeting, Audit Committee and Remuneration Committee Meeting, do not have any other material pecuniary relationship or transactions with the company, its promoters, its management or its subsidiary, which in the judgment of the Board may affect independence of the judgment of the Directors.

The Directors regularly make full disclosures to the Board of Directors regarding nature of their interest in the Companies in which they are Directors or Members. Full particulars of contract entered with the Companies / Partnership Firms, in which the Directors are directly or indirectly concerned or interested are entered in the Register of Contract maintained under Section 301 of the Companies Act, 1956 and the same is placed in every Board Meeting for the noting of the Directors.

(ii) During the last three years, there were no strictures or penalties imposed on the Company by either SEBI or the Stock Exchanges or any statutory authority for non-compliance of any matter related to the capital markets.

(iii) **Risk Management :**

Business risk evaluation and management is an ongoing process within the Company. During the year under review, the Board of Directors has reviewed the risk assessment and minimisation procedure adopted by the Company covering the business operations of the Company.

(iv) **CEO/CFO Certification :**

In terms of revised Clause 49 of Listing Agreement, the Certification by CEO and CFO on the financial statements and internal controls relating to financial reporting has been obtained.

(v) **Management:**

The Management Discussion and Analysis Report is set out in a separate section included in this Annual Report and forms part of this report.

Pursuant to Clause – 49 of the Listing Agreement with the Stock Exchanges, the Senior Management has made disclosures to the Board that during the year ended on 31st March, 2010, they have not entered into any material financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the Company.

**6) Code of Conduct :**

The Board of Directors has adopted the Code of Business Conduct and Ethics for Directors and Senior Management Personnel. The said Code has been communicated to all the Directors and members of Senior Management. They have also affirmed to the Company about the compliance of the said Code during the Financial Year ended on 31st March, 2010. The Code has also been posted on the Company's website - [www.vadilalgroup.com](http://www.vadilalgroup.com). The Certificate received from Managing Directors of the Company, affirming compliance of the said Code of Conduct by all the Board Members and the Senior Management Personnel is annexed separately to this Report.

**7) Code of Conduct under SEBI (Prohibition of Insider Trading) Regulations, 1992:**

The Company has formed a Code of Conduct for Insider Trading for the Directors, Officers, Designated Employees and Statutory Auditors of the Company, as required under Regulation – 12 of SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended.

**8) Means of communication :**

The Company has total 10697 shareholders as on 31st March, 2010. The main channel of communication to the shareholders is through Annual Report, which includes inter alia, the Director's Report, Management Discussions & Analysis and Report on Corporate Governance and Audited Financial Results.

The Unaudited Quarterly Results ended on 30-06-2009 (1st Quarter), 30-09-2009 (2nd Quarter), 31-12-2009 (3rd Quarter) and Annual Audited Accounts for the year ended on 31-03-2010 including notes and segment wise revenue, results and capital employed and also the Consolidated Financial Results and Limited Review Report thereon were submitted to the Stock Exchanges immediately after conclusion of the Board Meetings in which, they are approved by the Board.

The said results were published in Economic Times, English and Gujarati Edition, newspapers of Ahmedabad edition. The said results including Notes and Segment wise revenue, results and capital employed are displayed on the corporate website of the Company viz. [www.vadilalgroup.com](http://www.vadilalgroup.com).

The Financial Results and the Shareholding Pattern of the Company are also uploaded in the EDIFAR (Electronic Data Information Filing and Retrieval) website viz. [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in) till the quarter ended on 31-12-2009 (3rd Quarter). However, SEBI has vide a circular bearing Ref. No. CIR/CFD/DCR/3/2010 dated 3rd April, 2010, discontinued the EDIFAR system and introduced Corporate Filing and Dissemination System (CFDS). The Company has uploaded the Annual Financial Results for the year ended on 31-03-2010 on the CFDS website viz [www.corpfiling.co.in](http://www.corpfiling.co.in).



The website of the Company viz. [www.vadilalgroup.com](http://www.vadilalgroup.com) has an exhaustive investor-help section. It contains comprehensive guidelines and procedure for investors.

**9) General Shareholder information :**

**(i) Annual General Meeting, i.e. next AGM**

- Date & Time : 30th September, 2010, at 11.00 a.m.
- Venue : GICEA, Gajjar Hall, Nirman Bhavan, Opp. Law Garden, Ellisbridge, Ahmedabad-380 006

**(ii) Financial Calendar (from 01-04-2010 to 31-03-2011) (Tentative) :**

- Results for quarter ended on 30-06-2010 : On or before 14th August, 2010
- Results for quarter ending on 30-09-2010 : On or before 14th November, 2010
- Results for quarter ending on 31-12-2010 : On or before 14th February, 2011
- Results for quarter ending on 31-03-2011 / Audited : On or before 15th May, 2011 /
- Results for the year ending on 31-03-2011 : On or before 30th May, 2011
- AGM for the year ending on 31-03-2011 : Last week of September, 2011

**(iii) Book-closure date :**

Book-closure shall be from 13th September, 2010 to 30th September, 2010 (both days inclusive) for the purpose of payment of dividend on Equity Shares for the year ended on 31st March, 2010.

**(iv) Dividend payment date :**

The Dividend of Re. 1.50 per shares (@ 15%) on Equity Shares for the year ended on 31st March, 2010, if approved and declared, will be paid within the prescribed time limit.

**(v) Listing of Equity Shares on Stock Exchanges at -**

The Company's shares are listed at the Bombay Stock Exchange Limited and Ahmedabad Stock Exchange Limited. The Listing fees for the Financial Year – 2010-2011 has already been paid to the respective Stock Exchanges.

**(vi) Security Code No. :**

- Ahmedabad Stock Exchange Limited : 64530
- Bombay Stock Exchange Limited : 519156
- ISIN No. of NSDL & CDSL for demat of Equity Shares : INE694D01016

**(vii) Stock Market Data :**

The monthly High, Low and Closing Prices of Shares of the Company at Bombay Stock Exchange Limited, (BSE), for the year under review are as under:

Months	High(Rs.)	Low(Rs.)	Closing(Rs.)
April, 2009	36.90	29.10	35.00
May, 2009	47.50	33.20	42.70
June, 2009	52.05	39.10	40.30
July, 2009	73.80	39.10	64.45
August, 2009	68.00	56.00	63.25
September, 2009	74.50	61.25	68.00
October, 2009	89.95	62.40	74.00
November, 2009	81.95	71.60	75.00
December, 2009	99.40	75.00	85.15
January, 2010	99.90	72.15	78.50
February, 2010	84.50	68.50	74.10
March, 2010	86.50	69.00	78.60

**(viii) Share price performance in comparison to BSE Sensex based on share price on 31-03-2010 :**

Market - Price data : The monthly high, low and closing prices of the shares of the Company, during the financial year under review and performance of the same in comparison to BSE Sensex are given below :

Months	BSE			SENSEX		
	High (Rs.)	Low (Rs.)	Closing (Rs.)	High (Rs.)	Low (Rs.)	Closing (Rs.)
April, 2009	36.90	29.10	35.00	11492.10	9546.29	11403.25
May, 2009	47.50	33.20	42.70	14930.54	11621.30	14625.25
June, 2009	52.05	39.10	40.30	15600.30	14016.95	14493.84
July, 2009	73.80	39.10	64.45	15732.81	13219.99	15670.31
August, 2009	68.00	56.00	63.25	16002.46	14684.45	15666.64
September, 2009	74.50	61.25	68.00	14142.52	15356.72	17126.84
October, 2009	89.95	62.40	74.00	17493.17	15805.20	15896.28
November, 2009	81.95	71.60	75.00	17290.48	15330.56	16926.22
December, 2009	99.40	75.00	85.15	17530.94	16577.78	17464.81
January, 2010	99.90	72.15	78.50	17790.33	15982.08	16357.96
February, 2010	84.50	68.50	74.10	16669.25	15651.99	16429.55
March, 2010	86.50	69.00	78.60	17793.01	16438.45	17527.77



(ix) **Registrar and Transfer Agent :**

In terms of SEBI Circular No. D&CC/FITTC/CIR-15/2002, dated 27-12-2002, the Company has assigned all work related to Share Registry in terms of both physical and electronic to MCS Ltd., Ahmedabad, by entering into an Agreement with the said R&T Agent to that effect. 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.

(x) **Share Transfer system :**

Presently, the requests for share transfer, which are received by the Company or its Registrar & Share Transfer Agent, in physical form, from the shareholders, are processed and the share certificates are returned to the shareholders, within a period of 1 month from the date of receipt of such request for transfer, subject to the documents being valid and complete in all respects. The Share Transfer & Investors' Grievance Committee of the Company, normally meets twice a month to approve the transfer, issue of duplicate share certificates, consolidation and splitting of shares etc.

(xi) **Secretarial Audit:**

A practicing Company Secretary carried out secretarial audit in each of the quarter in the Financial Year – 2009-2010, to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and total issued and listed capital. The audit reports confirm that the total issued / paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with depositories.

Pursuant Clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates, on half yearly basis, have been issued by a Practicing Company Secretary for due compliance of share transfer formalities by the Company.

(xii) **Shareholding Details:**

**(a) Distribution of Shareholding as on 31st March, 2010 :**

No. of Equity Shares held	No. of Share holders	No. of Shares	% of Shares
1-500	10216	828748	11.53
501-1000	225	185909	2.59
1001-2000	107	156537	2.18
2001-3000	34	85665	1.19
3001-4000	25	87278	1.21
4001-5000	10	48888	0.68
5001-10000	32	238210	3.31
10001- 50000	32	655965	9.13
50001-100000	8	550662	7.66
100001 & above	8	4349968	60.52
<b>Total:</b>	<b>10697</b>	<b>7187830</b>	<b>100.00</b>

**(b) Categories of Shareholders as on 31st March, 2010 :**

Sr. No.	Category of Shareholder	No. of Equity Shares held	% to total Shares
1	Directors, Relatives, HUF and Group Companies	4,396,699	61.18
2	Foreign Institutional Investors (FIIs)	502,000	6.98
3	Mutual Funds & UTI	7,450	0.10
4	NRIs/OCBs	18,952	0.26
5	Bodies Corporate	476,594	6.64
6	Nationalized Banks	350	0.00
7	Trust	2	0.00
8	HUF	39,024	0.54
9	Public	1,746,759	24.30
	<b>Total</b>	<b>7,187,830</b>	<b>100.00</b>

**(xiii) Dematerialisation of Shares :**

The Company, consequent to introduction of Depository System (DS), has established an electronic connectivity with NSDL & CDSL, 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 the DS, members are requested to avail the facility of dematerialisation of the Company's shares on either of the Depositories 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 or 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 or its Registrar & Share Transfer Agent. Total 5925975 Equity Shares of the Company representing 82.44% of the total paid-up capital of the Company have been dematerialised upto 31-03-2010. Trading in Equity Shares of the Company is permitted only in dematerialised form as per notification issued by SEBI.

**(xiv) Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, conversion date and likely impact on Equity :**

Not Applicable

**(xv) Plant locations :**

Ice-cream Division : 1) Village Pundhra, Taluka Mansa, Dist.Gandhinagar (Gujarat)  
2) Parsakhera Industrial Area, Bareilly, Uttar Pradesh.  
3) Dudheshwar Road, Ahmedabad (Gujarat)

Processed Food Division : Dharampur, Dist. Valsad (Gujarat)

Forex Division : Vadilal House, Navrangpura, Ahmedabad (Gujarat)

**(xvi) Investor Correspondence :**

For transfer and dematerialisation of shares, payment of dividend on shares and interest and redemption on debentures and any other query relating to the shares of the Company :-

- 1) MCS Limited, (Unit : Vadilal Industries Limited), 101, Shatdal Complex, 1st Floor, Opp. Bata Show Room, Ashram Road, Ahmedabad - 380 009.  
Tel. Nos. : (079) 26582878, 26581296, Fax No. : (079) 26584027
- 2) Secretarial & Share Department, Vadilal House, Shrimali Society, Nr. Navrangpura Railway Crossing, Navrangpura, Ahmedabad - 380 009. Contact person : Mr. Nikhil Patel, Company Secretary  
Tel. Nos. : (079) 26564019 to 24, Fax No. : (079) 26564027
- 3) E-mail ID for investors' grievance purpose : shareslogs@vadilalgroup.com  
Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participant.

**(xvii) Amalgamation of Vadilal Financial Services Ltd. with Vadilal Industries Limited - Exchange of Share Certificates :**

Vadilal Financial Services Ltd. (VFSL), which was a Subsidiary Company, was amalgamated with Vadilal Industries Limited (VIL) w.e.f. 1st April, 1997. It is observed that some of the members of VFSL have still not exchanged their Share Certificates for new Shares of VIL on amalgamation of VFSL with VIL. As the Share Certificates of VFSL are no longer valid, concerned Shareholders are requested to surrender their Share





Certificates of VFSL at the Registered Office of the Company to enable them to get new Shares of VIL in the ratio of 1:4.

(xviii) **Address of Registrar of Companies (ROC), Gujarat :**

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

(xix) **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 its Registered Office or to the Registrar & Share Transfer Agent viz. MCS Ltd., quoting the folio numbers that need to be consolidated and send the relevant Share Certificates.

(xx) **Nomination facility :**

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 Registered Office of the Company. It is advisable to avail of this facility especially by Shareholders who currently hold Shares in single name. In case of any assistance, please contract at the Registered Office of the Company at Vadilal House, Shrimali Society, Near Navrangpura Railway Crossing, Navrangpura, Ahmedabad - 380 009. Telephone Nos. 079-26564019 - 24.

**10) Compliance of non-mandatory requirements :**

The Company has not adopted the following non-mandatory requirements as per Clause 49 of Listing Agreement regarding Corporate Governance :-

- 1) Half-yearly declaration of Financial performance and summary of significant events in last six months have not been sent to each shareholder of the Company.
- 2) The Company has not conducted training for the Board members.
- 3) The Company does not have peer group of Board of Directors to evaluate performance of Non-executive Directors.
- 4) The Company does not have Whistle Blower policy.

**DECLARATION REGARDING AFFIRMATION OF CODE OF CONDUCT**

In terms of the requirement of the amended Clause 49 of Listing Agreement with the Stock Exchanges regarding Corporate Governance, we hereby confirm that all Board Members and Senior Management Personnel of Vadilal Industries Limited have affirmed the compliance of Code of Business Conduct and Ethics for the year ended on 31st March, 2010.

**For VADILAL INDUSTRIES LIMITED**

Place : Ahmedabad

Date : 20th May, 2010.

  
DEVANSHU Z. GANDHI  
MANAGING DIRECTOR

  
RAJESH R. GANDHI  
MANAGING DIRECTOR

**CERTIFICATE**

The Members of  
Vadilal Industries Limited,  
Ahmedabad.

We have examined the compliance of conditions of Corporate Governance by **Vadilal Industries Limited**, for the year ended on **31<sup>st</sup> March, 2010**, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

SEBI as per its circular No. SEBI/CFD/DIL/CG/1/2008/08/04, dated 8th April, 2008, modified Clause 49 of the listing agreement. As per the circular, the Company was required to appoint one additional independent director. However, such independent director has been appointed on 25th June, 2009.

In our opinion and to the best of our information and according to the explanations given to us and representations made by the management, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For KANTILAL PATEL & CO.,**  
Chartered Accountants  
Firm Registration No. 104744W

**Mayank S. Shah**  
Partner  
Membership No.: 44922

Place : Ahmedabad

Date : August 10, 2010



## AUDITORS' REPORT

**The Members of  
Vadilal Industries Ltd.,  
Ahmedabad.**

1. We have audited the attached balance sheet of **Vadilal Industries Limited** as at **March 31, 2010**, the profit & loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies [Auditors' Report] Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit.
  - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books.
    - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account.
    - (iv) In our opinion, the balance sheet, profit & loss account and cash flow statement dealt with by this report comply with accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
    - (v) On the basis of the written representations received from directors, as on 31st March 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956, on the said date.
    - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      - (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March, 2010;
      - (b) in the case of the profit & loss account, of the 'Profit' of the company for the year ended on that date;and
      - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **KANTILAL PATEL & CO.**,  
Chartered Accountants  
Firm Registration No. 104744W

**Mayank S. Shah**

Partner

**Place : Ahmedabad**  
**Date : May 24, 2010**

**Membership No.: 44922**

### ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF VADILAL INDUSTRIES LIMITED, ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010.

- (i) (a) The company, has maintained separate records showing particulars about quantitative details and situation of Gross Block. The Company has also maintained separate year wise records for revaluation, depreciation and accumulated depreciation. However, the procedure for incorporating individual asset wise above details in the main system is under progress and pending reconciliation with financial records.
  - (b) The company has not conducted physical verification of fixed assets during the year. In absence of physical verification of fixed assets during the year, material discrepancies, if any could not be ascertained.
  - (c) The company has not disposed off substantial part of fixed assets during the year.
- (ii) (a) As explained to us, the inventory have been physically verified during the year by the management. In respect of inventory lying with third parties, inventory have been confirmed by them. In our opinion, the frequency of verification is reasonable.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the company has maintained proper records of inventory and the discrepancies noticed on such physical verification between physical stocks and book records have been adequately dealt with in the books of account.
- (iii) In respect of loans, secured or unsecured, granted or taken by the company to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 :

- [a] The company has not granted loans to any company and hence paragraphs 4(iii) (a), (b), (c), and (d) of Company (Auditors' Report) Order, 2003 are not applicable to the company.
- [b] The company has taken unsecured loan from two companies. The year end and maximum outstanding balance of loan taken from such parties is Rs. 169.26 lacs and Rs. 262.84 lacs respectively.
- [c] In our opinion, the rate of interest and other terms and conditions of such loan is not *prima facie* prejudicial to the interest of the company.
- [d] In respect of loan taken by the company, the interest payments are regular and the principal amount is repayable on demand.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items purchased are of a special nature and suitable alternative sources do not exist for obtaining comparable quotations, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) In respect of contracts or arrangements referred to in section 301 of the Companies Act, 1956:
- [a] In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act, have been entered in the register required to be maintained under that section.
- [b] According to the information and explanations given to us, transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rupees five lakhs or more in respect of any party, have been made at the prices which are *prima facie* reasonable having regard to prevailing market prices at the relevant time. In respect of ice cream, sales are made at predetermined prices, which in our opinion are *prima facie* reasonable.
- (vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 58 A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under with regard to the deposits accepted from the public, except that there has been a slight shortfall in maintaining liquid assets during the year.
- We are informed that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

- (vii) In our opinion, the company has an internal audit system commensurate with the size of the company and the nature of its business.
- (viii) We are informed that Central Government has not prescribed under section 209 [1][d] of the Companies Act, 1956, maintenance of cost records for the products manufactured by the company.
- (ix)(a) The company is generally regular in depositing undisputed provident fund, investor education & protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues to appropriate authorities.
- Further, since the Central Government has till date not prescribed the amount of cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.
- (b) According to the information and explanations given to us, no undisputed amount in respect of aforesaid statutory dues were outstanding as at 31st March, 2010 for the period of more than six months from the date they become payable except sales tax of Rs.18.33 lakhs and Advance Income tax of Rs. 30.20 lacs which remains outstanding for a period of more than six months from the date it became payable. However advance income tax has been paid subsequently there against.
- (c) The details of disputed statutory dues as at March 31, 2010 that have not been deposited by the company, are as under:

(Rs. in lakhs)

Sr. No.	Dispute under:	Amount (net of deposit) (Rs.)	Period to which the amount relates	Forum where dispute is pending
(i)	Central Sales Tax Act and Sales Tax Act of various states	23.24	1998-99	- Tribunal
		12.49	2000-01	- Jt. Commissioner
		15.74	2000-01	- Dy Commissioner
		1.55	2001-02	- Dy Commissioner
		0.60	2002-03	- Tribunal
		2.39	2003-04	- Tribunal
		0.46	2003-04	- Jt. Commissioner
(ii)	Income Tax Act, 1961	3.67	2004-05	- Jt. Commissioner
		0.41	2005-06	-Jt. Comm. appeal
		0.59	1995-96	- Tribunal
		3.16	1996-97	- Tribunal
(iii)	Central Excise Act	3.12	1999-00	- High Court
		1.37	2006-07	- A.O
		1.53	2006-07	-Appellate Commissioner

The following matters, which have been excluded from the above table, have been decided in favour of the company but the department has preferred appeals at higher levels. The details are as under:



(Rs. in lakhs)

Sr. No.	Dispute under:	Amount (net of deposit) (Rs.)	Period to which the amount relates	Forum where department has preferred appeals
(i)	Central Excise Act, 1944	4.58	1988-89	- Asst. Comm. of Central Excise
		4.28	2003-04	- Asst. Comm. of Central Excise
		9.17	2000-01	- High Court, Hyderabad
(ii)	Income Tax Act, 1961	50.46	1992-93	- Tribunal
		31.10	1993-94	- Tribunal
		7.84	1994-95	- High Court
		14.06	1995-96	- High Court
		16.03	1996-97	- High Court
		0.51	2001-02	- High Court
		5.10	2002-03	- High Court

- (x) The company has no accumulated losses and has not incurred any cash losses during the current financial year or for immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institution or banks. The company has not obtained any borrowings by way of debentures.
- (xii) In our opinion and according to the information and explanation given to us, no loans and advances have been granted on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company has given guarantee for loans taken by others from banks or financial institutions. In our opinion and based on the information and explanations given to us, the terms and conditions are considered not prejudicial to the interest of the company.
- (xiv) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the term loans raised during the year were prima

facie been used for the purpose for which they were raised. The term loans outstanding at the beginning of the year were applied for the purpose for which they were obtained.

