



BOARD OF DIRECTORS

RAMCHANDRA R. GANDHI

Chairman

VIRENDRA R. GANDHI

Vice-Chairman & Managing Director

RAJESH R. GANDHI

DEVANSHU L. GANDHI

Managing Directors

C.M. MANIAR

- Director

M.N. VORA

- Director (upto 24-6-2007)

KSHITISH M. SHAH

- Director

ROHIT J. PATEL

- Director

NIKHIL PATEL

Company Secretary

AUDITORS

M/s. Kantilal Patel & Co.

Chartered Accountants, Ahmedabad

(A member Firm of Polaris International, USA)

BANKERS

Bank of Baroda • State Bank of India • State Bank of Travancore • South Indian Bank Ltd.

Export Import Bank of India (Exim Bank) • IDBI Ltd.

REGISTERED OFFICE & SHARE DEPARTMENT

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

Phone : 079 – 26564019 to 24 • Fax : 079 – 26564027

REGISTRAR & SHARE TRANSFER AGENT

(For Physical & Demat)

MCS Limited, 101, Shatdal Complex, 1st Floor, Opp. Bata Show Room, Ashram Road, Ahmedabad – 380 009.

Phone : 079 – 26582878 Fax : 079 – 26581296

FACTORIES

Ice-cream Division

Village Pundhra, Tal. Mansa, Dist. Gandhinagar (Gujarat)

Parsakhera Industrial Area, Bareilly (Uttar Pradesh)

Dudheshwar Road, Ahmedabad (Gujarat)

Processed Foods Division

Dharampur, Dist. Valsad (Gujarat)

Forex Division

Vadilal House, Navrangpura, Ahmedabad.

Web : www.vadilalmarkets.com

E-mail for Investor Grievances

shareslogs@vadilalgroup.com

Web : www.vadilalgroup.com



NOTICE

NOTICE is hereby given that the 23rd **ANNUAL GENERAL MEETING** of the members of **VADILAL INDUSTRIES LIMITED** will be held on Saturday, the 29th September, 2007, at 1.00 p.m., at Bhaikaka Hall, Near Law Garden, Ellisbridge, Ahmedabad-380 006 to transact the following business :

ORDINARY BUSINESS :

- 1) To receive, consider and adopt the Balance Sheet as at 31st March, 2007 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, 2007.
- 3) To appoint a Director in place of Shri Ramchandra R. Gandhi, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Shri Rohit J. Patel, who retires by rotation and being eligible, offers himself for re-appointment.
- 5) To appoint M/s. Kantilal Patel & Co., Chartered Accountants, Ahmedabad, as Statutory Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors of the Company to fix their remuneration.

SPECIAL BUSINESS :

- 6) **Increase in remuneration payable to Shri Rajesh R. Gandhi, Managing Director**

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 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) and all guidelines for managerial remuneration issued by the Central Government from time to time and as recommended by the Remuneration Committee and subject to the approval of Central Government, if applicable, and subject to such approvals as may be necessary and in furtherance to and in partial modification of the resolution passed at the 19th Annual General Meeting held on 24th October, 2003 in respect of re-appointment and payment of remuneration to Shri Rajesh R. Gandhi as a Managing Director and in further modification of the resolution passed at the 21st Annual General Meeting held on 29th September, 2005 in respect of increase in remuneration payable to Shri Rajesh R. Gandhi, consent of the Company be and is hereby accorded to the Board of Directors to the revision by way of further increase in the remuneration, perquisites, benefits and amenities payable to Shri Rajesh R. Gandhi effective from 1st April, 2008 for remaining period of his tenure of 1 year, i.e. upto 31st March, 2009 as set out in the Explanatory Statement annexed hereto and more particularly set out in the draft Supplemental Agreement proposed to be entered into between the Company and Shri Rajesh R. Gandhi, a copy whereof submitted to this meeting and for identification signed by the Chairman thereof and is hereby specifically approved, with liberty to the Board of Directors to alter and vary the terms and conditions of the said revision in remuneration within the limits specified in Schedule XIII of the Companies

Act, 1956 or any amendments thereto and as may be agreed to between the Central Government and Board of Directors and as may be acceptable to Shri Rajesh R. Gandhi.”