- (xv) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xvi) During the year, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xvii) According to the information and explanations given to us, the company has not issued any debentures during the year.
- (xviii) The company has not raised any money by way of public issue during the year.
- (xix) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year.
- (xx) In our opinion and according to the information and explanations given to us, the nature of the company's business/activities during the year are such that clause;
- 4(xiii) provisions of any special statute applicable to chit fund,
- 4(xiv) dealing or trading in shares, securities, debentures and other investments
- of Company (Auditors' Report) Order, 2003 are not applicable to the company.

For **KANTILAL PATEL & CO.**,  
Chartered Accountants  
Firm Registration No. 104744W

**Mayank S. Shah**  
Partner

**Place : Ahmedabad**  
**Date : May 24, 2010**

**Membership No.: 44922**



## BALANCE SHEET AS AT 31ST MARCH, 2010

	SCHEDULE		As At 31.03.2010 (Rs. in Lacs)	As At 31.03.2009 (Rs. in Lacs)
<b>I SOURCES OF FUNDS :</b>				
(1) Shareholders' Funds:				
Share Capital	1	718.78		718.78
Reserves & Surplus	2	3,239.33		2,810.82
			3,958.11	3,529.60
(2) Deferred Government Grant			31.97	35.16
(3) Loan Funds :				
Secured Loans	3	7,212.29		5,425.32
Unsecured Loans	4	2,008.54		1,203.54
			9,220.83	6,628.86
(4) Deferred Tax Liability (Net)	5		549.19	577.68
TOTAL ->			13,760.10	10,771.30
<b>II. APPLICATION OF FUNDS :</b>				
(1) Fixed Assets :	6			
(a) Gross Block		9,795.66		9,379.81
Less : Depreciation		4,558.56		4,030.50
Net Block			5,237.10	5,349.31
(b) Capital Work - In - Progress			3,049.90	158.81
			8,287.00	5,508.12
(2) Investments :	7		158.75	330.31
(3) Current Assets, Loans & Advances :				
(a) Inventories	8	5,573.21		3,699.98
(b) Sundry Debtors	9	3,321.48		2,958.96
(c) Cash & Bank Balances	10	246.56		162.27
(d) Other Current Assets	11	160.76		63.05
(e) Loans & Advances	12	1,122.51		1,012.28
Sub Total (A) ->		10,424.52		7,896.54
LESS : Current Liabilities & Provisions :				
(a) Current Liabilities	13	4,680.84		2,745.86
(b) Provisions	14	491.95		259.38
Sub Total (B) ->		5,172.79		3,005.24
Net Current Assets (A - B)			5,251.73	4,891.30
(4) Misc. Expenditure (To the extent not written off or adjusted)	15		62.62	41.57
TOTAL ->			13,760.10	10,771.30
Significant Accounting Policies	22			
Notes to Financial Statements	23			

This is the Balance Sheet referred to in our report of even date

For KANTILAL PATEL & CO.  
Chartered Accountants

Mayank S. Shah  
Partner

Place : Ahmedabad  
Date : May 24, 2010

For and on behalf of the Board

Ramchandra R. Gandhi : Chairman  
Virendra R. Gandhi : Vice-Chairman  
Rajesh R. Gandhi : Managing Director  
Devanshu L. Gandhi : Managing Director  
Nikhil Patel : Company Secretary

Place : Ahmedabad  
Date : May 24, 2010



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**

		SCHEDULE	Year Ended 31.03.2010 (Rs. in Lacs)	Year Ended 31.03.2009 (Rs. in Lacs)
<b>I</b>	<b>INCOME :</b>			
(a)	Income From Operations (Gross)	16	18,890.77	14,792.60
	Less : Excise Duty on sales		0.89	1.70
	Net Turnover		18,889.88	14,790.90
(b)	Other Income	17	157.44	141.33
(c)	Increase / (Decrease) in Stock	18	1,219.08	833.29
	Total		20,266.40	15,765.52
<b>II</b>	<b>EXPENDITURE :</b>			
(a)	Materials Consumed and Purchase of goods	19	12,443.04	9,479.66
(b)	Manufacturing & Other Expenses	20	5,747.29	4,850.91
(c)	Financial Expenses (Net)	21	631.90	749.22
(d)	Depreciation		588.74	507.79
	Less : Withdrawn From Revaluation Reserve / Deferred Govt. Grant		23.77	24.57
	Total		19,387.20	15,563.01
III	Profit before Exceptional & Prior year items		879.20	202.51
IV	Prior Years' Adjustments (Net)		(0.05)	17.11
V	Profit before Tax		879.15	219.62
VI	Provision for Tax (Refer Note I on Schedule 22)			
	- Current Tax		327.00	0.00
	- Current (MAT Tax)		0.00	23.40
	Less : MAT Credit Entitlement		0.00	(9.20)
	- Deferred Tax charge / (release)		(28.49)	72.00
	- Fringe Benefit Tax		0.00	14.50
	- (Short) / Excess Provision of Tax / Deferred Tax of earlier years (Net)		(5.47)	(10.24)
VII	Net Profit after Tax		575.17	108.68
VIII	Profit Brought Forward		286.28	283.51
	Amount available for appropriation		861.45	392.19
	Appropriations :			
(a)	General Reserve		395.00	5.00
(b)	Proposed Dividend		107.82	86.25
(c)	Tax on Proposed Dividend		17.91	14.66
(d)	Balance carried to Balance Sheet		340.72	286.28
	Total		861.45	392.19
	Basic and Diluted Earnings Per Share of Rs. 10/- each (Refer Note 8 on Sch 23)		8.00	1.51
	Significant Accounting Policies	22		
	Notes to Financial Statements	23		

This is the Profit & Loss Account referred to in our report of even date

For KANTILAL PATEL & CO.  
Chartered Accountants

Mayank S. Shah  
Partner

Place : Ahmedabad  
Date : May 24, 2010

For and on behalf of the Board

Ramchandra R. Gandhi : Chairman  
Virendra R. Gandhi : Vice-Chairman  
Rajesh R. Gandhi : Managing Director  
Devanshu L. Gandhi : Managing Director  
Nikhil Patel : Company Secretary

Place : Ahmedabad  
Date : May 24, 2010



## CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET

	For the year ended 31.03.2010 (Rs. in Lacs)	For the year ended 31.03.2009 (Rs. in Lacs)
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax and Exceptional Items	879.20	202.51
Adjusted for		
Depreciation	588.74	507.79
Withdrawn From Revaluation Reserve / Deferred Government Grant	(23.77)	(24.57)
Loss / (Profit) on sale of Assets	(8.62)	(5.37)
Loss / (Profit) on sale of Investments	8.13	(0.39)
Loss / (Profit) on Partnership Firms (Net)	(13.21)	(17.87)
Provision For Doubtful Advances	0.29	0.22
Bad Debts	0.32	2.30
Voluntary Retirement Scheme	11.86	14.14
Upfront Interest on restructuring of Loan	7.13	7.58
Diminution in value of Current Investments	(0.11)	0.17
Diminution in value of Long Term Investments	6.53	0.00
Excess Provision written back	(13.26)	(19.23)
Dividend	(0.24)	(0.24)
Financial Expenses (Net)	631.90	749.22
Operating Profit before working capital changes	2,074.89	1,416.26
Adjusted for		
Trade and other Receivables	(483.17)	(163.04)
Inventories	(1,873.23)	(613.92)
Trade Payables and Liabilities	1,930.56	(47.92)
Deferred Revenue Expenditure	(40.93)	(20.63)
Cash Generated from Operations	1,608.12	570.75
Direct taxes (paid / adjusted)	(121.92)	(87.49)
Cash flow before extraordinary items	1,486.20	483.26
Net Prior Year Expenses	(0.05)	0.00
Net Cash from Operating Activities	1,486.15	483.26
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Loans given (Net)	21.63	11.88
Purchase of fixed assets	(3,339.43)	(793.85)
Sale of fixed assets	10.55	9.07
Purchase of Investments	(46.78)	(21.78)
Sale of Investments	168.76	2.80
Interest received	84.37	91.94
Dividend received	0.24	0.24
Net Cash used in Investing Activities	(3,100.66)	(699.70)
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	5,643.29	2,297.80
Repayment of borrowings	(3,051.32)	(1,169.85)
Interest paid	(829.36)	(817.39)
Dividend paid	(98.74)	(99.06)
Net Cash used in Financing Activities	1,663.87	211.50
Net Increase/(Decrease) in cash and cash equivalents (A+B+C)	49.36	(4.94)
Op. Balance of Cash and Cash Equivalents (Includes unrealised exchange difference of Rs. 2.42 lacs (P.Y. Rs. 1.14 lacs))	141.56	146.50
Cl. Balance of Cash and Cash Equivalents (Includes unrealised exchange difference of Rs. 2.06 lacs (P.Y. Rs. 2.42 lacs))	190.92	141.56
<u>Major Components of Cash and Cash Equivalents as at</u>	31.03.2010	31.03.2009
Cash and Cheques on hand	30.87	19.82
Balance With Banks		
On Current Accounts	57.97	45.76
On Fixed / Margin Money Deposit Accounts	102.08	75.98
	190.92	141.56

**Notes :**

1. The above Cash Flow has been prepared under Indirect Method set out in AS 3, issued by Companies (Accounting Standard) Rules, 2006.
2. Figures in brackets represents outflow.
3. Previous Year figures have been restated wherever necessary to make them comparable with current year figures.

This is the Cash Flow Statement referred to in our report of even date

For KANTILAL PATEL & CO.  
Chartered Accountants

Mayank S. Shah  
Partner

Place : Ahmedabad  
Date : May 24, 2010

For and on behalf of the Board  
Ramchandra R. Gandhi : Chairman  
Virendra R. Gandhi : Vice-Chairman  
Rajesh R. Gandhi : Managing Director  
Devanshu L. Gandhi : Managing Director  
Nikhil Patel : Company Secretary

Place : Ahmedabad  
Date : May 24, 2010



## SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

	As At 31.03.2010 (Rs. in Lacs)	As At 31.03.2009 (Rs. in Lacs)
<b>SCHEDULE : 1 SHARE CAPITAL</b>		
<b>AUTHORISED :</b>		
1,00,00,000 Equity Shares of Rs. 10/- each	1,000.00	1,000.00
	<u>1,000.00</u>	<u>1,000.00</u>
<b>ISSUED AND SUBSCRIBED :</b>		
71,88,230 ( P.Y. 71,88,230 ) Equity Shares of Rs. 10/- each	718.82	718.82
	<u>718.82</u>	<u>718.82</u>
<b>PAID UP :</b>		
71,87,830 ( P.Y. 71,87,830 ) Equity Shares of Rs. 10/- each	718.78	718.78
(Of the above Equity Shares 15,53,500 Equity Shares are allotted as fully paid up by way of Bonus Shares by Capitalisation of General Reserve of Rs. 155.35 lacs and 5,08,230 Equity Shares of Rs. 10/- each issued as fully paid up pursuant to the scheme of amalgamation of Vadilal Financial Services Limited with the company)	<u>718.78</u>	<u>718.78</u>

### SCHEDULE : 2 - RESERVES & SURPLUS

	Balance As at 01.04.2009 (Rs. in Lacs)	Addition During the Year (Rs. in Lacs)	Deduction/ Adjustment During the year (Rs. in Lacs)	Balance As at 31.03.2010 (Rs. in Lacs)
1 Capital Reserve	8.84	0.00	0.00	8.84
	(8.82)	(0.02)	(0.00)	(8.84)
2 Securities Premium Account	487.27	0.00	0.00	487.27
	(487.27)	(0.00)	(0.00)	(487.27)
3 General Reserve	1,905.00	395.00	0.00	2,300.00
	(1,900.00)	(5.00)	(0.00)	(1,905.00)
4 Revaluation Reserve * (Refer Note No D (ii) on Schedule 22)	123.43	0.00	20.93	102.50
	(144.85)	(0.00)	(21.42)	(123.43)
5 Profit & Loss Account	286.28	340.72 (a)	286.28 (b)	340.72
	(283.51)	(286.28)	(283.51)	(286.28)
	<u>2,810.82</u>	<u>735.72</u>	<u>307.21</u>	<u>3,239.33</u>
	(2,824.45)	(291.30)	(304.93)	(2,810.82)

NOTE: Figures shown in Bracket relate to previous year

* Opening Balance	123.43
Less : Utilised during the year	20.58
Less : Inter Unit Transfer / Sale / Discarded	0.35
	<u>102.50</u>

(a) Transferred from

(b) Transferred to

	As At 31.03.2010 (Rs. in Lacs)	As At 31.03.2009 (Rs. in Lacs)
<b>SCHEDULE : 3 SECURED LOANS</b>		
<b>A TERM LOANS</b>		
I) From Financial Institutions	415.63	503.13
II) From Banks	3,571.43	1,977.83
Add : Interest accrued & due	<u>20.82</u>	<u>8.06</u>
	3,592.25	1,985.89
III) From Others	2.09	2.97
(Principal repayable within One year Rs. 448.63 Lacs. (P.Y. Rs. 436.51 Lacs))		
<b>B WORKING CAPITAL LOANS</b>		
From Banks	3,197.51	2,933.33
Add : Interest accrued & due	<u>4.81</u>	<u>0.00</u>
	3,202.32	2,933.33
Carried Forward....	<u>7,212.29</u>	<u>5,425.32</u>



	As At 31.03.2010 (Rs. in Lacs)	As At 31.03.2009 (Rs. in Lacs)
Brought Forward....	7,212.29	5,425.32
(A) 1) Existing Term loans from IDBI, SBI and Exim aggregating to Rs 21.00 Crores are secured by English Mortgage on immovable properties and hypothecation on movable properties of the Company situated at the following places by way of 1st and 2nd charge on pari - passu basis :		
i) Dudheshwar, Ahmedabad (Icecream Plant) (1st Charge)		
ii) Dharampur, Dist.: Valsad (Canning Unit) (1st Charge)		
iii) Basement and 3rd Floor, Vadilal House, Navrangpura, Ahmedabad (Office Complex) (1st Charge)		
iv) Village Pundhra, Tal : Kalol, Dist. :Gandhinagar (Icecream Plant) (1st Charge)		
v) Unit - I, Parsakhera Industrial Estate,Bareilly, U.P.(Icecream Plant) (1st Charge)		
vi) Dharampur, Dist.: Valsad (IQF Unit - excluding specific plant & machineries) (2nd charge)		
vii) Ground and 2nd Floor, Vadilal House, Navrangpura, Ahmedabad (Office Complex) (2nd Charge)		
viii) Dharampur, Dist. : Valsad (New Land) (1st Charge)		
ix) Unit - II, Parsakhera Industrial Estate, Bareilly, U.P. (Icecream Plant) (Only on movable properties as 1st Charge) (Excluding specific plant & machineries)		
x) Gomitpur, Ahmedabad (earlier in Gujarat Cup Company, a Partnership Firm) (Only on movable properties as 1st Charge)		
xi) Gomitpur, Ahmedabad (earlier in Vadilal Cone Company) ( Only on movable properties as 1st Charge)		
2) The above Term Loans are also secured by way of Hypothecation on entire current assets of the Company on 2nd pari-passu charge basis		
3) The Existing (Old) Term Loan of Rs 6 Crores from IDBI Bank Ltd. are also secured by mortgage and hypothecation on some of the above immovable and movable properties of the Company by way of 1st charge and also hypothecation on specific plant and machineries situated at IQF unit, Dharampur and Bareilly Unit - II		
4) The new Term Loan of Rs 15 crores from BOB, Rs 25 crores from SBI and Rs 10 crores from Exim Bank are also secured by hypothecation on movable properties of the company situated at above places and movable properties situated at Bareilly, New Land (F-12) by way of 1st & 2nd charge on pari-passu basis and also on current assets of the company by way of 2nd charge on pari passu basis		
5) Vehicle Loans are secured by hypothecation of vehicles		
(B) 1) Working Capital facilities from consortium banks namely BOB, SBI, SBT, IDBI Ltd and Exim Bank aggregating to Rs 45.25 crores are secured by way of English mortgage on Immovable properties and hypothecation on movable properties of the company situated at the following places by way of 1st & 2nd Charge on pari-passu basis :-		
i) Dudheshwar, Ahmedabad (Icecream Plant) (2nd Charge)		
ii) Dharampur, Dist. : Valsad (Canning Unit) (2nd Charge)		
iii) Basement and 3rd Floor, Vadilal House, Navrangpura, Ahmedabad (Office Complex) (2nd Charge)		
iv) Village Pundhra, Taluka Kalol, Dist. : Gandhinagar (Icecream Plant) (2nd Charge)		
v) Unit - I, Parsakhera Industrial Estate,Bareilly,U.P. (Icecream Plant) (2nd Charge)		
vi) Dharampur, Dist.: Valsad (IQF Unit - excluding specific plant & machineries) (2nd charge)		
vii) Ground and 2nd Floor, Vadilal House, Navrangpura, Ahmedabad (Office Complex) (1st Charge)		
viii) 4 Flats No. 801 to 804, Maruti Centre, Gurukul, Drive-in Road, Ahmedabad (Flats) (1st Charge)		
ix) Unit - II, Parsakhera Industrial Estate, Bareilly, U.P. (Icecream Plant) (Only on movable properties as 2nd Charge) (Excluding plant & machineries)		
Carried Forward....	7,212.29	5,425.32



	As At 31.03.2010 (Rs. in Lacs)	As At 31.03.2009 (Rs. in Lacs)
Brought Forward....	7,212.29	5,425.32
x Gomitpur, Ahmedabad (earlier in Gujarat Cup Company, a Partnership Firm) (Only on movable properties as 2nd Charge)		
xi Gomitpur, Ahmedabad (earlier in Vadilal Cone Company) (Only on movable properties as 2nd Charge)		
2) The Working Capital facilities are also secured by way of hypothecation on entire current assets of the Company on 1st pari-passu charge basis.		
3) Additional Working Capital facilities of Rs 8.50 crores from IDBI Bank Ltd are also secured by way hypothecation on movable properties of the company situated at above places and movable properties situated at Bareilly, New Land (F-12) and Dharampur, Dist. Valsad, New Lands by way of 1st and 2nd charge on pari-passu basis and also on current asses of the company by way of 1st charge on pari-passu basis.		
C The Term Loans and Working Capital facilities are also secured by Personal Guarantee of some of the Directors of the Company and also guaranteed by Two Companies		
	<u>7,212.29</u>	<u>5,425.32</u>
<b>SCHEDULE : 4 - UNSECURED LOANS</b>		
Fixed Deposits	972.80	892.21
Add: Interest accrued and Due (Repayable within One year Rs. 621.90 Lacs (P.Y. Rs. 492.47 Lacs))	<u>16.00</u>	<u>15.35</u>
Inter Corporate Deposits	988.80	907.56
Security Deposits from Customers	663.14	50.70
Development Credit Bank Ltd (Short Term Loan)	56.70	45.28
	299.90	200.00
	<u>2,008.54</u>	<u>1,203.54</u>
<b>SCHEDULE : 5 - DEFERRED TAX LIABILITY (NET)</b> (Refer Note No I (a) on Schedule 22)		
Deferred Tax Liability		
Difference between Book and Income Tax Depreciation	587.98	603.71
Other Timing Difference	10.89	14.69
	<u>598.87</u>	<u>618.40</u>
Deferred Tax Assets		
Expenditure under section 43 B of the Income Tax Act, 1961	34.25	28.74
Other Timing Difference	15.43	11.98
	<u>49.68</u>	<u>40.72</u>
Deferred Tax Liability (Net)	<u>549.19</u>	<u>577.68</u>

**SCHEDULE : 6 FIXED ASSETS (Refer Note No. D on Schedule 22)**

(Rs. in Lacs)

	GROSS BLOCK (AT COST / REVALUED)				DEPRECIATION Up to 31.03.2010	NET BLOCK	
	As At 31.03.2009	Addition	Deduction	As At 31.03.2010		As At 31.03.2010	As At 31.03.2009
Land (Freehold)	164.66	0.00	0.00	164.66	0.00	164.66	164.65
Land (Leasehold)	112.57	0.00	0.00	112.57	1.79	110.78	112.57
Buildings	2,068.00	72.68	0.00	2,140.68	470.16	1,670.52	1,656.06
Plant & Machinery	6,449.33	344.22	54.31	6,739.24	3,632.29	3,106.95	3,260.61
Furniture & Fixtures	131.70	0.14	0.00	131.84	104.68	27.16	30.73
Office Equipments	307.36	18.90	0.50	325.76	250.68	75.08	67.67
Vehicles	146.19	42.87	8.15	180.91	98.96	81.95	57.02
<b>Total</b>	<b>9,379.81</b>	<b>478.81</b>	<b>62.96</b>	<b>9,795.66</b>	<b>4,558.56</b>	<b>5,237.10</b>	<b>5,349.31</b>
Previous year	8,135.97	1,276.09	32.25	9,379.81	4,030.50	5,349.31	4,567.56
Capital W I P	158.81	3,049.90	158.81	3,049.90	0.00	3,049.90	158.81
Previous Year	641.05	158.81	641.05	158.81	0.00	158.81	641.05

**Notes**

- i. Land & Building includes Rs. 29.43 lacs (P.Y. Rs. 29.43 lacs) & Rs. 151.61 lacs (P.Y. Rs. 151.61 lacs) respectively in process of being transferred in the name of the company.

- II. a. Building includes House Building of Rs. 12.90 lacs (Gross) (P.Y. Rs. 12.90 lacs) acquired against loan which is yet to be transferred in the name of the company.  
 b. The Value of Building acquired against loan includes cost of documentation charges.
- III On Identification, Free hold land of Rs 1.41 Lacs has been reclassified as Lease hold Land
- IV. Borrowing cost capitalised during the year and shown in additions to fixed assets Rs. Nil (P.Y. Rs Nil) and in additions to Capital work in progress Rs. 23.61 Lacs (P.Y. Rs. Nil)
- V. Estimated amount of contracts (Net Amount) remaining to be executed on capital account not provided for Rs. 506.46 Lacs (P.Y. Rs. 20.78 lacs)
- VI Capital Work in progress includes -
- i) Rs. 2168.00 Lacs (P.Y. Rs 132.46 Lacs) on account of Construction materials at site
- ii) Rs. 800.84 Lacs (P.Y. Rs 26.35 Lacs) on account of Capital Advances
- iii) Rs. 81.06 (P.Y. Rs Nil) on account of Preoperative expenses

	31.03.2010 (Rs. in Lacs)	31.03.2009 (Rs. in Lacs)
<u>Preoperative Expenses</u>		
a Opening Balance	0.00	33.13
b Add :		
Expenses Transferred from Profit & Loss Account	27.84	0.00
Interest Capitalised	53.22	0.00
c Less :	81.06	0.00
Capitalised during the year	0.00	33.13
Closing Balance	81.06	0.00
VI. Adjusted Depreciation upto 01.04.2009		4,030.50
Add : Depreciation for the year		588.74
		4,619.24
Less : Depreciation adjusted on Assets Sold / Discarded / Transferred during the year		60.68
		<u>4,558.56</u>

	Face Value (in Rs.)	No of Units / Shares	As At 31.03.2010 (Rs. in Lacs)	No of Units / Shares	As At 31.03.2009 (Rs. in Lacs)
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**SCHEDULE : 7 -**

**INVESTMENTS (At or below Cost)**

(Refer Note No E on Schedule 22)

**I Long Term Investments**

**1 In Government / Other Securities**

Unquoted

(i) 7 Year National Saving Certificates (Lodged with Govt. Authorities)	0.00	0	0.28	0	0.28
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**2 Trade Investments**

a) In Equity Shares

Quoted

(i) Vadilal Chemicals Ltd.	10.00	0	0.00	1473100	162.04
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Unquoted

(i) Vadilal Happinezz Parlour Ltd.	10.00	72500	7.25	72500	7.25
(ii) Vadilal Gases Ltd.	10.00	0	0.00	165000	14.84
(iii) Majestic Farm House Ltd.	10.00	74100	1.87	74100	1.87

b) In Subsidiary Company

Vadilal Industries (USA) Inc. US \$	100.00	250	11.74	0	0.00
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c) In Partnership Firm (Refer Note No 6(D) on Schedule 23)

(i) Vadilal Cold Storage	0.00	0	140.00	0	140.00
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d) Other Investments

Equity Shares - other than trade

Unquoted

(i) Textile Traders Co-op Bank Ltd.	25.00	4195	1.05	4195	1.05
(ii) Siddhi Co-op Bank Ltd.	25.00	3540	0.89	3540	0.89

Less : Diminution in value of Investments

			163.08		328.22
			6.53		0.00
Total (I)			<u>156.55</u>		<u>328.22</u>



	Face Value (in Rs.)	No of Units / Shares	As At 31.03.2010 (Rs. in Lacs)	No of Units / Shares	As At 31.03.2009 (Rs. in Lacs)
<b>II Current Investments</b>					
In Equity Shares					
Quoted					
(i) Aminex Chemicals Ltd.	10.00	400	0.04	400	0.04
(ii) Century Enka Ltd.	10.00	15	0.06	15	0.06
(iii) Essar Steel Ltd.	10.00	60	0.01	60	0.01
(iv) Golden Agro Tech Industries Ltd.	10.00	200	0.02	200	0.02
(v) Great Eastern Shipping Co.Ltd.	10.00	100	0.04	100	0.04
(vi) Great Offshore Ltd.	10.00	25	0.01	25	0.01
(vii) Interface Financial Services Ltd.	1.00	25000	2.00	25000	2.00
(viii) Matrix Laboratories Ltd.	2.00	120	0.64	120	0.64
(ix) Radhe Developers Ltd. (Previous year Rs. 10/-)	1.00	49000	0.49	4900	0.49
(x) Saket Projects Ltd.	10.00	2500	0.25	2500	0.25
(xi) Sanara Media Ltd.	1.00	900000	1.24	400000	1.24
(500000 bonus shares received during the year)			4.80		4.80
Less : Diminution in value of Investments			2.60		2.71
Total (II)			2.20		2.09
Total (I+II)			158.75		330.31
Aggregate Value of -					
a. Quoted Investments					
Book Value			4.80		166.84
Market Value **			5.63		179.66
b. Unquoted Investments					
Book Value			156.55		166.18
** In respect of Investment in shares of M/S Vadilal Chemicals Limited, for previous years, book value of shares is considered in the absence of any trading in the market.					
			As At 31.03.2010 (Rs. in Lacs)	As At 31.03.2009 (Rs. in Lacs)	
<b>SCHEDULE : 8 INVENTORIES</b> (Refer Note No F on Schedule 22)					
Stores & Spares			172.34	150.26	
Raw Materials			1060.48	682.16	
Packing Materials			760.18	507.21	
Finished Goods			3,580.21	2,360.35	
(Includes Goods in Transit Rs. 120.43 Lacs P.Y. Rs. 88.42 Lacs)			5,573.21	3,699.98	
<b>SCHEDULE : 9 DEBTORS (UNSECURED)</b>					
Outstanding over six months					
Considered Good			11.60	6.81	
Considered Doubtful		0.37		0.22	
Less : Provided for :		0.37		0.22	
			0.00	0.00	
Others					
Considered Good			3,309.88	2,952.15	
			3,321.48	2,958.96	
<b>SCHEDULE : 10 CASH &amp; BANK BALANCES</b>					
Cash Balance (Including cheques on hand / DD in transit Rs. 9.32 Lacs (P.Y. Rs. 3.16 Lacs))					
			30.87	19.82	
Bank Balances.					
With Scheduled Banks.					
In Current Accounts			49.04	39.00	
In Fixed / Margin Money Deposit Accounts *			157.72	91.69	
In Unpaid Dividend A/c			8.93	6.76	
Out of which deposit of Rs 134.77 Lacs (P.Y. Rs. 68.97 Lacs) pledged with scheduled banks)					
With Others					
Siddhi Cooperative Bank Ltd.					
In Fixed / Margin Money Deposit Accounts. (Maximum amount outstanding at any time during the year Rs 5.09 Lacs (P.Y. Rs 5.00))			0.00	5.00	
			246.56	162.27	



(Rs. in Lacs)	As At 31.03.2010 (Rs. in Lacs)	As At 31.03.2009 (Rs. in Lacs)
<b>SCHEDULE : 11 OTHER CURRENT ASSETS</b>		
Interest Receivable	160.76	63.05
	<u>160.76</u>	<u>63.05</u>
<b>SCHEDULE : 12 LOANS &amp; ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
Considered Good	335.53	294.63
Considered Doubtful	9.50	9.50
Less : Provided for :	<u>9.50</u>	<u>9.50</u>
	0.00	0.00
	<u>335.53</u>	<u>294.63</u>
Staff Loan	9.75	7.80
Deposits with Government Authorities	181.00	107.96
Other Trade / Security Deposits	417.57	413.41
Advance Income Tax less Provision (Current Tax)	43.30	44.71
MAT Tax Entitlement	9.20	9.20
Loans in Current Account	9.74	28.76
Balance with Firm in which company is a partner	116.42	105.81
	<u>1,122.51</u>	<u>1,012.28</u>
<b>SCHEDULE : 13 CURRENT LIABILITIES</b>		
Sundry Creditors (Refer Note No 11 on Schedule 23)	2,119.53	1,218.55
Other Liabilities	741.64	494.52
Bills Payable	1,640.99	896.75
Advances From Customers	27.76	17.71
Interest accrued but not due on loans	86.14	71.92
Temporary Overdraft in Current A/C with Banks	0.00	15.55
Due to Managing Directors	25.33	1.90
Unclaimed Dividends *	8.92	6.75
Unpaid Matured Deposits *	26.39	19.16
Interest on Deposits *	4.14	3.05
* Dose not Include any amounts outstandingas on 31.03.2010 wich are required to be credited to Investor Education and Protecation Fund	<u>4,680.84</u>	<u>2,745.86</u>
* These figures includes Rs. 0.15 lacs (P.Y. Rs 0.15 lacs) due and outstanding as on date 31.03.2010, which is held in abeyance due to legal case pending		
<b>SCHEDULE : 14 PROVISIONS</b>		
Employee Benefits (Refer Note No G On Schedule 22)	127.77	111.44
Income Tax Less Advance Tax (Current Tax)	221.80	8.16
Fringe Benefit Tax (Net)	0.00	4.50
Proposed Dividend	107.82	86.25
Tax on Proposed Dividend	17.91	14.66
Other Provisions	16.65	34.37
	<u>491.95</u>	<u>259.38</u>
<b>SCHEDULE :15 MISCELLANEOUS EXPENDITURE</b>		
Employees seperation cost (Refer Note No O (a) of Schedule 22)	0.00	11.88
Upfront Interest on restructuring of loan (Refer Note No O (b) of Schedule 22)	2.21	4.70
Ancilliary Cost incurred in connection with Term Loans Borrowings (Refer Note No H(ii) of Schedule 22)	60.41	24.99
	<u>62.62</u>	<u>41.57</u>



	Unit of Measurement	(Qty)	Year Ended	Year Ended
			31.03.2010	31.03.2009
			(Rs. in Lacs)	(Rs. in Lacs)
<b>SCHEDULE : 16 INCOME FROM OPERATIONS</b>				
(Refer Note No C (i) on Schedule 22)				
Sales				
Ice Cream & Frozen Desserts	K. Ltrs	31394	15,509.43	26376
Fruit Pulp, Frozen Fruits & Vegetables	M.Tonnes	6044	3,375.16	4953
Others		-	1.35	-
Income from Money Changing Business			4.83	2.40
Sales includes Export Benefits / Licence / DEPB Rs. 136.77 Lacs (P.Y. Rs. 134.56 Lacs) and (loss) / gain on settlement of Forward Exchange Contracts (Rs. 113.00 Lacs) (P.Y. Rs. 570.14 Lacs)				
			<u>18,890.77</u>	<u>14,792.60</u>
			(Rs. in Lacs)	(Rs. in Lacs)
<b>SCHEDULE : 17 OTHER INCOME</b>				
Profit on Sale of Fixed Assets (Net)			8.62	5.37
Share of Profit / (Loss) of Partnership Firms (Refer Note No 2 (b) on Schedule 23)			13.21	17.87
Excess Provision Written Back / Amount written off in earlier years recovered			13.26	19.23
Miscellaneous Income			66.95	88.01
Foreign Exchange Rate Fluctuation (Refer Note No J on Schedule 22)			55.16	10.61
Dividend (Gross) On Long Term Investments			0.24	0.24
			<u>157.44</u>	<u>141.33</u>
<b>SCHEDULE : 18 INCREASE / (DECREASE) IN STOCK</b>				
Closing Stock				
Finished Goods		3,580.21		2,360.35
Less : Excise Duty		1.18		0.40
			3,579.03	2,359.95
Opening Stock :				
Finished Goods		2,360.35		1,527.28
Less : Excise Duty		0.40		0.62
			2,359.95	1,526.66
			<u>1,219.08</u>	<u>833.29</u>
<b>SCHEDULE : 19 MATERIALS CONSUMED AND PURCHASE OF GOODS</b>				
Raw & Packing Materials Consumption (Refer Note No 17 on Schedule 23)			11,756.45	9,382.46
Purchase of Finished Goods (Refer Note No 16 on Schedule 23)			686.59	97.20
			<u>12,443.04</u>	<u>9,479.66</u>
<b>SCHEDULE : 20 MANUFACTURING AND OTHER EXPENSES</b>				
Employees' Expenses				
Salary, Wages, Allowances, Gratuity & Bonus, etc		940.89		725.16
Contribution to Provident & other funds		65.54		53.66
Staff Welfare Expenses		56.08		59.87
			1,062.51	838.69
Excise Duty others			35.67	53.61
Job Charges			825.27	628.90
Power & Fuel			1,379.22	1,185.65
Stores & Spares Consumption			47.06	34.10
Warehouse Charges			129.95	79.63
Repairs				
Building			21.09	42.48
Machinery			118.04	161.72
Others			40.49	43.86
Other Manufacturing Expenses			82.61	54.47



	Year Ended 31.03.2010 (Rs. in Lacs)	Year Ended 31.03.2009 (Rs. in Lacs)
Rent	33.21	33.10
Rates & Taxes	13.55	11.06
Insurance	27.84	34.35
Donation	0.63	2.22
Vehicle Repairs & Petrol Expenses	64.49	62.92
Research & Development Expenses (Refer Note No N on Schedule 22)	6.12	6.28
Directors' Sitting Fees	2.90	1.96
Travelling	80.71	80.05
(Includes Directors Travelling Rs. 14.14 Lacs (P.Y. Rs 13.75 Lacs)		
Freight, Forwarding and other distribution expenses	1,253.90	1,067.36
Entry Tax and Sales Tax Assessment Dues	16.89	29.74
Advertisement & Sales Promotion	19.40	20.89
Sales Commission and Brokerage	9.35	8.15
Provision for Doubtful Debts & Advances	0.29	0.22
Bad Debts	0.32	2.30
Loss on sale of Long Term Investments	8.13	0.00
Diminution in Value of Short Term Investments	(0.11)	0.17
Diminution in Value of Long Term Investments	6.53	0.00
Sundry Balance Written off Settlement of Claims	28.60	0.00
Royalty	46.87	1.41
Other Expenses (Including Legal & Professional, Conveyance, Telephone, Postage, Printing & Stationery, etc)	385.76	365.62
	<u>5,747.29</u>	<u>4,850.91</u>
<b>SCHEDULE : 21 FINANCIAL EXPENSES (NET)</b> (Refer Note No H on Schedule 22)		
Fixed Loans	296.63	303.97
Bank Overdrafts	170.55	257.98
Fixed Deposits	97.16	83.80
Others	51.57	11.00
Bill Discounting Charges	124.97	101.61
Brokerage & Other Financial Charges	73.10	75.26
	<u>813.98</u>	<u>833.62</u>
Less : Interest Income (TDS Rs. 18.61 lacs (P.Y. Rs. 18.68 lacs)	182.08	84.40
	<u>631.90</u>	<u>749.22</u>

#### SCHEDULE : 22 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES :

##### A) ACCOUNTING CONVENTION :

The financial statements have been prepared in accordance with the accounting principles generally accepted in India (Indian GAAP) and comply with the Companies (Accounting Standards) Rules, 2006 (as amended) issued by the Central Government and relevant provisions of Companies Act, 1956 and are based on the historical cost convention as modified to include the revaluation of certain fixed assets.

##### B) USE OF ESTIMATES

Preparation of financial statements in conformity with the generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates, are recognised in the period in which the results are known/materialised.

##### C) REVENUE RECOGNITION :

###### i) SALES:

- Revenue is recognised when it is earned and no significant uncertainty exists as to its realisation or collection. Revenue from sale of goods is recognised on delivery of the products, when all significant contractual obligations have been satisfied, the property in the goods is transferred for a price, significant risks and rewards of ownership are transferred to the customers and no effective ownership is retained.
- Sales is inclusive of Excise, Export Incentives/ Licences & Forward Exchange Contracts and exclusive of Trade discount and VAT/Sales Tax.
- Excise duty paid for captive consumption of goods, where cenvat credit is not available, is shown as excise expense.

###### ii) DIVIDEND INCOME :

Dividend income from Investment is accounted for when the right to receive is established.

##### D) FIXED ASSETS, DEPRECIATION AND EXPENDITURE DURING CONSTRUCTION PERIOD :

- Fixed assets are stated at cost of acquisition & installation, net of cenvat and VAT credits availed, if any, and includes amount added on revaluation less accumulated depreciation and impairment loss, if any.

Borrowing costs incurred during the period of construction/ acquisition of assets are added to the cost of Fixed Assets. Major expenses on modification /alterations increasing efficiency/capacity of the plant are also capitalised. Exchange differences arising out of fluctuations in exchange rate on settlement/period end in long term foreign currency monetary liabilities used for acquisition of fixed assets are adjusted to the cost of the fixed assets and depreciated over the remaining useful life of the asset.

- ii) Free hold Land, Building and Plant & Machineries of Ice Cream Plant, Ahmedabad and Agri. Foods plant, Dharampur have been revalued as on 31st March 2000 and are shown at the value approved by an external valuer, using replacement basis policy.

The net increase due to revaluation of such assets of Rs. 669.82 lacs (Previous year Rs. 669.82 lacs) is transferred to revaluation reserve account which stands reduced to Rs. 102.50 lacs as at 31st March 2010 (Previous year Rs. 123.43 lacs) after charging incremental depreciation and adjustment for disposal/inter unit transfer during the last eight years. The revalued amount of Rs. 2296.94 lacs ( Previous year Rs. 2298.52 lacs) stands substituted for historical cost of Rs. 1422.77 lac (Previous year Rs.1424.04 lacs) in the gross block of fixed assets.

- iii) a) Depreciation on fixed assets is provided on Straight Line Method at the rates and in the manner prescribed in Schedule XIV of the Companies Act 1956, (as amended).  
 b) On revalued assets, depreciation is provided on the estimate of the remaining useful life of such assets.  
 c) Premium paid for lease hold land is amortised over the residuary lease period.  
 d) In respect of major alterations/modifications forming an integral part of existing assets, depreciation is provided at the rate arrived on the basis of useful life of such assets after such alterations/ modifications or at the rate prescribed under schedule XIV, whichever is higher on the total value of such assets.

**iv) IMPAIRMENT OF ASSETS**

The carrying amount of assets is reviewed at each balance sheet date for any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of fixed assets exceeds its recoverable amount. The recoverable amount is measured as the higher of the net selling price and the value in use determined by the present value of estimated future cash flows.

**E) INVESTMENTS :**

Investments are classified into current and long term investments. Long term investments are carried at cost. A provision for diminution in value of long term investments is made for each investment individually ,if such decline is other than temporary. Current investments are stated at the lower of cost and fair value, computed category wise.

**F) INVENTORIES :**

Inventories are valued as under:

- i) RAW MATERIALS, PACKING MATERIALS AND STORES & SPARES Valued at lower of cost or net realisable value and for this & purpose cost is determined on weighted average basis. Due provision for obsolescence is made.  
 ii) FINISHED GOODS & WORK -IN-PROGRESS At cost or net realisable value, whichever is lower. Cost is determined on absorption basis. Due provision for obsolescence is made.

**G) EMPLOYEE BENEFITS :**

**a) Short Term Employee Benefits**

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, short term compensated absences, etc. and the expected cost of bonus, ex-gratia are recognised in the period in which the employee renders the related service.