“RESOLVED FURTHER THAT notwithstanding to the above, in the event of any loss or inadequacy of profits in the financial year 2008-2009, the remuneration payable to Shri Rajesh R. Gandhi shall be as mentioned in the Explanatory Statement attached hereto and more particularly set out in the draft Supplemental Agreement and not exceeding the limits prescribed in Section II of Part II of Schedule XIII to the Act, as amended from time to time subject to the compliance of provisions thereof.”

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

- 7) **Increase in remuneration payable to Shri Devanshu L. Gandhi, Managing Director**

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 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) and all guidelines for managerial remuneration issued by the Central Government from time to time and as recommended by the Remuneration Committee and subject to the approval of Central Government, if applicable, and subject to such approvals as may be necessary and in furtherance to and in partial modification of the resolution passed at the 19th Annual General Meeting held on 24th October, 2003 in respect of re-appointment and payment of remuneration to Shri Devanshu L. Gandhi as a Managing Director and in further modification of the resolution passed at the 21st Annual General Meeting held on 29th September, 2005 in respect of increase in remuneration payable to Shri Devanshu L. Gandhi, consent of the Company be and is hereby accorded to the Board of Directors to the revision by way of further increase in the remuneration, perquisites, benefits and amenities payable to Shri Devanshu L. Gandhi effective from 1st April, 2008 for remaining period of his tenure of 1 year, i.e. upto 31st March, 2009 as set out in the Explanatory Statement annexed hereto and more particularly set out in the draft Supplemental Agreement proposed to be entered into between the Company and Shri Devanshu L. Gandhi, a copy whereof submitted to this meeting and for identification signed by the Chairman thereof and is hereby specifically approved, with liberty to the Board of Directors to alter and vary the terms and conditions of the said revision in remuneration within the limits specified in Schedule XIII of the Companies Act, 1956 or any amendments thereto and as may be agreed to between the Central Government and Board of Directors and as may be acceptable to Shri Devanshu L. Gandhi.”

“RESOLVED FURTHER THAT notwithstanding to the above, in the event of any loss or inadequacy of profits in the financial year 2008-2009, the remuneration payable to Shri Devanshu L. Gandhi shall be as mentioned in the Explanatory Statement attached hereto and more particularly set out in the

draft Supplemental Agreement and not exceeding the limits prescribed in Section II of Part II of Schedule XIII to the Act, as amended from time to time subject to the compliance of provisions thereof."

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

8) Re-appointment of Shri Rajesh R. Gandhi as a Managing Director for further period of 5 (five) years with payment of 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, 317 and all other applicable provisions, if any, of the Companies Act, 1956 (the Act) read with Schedule XIII of the Act (including any statutory modifications or re-enactment thereof, for the time being in force) and all guidelines for managerial remuneration issued by the Central Government from time to time and subject to the approval of Central Government, if applicable, and also subject to such other approvals as may be necessary, consent of the Company be and is hereby accorded to the re-appointment of Shri Rajesh R. Gandhi as a Managing Director of the Company for a further period of Five (5) years with effect from 1st April, 2009 and payment of remuneration, perquisites, allowances and commission to him and upon the terms and conditions as mentioned in the Explanatory Statement attached hereto and more particularly set out in the draft Agreement to be entered into between the Company and Shri Rajesh R. Gandhi, a copy whereof submitted to this meeting and for identification signed by the Chairman thereof, which Agreement is hereby specifically approved, with authority to the Board of Directors (which term shall be deemed to include any committee thereof for the time being and from time to time to which all or any of the powers hereby conferred on the Board by this resolution may have been delegated) to alter and/or vary the terms and conditions of the said re-appointment and/or remuneration including commission, perquisites and allowances payable from time to time as they deem fit and/or draft Agreement in such manner as may be agreed upon by the Board of Directors and Shri Rajesh R. Gandhi within the limits prescribed under Schedule XIII to the Act or any statutory amendment(s) and/or modification(s) thereto and if necessary as may be agreed to between the Central Government and the Board of Directors and as may be acceptable to Shri Rajesh R. Gandhi."