**b) Post-Employment Benefits :**

**(i) Defined Contribution Plans:**

State Governed provident fund scheme and employees state insurance scheme are defined contribution Plans. The contribution paid / payable under the schemes is recognised during the period in which the employees renders the related services.

**(ii) Defined Benefit Plans:**

The employee's gratuity fund scheme and compensated absences is company's defined benefit plans. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the projected Unit Credit Method, Which recognises each period of service as giving rise to additional unit of employee benefits entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government Securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains and losses are recognised immediately in the profit and loss account.

In case of funded plans, the fair value of the plan assets is reduced from the gross obligations under the defined benefit plans, to recognise the obligation on net basis.

Gains or losses on the curtailment or settlement of any defined benefits plans are recognised when the curtailment or settlement occurs. Past service cost is recognised as expense on a straight-line basis over the average period until the benefits become vested.



**c) Long term employee benefits :**

The obligation for long term employee benefits such as long term compensated absences, is recognised in the same manner as in case of defined benefit plans as mentioned in b) ii) above.

**d) Termination benefits :**

Where termination benefits such as compensation under voluntary retirement scheme are payable within a year of the balance sheet date, the actual amount of termination benefits is amortised over a defined period. Where termination benefits are payable beyond one year of the balance sheet date, the discounted amount of termination is amortised over the defined period.

The defined period of amortisation is 36 months or the period till March 31, 2010, whichever is earlier.

**H) BORROWING COSTS :**

i) Borrowing costs whether specific or general, utilized for acquisition, construction or production of qualifying assets are capitalised as part of cost of such assets till the activities necessary for its intended use are complete. General borrowing costs are capitalised at the weighted average of such borrowings outstanding during the year. All other borrowing costs are charged in statement of profit & loss of the year in which incurred.

ii) Ancillary cost incurred in connection with term loan borrowings is amortised over the period of term loan.

**I) TAXES ON INCOME**

a) Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty that sufficient future taxable income will be available against which such assets can be realised. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Such assets are reviewed at each balance sheet date to reassess realisation.

b) MAT Credit Entitlement

MAT credit is recognised as an asset only when there is convincing evidence that the company will pay normal income tax within the specified period. The asset shall be reviewed at each balance sheet date.

**J) FOREIGN CURRENCY TRANSACTIONS :**

i) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.

ii) Monetary items denominated in foreign currency at the year end are translated at the exchange rates prevailing at the balance sheet date.

iii) Exchange differences, in respect of accounting periods commencing on or after 7th December, 2006 arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset and are depreciated over the remaining useful life of the asset, and in other cases are accumulated in a "Foreign currency Monetary item Translation Difference Account" in the company's financial statements and amortised Account" in the company's financial statements and amortised over the balance period of such long term asset/liability but not beyond accounting period ending on or before 31st March, 2011.

iv) Premium or discount arising at the inception of the forward exchange contract is amortised as income or expense over the period of the contract. Any profit or loss arising in renewal or cancellation of forward exchange contracts is recognised as income or expense during the year.

v) Any income or expense on account of exchange difference either on settlement or on translation is recognised in the profit and loss account.

vi) Losses in respect of all outstanding derivative contracts at the balance sheet date is provided by marking them to market.

**K) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS :**

Provisions are recognised when the company has a present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation.

Contingent Liabilities are disclosed by way of notes to financial statements.

Contingent Assets are neither recognised nor disclosed in the financial statements.

Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date.

**L) CONTINGENCIES AND EVENTS OCCURRING AFTER THE BALANCE SHEET DATE :**

All contingencies and events occurring after the balance sheet date which have a material effect on the financial position of the company are considered for preparing the financial statements.

**M) ACCOUNTING FOR GOVERNMENT GRANTS :**

i) Government grants in the form of promoters contribution is treated as capital receipt and credited to capital reserve.

ii) Grant in the form of revenue subsidy is treated as revenue receipt and credited to "Sales" in profit and loss account. However, from 2007-08, specific grants (Transport Subsidy from APEDA) is deducted from the freight expenses.

iii) Grant towards specific fixed assets was presented as deduction from its gross value up to 31.03.2005 and



there after the same is presented by credit to Deferred Government grant and amortised over the period of useful life of specific fixed assets.

**N) RESEARCH AND DEVELOPMENT EXPENSES :**

Expenditure relating to capital items is debited to Fixed Assets and depreciated at applicable rates. Revenue expenditure is charged to Profit and Loss Account of the period in which they are incurred.

**O) MISCELLANEOUS EXPENDITURE :**

- a) Compensation paid for Voluntary Retirement of employees is amortised over a period of 36 months or the period up to 31st March 2010, whichever is earlier, as per the revised AS-15.
- b) Upfront interest paid on restructuring of term loans is amortised over the tenure of such loans.

**SCHEDULE : 23**

**NOTES TO FINANCIAL STATEMENTS**

**1) [A] CONTINGENT LIABILITIES NOT PROVIDED FOR :**

		(Rs. in Lacs)	
		C. Year	P. Year
I)	Guarantees given by the company against Term Loans given to companies in which Directors are interested.	1245.00	1245.00
	Outstanding against this as at 31.03.2010	332.39	528.81
II)	<b>i) For Excise -</b>		
	a) Related to a matter decided in favour of the company, against which the Excise department has preferred an appeal. Gross Rs 18.03 lacs (P.Y. Rs.18.03 lacs) Net of Tax	11.90	11.90
	b) Related to a matter which is disputed by the company against which appeal is preferred. Gross Rs. 1.53 lacs (P.Y. Rs. 1.53 lacs) Net of Tax	1.01	1.01
	<b>ii) For Income Tax -</b>		
	a) which is disputed by the company and against which company has preferred appeal, based on the demand notices raised by Income Tax Dept. and received by the company.	4.49	7.27
	b) Against which Income Tax department has preferred appeal	125.10	3.12
	c) In respect of erstwhile Vadilal Financial Services Limited (VFSL) Income Tax Demand (including interest) for which the company has preferred appeal.	3.75	10.36
	<b>iii) For Sales Tax -</b>		
	Disputed by the company and against which company has preferred an appeal. Gross Rs 83.86 lacs (P.Y. Rs 68.37 lacs ) Net of Tax	55.36	45.13
	<b>iv) For other Matters -</b>		
	Gross Rs 1.66 lacs (P.Y. Rs.1.66 lacs) Net of Tax	1.10	1.10
	v) In respect of other labour suits pending before various courts, liability is unascertainable.	—	—
	vi) Differential amount of custom/excise duty in respect of machinery imported under EPCG scheme.	660.16	390.85

Note: a) Future cash outflows in respect of A (II) (i) to (v) above depends on ultimate settlement / conclusions with the relevant authorities.

b) Future cash outflows in respect of A (II) (vi) above depends if company is unable to fulfill export obligations of Rs. 3960.95 Lacs (P.Y. Rs. 2497.97 Lacs) within next eight to twelve years.

**[B] Particulars of dues of Sales Tax, Income Tax and Excise duty as at March 31, 2010, which have not been deposited. [Rs.in Lacs]**

<b>(I) Disputed cases, where company has preferred appeals.</b>				
Name of Statute	Nature of dues	Amount (Rs. in Lacs)	Period of which the amount relates	Forum where dispute is pending
(i) FOR SALES TAX ASST.DUES S.Tax	Asst.dues	23.24 (23.24)	1998-99	S.Tax Tribunal
	Asst.dues	12.49 (12.49)	2000-01	Jt.Comm.,S.Tax
	Asst.dues	15.74 (0.00)	2000-01	Dy.Comm.,S.Tax
	Asst.dues	1.55 (1.55)	2001-02	Dy.Comm.,S.Tax
	Asst.dues	0.60 (1.10)	2002-03	S.Tax Tribunal
	Asst.dues	0.00 (4.00)	2003-04	Dy.Comm.,S.Tax

Name of Statute	Nature of dues	Amount (Rs. in Lacs)	Period of which the amount relates	Forum where dispute is pending
	Asst.dues	2.39 (2.39)	2003-04	S.Tax Tribunal
	Asst.dues	0.46 (0.46)	2003-04	Jt.Comm.,S.Tax
	Asst.dues	3.67 (3.67)	2004-05	Jt.Comm.,S.Tax
	Asst.dues	0.41 (0.00)	2005-06	Jt.Comm.Appeals, S.Tax
Total		60.55 (48.90)		
<b>(ii) FOR S.TAX EXEMPTION CERTIFICATE -</b>				
S.Tax	Asst.dues	000.00 (131.03)	1997-98 to 2004-05	High Court
(Company has received favourable order from High Court,Lucknow)				
<b>(iii) FOR EXCISE</b>				
Excise	Cenvat credit	1.53 (1.53)	2006-07	Appellate Commissioner
Total		1.53 (1.53)		
<b>(iv) FOR INCOME TAX</b>				
	Asst.dues	0.00 (0.48)	1991-92	ITAT
	Asst.dues	0.59 (0.48)	1995-96	ITAT
	Asst.dues	1.23 (1.53)	1996-97	ITAT
	Asst.dues	1.93 (1.93)	1996-97	ITAT
	Asst.dues	3.12 (0.00)	1999-00	High Court
	Asst.dues	0.00 (4.48)	2002-03	ITAT
	Asst.dues	0.00 (1.47)	2005-06	CIT-APPEALS
	Asst.dues	1.37 (1.32)	2006-07	ASSESSING OFFICER
Total		8.24 (11.69)		
<b>(II) Decided in favour of the company but the department has preferred appeals.</b>				
<b>(i) Excise</b>				
	Goods cleared without duty	4.58 (4.58)	1988-89	Asst.Commissioner
	Cenvat credit	4.28 (4.28)	2003-04	Asst.Commissioner
	Cenvat credit	9.17 (9.17)	2000-01	High Court, Hyderabad
Total		18.03 (18.03)		
<b>(ii) I.Tax</b>				
	I.Tax Asst.	50.46 (0.00)	1992-93	ITAT
		31.10 (0.00)	1993-94	ITAT
		7.84 (0.00)	1994-95	High Court
		14.06 (0.00)	1995-96	High Court

Name of Statute	Nature of dues	Amount (Rs. in Lacs)	Period of which the amount relates	Forum where dispute is pending
		16.03 (0.00)	1996-97	High Court
		0.00 (3.12)	1999-2000	High Court
		0.51 (0.00)	2001-02	High Court
		5.10 (0.00)	2002-03	High Court
Total		125.10 (3.12)		

Note : Figures in brackets relate to previous year.

2) a) **INVESTMENT IN PARTNERSHIP FIRMS**

The details regarding investment in the total capital of the partnership firm as well as Profit/Loss sharing ratio of the company alongwith other partner is stated hereunder :

Investment in the Capital of- (Rs.in Lacs)

M/S Vadilal Cold Storage

Total Capital Rs. 142.90

Investment in Capital Account Rs 140.00

Name of the Partners Share in Profit/ Losses of the firm

i) Vadilal Industries Limited 98%

ii) Vadilal Chemicals Limited 2%

b) Amount of share of profit in partnership firm amounting to Rs. 13.21 Lacs have been accounted on the basis of unaudited financial statements of the partnership firm.

3) a) **Operating Lease:-**

i) The company has taken various residential, office and godown premises under operating lease or leave and licence agreements. These are generally not non-cancellable and range between 11 months and 36 months under leave and licence or longer for other leases and are renewable by mutual consent on mutually agreeable terms. The company has given refundable interest free Security deposits under certain agreements.

ii) Lease payments are recognised as expense in the Profit & Loss Statement on a straight line basis over the lease term under expense head "Rent" and "Freight, Forwarding and Other distribution expenses" in Schedule 20 "Manufacturing and Other Expenses."

iii) The future minimum estimated operating lease payments under non-cancellable operating lease :

Particulars	Not later than one Year	Later than one year & not later than five year
Total of minimum lease payments	181.45 (202.70)	55.55 (188.50)

Note : Figures in brackets relate to previous year.

4) a) The company has written down the inventories to net realisable value during the year by Rs. 18.83 Lacs (Previous year Rs. 42.96 Lacs ).

5) (i) **Defined Contribution Plans:**

Amount of Rs. 33.78 Lacs is recognised as expense and included in "Employee's Expenses" (Schedule 20) in the Profit and Loss Account.

(ii) **Defined Benefit Plans :**

(a) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balance thereof are as follows:

Particulars	Gratuity Plan	Leave Encashment	Gratuity Plan	Leave Encashment
	Current Year (Rs.in Lacs)		Previous Year (Rs.in Lacs)	
Opening defined benefit Obligation as at 01.04.09	111.86	37.89	91.31	29.64
Service Cost	10.28	5.82	9.23	6.52
Interest Cost	9.17	3.11	6.94	2.25
Actuarial Losses (Gains)	12.86	0.84	6.97	1.40
Losses (Gains) on Curtailments	--	--	--	--
Liabilities extinguished on settlements	--	--	--	--
Benefits Paid	(5.90)	(2.14)	(2.59)	(1.92)
Closing defined benefit obligation as at 31.03.2010	138.27	45.52	111.86	37.89

- (b) Changes in the fair value of plan assets representing reconciliation of the opening and closing balance thereof are as follows:

Particulars	Current Year (Rs.in Lacs)		Previous Year (Rs.in Lacs)	
	Gratuity Plan	Leave Encashment	Gratuity Plan	Leave Encashment
Opening fair value of plan assets as at 01.04.2009	58.14	—	47.46	—
Expected return	6.08	—	4.75	—
Actuarial gains(Losses)	(0.65)	—	(0.51)	—
Assets distributed on Settlements	—	—	—	—
Contribution by employer	19.20	—	9.03	—
Benefit paid	(5.90)	—	(2.59)	—
Closing balance of fair value of plan Assets as at 31.03.2010	76.87	—	58.14	—

- (c) The amounts recognised in Balance Sheet are as follows :

Particulars	Current Year (Rs.in Lacs)		Previous Year (Rs.in Lacs)	
	Gratuity Plan	Leave Encashment	Gratuity Plan	Leave Encashment
Amount to be recognised in Balance Sheet				
A) Present Value of Defined Benefit Obligation				
- Funded	76.87	—	58.14	—
- Unfunded	61.40	45.52	53.72	37.89
Total	138.27	45.52	111.86	37.89
Less: Fair Value of Plan Assets	76.87	—	58.14	—
- Unrecognised Past Service Costs	—	—	—	—
Amount to be recognised as Liability	61.40	45.52	53.72	37.89
B) Amount Reflected in the Balance Sheet				
Liabilities	61.40	45.52	53.72	37.89
Assets	—	—	—	—
Net Liability/(Asset)	61.40	45.52	53.72	37.89

- (d) The amounts recognised in Profit and Loss account are as follows:

Particulars	Current Year (Rs.in Lacs)		Previous Year (Rs.in Lacs)	
	Gratuity Plan	Leave Encashment	Gratuity Plan	Leave Encashment
1. Current Service Cost	10.28	5.82	9.23	6.52
2. Interest cost	9.17	3.11	6.94	2.25
3. Expected return on plan assets	(6.07)	—	(4.75)	—
4. Net Actuarial Losses (Gains) recognised in yr.	13.51	0.84	7.48	1.40
5. Past service cost	—	—	—	—
6. Losses (gains) on Curtailments and Settlement	—	—	—	—
Total included in Employee's expense [Ref Sch. 20]	26.89	9.77	18.90	10.17
Actual return on plan assets	5.43	—	4.24	—

- (e) The Major categories of plan asset as a percentage of total plan assets are as follows:

Particulars	Current Year (Rs.in Lacs)		Previous Year (Rs.in Lacs)	
	Gratuity Plan	Leave Encashment	Gratuity Plan	Leave Encashment
Government of India Securities	0.00%	0.00%	0.00%	0.00%
High quality Corporate bond	0.00%	0.00%	0.00%	0.00%
Equity shares of listed companies	0.00%	0.00%	0.00%	0.00%
Property	0.00%	0.00%	0.00%	0.00%
Insurance company	100.00%	0.00%	100.00%	0.00%



(f) Principal actuarial assumptions at the balance sheet date. (expressed as weighted averages):

Particulars	Gratuity Plan		Leave Encashment	
	Current Year (Rs.in Lacs)	Previous Year (Rs.in Lacs)	Current Year (Rs.in Lacs)	Previous Year (Rs.in Lacs)
Discount rate	8.20%	8.20%	7.60%	7.60%
Expected return on plan assets	9.00%	0.00%	9.00%	0.00%
Proportion of employees opting for early retirement/Attrition rate	17.00%	17.00%	18.00%	18.00%
Annual increase in salary costs	6.00%	6.00%	6.00%	6.00%

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion, and other relevant factors, such as supply and demand in the employment market.

(g) Amount pertaining to defined benefits plans for current and previous two years are as follows :

**(i) Gratuity Plan:**

Particulars	Current Year		Previous Years	
	2009-10 (Rs.in Lacs)	2008-09 (Rs.in Lacs)	2007-08 (Rs.in Lacs)	
Defined benefit Obligation	138.27	111.86	91.31	
Plan assets	76.87	58.14	47.46	
Surplus / (Deficit)	(61.40)	(53.72)	(43.85)	
Experience adjustment on plan Liabilities	—	—	—	
Experience adjustment on plan Assets	—	—	—	

**(ii) Leave Encashment:**

Particulars	Current Year		Previous Years	
	2009-10 (Rs.in Lacs)	2008-09 (Rs.in Lacs)	2007-08 (Rs.in Lacs)	
Defined benefit Obligation	45.52	37.89	29.64	
Plan assets	—	—	—	
Surplus / (Deficit)	(45.52)	(37.89)	(29.64)	
Experience adjustment on plan Liabilities	—	—	—	
Experience adjustment on plan Assets	—	—	—	

Note: Amount not available for Experience adjustment on plan liabilities and on plan Assets as per actuarial certificate for Gratuity Plan and Leave encashment.

(h) The company expects to fund Rs. 20.00 Lacs towards gratuity plan and Rs. 35.00 Lacs towards provident fund plan during the year 2010-11.

Notes :

i) The company provides retirement benefits in the form of Provident Fund, Gratuity and Leave Encashment. Provident fund contributions made to "Government Administrated Provident Fund" are treated as defined contribution plan since the company has no further obligations beyond its monthly contributions. Gratuity is treated as defined benefit plan, and is administrated by making contributions to Group Gratuity Scheme of Life Insurance Corporation of India and SBI Life-Cap Assure Gratuity Scheme. Leave encashment and Sick leave is considered as defined benefit plan and remains unfunded.

**6) RELATED PARTY DISCLOSURES : As per Accounting Standard 18.**

A) Name of related party and description of relationship where control exists.

Vadilal Industries (USA) Inc. : Subsidiary Company (w.e.f. 11 August 2009)

Vadilal Cold Storage : Partnership firm where share is more than 51 %

B) Name of related party and description of the relationship with whom transactions taken place.

1) Associates : Vadilal Chemicals Ltd. (Upto 1st September, 2009)

2) Key Management Personnel :

i) Virendra R Gandhi

ii) Rajesh R Gandhi

iii) Devanshu L Gandhi

3) Enterprises owned or significantly influenced by key management personnel or their relatives :

i) Vadilal Enterprises Ltd.

ii) Vadilal International Pvt. Ltd.

iii) Kalpit Reality & Services Ltd.

iv) Vadilal Happinezz Parlour Ltd.

- v) Veronica Constructions Pvt. Ltd.
- vi) Padm Complex Pvt. Ltd.
- vii) Majestic Farm House Ltd.
- viii) Volute Constructions Pvt. Ltd.
- ix) Valiant Constructions Pvt. Ltd.

4) Relative of key Management Personnel : Mamta R Gandhi

**C) Transaction with related parties :**

(Rs. in Lacs)

Sr. No.	Particulars of Transaction & Name of Related Party with whom transactions are more than 10%	Subsidiary	Control Exist	Associates	Relatives of Key Management Personnel	Enterprises owned or significantly influenced by key management personnel or their relatives	Total
1	Sales :						
	i) Vadilal Enterprises Ltd.	—	—	—	—	15843.47	15843.47
		(—)	(—)	(—)	(—)	(12,704.88)	(12704.88)
	ii) Vadilal Industries (USA) Inc	69.72	—	—	—	—	69.72
		(0.00)	(—)	(—)	(—)	(—)	(0.00)
	iii) Others	—	—	—	—	49.87	49.87
		(—)	(—)	(—)	(—)	(47.46)	(47.46)
2	Purchase :						
	Vadilal Chemicals Ltd.	—	—	4.40	—	—	4.40
		(—)	(—)	(9.24)	(—)	(—)	(9.24)
3	Hire Charges/Rent paid :						
	Vadilal Cold Storage	—	2.85	—	—	—	2.85
		(—)	(4.64)	(—)	(—)	(—)	(4.64)
4	Rent Income :						
	Vadilal Enterprises Ltd.	—	—	—	—	0.90	0.90
		(—)	(—)	(—)	(—)	(0.90)	(0.90)
5	Interest paid :						
	i) Vadilal Happinezz Parlour Ltd.	—	—	—	—	1.23	1.23
		(—)	(—)	(—)	(—)	(1.14)	(1.14)
	ii) Padm Complex Pvt. Ltd.	—	—	—	—	3.77	3.77
		(—)	(—)	(—)	(—)	(4.01)	(4.01)
6	Salary paid :						
	Mamta R. Gandhi	—	—	—	1.23	—	1.23
		(—)	(—)	(—)	(1.08)	(—)	(1.08)
7	Interest Income :						
	Vadilal International Pvt. Ltd.	—	—	—	—	3.75	3.75
		(—)	(—)	(—)	(—)	(3.81)	(3.81)
8	Share of profit in partnership firm :						
	Vadilal Cold Storage	—	13.21	—	—	—	13.21
		(—)	(17.87)	(—)	(—)	(—)	(17.87)
9	Royalty paid/payable :						
	Vadilal International Pvt. Ltd.	—	—	—	—	46.87	46.87
		(—)	(—)	(—)	(—)	(1.41)	(1.41)
10	Corporate guarantee taken :						
	i) Valiant Constructions Pvt. Ltd.	—	—	—	—	100.00	100.00
		(—)	(—)	(—)	(—)	(200.00)	(200.00)
	ii) Padm Complex & Volute Constructions (Jointly provided)	—	—	—	—	10150.00	10150.00
		(—)	(—)	(—)	(—)	(0.00)	(0.00)
11	Investment in shares of subsidiary						
	Vadilal Industries (USA) Inc.	11.74	—	—	—	—	11.74
		(—)	(—)	(—)	(—)	(—)	(0.00)
12	Intercorporate Deposit Received						
	Veronica Constructions Pvt. Ltd	—	—	—	—	350.00	350.00
		(—)	(—)	(—)	(—)	(—)	(0.00)
	Kalpiti Realty & Services Ltd	—	—	—	—	250.00	250.00
		(—)	(—)	(—)	(—)	(—)	(0.00)
13	Intercorporate Deposit Re-paid						
	Veronica Constructions Pvt. Ltd	—	—	—	—	250.00	250.00
		(—)	(—)	(—)	(—)	(—)	(0.00)
	Kalpiti Realty & Services Ltd	—	—	—	—	100.00	100.00
		(—)	(—)	(—)	(—)	(—)	(0.00)
14	Interest on Intercorporate Deposit						
	Veronica Constructions Pvt. Ltd	—	—	—	—	11.09	11.09
		(—)	(—)	(—)	(—)	(—)	(0.00)



Sr. No.	Particulars of Transaction & Name of Related Party with whom transactions are more than 10%	Subsidiary	Control Exist	Associates	Relatives of Key Management Personnel	Enterprises owned or significantly influenced by key management personnel or their relatives	Total
15	Kalpiti Realty & Services Ltd	—	—	—	—	7.14	7.14
	Balance outstanding at year end :	(—)	(—)	(—)	(—)	(—)	(0.00)
	a) Investments :						
	i) Vadilal Chemicals Ltd.	—	—	—	—	—	0.00
	ii) Vadilal Industries (USA) Inc.	11.74	(—)	(162.04)	(—)	(—)	(162.04)
	iii) Others	(—)	(—)	(—)	(—)	(—)	11.74***
	iv) Others	(—)	(—)	(—)	(—)	1.87	(0.00)
	v) Others	(—)	(—)	(—)	(—)	(1.87)	1.87
	vi) Others	(—)	(—)	(—)	(—)	(1.87)	(1.87)
	b) Receivable :						
	i) Vadilal Enterprises Ltd.	—	—	—	—	2861.36	2861.36
	ii) Vadilal International Pvt. Ltd.	(—)	(—)	(—)	(—)	(2598.33)	(2598.33)
	iii) Vadilal International Pvt. Ltd.	(—)	(—)	(—)	(—)	375.25*	375.25
	iv) Vadilal Industries (USA) Inc.	69.72	(—)	(—)	(—)	(378.20)	(378.20)
	v) Vadilal Industries (USA) Inc.	(—)	(—)	(—)	(—)	(—)	69.72
	vi) Others	(—)	(—)	(—)	(—)	(—)	(0.00)
	vii) Others	(—)	256.42**	(—)	(—)	25.96	282.38
	viii) Others	(—)	(245.81)**	(—)	(—)	(33.34)	(279.15)
	c) Payable :						
	i) Vadilal Chemicals Ltd.	—	—	19.54	—	—	19.54
	ii) Padm Complex Pvt. Ltd.	(—)	(—)	(16.60)	(—)	(—)	(16.60)
	iii) Padm Complex Pvt. Ltd.	(—)	(—)	(—)	(—)	33.90	33.90
	iv) Vadilal Happinezz Parlour Ltd.	(—)	(—)	(—)	(—)	(38.96)	(38.96)
	v) Veronica Construction Pvt. Ltd.	(—)	(—)	(—)	(—)	12.84	12.84
	vi) Veronica Construction Pvt. Ltd.	(—)	(—)	(—)	(—)	(11.73)	(11.73)
	vii) Veronica Construction Pvt. Ltd.	(—)	(—)	(—)	(—)	109.98	109.98
	viii) Kalpiti Realty & Services Ltd.	(—)	(—)	(—)	(—)	(—)	(0.00)
	ix) Kalpiti Realty & Services Ltd.	(—)	(—)	(—)	(—)	156.42	156.42
	x) Vadilal International Pvt. Ltd.	(—)	(—)	(—)	(—)	(—)	(0.00)
	xi) Vadilal International Pvt. Ltd.	(—)	(—)	(—)	(—)	18.34	18.34
xii) Vadilal International Pvt. Ltd.	(—)	(—)	(—)	(—)	(—)	(0.00)	
d) Against corporate guarantee given :							
i) Vadilal Enterprises Ltd.	—	—	—	—	332.39	332.39	
ii) Vadilal Enterprises Ltd.	(—)	(—)	(—)	(—)	(528.81)	(528.81)	
e) Against corporate guarantee taken :							
i) Vadilal Enterprises Ltd.	—	—	—	—	685.72	685.72	
ii) Valiant Constructions Pvt. Ltd.	(—)	(—)	(—)	(—)	(800.00)	(800.00)	
iii) Valiant Constructions Pvt. Ltd.	(—)	(—)	(—)	(—)	299.90	299.90	
iv) Padm Complex & Volute Constructions	(—)	(—)	(—)	(—)	(200.00)	(200.00)	
v) Padm Complex & Volute Constructions	(—)	(—)	(—)	(—)	2948.12	2948.12	
vi) Padm Complex & Volute Constructions	(—)	(—)	(—)	(—)	(—)	(0.00)	

Note : a) Payment to key management personnel in form of Managing Director's remuneration is shown in Note No. 13a).

\* b) Represents towards deposit & receivable

\*\* c) Represents as capital investments and amount in current account with partnership firm in which company is partner.

\*\*\* d) Investment in subsidiary of Rs.11.74 Lacs equals to \$25000.

e) Director's sitting fees is shown separately in accounts.

f) Transaction of sales are shown net of VAT/ CST.

g) Figures in brackets relate to previous year.

**D) Disclosure as required under clause No.32 of Stock Exchange listing agreement :**

Loans/Advances and Investments of the company :

Particulars	O/S. as at 31.03.10 (Rs. in Lacs)	Maximum O/S. during the year (Rs. in Lacs)
(I) SUBSIDIARY COMPANY		
Vadilal Industries (USA) Inc.		
- Investments	11.74 (00.00)*	11.74 (00.00)
(II) ASSOCIATES		
Vadilal Chemicals Ltd.		
- Investments	000.00** (162.04)	162.04 (162.04)



(III) PARTNERSHIP FIRMS WHERE  
SHARE IS MORE THAN 51 %

Vadilal Cold Storage		
- Investments	140.00	140.00
	(140.00)	(140.00)
- Loans & Advances	116.42	116.42
	(105.81)	(105.81)

\* w.e.f. 11th August 2009.

\*\* Upto 1st September 2009 only.

Figures in bracket relate to previous year.

**7) Disclosure as required by Accounting Standard (AS) 29 "Provisions, Contingent Liabilities and Contingent Assets" :**

a) Movement in provisions : (Rs.in Lacs)

Sr. No.	Particulars of Disclosure	Class of Provisions		
		S.Tax/Entry Tax	Others	Total
1)	Balance as at 01.04.2009	22.37	12.00	34.37
2)	Additional provision during 2009-10	00.00	00.00	00.00
3)	Provision used during 2009-10	5.72	12.00	17.72
4)	Provision reversed during 2009-10	0.00	0.00	00.00
5)	Balance as at 31.03.2010	16.65	0.00	16.65

b) Nature of provisions :

In respect of other provisions, the nature thereof has not been disclosed on the grounds that it can prejudice the interests of the company.

c) The timing and the probability of the outflow with regards to these matters depend on the ultimate settlement / conclusion with the relevant authorities.

**8) EARNINGS PER SHARE**

a) The amount used as the numerator in calculating basic and diluted earnings per share is the net profit for the year disclosed in the profit and loss account.

b) The weighted average number of equity shares used as the denominator in calculating both basic and diluted earnings per share is 71,87,830.

**9) As per Accounting Standard (AS) 17, "Segment Reporting", segment information is provided in the Notes to Consolidated Financial Statements.**

**10) PARTICULARS OF DERIVATIVE INSTRUMENTS :**

a) Derivative contracts entered into by the company and outstanding as on 31st March, 2010:

i) All derivative and financial instruments acquired by the company are for hedging.

ii) Foreign currency exposure that are not hedged by derivative instruments as on 31st March, 2010- US \$ 2257314 equal to Rs. 1013.99 Lacs ( Previous year US \$ 336284 equal to Rs. 169.55 Lacs)  
Euro 511228 equal to Rs. 309.65 Lacs (Previous year Euro 59876 equal to Rs. 37.82 Lacs)

11) Based on the information available with the company, there are no suppliers who are registered under the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31,2010. Hence, the disclosure relating to amounts unpaid as at the year end together with interest paid/payable under this Act have not been given. This is relied upon by the Auditors.

**12) AUDITORS REMUNERATION**

(Rs.in Lacs)

	C.YEAR	P.YEAR
Audit fees	9.30	7.00
Tax Audit fees	3.40	2.91
Limited Review Certificates	5.98	2.81
Misc. Certification	1.49	1.52
Taxation matter fees	2.49	3.44
Out of pocket expenses	0.80	0.67
Total	23.46	18.35

**13) MANAGERIAL REMUNERATION**

a) Salaries, Wages, Allowances, Bonus etc. includes Rs. 95.34 lacs towards Managing Director's remuneration as per details given below.

	C.YEAR	P.YEAR
Salary	43.20	36.00
Commission	24.06	00.00
Contribution to P.F.	5.18	4.32
other perquisites in cash or kind	22.90	18.12
Total....	95.34	58.44



(Rs.in Lacs)

	C.YEAR	P.YEAR
b) Computation of net profit u/s. 349 of the Companies Act,1956.		
Net Profit/(Loss) before tax for the year as per Profit & Loss A/c	879.15	219.62
Add :		
1) Depreciation charged in A/c's	588.74	507.79
Less : Withdrawn from Revaluation Reserve / Deferred Govt.Grant	23.77	24.57
	564.97	483.22
2) Director's remuneration	95.34	58.44
3) Sitting Fees	2.90	1.96
4) Loss on sale of assets u/s. 349(3)(c)(d)	—	—
5) Loss on sale of investments	—	—
6) Provision for doubtful debts/ Advances	0.29	0.22
	1542.65	763.46
Less :		
1) Depreciation u/s.350 of the Companies Act, 1956	588.74	507.79
2) Profit of a capital nature in terms of section 349(3)(d)	8.62	5.37
3) Profit on sale of investment	(8.13)	0.39
	589.23	513.55
Net Profit / (Loss) u/s.349 of the Companies Act,1956	953.42	249.91
Commission eligible to two Managing Directors @2 % each (Previous year @ 2% each)	38.72	00.00
Commission restricted to & payable to two Managing Directors @1.26% # each (Previous year @ 2% each)	24.06	00.00

# Note: The overall Managerial Remuneration to be paid to both the Managing Directors can not exceed 10% of the Net Profit of the Company and hence, the commission payable to the Managing Directors is restricted to 1.26% of the Net Profit (instead of 2%) to each Managing Director.

**14) LICENSED, INSTALLED CAPACITY & PRODUCTION**

	Licensed capacity (as registered with DGTD/SIA*) (per annum)	** Installed capacity (as certified by Managing Director) (per annum)	Production
a) Ice cream & Frozen Dessert	20400 *K.Ltrs (20400) *K.Ltrs	57900 K.Ltrs. (57900) K.Ltrs.	31457 K.Ltrs. (27013) K.Ltrs.
b) Fruit Pulp, Frozen Fruits & Vegetables	5400 MT (5400) MT	32500 MT (32500) MT	7804 MT (6949) MT
c) Sugar Cone		231.00 Nos. (231.00) in Lacs	152.22 Nos. (185.73) in Lacs
d) Paper Cup & Lid		1450.00 Nos. (1450.00) in lacs	1500.60 Nos. (1409.20) in Lacs

\*\* This being technical matter, the auditors have placed reliance on certificate issued by the Managing Director.

1) Figures in brackets relate to previous year.

2) i) Production of Fruit Pulp, Frozen Fruits & Vegetables includes 1185 MT (Previous year 462 MT) processed by third parties, and 1124 MT (Previous year 946 MT) used for captive consumption.  
ii) Production of Paper cup & Lids includes 75.87 nos. in Lacs (Previous year 71.59 nos. in Lacs) processed by third parties.

3) Licenced capacity is not applicable for Frozen Fruits and Vegetables.

**15) STOCK OF FINISHED GOODS :**

Sr. No.	Products	Units	Opening Stock		Closing Stock	
			Qty.	(Rs. In Lacs )	Qty.	(Rs. In Lacs )
A)	Ice cream & Frozen dessert	K.Ltrs.	1536 (967.00)	745.36 (438.40)	1575 (1536)	814.97 (745.36)
B)	Fruit Pulp, Frozen Fruits & Vegetables	MT	4457 (3525.00)	1614.99 (1088.88)	6526 (4457)	2765.24 (1614.99)

NOTE : Figures in brackets relate to previous year.

**16) QUANTITATIVE DETAILS IN RESPECT OF PURCHASE OF GOODS.**

Sr. No.	Products	Units	Quantity	Purchase Value (Rs. in Lacs)
A)	Fruit Pulp, Frozen Fruits & Vegetable	MT	1683 (382)	677.10 (97.20)
B)	Others		— (—)	9.49 (0.00)

NOTE : Figures in brackets relate to previous year.

**17) CONSUMPTION OF RAW AND PACKING MATERIALS .**

Particulars	Units	C.YEAR		P.YEAR	
		Qty. in Lacs	Value Rs. in Lacs	Qty. in Lacs	Value Rs. in Lacs
Milk & Milk Prod.	Kgs.	96.75	2982.75	55.41	2392.89
Dry Fruits, Fresh Fruits & Vegetables	Kgs.	122.85	2781.66	115.72	2182.07
Packing Materials		—	2425.93	—	2159.61
Others		—	3566.11	—	2647.89
			11756.45		9382.46

NOTES :-

1) Inter godown transportation and Octroi charges included in others Rs. 3.23 lacs ( previous year Rs. 3.73 lacs ).

2) Consumption of Raw and Packing Materials :

	C.YEAR Rs.in Lacs	% age	P.YEAR Rs.in Lacs	% age
1) Imported	160.58	1.37	58.88	0.63
2) Indigenous	11595.87	98.63	9323.58	99.37
	11756.45	100.00	9382.46	100.00

**18) STORES AND SPARES CONSUMED :**

	C.YEAR Rs.in Lacs	% age	P.YEAR Rs.in Lacs	% age
1) Imported	1.68	3.57	3.16	9.27
2) Indigenous	45.38	96.43	30.94	90.73
	47.06	100.00	34.10	100.00

**19) A) C.I.F.VALUE OF IMPORTS:**

	C.YEAR	P.YEAR
a) Raw Materials and Packing Materials	168.02	39.53
b) Stores and Spares	1.68	2.21
c) Capital Goods	321.73	94.55

**B) EXPENDITURE IN FOREIGN CURRENCY: (on accrual basis)**

i) Sales Promotion and Commission	18.00	22.14
ii) Travelling	3.96	5.95
iii) Freight	131.12	43.37
iv) Others	18.33	18.45

**C) EARNINGS IN FOREIGN CURRENCY:-**

Export of Goods (F.O.B.Value)	2089.84	1887.18
-------------------------------	---------	---------

**20) REMITTANCE OF FOREIGN CURRENCIES FOR DIVIDENDS :**

The company has not made any remittances in foreign currencies on account of dividends during the year. The particulars of dividends paid to non-resident shareholders are as follows :

	C.YEAR	P.YEAR
Year to which dividend relates	2008-09	2007-08
Number of non-resident shareholders	12	16
Number of shares held by them on which dividend is due	12052	18370
Amount remitted to bank accounts in India of non-resident shareholders (Rs. in Lacs)	0.14	0.22

21) Previous year figures have been restated wherever necessary to make them comparable with current year's figures.

**22) BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I REGISTRATION DETAILS**

Registration No.	5169	State Code	04
Balance Sheet Date	31.03.2010		

**II CAPITAL RAISED DURING THE YEAR ( AMT.IN RS.THOUSAND )**

Public issue	Nil	Right issue	Nil
Bonus issue	Nil	Private placement	Nil

**III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS AMT. ( RS.IN THOUSAND )**

Total liabilities	1376010	Total Assets	1376010
-------------------	---------	--------------	---------

**Sources of Funds**

Paid up capital	71878	Reserves & Surplus	323933
(Incl. Share capital suspense)			
Deferred Govt. Grant	3197	Secured Loans	721229
Unsecured Loans	200854	Deferred Taxation (Net)	54919

**Application of Funds**

Net Fixed Assets	828700	Investments	15875
Net current Assets	525173	Misc. Expenditure	6262
Accumulated Losses	Nil		

**IV PERFORMANCE OF COMPANY (AMT. IN RS. THOUSANDS)**

Turnover	2026640	Total Expenditure	1938725
Profit/(Loss) before tax	87915	Profit/(Loss) after tax	57517
Earnings per share	8.00	Dividend rate	15%
(in Rs.) Annualised			

**V GENERIC NAME OF PRINCIPAL PRODUCT OF THE COMPANY**

Item Code No. (ITC Code)	040210.09
Product Description	Ice Cream
Item Code No. (ITC Code)	081290.02
Product Description	Mango Pulp
Item Code No. (ITC Code)	200490.00
Product Description	Frozen Vegetable

Signatures to schedule 1 to 23

For and on behalf of the Board

For KANTILAL PATEL & CO.  
Chartered Accountants

Ramchandra R. Gandhi	:	Chairman
Virendra R. Gandhi	:	Vice-Chairman
Rajesh R. Gandhi	:	Managing Director
Devanshu L. Gandhi	:	Managing Director
Nikhil Patel	:	Company Secretary

Mayank S. Shah  
PartnerPlace : Ahmedabad  
Date : May 24, 2010Place : Ahmedabad  
Date : May 24, 2010

**Statement of the Company's interest in Subsidiary Company as required by Section 212(1)(e) of the Companies Act, 1956**

(Rs. In lakhs)

Sr. No.	Name of the Subsidiary Company	Financial year of the subsidiary company ended on	Interest of Vadilal Industries Limited and its nominees in the Subsidiary Company, as on 31st March, 2010.		Extent of holding	Net aggregate amount of the subsidiary company's profit / loss so far as it concerns members of the holding company and is not dealt with in the holding company accounts		Net aggregate amount of the subsidiary company's profit / loss so far as it concerns members of the holding company and is dealt with in the holding company accounts	
			No. of shares	(3A)		(3B)	For the year ended on 31st March, 2010 being subsidiary company's accounting period	(4A)	(4B)
1	Vadilal Industries (USA) Inc.	31 <sup>st</sup> March, 2010	250 Ordinary Shares of USD 100 each	(3A)	100.00%	(4A)	(4B)	(5A)	(5B)
						(13.51)	N. A. The subsidiary company was incorporated on 11-08-2009. Hence, the details of previous financial year are not applicable.	NIL	N. A. The subsidiary company was incorporated on 11-08-2009. Hence, the details of previous financial year are not applicable.

For and on behalf of the Board

Ramchandra R. Gandhi : Chairman  
 Virendra R. Gandhi : Vice-Chairman  
 Rajesh R. Gandhi : Managing Director  
 Devanshu L. Gandhi : Managing Director  
 Nikhil Patel : Company Secretary

Place : Ahmedabad  
 Date : May 24, 2010



## **VADILAL INDUSTRIES (USA) INC.**

(Wholly-owned Subsidiary Company)

### **FINANCIAL STATEMENTS**

**For the period from August 11, 2009  
(date of inception) to March 31, 2010**

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## DIRECTORS' REPORT

To,  
The Members,  
Vadilal Industries (USA) Inc.,  
USA.

Your Directors have pleasure in presenting herewith the 1st Annual Report together with the Financial Statements for the period from 11th August, 2009 (date of inception) to 31st March, 2010.

### FINANCIAL PERFORMANCE :

The Company was incorporated on 11th August, 2009 in the state of New Jersey, USA under the "New Jersey Business Corporation Act". The Company has closed its first accounting year on 31st March, 2010.

During the period under review, the Company has achieved the total income of \$ 76,030 and total expenditure of \$ 56,143. The Company has incurred loss of \$ 31,443 after deducting \$ 51,330 towards the Operating Expenses. After making provision for Income Tax of \$ 520, there was a net loss of \$31,963 for the period under review which was carried forward to the Balance Sheet.

### SHARE CAPITAL :

The Company is a wholly-owned subsidiary company of Vadilal Industries Limited, having registered office at Vadilal House, Shrimali Society, Navrangpura, Ahmedabad, Gujarat, India. In view of the future activities and business requirements of the Company, it has allotted 250 Ordinary Shares of USD 100 each to Vadilal Industries Limited, the holding company.

### LOAN FROM HOLDING COMPANY :

As on the date of this report, the Company availed loan of \$ 50,000 from its holding Company - M/s Vadilal Industries Limited, at India, for meeting its capital expenses incurred for purchase of Refrigerated Van, Storage Containers, Warehouse Gadgets and Office Furnitures.

### ACKNOWLEDGEMENT:

The Directors place on record the appreciation and gratitude for the co-operation and assistance extended by various departments of the Reserve Bank of India, Government, Bankers and Financial Institutions.

The Directors also place on record their appreciation of dedicated and sincere services of the employees of the Company at all levels.

The Company will make every effort to meet the aspirations of its Shareholders and wish to sincerely thank them for their whole hearted co-operation and support at all times.

For and on behalf of the Board

Place : Ahmedabad  
Date : 24th May, 2010.

RAJESH K. PANDYA  
Director

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Stockholder of  
Vadilal Industries (USA) Inc.  
Edison, New Jersey, USA

We have reviewed the accompanying balance sheet of Vadilal Industries (USA) Inc. as of March 31, 2010, and the related statements of operations, stockholder's deficiency, and cash flows for the period from August 11, 2009 (date of inception) to March 31, 2010, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Vadilal Industries (USA) Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the basic financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included in the accompanying financial statements is presented only for supplementary analysis purposes. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Dated : May 11, 2010

sd/-  
Prajapati Associates LLP  
Certified Public Accountants  
545 Fifth Avenue,  
New York, NY 10017



**VADILAL INDUSTRIES (USA) INC.**  
(A Wholly-owned Subsidiary of Vadilal Industries Ltd.)  
**BALANCE SHEET AS AT 31ST MARCH, 2010**

Particulars	As At 31.03.2010	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 32,007	
Accounts receivable	31,455	
Inventories	<u>102,692</u>	
		<b>\$ 166,154</b>
<b>LIABILITIES AND STOCKHOLDER'S DEFICIENCY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 150,808	
Accrued expenses and taxes	20,820	
Loans payable	<u>1,489</u>	
		<b>\$ 173,117</b>
<b>Stockholder's deficiency</b>		
Common stock, no par value; 2,000 shares authorized, 250 shares issued and outstanding	25,000	
Accumulated deficit	<u>(31,963)</u>	
		<b>(6,963)</b>
		<b>\$ 166,154</b>

**STATEMENT OF OPERATIONS**

For the period from August 11, 2009 (date of inception) to March 31, 2010

Particulars	
<b>Net sales</b>	\$ 76,030
<b>Cost of sales</b>	<u>56,143</u>
<b>Gross profit</b>	19,887
<b>Operating expenses</b>	<u>51,330</u>
<b>Loss before provision for income taxes</b>	(31,443)
Provision for income taxes	520
<b>Net loss</b>	<u>\$ (31,963)</u>

**STATEMENT OF STOCKHOLDER'S DEFICIENCY**

For the period from August 11, 2009 (date of inception) to March 31, 2010

Particulars	Common Stock	Accumulated Deficit	Total
<b>Balance, August 11,2009 (date of inception)</b>	\$ -	\$ -	\$ -
Issuance of common stock	25,000	-	25,000
Net loss	-	<u>(31,963)</u>	<u>(31,963)</u>
<b>Balance, March 31, 2010</b>	<u>\$ 25,000</u>	<u>\$ (31,963)</u>	<u>\$ (6,963)</u>

**STATEMENT OF CASH FLOWS**

For the period from August 11, 2009 (date of inception) to March 31, 2010

Particulars	
<b>Cash flows from operating activities</b>	
Net loss	\$ (31,963)
Adjustments to reconcile net loss to net cash provided by operating activities Changes in assets and liabilities	
Accounts receivable	\$ (31,455)
Inventories	(102,692)
Accounts payable	150,808
Accrued expenses and taxes	<u>20,820</u>
Net cash provided by operating activities	<u>37,481</u>
<b>Cash flows from investing activities</b>	5,518
<b>Cash flows from financing activities</b>	-
Net increase in loans payable	1,489
Issuance of common stock	<u>25,000</u>
Net cash provided by financing activities	<u>26,489</u>
<b>Net change in cash</b>	32,007
<b>Cash at beginning</b>	-
<b>Cash at end</b>	<u>\$ 32,007</u>

Note : See accountants' review report and notes to financial statements.





Particulars

**Supplemental disclosure of cash flows information**

Cash paid for interest	\$ -
Cash paid for income taxes	\$ -

Note : See accountants' review report and notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2010**

**Note 1 : Organization and nature of business**

Vadilal Industries (USA) Inc. (the "Company") is a wholly owned subsidiary of Vadilal Industries Limited, a company based in India. The Company was incorporated in the State of New Jersey on August 11, 2009. The Company is an importer and wholesaler of frozen food products whose customers are located primarily throughout the United States of America.

**Note2 : Summary of significant accounting policies**

**Basis of accounting**

The Company's accounting policies are in accordance with accounting principles generally accepted in the United States of America. Outlined below are those policies considered particularly significant.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that could affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

**Concentration of credit risk**

Financial instruments, which potentially subject the Company to significant concentrations of credit risk, include cash and accounts receivable. The Company holds no collateral for these financial instruments. The Company maintains cash in financial institutions that are insured by the Federal Deposit Insurance Corporation up to a specified amount. Such cash balances at times may exceed these limits. To minimize its credit risk with respect to accounts receivable, management monitors the creditworthiness of the customers and reviews the outstanding receivables at period end, as well as establishes an allowance for doubtful accounts as deemed necessary.

**Accounts receivable**

Accounts receivable are stated at original amount less allowances for doubtful accounts and credits. The allowances for doubtful accounts and credits are determined through an analysis of the aging of accounts receivable at the date of the financial statements, assessments of collectability based on an evaluation of historic and anticipated trends, the financial condition of the Company's customers, and an evaluation of the impact of economic conditions. At March 31, 2010, the management has determined that allowances for doubtful accounts and credits are not required.

**Inventories**

Inventories are stated at the lower of cost or market, with cost being determined under the FIFO (First-in, First-out) method.

**Long-lived assets**

The Company periodically evaluates the carrying value of long-lived assets to be held and used whenever events and circumstances indicate that the carrying value of the asset may no longer be recoverable. An impairment loss, measured based on the fair value of the asset, is recognized if expected future undiscounted cash flows are less than the carrying value of the assets.

**Revenue recognition**

Sales are recorded when merchandise is shipped and title and risk of loss are transferred to customers. Sales are recorded net of estimated discounts, returns and allowances which are estimated based on historic trends and an evaluation of current economic conditions.

**Shipping and handling costs**

The Company includes shipping and handling costs associated with outbound freight in operating expenses. For the period from August 11, 2009 (date of inception) to March 31, 2010, shipping and handling costs amounted to \$5,641.

**Income taxes**

The Company provides for income taxes based on differences between the financial statement and tax bases of assets and liabilities at enacted rates in effect in the years in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

As of August 11, 2009, the Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty



in Income Taxes". The Company does not believe it has any uncertain tax positions that would qualify for either recognition or disclosure in the financial statements.

**New authoritative accounting pronouncements**

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events". SFAS 165 establishes general standards of accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. The Company adopted SFAS No. 165 on March 31, 2010.

The Company evaluated the need for disclosure and / or additional adjustments resulting from subsequent events through May 11, 2010, the date the financial statements were available to be issued. The Company did not identify any further subsequent events that required disclosure and / or adjustments in the financial statements.

The Company does not anticipate the adoption of other recently issued accounting pronouncements to have a significant impact on the Company's financial statements.

**Note 3 : Inventories**

At March 31, 2010, inventories of \$102,692 consisted of frozen food products.

**Note 4 : Loans payable**

At March 31, 2010, the Company had outstanding loans payable to an unrelated party of \$1,489. These loans are due on a demand basis, bearing no interest.

**Note 5 : Income taxes**

For the period from August 11, 2009 (date of inception) to March 31, 2010, the net provision for income taxes of \$520 consisted of the following:

	<u>Federal</u>	<u>State and local</u>	<u>Total</u>
Current	\$ -	\$520	\$520
Deferred	-	-	-
	<u>\$ -</u>	<u>\$520</u>	<u>\$520</u>

At March 31, 2010, there were no significant components of the net deferred tax assets.

**Note 6 : Related party transactions and balances**

In the ordinary course of business, the Company had the following related party transactions and balances:

Net purchases	\$150,808
Accounts payable	\$150,808

**Note 7 : Major customers and vendor**

For the period from August 11, 2009 (date of inception) to March 31, 2010, sales to two customers represented approximately 47% of net sales and purchases from one vendor represented approximately 100% of net purchases.

**SUPPLEMENTARY INFORMATION  
STATEMENT OF OPERATING EXPENSES**

**For the period from August 11, 2009 (date of inception) to March 31, 2010**

<u>Particulars</u>	
<b>Operating expenses</b>	
Salaries	\$ 7,500
Payroll taxes	900
Rent	21,174
Telephone	1,134
Shipping expenses	5,641
Travel	6,283
Office supplies and expenses	1,198
Professional fees	<u>7,500</u>
	<b>\$ 51,330</b>

Note : See accountants' review report and notes to financial statements.



## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

	SCHEDULE		As At 31.03.2010 (Rs. in Lacs)	As At 31.03.2009 (Rs. in Lacs)
<b>I. SOURCES OF FUNDS :</b>				
(1) Shareholders' Funds:				
(a) Share Capital	1		718.78	718.78
(b) Reserves & Surplus	2		3,202.89	2,811.70
			3,921.67	3,530.48
(2) Minority Interest			7.08	6.81
(3) Deferred Government Grant			31.97	35.16
(4) Loan Funds :				
(a) Secured Loans	3		7,212.29	5,425.32
(b) Unsecured Loans	4		2,008.54	1,203.54
			9,220.83	6,628.86
(5) Deferred Tax Liability (Net)	5		549.19	577.68
TOTAL ->			13,730.74	10,778.99
<b>II. APPLICATIONS OF FUNDS :</b>				
(1) Fixed Assets :	6			
(a) Gross Block			10,100.16	9,666.98
Less : Depreciation			4,756.58	4,222.32
Net Block			5,343.58	5,444.66
(b) Capital Work In Progress			3,049.90	158.81
			8,393.48	5,603.47
(2) Investments :	7			
(a) In Associate			0.00	162.90
(b) In Others			7.01	28.27
			7.01	191.17
(3) Current Assets, Loans & Advances :				
(a) Inventories	8		5,597.75	3,699.98
(b) Sundry Debtors	9		3,275.69	2,964.19
(c) Cash & Bank Balances	10		265.65	165.39
(d) Other Current Assets	11		160.76	63.05
(e) Loans & Advances	12		1,202.08	1,099.07
Sub Total (A) ->			10,501.93	7,991.68
LESS : Current Liabilities & Provisions :				
(a) Current Liabilities	13		4,724.96	2,772.20
(b) Provisions	14		509.34	276.70
Sub Total (B) ->			5,234.30	3,048.90
Net Current Assets (A - B)			5,267.63	4,942.78
(4) Misc. Expenditure (To the extent not written off or adjusted)	15		62.62	41.57
TOTAL ->			13,730.74	10,778.99
Significant Accounting Policies	22			
Notes to Financial Statements	23			

This is the Balance Sheet referred to in our report of even date

For KANTILAL PATEL & CO.  
Chartered Accountants

Mayank S. Shah  
Partner

Place : Ahmedabad  
Date : May 24, 2010

For and on behalf of the Board

Ramchandra R. Gandhi : Chairman  
Virendra R. Gandhi : Vice-Chairman  
Rajesh R. Gandhi : Managing Director  
Devanshu L. Gandhi : Managing Director  
Nikhil Patel : Company Secretary

Place : Ahmedabad  
Date : May 24, 2010



## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	SCHEDULE		Year Ended 31.03.2010 (Rs. in Lacs)	Year Ended 31.03.2009 (Rs. in Lacs)
<b>I. INCOME :</b>				
(a) Income From Operations (Gross)	16		19,066.24	14,981.92
Less : Excise Duty on sales			0.89	1.70
Net Turnover			19,065.35	14,980.22
(b) Other Income	17		151.04	125.77
(c) Increase / (Decrease) in stock	18		1,243.62	833.29
Total			20,460.01	15,939.28
<b>II. EXPENDITURE :</b>				
(a) Materials Consumed and Purchase of goods	19		12,446.75	9,479.66
(b) Manufacturing & Other Expenses	20		5,959.35	5,020.13
(c) Financial Expenses (Net)	21		616.65	734.01
(d) Depreciation			594.31	512.24
Less : Withdrawn From Revaluation Reserve / Deferred Govt. Grant			23.77	24.57
Total			570.54	487.67
Total			19,593.29	15,721.47
III. Profit before Exceptional & Prior year items			866.72	217.81
IV. Prior Years' Adjustments (Net)			(0.05)	17.11
V. Profit before Tax			866.67	234.92
VI. Provision for Tax				
- Current / MAT			337.24	29.20
- Deferred			(28.49)	72.00
- Fringe Benefit Tax			0.00	14.50
- (Short) / Excess Provision of Tax / Deferred Tax of earlier years (Net)			(5.47)	(10.24)
VII Profits applicable to minority interest			0.27	0.32
viii Share in Profit/(Loss) of Associate			0.00	1.59
IX. Net Profit after Tax			552.18	110.25
X Profit Brought Forward			240.76	236.42
Amount available for appropriation			792.94	346.67
<b>Appropriations :</b>				
(a) General Reserve			395.00	5.00
(b) Proposed Dividend			107.82	86.25
(c) Tax on Proposed Dividend			17.91	14.66
(d) Balance carried to Balance Sheet			272.21	240.76
Total			792.94	346.67
Basic and Diluted Earnings Per Share of Rs. 10/- each			7.68	1.53
Significant Accounting Policies	22			
Notes to Financial Statements	23			

This is the Profit & Loss Account referred to in our report of even date

For KANTILAL PATEL & CO.  
Chartered Accountants

Mayank S. Shah  
Partner

Place : Ahmedabad  
Date : May 24, 2010

For and on behalf of the Board

Ramchandra R. Gandhi : Chairman  
Virendra R. Gandhi : Vice-Chairman  
Rajesh R. Gandhi : Managing Director  
Devanshu L. Gandhi : Managing Director  
Nikhil Patel : Company Secretary

Place : Ahmedabad  
Date : May 24, 2010



**CONSOLIDATED CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET**

		For the year ended 31.03.2010 (Rs. in Lacs)	For the year ended 31.03.2009 (Rs. in Lacs)
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net profit before tax and Exceptional Items	866.72		217.81
Adjusted for			
Depreciation	594.31		512.24
Withdrawn From Revaluation Reserve / Deferred Government Grant	(23.77)		(24.57)
Loss / (Profit) on sale of Assets	(8.62)		(5.37)
Loss / (Profit) on sale of Investments	(6.60)		(0.39)
Provision For Doubtful Advances	0.29		0.22
Bad Debts Written Off	0.32		2.30
Voluntary Retirement Scheme	11.87		14.14
Upfront Interest on restructuring of Loan	7.13		7.58
Diminution in value of Current Investments	(0.11)		0.17
Diminution in value of Long Term Investments	6.53		0.00
Exchange Rate Difference on Consolidation	1.26		0.00
Excess Provision written back	(13.26)		(19.30)
Dividend	(0.24)		(0.24)
Financial Expenses (Net)	616.65		734.01
Operating Profit before working capital changes	2,052.48		1,438.60
Adjusted for			
Trade and other Receivables	(448.54)		(172.83)
Inventories	(1,897.77)		(613.92)
Trade Payables and Liabilities	1,948.36		(45.18)
Deferred Revenue Expenditure (VRS)	(40.93)		(20.63)
Cash Generated from Operations	1,613.60		586.04
Direct taxes (paid / adjusted)	(128.06)		(104.76)
Cash flow before extraordinary items	1,485.54		481.28
Net Prior Year Expenses	(0.05)		0.00
Net Cash from Operating Activities		1,485.49	481.28
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>			
Loans given (Net)	27.98		(0.86)
Purchase of fixed assets	(3,356.76)		(794.36)
Sale of fixed assets	11.18		9.08
Purchase of Investments	(35.04)		(21.78)
Sale of Investments	168.75		2.80
Interest received	99.87		107.15
Dividend received	0.24		0.24
Net Cash used in Investing Activities		(3,083.78)	(697.73)
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings	5,643.29		2,297.80
Repayment of borrowings	(3,051.32)		(1,169.85)
Interest paid	(829.61)		(817.39)
Dividend paid	(98.74)		(99.06)
Net Cash used in Financing Activities		1,663.62	211.50
Net Increase/(Decrease) in cash and Cash equivalents (A+B+C)		65.33	(4.95)
Op. Balance of Cash and Cash Equivalents (Includes unrealised exchange difference of Rs. 2.42 lacs (P.Y. Rs. 1.14 lacs))		144.68	149.63
Cl. Balance of Cash and Cash Equivalents (Includes unrealised exchange difference of Rs. 2.06 lacs (P.Y. Rs. 2.42 lacs))		210.01	144.68
<b>Major Components of Cash and Cash Equivalents as at</b>		<b>31.03.2010</b>	<b>31.03.2009</b>
Cash and Cheques on hand		32.94	20.52
Balance With Banks			
On Current Accounts		74.99	53.18
On Fixed / Margin Money Deposit Accounts		102.08	70.98
		<u>210.01</u>	<u>144.68</u>

Notes :

- The above Cash Flow has been prepared under Indirect Method set out in AS 3, issued by Companies (Accounting Standard) Rules, 2006.
- Figures in brackets represents outflow.
- Previous Year figures have been restated wherever necessary to make them comparable with current year figures.

This is the Cash Flow Statement referred to in our report of even date

For KANTILAL PATEL & CO.  
Chartered Accountants

Mayank S. Shah  
Partner  
Place : Ahmedabad  
Date : May 24, 2010

For and on behalf of the Board

Ramchandra R. Gandhi : Chairman  
Virendra R. Gandhi : Vice-Chairman  
Rajesh R. Gandhi : Managing Director  
Devanshu L. Gandhi : Managing Director  
Nikhil Patel : Company Secretary

Place : Ahmedabad  
Date : May 24, 2010



**SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

	As At 31.03.2010 (Rs. in Lacs)	As At 31.03.2009 (Rs. in Lacs)
<b>SCHEDULE : 1 SHARE CAPITAL</b>		
AUTHORISED :		
1,00,00,000 Equity Shares of Rs. 10/- each	1,000.00	1,000.00
	<u>1,000.00</u>	<u>1,000.00</u>
ISSUED AND SUBSCRIBED :		
71,88,230 (P.Y. 71,88,230) Equity Shares of Rs. 10/- each	718.82	718.82
	<u>718.82</u>	<u>718.82</u>
PAID UP :		
71,87,830 (P.Y. 71,87,830) Equity Shares of Rs. 10/- each	718.78	718.78
	<u>718.78</u>	<u>718.78</u>

**SCHEDULE : 2 RESERVES & SURPLUS**

	Balance As at 01.04.2009 (Rs. in Lacs)	Addition During the Year (Rs. in Lacs)	Deduction/ Adjustment During the year (Rs. in Lacs)	Balance As at 31.03.2010 (Rs. in Lacs)
1. Capital Reserve	55.25 (55.23)	0.00 (0.02)	46.41 (0.00)	8.84 (55.25)
2. Securities Premium	487.27 (487.27)	0.00 (0.00)	0.00 (0.00)	487.27 (487.27)
3. General Reserve	1,905.00 (1,900.00)	395.00 (5.00)	0.00 (0.00)	2,300.00 (1,905.00)
4. Revaluation Reserve *	123.42 (144.84)	0.00 (0.00)	20.93 (21.42)	102.49 (123.42)
5. Foreign Currency Translation Reserve	0.00 (0.00)	1.26 (0.00)	0.00 (0.00)	1.26 (0.00)
6. Profit & Loss Account	240.76 (236.42)	272.21 (a) (240.76)	240.76 (b) (30.82) (236.42)	303.03 (240.76)
	2,811.70 (2,823.76)	668.47 (245.78)	277.28 (257.84)	3,202.89 (2,811.70)

NOTE: Figures shown in Bracket relate to previous year

* Opening Balance	123.43
Less : Utilised during the year	20.58
Less : Inter Unit Transfer / Sale / Discarded	0.35
	<u>102.49</u>

(a) Transferred from  
(b) Transferred to

	(Rs. in Lacs)	As At 31.03.2010 (Rs. in Lacs)	As At 31.03.2009 (Rs. in Lacs)
<b>SCHEDULE : 3 SECURED LOANS</b>			
<b>A. TERM LOANS</b>			
i) From Financial Institutions		415.63	503.13
ii) Loans from Banks	3,571.43		1,977.83
Add : Interest Accrued and due	20.82		8.06
		<u>3,592.25</u>	<u>1,985.89</u>
iii) Loans from Others (Principal repayable within One year Rs. 448.63 Lacs (P.Y. Rs. 436.51 Lacs))		2.09	2.97
<b>B. WORKING CAPITAL LOANS</b>			
From Banks	3,197.51		2,933.33
Add : Interest Accrued and due	4.81		0.00
		<u>3,202.32</u>	<u>2,933.33</u>
		<u>7,212.29</u>	<u>5,425.32</u>

	(Rs. in Lacs)	As At 31.03.2010 (Rs. in Lacs)	As At 31.03.2009 (Rs. in Lacs)
<b>SCHEDULE : 4 UNSECURED LOANS</b>			
Fixed Deposits	972.80		892.21
Add: Interest accrued and Due (Repayable within One year Rs. 621.90 Lacs (P.Y. Rs. 492.47 Lacs)	16.00	988.80	15.35
Inter Corporate Deposits		663.14	50.70
Security Deposits from Customers		56.70	45.28
Development Credit Bank Ltd (Short Term Loan)		299.90	200.00
		<u>2,008.54</u>	<u>1,203.54</u>
<b>SCHEDULE : 5 DEFERRED TAX LIABILITY (NET)</b>			
Deferred Tax Liability			
Difference between Book and Income Tax Depreciation		587.98	603.71
Other Timing Difference		10.89	14.69
		<u>598.87</u>	<u>618.40</u>
Deferred Tax Assets Expenditure under section 43 B of the Income Tax Act, 1961		34.25	28.74
Other Timing Difference		15.43	11.98
		<u>49.68</u>	<u>40.72</u>
Deferred Tax Liability (Net)		<u>549.19</u>	<u>577.68</u>

<b>SCHEDULE : 6 FIXED ASSETS</b>							
<b>(Rs. in Lacs)</b>							
	GROSS BLOCK (AT COST / REVALUED)			DEPRECIATION	NET BLOCK		
	As At 31.03.2009	Addition	Deduction		As At 31.03.2010	Up to 31.03.2010	As At 31.03.2010
Land (Freehold)	164.66	0.00	0.00	164.66	0.00	164.66	166.06
Land (Leasehold)	156.18	0.00	0.00	156.18	1.79	154.39	154.78
Buildings	2,156.52	72.68	0.00	2,229.20	524.93	1,704.27	1,684.88
Plant & Machinery	6,602.20	361.55	54.31	6,909.44	3,774.62	3,134.82	3,283.31
Furniture & Fixtures	132.00	0.14	0.00	132.14	105.54	26.60	30.89
Office Equipments	309.21	18.90	0.50	327.61	250.73	76.88	67.71
Vehicles	146.21	42.87	8.15	180.93	98.97	81.96	57.03
	<u>9,666.98</u>	<u>496.14</u>	<u>62.96</u>	<u>10,100.16</u>	<u>4,756.58</u>	<u>5,343.58</u>	<u>5,444.66</u>
Previous year	8,422.63	1,276.60	32.25	9,666.98	4,222.32	5,444.66	4,666.86
Capital W I P	158.81	3,049.90	158.81	3,049.90	0.00	3,049.90	158.81
Previous Year	641.05	158.81	641.05	158.81	0.00	158.81	641.05

**NOTES :**

- I. Land & Building includes Rs. 29.43 lacs (P.Y. Rs. 29.43 lacs) & Rs. 151.61 lacs (P.Y. Rs. 151.61 lacs) respectively in process of being transferred in the name of the company.
- II. a. Building includes House Building of Rs. 12.90 lacs (Gross) (P.Y. Rs. 12.90 lacs) acquired against loan which is yet to be transferred in the name of the company.  
b. The Value of Building acquired against loan includes cost of documentation charges.
- III. On Identification, Free hold land of Rs 1.41 Lacs has been reclassified as Lease hold land
- IV. Borrowing cost capitalised during the year and shown in additions to fixed assets Rs. Nil (P.Y. Rs Nil) and in additions to Capital work in progress Rs. 23.61 Lacs (P.Y. Rs. Nil)
- V. Estimated amount of contracts (Net Amount) remaining to be executed on capital account not provided for Rs. 506.46 Lacs (P.Y. Rs. 20.78 lacs)
- VI Capital Work in progress includes -
  - i) Rs.2168.00 Lacs (P.Y. Rs 132.46 Lacs) on account of Construction materials at site
  - ii) Rs. 800.84 Lacs (P.Y. Rs 26.35 Lacs) on account of Capital Advances
  - iii) Rs. 81.06 Lacs (P.Y. Rs Nil) on account of Preoperative expenses

	(Rs. In lacs)	31.03.2010 (Rs. In lacs)	31.03.2009 (Rs. In lacs)
Preoperative Expenses			
a Opening balance		0.00	33.13
b Add :			
Expenses incurred towards acquisition of fixed assets	27.84		0.00
Interest Capitalised	53.22		0.00
c Less :		81.06	0.00
Capitalised during the year		0.00	33.13
d Closing balance		<u>81.06</u>	<u>0.00</u>



VI	Adjusted Depreciation upto 01.04.2009	4,222.32
	Add : Depreciation for the Year	594.31
		<u>4,816.63</u>
	Less : Depreciation adjusted on Assets Sold / Discarded / Transferred during the Year	60.05
		<u>4,756.58</u>

	Face Value in Rs.	No of Units / Shares	As At 31.03.2010 (Rs. in Lacs)	No of Units / Shares	As At 31.03.2009 (Rs. in Lacs)
<b>SCHEDULE : 7 INVESTMENTS (At or below Cost)</b>					
I	In Associate				
	Vadilal Chemicals Ltd.	10.00	0	1473100	162.90
	(Including Rs 46.41 lacs of capital reserve after adjusting Rs 15.14 lacs in share of accumulated losses upto 31.03.2002)		0.00		208.45
	Less : Accumulated Losses since 2002-03 Onwards		0.00		45.55
II	Others				
A	Long Term Investments				
1	In Government / Other Securities				
	Unquoted				
	(i) 7 Year National Saving Certificates (Lodged with Govt. Authorities)	0.00	0	0	0.28
2	Trade Investments				
a)	In Equity Shares				
	Unquoted				
	(i) Vadilal Happinezz Parlour Ltd.	10.00	72500	72500	7.25
	(ii) Vadilal Gases Ltd.	10.00	0	165000	14.84
	(iii) Majestic Farm House Ltd.	10.00	74100	74100	1.87
b)	Other Investments				
	Equity Shares - other than trade				
	Unquoted				
	(i) Textile Traders Co-op Bank Ltd.	25.00	4195	4195	1.05
	(ii) Siddhi Co-op. Bank Ltd.	25.00	3540	3540	0.89
				11.34	26.18
	Less : Diminution of Long Term Investments		6.53		0.00
	Total (A)		4.81		26.18
B	Current Investments				
	In Equity Shares				
	Quoted				
	(i) Aminex Chemicals Ltd.	10.00	400	400	0.04
	(ii) Century Enka Ltd	10.00	15	15	0.06
	(iii) Essar Steel Ltd.	10.00	60	60	0.01
	(iv) Golden Agro Tech Ind Ltd	10.00	200	200	0.02
	(v) Great Eastern Shipping Co Ltd	10.00	100	100	0.04
	(vi) Great Offshore Ltd	10.00	25	25	0.01
	(vii) Interface Financial Services Ltd.	1.00	25000	25000	2.00
	(viii) Matrix Laboratories Ltd	2.00	120	120	0.64
	(ix) Radhe Developers Ltd (Previous year Rs. 10/-)	1.00	49000	4900	0.49
	(x) Saket Projects Ltd	10.00	2500	2500	0.25
	(xi) Sanara Media Ltd. (500000 bonus shares received during the year)	1.00	900000	400000	1.24
				4.80	4.80
	Less : Diminution in value of Investments		2.60		2.71
	Total (B)		2.20		2.09
	Total (A+B)		7.01		28.27
	Total (I+II)		7.01		191.17

	As At 31.03.2010 (Rs. in Lacs)	As At 31.03.2009 (Rs. in Lacs)
<b>SCHEDULE : 8 INVENTORIES</b>		
Stores & Spares	172.34	150.26
Raw Materials	1,060.48	682.16
Packing Materials	760.18	507.21
Finished Goods (Includes Goods in Transit)	3,604.75	2,360.35
(Includes Goods in Transit Rs. 120.43 Lacs P.Y. Rs. 88.42 Lacs))	<u>5,597.75</u>	<u>3,699.98</u>





	As At 31.03.2010 (Rs. in Lacs)	As At 31.03.2009 (Rs. in Lacs)
<b>SCHEDULE : 9 DEBTORS (UNSECURED)</b>		
Outstanding over six months Considered Good	11.60	6.81
Considered Doubtful	0.37	0.22
Less : Provided for :	0.37	0.22
	<u>0.00</u>	<u>0.00</u>
Others		
Considered Good	3,264.09	2,957.38
	<u>3,275.69</u>	<u>2,964.19</u>
<b>SCHEDULE : 10 CASH &amp; BANK BALANCES</b>		
Cash Balance	32.94	20.52
(Including cheques on hand / DD in transit Rs. 9.32 Lacs (P.Y. Rs. 3.16 Lacs))		
Bank Balances.		
(a) With Scheduled Banks.		
In Current Accounts	66.06	41.42
In Fixed / Margin Money Deposit Accounts *	157.72	91.69
In Unpaid Dividend A/c	8.93	6.76
Out of which deposit of Rs. 134.77 Lacs (P.Y. Rs. 68.97 Lacs) pledged with scheduled banks)		
(b) With Others		
Siddhi Co-operative Bank Ltd.		
In Fixed / Margin Money Deposit Accounts. (Maximum amount outstanding at any time during the year Rs. 5.09 Lacs (P.Y. Rs. 5.00 Lacs))	0.00	5.00
	<u>265.65</u>	<u>165.39</u>
<b>SCHEDULE : 11 OTHER CURRENT ASSETS</b>		
Interest Receivable	160.76	63.05
	<u>160.76</u>	<u>63.05</u>
<b>SCHEDULE : 12 LOANS &amp; ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	381.17	327.63
Considered Doubtful	9.50	9.50
Less : Provided for :	9.50	9.50
	<u>0.00</u>	<u>0.00</u>
	381.17	327.63
Staff Loan	11.73	8.25
Deposits with Government Authorities	183.21	107.96
Other Trade / Security Deposits	417.57	413.41
Advance Income Tax less Provision (Current Tax)	47.44	52.88
MAT Tax Entitlement	9.20	9.20
Loans in Current Account	151.76	179.74
	<u>1,202.08</u>	<u>1,099.07</u>
<b>SCHEDULE : 13 CURRENT LIABILITIES</b>		
Sundry Creditors	2,144.75	1,218.55
Other Liabilities	760.54	504.56
Bills Payable	1,640.99	896.75
Advances From Customers	27.76	17.71
Interest accrued but not due on loans	86.14	71.92
Temporary Overdraft in Current A/C with Banks	0.00	31.85
Due to Managing Directors	25.33	1.90
Unclaimed Dividends *	8.92	6.75
Unpaid Matured Deposits *	26.39	19.16
Interest on Deposits *	4.14	3.05
* Does not include any amounts outstanding as on 31.03.2010 which are required to be credited to Investor Education and Protection Fund	<u>4,724.96</u>	<u>2,772.20</u>
* These figures includes Rs. 0.15 lacs (P.Y. Rs 0.15 lacs) due and outstanding as on date 31.03.2010, which is held in abeyance due to legal case pending		



		As At 31.03.2010 (Rs. in Lacs)	As At 31.03.2009 (Rs. in Lacs)
<b>SCHEDULE : 14 PROVISIONS</b>			
Employee Benefits		127.77	111.44
Income Tax Less Advance Tax (Current Tax)		239.19	25.48
Fringe Benefit Tax		0.00	4.50
Proposed Dividend		107.82	86.25
Tax on Proposed Dividend		17.91	14.66
Other Provisions		16.65	34.37
		<u>509.34</u>	<u>276.70</u>
<b>SCHEDULE :15 MISCELLANEOUS EXPENDITURE</b>			
Employees seperation cost		0.00	11.88
Upfront Interest on restructuring of loan		2.21	4.70
Ancilliary Cost incurred in connection with Term Loan Borrowings		60.41	24.99
		<u>62.62</u>	<u>41.57</u>
	Unit of Measurement	Year Ended 31.03.2010 (Qty) (Rs. in Lacs)	Year Ended 31.03.2009 (Qty) (Rs. in Lacs)
<b>SCHEDULE : 16 INCOME FROM OPERATIONS</b>			
Sales			
Ice Cream & Frozen Desserts	K. Ltrs	31394 15,509.43	26376 12,445.12
Fruit Pulp, Frozen Fruits & Vegetables	M.Tonnes	6044 3,340.57	4953 2,343.36
Others		- 211.41	- 191.04
Income from Money Changing business		4.83	2.40
Sales includes Export Benefits / Licence / DEPB Rs. 136.77 Lacs (P.Y. Rs 134.56 Lacs) and (Discount) / Premium on settlement of Foreign Exchange Contracts Rs. 113.00 lacs (P.Y. (Rs. 570.14 Lacs) )			
		<u>19,066.24</u>	<u>14,981.92</u>
		(Rs. in Lacs)	(Rs. in Lacs)
<b>SCHEDULE : 17 OTHER INCOME</b>			
Profit on Sale of Fixed Assets		8.62	5.37
Profit on Sale of Long Term Investments		6.60	0.00
Excess Provision Written Back		13.26	19.30
Miscellaneous Income		67.16	90.25
Foreign Exchange Rate Fluctuation		55.16	10.61
Dividend (Gross)			
On Long Term Investments		0.24	0.24
		<u>151.04</u>	<u>125.77</u>
<b>SCHEDULE : 18 INCREASE / (DECREASE) IN STOCK</b>			
Closing stock :			
Finished Goods		3,604.75	2,360.35
Less : Excise Duty		1.18	0.40
		<u>3,603.57</u>	<u>2,359.95</u>
Opening Stock :			
Finished Goods		2,360.35	1,527.28
Less : Excise Duty		0.40	0.62
		<u>2359.95</u>	<u>1,526.66</u>
		<u>1,243.62</u>	<u>833.29</u>
<b>SCHEDULE : 19 MATERIALS CONSUMED AND PURCHASE OF GOODS</b>			
Raw & Packing Materials Consumption		11,756.45	9,382.46
Purchase of Finished Goods		690.30	97.20
		<u>12446.75</u>	<u>9479.66</u>
<b>SCHEDULE : 20 MANUFACTURING AND OTHER EXPENSES</b>			
Employees' Expenses			
Salary, Wages, Allowances, Gratuity & Bonus, etc		973.68	760.33
Contribution to Provident & other Funds		65.54	53.66
Staff Welfare Expenses		56.67	60.35
		<u>1095.89</u>	<u>874.34</u>



	Year Ended 31.03.2010 (Rs. in Lacs)	Year Ended 31.03.2009 (Rs. in Lacs)
Excise Duty Others	35.67	53.61
Job Charges	825.27	628.90
Power & Fuel	1,477.75	1,275.86
Stores & Spares Consumption	47.06	34.10
Warehouse Charges	136.88	77.39
Repairs		
Building	39.85	47.94
Machinery	132.09	167.00
Others	52.12	53.19
Other Manufacturing Expenses	85.60	57.00
Rent	33.21	30.70
Rates & Taxes	13.55	11.57
Insurance	27.84	34.35
Donation	0.63	2.22
Vehicle Repairs & Petrol Expenses	64.49	62.93
Research & Development Expenses	6.12	6.28
Directors' Sitting Fees	2.90	1.96
Travelling (Includes Directors Travelling Rs. 14.14 Lacs (P.Y. Rs 13.75 Lacs)	81.71	80.10
Freight, Forwarding and other Distribution expenses	1,272.05	1,079.33
Sales & Turnover Tax and VAT	16.89	29.76
Advertisement & Sales Promotion	19.40	20.89
Sales Commission and Brokerage	9.35	8.15
Provision for Doubtful Debts and Advances	0.29	0.22
Bad debts	0.32	2.30
Diminution in Value of Short Term Investments	(0.11)	0.17
Diminution in Value of Long Term Investments	6.53	0.00
Sundry Balance Written Off / Settlement of claims	28.60	0.00
Royalty	46.87	1.41
Other Expenses (Including Legal & Professional, Conveyance, Telephone, Postage, Printing & Stationery, Reuters Fess, etc)	400.53	378.46
	<u>5,959.35</u>	<u>5,020.13</u>
<b>SCHEDULE : 21 FINANCIAL EXPENSES (NET)</b>		
Fixed Loans	296.63	303.97
Bank Overdrafts	170.55	257.98
Fixed Deposits	97.16	83.80
Others	51.57	11.00
Bill Discounting Charges	124.97	101.61
Brokerage & Other Financial Charges	73.35	75.26
	<u>814.23</u>	<u>833.62</u>
Less : Interest Income (TDS Rs. 18.61 lacs (P.Y. Rs. 18.68 lacs)	197.58	99.61
	<u>616.65</u>	<u>734.01</u>

#### SCHEDULE : 22

#### STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES :

##### A) ACCOUNTING CONVENTION :

The consolidated financial statements have been prepared in accordance with Accounting standard 21 (AS 21) "Consolidated Financial Statements" and Accounting standards 23 (AS 23) - "Accounting for investments in associates" issued by the Institute of Chartered Accountants of India.

##### B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements relate to "Vadilal Industries Ltd." (The parent Company), Enterprise under the control of a parent and Vadilal Industries (USA) Inc., a subsidiary company (w.e.f. 11 August 2009) and Vadilal Chemicals Ltd., an associate company (upto 1st September 2009 only). The consolidated statements have been prepared on the following basis.

- The financial statements have been combined on a line -by-line basis by adding together the book values of like items of Assets, Liabilities, Income and Expenses. The Intra-group balances and intra-group transactions and unrealised profits or losses have been fully eliminated.
- The consolidated financial statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstance and are presented to the extent possible, in the same manner as the parent company's separate financial statements.
- The difference between the cost/carrying amount of investments over the net assets is recognised in financial statements as goodwill or capital reserve as the case may be.
- Minority interest's share of net profit/loss of consolidated for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders.



- e) In case of associates where the company holds more than 20 % of equity ,investments in associates are accounted for using equity method in accordance with Accounting Standard - (AS 23) "Accounting for investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- f) The company accounts for its share in the change in the net assets of the associate, post Acquisition, after eliminating unrealised profit and losses resulting from transactions between the company and its associate to the extent of its share, through its profit and loss account to the extent such change is attributable to the associate's profit and loss account and through its reserves for the Balance, based on available information.
- g) The difference between the carrying amount of investments in the associate and the share of net assets at the time of acquisition of shares in the associate is identified in the financial statements as goodwill or capital reserve as the case may be.
- h) Financial statement of non-integral foreign operations translated into Indian rupees pursuant to Accounting Standards 11 (AS-11) (revised 2003) "The effects of changes in foreign currency rate are as follows:
- 1) Revenues and expenses are translated into Rupees at the average of monthly average exchange rates, which is not as per requirements of AS-11, but having no material effect on the results of consolidated accounts.
  - 2) All balance sheet items are translated into rupees using the year end exchange rate.
  - 3) All resulting exchange differences are accumulated in a Foreign currency Translation Reserve Account.

C) Investments other than in subsidiaries and associates have been accounted as per Accounting standard 13 on Accounting for Investments.

**D) OTHER SIGNIFICANT ACCOUNTING POLICIES :**

These are setout in the notes to financial statements under "Statement of accounting policies" of the financial statements of Vadilal Industries Ltd.

**SCHEDULE : 23**

**NOTES TO FINANCIAL STATEMENTS**

**1) Enterprises considered in the consolidated financial statements are :**

Name	Country of Incorporation	Proportion of ownership interest
Vadilal Industries (USA) Inc.*	USA	100.00 %

**2) Enterprises considered in the consolidated financial statements are :**

Name	Country of Incorporation	Proportion of ownership interest
Vadilal Cold Storage	India	98.00 %

**3) The associate considered in the consolidated financial statement is :**

Name	Country of Incorporation	Proportion of ownership interest
Vadilal Chemicals Ltd.**	India	30.22 %

\* w.e.f. 11th August 2009.

\*\* Only Upto 1st September 2009.

4) The original cost of investments in associate, Vadilal Chemicals Ltd. has been substituted during the year 2002-03 by adjusting / writing off diminution in value aggregating to Rs. 63.36 lacs against Securities Premium Account. Capital Reserve has been accordingly worked out considering the carrying amount instead of original cost. Share of net profit/ (losses) in associate after relationship up to 31.03.2002 amounting to Rs. 15.14 lacs is reduced from capital reserve arising on such reworking.

**5) CONTINGENT LIABILITIES NOT PROVIDED FOR :**

	<u>C. Year</u>	<u>P. Year</u>
	(Rs. in Lacs)	
I) Guarantees given by the company against Term Loans given to companies in which Directors are interested .	1245.00	1245.00
Outstanding against this as at 31.03.2010	332.39	528.81
II) i) <b>For Excise -</b>		
a) Related to a matter decided in favour of the company, against which the Excise department has preferred an appeal. Gross Rs. 18.03 lacs (P.Y. Rs. 18.03 lacs) Net of Tax	11.90	11.90
b) Related to a matter which is disputed by the company against which appeal is preferred. Gross Rs. 1.53 lacs (P.Y.Rs. 1.53 lacs) Net of Tax	1.01	1.01
ii) <b>For Income Tax -</b>		
a) which is disputed by the company and against which company has preferred appeal, based on the demand notices raised by Income Tax Dept. and received by the company.	4.49	7.27
b) Against which Income Tax department has preferred appeal (as per information available with the company)	125.10	3.12
c) In respect of erstwhile Vadilal Financial Services Limited (VFSL) Income Tax Demand (including interest) for which the company has preferred appeal.	3.75	10.36
iii) <b>For Sales Tax -</b>		
Disputed by the company and against which company has preferred an appeal. Gross Rs 83.86 lacs (P.Y. Rs. 68.37 lacs) Net of Tax	55.36	45.13
iv) <b>For other Matters -</b>		
Gross Rs 1.66 lacs (P.Y. Rs.1.66 lacs)		



	Net of Tax	1.10	1.10
v)	In respect of other labour suits pending before various courts, liability is unascertainable.	—	—
vi)	Differential amount of custom/excise duty in respect of machinery imported under EPCG scheme.	660.16	390.85
Note:a)	Future cash outflows in respect of A (II) (i) to (v) above depends on ultimate settlement / conclusions with the relevant authorities.		
b)	Future cash outflows in respect of A (II) (vi) above depends if company is unable to fulfill export obligations of Rs. 3960.95 (P.Y. Rs. 2497.97 Lacs) within next eight to twelve years.		
6)	<b>a) Operating Lease:-</b>		
i)	The company has taken various residential, office and godown premises under operating lease or leave and licence agreements. These are generally not non-cancellable and range between 11 months and 36 months under leave and licence or longer for other leases and are renewable by mutual consent on mutually agreeable terms. The company has given refundable interest free Security deposits under certain agreements.		
ii)	Lease payments are recognised as expense in the Profit & Loss Statement on a straight line basis over the lease term under "Rent" in Schedule 20 "Manufacturing and Other Expenses."		
iii)	The future minimum estimated operating lease payments under non-cancellable operating lease :		
	Particulars	Not later than one year	Later than one year & not later than five years
	Total of minimum lease payments	181.45 (202.70)	55.55 (188.50)

Note: Figures in brackets relate to previous year.

7) The company has written down the inventories to net realisable value during the year by Rs. 18.83 Lacs (Previous year Rs. 42.96 Lacs ).

**8) SEGMENT INFORMATION :**

**A PRIMARY SEGMENT - BUSINESS SEGMENT :**

[Rs. in Lacs]

SR. NO.	PARTICULARS	ICE CREAM	PROCESSED FOODS	OTHERS	ELIMINATION	TOTAL
a)	<b>SEGMENT REVENUE</b>					
	External Sales	15510.78	3340.57	214.89		19066.24
		(12,446.84)	(2,343.36)	(191.72)		(14981.92)
	Inter segment		102.53		-102.53	0.00
			(72.07)		(-72.07)	0.00
	Other segment Income	78.34	65.62	0.42		144.38
		(90.32)	(31.26)	(2.32)		(123.90)
	Total segment revenue	15589.12	3508.72	215.31	-102.53	19210.62
		(12537.16)	(2446.69)	(194.04)	(-72.07)	(15105.82)
b)	<b>SEGMENT RESULTS</b>	1494.01	133.43	5.08		1632.52
		(1,405.56)	(-308.02)	(11.07)		(1108.61)
	Unallocated Expenditure net of unallocated income					149.20
						(139.68)
	Operating profit					1483.32
						(968.93)
	Interest Expense ( Net )					616.65
						(734.01)
	Taxation for the year					
	- Current /MAT Tax					337.24
						(29.20)
	- Deferred Tax					-28.49
						(72.00)
	- Fringe Benefit Tax					0.00
						(14.50)
	- Short/Excess provision of I.Tax of earlier years					5.47
						(10.24)
	- Minority Interest					0.27
						(0.32)
	- Share in Profit/Loss of Associate					0.00
						(1.59)
	Net Profit/ (Loss)					552.18
						(110.25)
	<b>TOTAL CARRYING AMOUNT OF</b>					
c)	<b>SEGMENT ASSETS</b>	12401.28	5797.17	186.54		18384.99
		(8456.77)	(4533.79)	(154.04)		(13144.60)
	Unallocated Assets					517.43
						(641.73)
	Total Assets					18902.42
						(13786.33)



d) <b>SEGMENT LIABILITIES</b>	4173.82	617.89	36.99	4828.70
	(2547.83)	(312.12)	(28.06)	(2888.01)
Unallocated liabilities				10175.62
Total Liabilities				(7,367.44)
				15004.32
				(10,255.45)
e) Cost incurred during the period to acquire segment fixed assets	3301.22	227.49	17.33	3546.04
	(721.25)	(713.65)	(0.51)	(1435.41)
f) Depreciation/Amortisation	441.16	117.84	6.26	565.26
	(371.59)	(130.19)	(5.17)	(506.95)
g) Non cash expenses other than depreciation/amortisation	0.59	0.02	0.00	0.61
	(0.80)	(1.72)	(0.00)	(2.52)

Note : Figures in brackets relate to previous year.

#### B SECONDARY SEGMENT - GEOGRAPHICAL SEGMENT :

Segment revenue by geographical area based on geographical location of customers :  
(Rs. in Lacs)

Geographical Area	Current Year	Previous Year
1 India	16844.55	12943.29
2 Outside India	2221.69	2038.63
	<u>19066.24</u>	<u>14981.92</u>

#### C OTHER DISCLOSURES

- a) Inter segment revenue  
Inter segment transfers have been recognized at cost price.
- b) Business Segment  
Ice Cream : Ice Cream & Frozen Dessert  
Processed Food : Mango Pulp, Frozen Fruit, Pulp, vegetable & Ready to eat/serve food  
Others : Forex management, Money changing and Cold Storage
- c) The company's operating facilities are located in India.
- 9) The figure of the subsidiary company, partnership firm, enterprise under control of the company is considered on the basis of its unaudited financial statements.

#### 10) RELATED PARTY DISCLOSURES :

##### A) Name of related party and description of the relationship with whom transactions taken place.

- 1) Associates :  
Vadilal Chemicals Ltd. (Upto 1st Sept.2009)
- 2) Key Management Personnel :  
i) Virendra R Gandhi  
ii) Rajesh R Gandhi  
iii) Devanshu L Gandhi
- 3) Enterprises owned or significantly influenced by key management personnel or their relatives :  
i) Vadilal Enterprises Ltd. ii) Vadilal International Pvt. Ltd.  
iii) Kalpit Reality & Services Ltd. iv) Vadilal Happiness Parlour Ltd.  
v) Veronica Construction Pvt.Ltd. vi) Padm Complex Pvt.Ltd.  
vii) Majestic Farm House Ltd. viii) Volute Construction Pvt. Ltd.  
ix) Valiant Constructions Pvt. Ltd.
- 4) Relative of key Management Personnel : Mamta R Gandhi

##### B) Transaction with related parties :

Sr. No.	Particulars of Transaction & Name of Related Party with whom transactions are more than 10%	Associates	Relatives of Key Management Personnel	(Rs. in Lacs)	
				Enterprises owned or significantly influenced by Key Management personnel or their relatives	Total
1	Sales :				
	i) Vadilal Enterprises Ltd.	-	-	15843.47	15843.47
	ii) Others	(-)	(-)	(12,704.88)	(12704.88)
		(-)	(-)	49.87	49.87
				(47.46)	(47.46)
2	Purchase :				
	i) Vadilal Chemicals Ltd.	4.40	0.00	0.00	4.40
		(9.24)	(0.00)	(0.00)	(9.24)
3	Rent Income :				
	Vadilal Enterprises Ltd.	0.00	0.00	0.90	0.90
		(0.00)	(0.00)	(0.90)	(0.90)



Sr. No.	Particulars of Transaction & Name of Related Party with whom transactions are more than 10%	Associates	Relatives of Key Management Personnel	Enterprises owned or significantly influenced by Key Management personnel or their relatives	Total
4	Interest paid :				
	i) Vadilal Happinezz Parlour Ltd.	0.00 (0.00)	0.00 (0.00)	1.23 (1.14)	1.23 (1.14)
	ii) Padm Complex Pvt. Ltd.	0.00 (0.00)	0.00 (0.00)	3.77 (4.01)	3.77 (4.01)
5	Salary paid :				
	Mamta R. Gandhi	0.00 (0.00)	1.23 (1.08)	0.00 (0.00)	1.23 (1.08)
6	Interest Income :				
	Vadilal International Pvt. Ltd.	0.00 (0.00)	0.00 (0.00)	3.75 (3.81)	3.75 (3.81)
7	Royalty paid/payable :				
	Vadilal International Pvt. Ltd.	0.00 (0.00)	0.00 (0.00)	46.87 (1.41)	46.87 (1.41)
8	Corporate guarantee given :				
	i) Valiant Constructions Pvt. Ltd.	0.00 (0.00)	0.00 (0.00)	100.00 (200.00)	100.00 (200.00)
	ii) Padm Complex & Volute Constructions (Jointly provided)	0.00 (0.00)	0.00 (0.00)	10150.00 (0.00)	10150.00 (0.00)
9	Intercorporate Deposit Received				
	Veronica Constructions Pvt. Ltd.	0.00 (0.00)	0.00 (0.00)	350.00 (0.00)	350.00 (0.00)
	Kalpit Realty & Services Ltd.	0.00 (0.00)	0.00 (0.00)	250.00 (0.00)	250.00 (0.00)
10	Intercorporate Deposit Re-Paid				
	Veronica Constructions Pvt. Ltd.	0.00 (0.00)	0.00 (0.00)	250.00 (0.00)	250.00 (0.00)
	Kalpit Realty & Services Ltd.	0.00 (0.00)	0.00 (0.00)	100.00 (0.00)	100.00 (0.00)
11	Interest on Intercorporate Deposit				
	Veronica Constructions Pvt. Ltd.	0.00 (0.00)	0.00 (0.00)	11.09 (0.00)	11.09 (0.00)
	Kalpit Realty & Services Ltd.	0.00 (0.00)	0.00 (0.00)	7.14 (0.00)	7.14 (0.00)
12	Balance outstanding at year end :				
a)	Investments :				
	i) Vadilal Chemicals Ltd.	0.00 (162.04)	0.00 (0.00)	0.00 (0.00)	0.00 (162.04)
	ii) Others	0.00 (0.00)	0.00 (0.00)	1.87 (1.87)	1.87 (1.87)
b)	Receivable :				
	i) Vadilal Enterprises Ltd.	0.00 (0.00)	0.00 (0.00)	2861.36 (2598.33)	2861.36 (2598.33)
	ii) Vadilal International Pvt. Ltd.	0.00 (0.00)	0.00 (0.00)	375.25 * (378.20)	375.25 (378.20)
	iii) Others	0.00 (0.00)	0.00 (0.00)	25.96 (33.34)	25.96 (33.34)
c)	Payable :				
	i) Vadilal Chemicals Ltd.	19.54 (16.60)	0.00 (0.00)	0.00 (0.00)	19.54 (16.60)
	ii) Padm Complex Pvt. Ltd.	0.00 (0.00)	0.00 (0.00)	33.90 (38.96)	33.90 (38.96)
	iii) Vadilal Happinezz Parlour Ltd.	0.00 (0.00)	0.00 (0.00)	12.84 (11.73)	12.84 (11.73)
	iv) Veronica Constructions Pvt. Ltd.	0.00 (0.00)	0.00 (0.00)	109.98 (0.00)	109.98 (0.00)
	v) Kalpit Realty & Services Ltd.	0.00 (0.00)	0.00 (0.00)	156.42 (0.00)	156.42 (0.00)
	vi) Vadilal International Pvt. Ltd.	0.00 (0.00)	0.00 (0.00)	18.34 (0.00)	18.34 (0.00)
d)	Against corporate guarantee given :				
	Vadilal Enterprises Ltd.	0.00 (0.00)	0.00 (0.00)	332.39 (528.81)	332.39 (528.81)
e)	Against corporate guarantee taken :				
	i) Vadilal Enterprises Ltd.	0.00 (0.00)	0.00 (0.00)	685.72 (800.00)	685.72 (800.00)



Sr. No.	Particulars of Transaction & Name of Related Party with whom transactions are more than 10%	Associates	Relatives of Key Management Personnel	Enterprises owned or significantly influenced by Key Management personnel or their relatives	Total
ii)	Valiant Constructions Pvt. Ltd.	0.00 (0.00)	0.00 (0.00)	299.90 (200.00)	299.90 (200.00)
iii)	Padm Complex & Volute Constructions	0.00 (0.00)	0.00 (0.00)	2948.12 (200.00)	2948.12 (200.00)

Notes :

- \* a) Represents towards deposit & receivables.  
 b) Transaction of sales are shown net of VAT & S.Tax.  
 c) Figures in brackets relate to previous year.

**11) EARNINGS PER SHARE**

- a) The amount used as the numerator in calculating basic and diluted earnings per share is the net profit for the year disclosed in the profit and loss account.  
 b) The weighted average number of equity shares used as the denominator in calculating both basic and diluted earnings per share is 71,87,830.

**12) PARTICULARS OF DERIVATIVE INSTRUMENTS :**

- a) Derivative contracts entered into by the company and outstanding as on 31st March, 2010.  
 i) All derivative and financial instruments acquired by the company are for hedging.  
 ii) Foreign currency exposure that are not hedged by derivative instruments as on 31st March, 2010 -US \$2257314 equal to Rs. 1013.99 Lacs ( Previous year US \$ 336284 equal to Rs. 169.55 Lacs)  
 Euro 511228 equal to Rs. 309.65 Lacs (Previous year Euro 59876 equal to Rs. 37.82 Lacs)

13) Previous year figures have been restated wherever necessary to make them comparable with current year's figures.

Signatures to schedule 1 to 23  
 For KANTILAL PATEL & CO.  
 Chartered Accountants

For and on behalf of the Board  
 Ramchandra R. Gandhi : Chairman  
 Virendra R. Gandhi : Vice-Chairman  
 Rajesh R. Gandhi : Managing Director  
 Devanshu L. Gandhi : Managing Director  
 Nikhil Patel : Company Secretary

Mayank S.Shah  
 Partner

Place : Ahmedabad  
 Date : May 24, 2010

Place : Ahmedabad  
 Date : May 24, 2010

**Auditors' Report to The Board of Directors of VADILAL INDUSTRIES LIMITED on the Consolidated Financial Statements.**

- We have audited the attached consolidated balance sheet of **Vadilal Industries Limited**, ("the Company") and its partnership firm / Subsidiary as at **31<sup>st</sup> March 2010**, the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
- We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- We did not audit the financial statements of partnership firm and subsidiary which in aggregate represent total assets (net) as at March 31, 2010 of Rs. 328.10 lakhs and total revenues of Rs.291.72 lakhs and net cash inflows amounting to Rs. 15.97 lakhs for the year ended on that date. Above figures have been considered in Consolidated Financial Statements based solely on the unaudited separate financial statements certified by the Management.

- As stated in note 9 of schedule 23 as the audited financial statements of partnership firm and subsidiary company, are not available, we have relied upon the unaudited financial statements as provided by the management for the purpose of our examination of consolidated financial statements.
- Subject to our remark in paragraph 4 above :
  - We report that consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
  - Based on our audit and on consideration of report of other auditor on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :
    - in the case of consolidated balance sheet, the state of affairs of the company, its partnership firm and Subsidiary as at 31<sup>st</sup> March 2010;
    - in the case of the consolidated profit and loss account, of the Profit for the year ended on that date; and
    - in the case of the consolidated cash flow statement, of the consolidated cash flows for the year ended on that date.

For **KANTILAL PATEL & CO.**,  
 Chartered Accountants  
 Firm Registration No. 104744W

Place : Ahmedabad  
 Date : May 24, 2010

**Mayank S. Shah**  
 Partner  
 Membership No.: 44922







## FORM OF PROXY

### VADILAL INDUSTRIES LIMITED

Regd. Office : Vadilal House, Shrimali Society,  
Nr. Navrangpura Railway Crossing,  
Navrangpura, Ahmedabad - 380 009.

I/We \_\_\_\_\_ of \_\_\_\_\_

being a member/members of VADILAL INDUSTRIES LIMITED, hereby appoint \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_

or failing him/her \_\_\_\_\_ of \_\_\_\_\_

as my/our Proxy to vote for me/us on my/our behalf at the 26th Annual General Meeting of the members of the Company to be held on Thursday, the 30th September, 2010, at 11.00 a.m., at GICEA, Gajjar Hall, Nirman Bhavan, Opp. Law Garden, Ellisbridge, Ahmedabad - 380 006 and at any adjournment thereof.

Ledger Folio No. \_\_\_\_\_

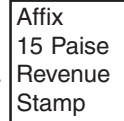
\*DP ID No. : \_\_\_\_\_

\*Client ID No. : \_\_\_\_\_

No. of Shares \_\_\_\_\_

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010

Signature.....



\* Applicable for investors holding shares in electronic form.

### IMPORTANT

- [1] This form duly completed and signed across the stamp as per specimen signature registered with the Company should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the commencement of the Meeting.
- [2] Revenue Stamp of 15 Paise is to be affixed on this form.
- [3] A Proxy need not be a member.

Tear here



## ATTENDANCE SLIP

### VADILAL INDUSTRIES LIMITED

Regd. Office : Vadilal House, Shrimali Society,  
Nr. Navrangpura Railway Crossing,  
Navrangpura, Ahmedabad - 380 009.

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL. JOINT SHAREHOLDERS MAY OBTAIN ADDITIONAL ATTENDANCE SLIP ON REQUEST.

Name	Regd Folio No. *DP ID No. and Client ID No.	No. of Shares held
Shareholder _____ _____		
Proxy _____		

I hereby record my presence at the 26th Annual General Meeting of the members of the Company on Thursday, the 30th September, 2010, at 11.00 a.m., at GICEA, Gajjar Hall, Nirman Bhavan, Opp. Law Garden, Ellisbridge, Ahmedabad - 380 006

\* Applicable for investors holding shares in electronic form.

\_\_\_\_\_  
Signature of Shareholder(s)/Proxy