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

"**RESOLVED FURTHER THAT** the Board of Directors of the Company, be and is hereby authorised to vary or increase the remuneration and perquisites including the monetary value thereof as specified in the

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

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

9) Re-appointment of Shri Devanshu L. Gandhi as a Managing Director for further period of 5 (five) years with payment of 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, 317 and all other applicable provisions, if any, of the Companies Act, 1956 (the Act) read with Schedule XIII of the Act (including any statutory modifications or re-enactment thereof, for the time being in force) and all guidelines for managerial remuneration issued by the Central Government from time to time and subject to the approval of Central Government, if applicable, and also subject to such other approvals as may be necessary, consent of the Company be and is hereby accorded to the re-appointment of Shri Devanshu L. Gandhi as a Managing Director of the Company for a further period of Five (5) years with effect from 1st April, 2009 and payment of remuneration, perquisites, allowances and commission to him and upon the terms and conditions as mentioned in the Explanatory Statement attached hereto and more particularly set out in the draft Agreement to be entered into between the Company and Shri Devanshu L. Gandhi, a copy whereof submitted to this meeting and for identification signed by the Chairman thereof, which Agreement is hereby specifically approved, with authority to the Board of Directors (which term shall be deemed to include any committee thereof for the time being and from time to time to which all or any of the powers hereby conferred on the Board by this resolution may have been delegated) to alter and/or vary the terms and conditions of the said re-appointment and/or remuneration including commission, perquisites and allowances payable from time to time as they deem fit and/or draft Agreement in such manner as may be agreed upon by the Board of Directors and Shri Devanshu L. Gandhi within the limits prescribed under Schedule XIII to the Act or any statutory amendment(s) and/or modification(s) thereto and if necessary as may be agreed to between the Central Government and the Board of Directors and as may be acceptable to Shri Devanshu L. Gandhi."

"**RESOLVED FURTHER THAT** notwithstanding to the above, in the event of any loss or inadequacy of profits in any financial year of the Company during the tenure of Shri Devanshu L. Gandhi as a Managing Director, the remuneration payable to him shall be as



mentioned in the Explanatory Statement attached hereto and more particularly set out in the draft Agreement and not exceeding the limits prescribed in Section II of Part II of Schedule XIII to the Act, as amended from time to time subject to the compliance of provisions thereof.”

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

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

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 : July 28, 2007

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 24th September, 2007 to 29th September, 2007 (both days inclusive) for the purpose of payment of dividend on

Equity Shares for the year ended 31st March, 2007 as recommended by the Board and if declared at the meeting.

- (f) Dividend @ 12 % on Equity Shares for the year ended on 31st March, 2007 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 on or before 22nd September, 2007, 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 23rd September, 2007.

- (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 and 31st March, 2006 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 and 3rd November, 2013 respectively. Members who have so far not encashed their dividend warrants for the said financial year 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 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 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 the ensuing Annual General Meeting, Shri Ramchandra R. Gandhi and Shri Rohit J. Patel, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment. Shri Rajesh R. Gandhi and Shri Devanshu L. Gandhi are to be re-appointed as Managing Directors of the Company. As required under Clause 49 of Listing Agreement with the Stock Exchanges, given below are the details of the above Directors to be re-appointed as Directors / Managing Directors of the Company :-

Shri Ramchandra R. Gandhi

Shri Ramchandra R. Gandhi is a senior member on the Board of Directors of the Company. He is a Chairman of the Company. He is associated with the Company since its inception. He has vast experience in the ice-cream business. He is a Chairman & Managing Director of Vadilal Enterprises Limited. He is also a Chairman of Vadilal Chemicals Limited. He is a Director in the following other Companies – Vadilal International Pvt. Ltd. and Vadilal Gases Limited. He is a Chairman of Share Transfer & Investors' Grievance Committee of the Company and Vadilal Chemicals Limited. He is also a member of Audit Committee of the Directors of the Company and Vadilal Chemicals Limited.

Shri Rohit J. Patel

Shri Rohit J. Patel is B.E. (Electrical) and Consultant on Management and Human Resources. He is having 30 years of experience in training people for Communication – Time Management. He is a Proprietor of Symcom Corporation, an Educational Institution in Ahmedabad. He is also a Professional Lecturer (Guest Faculty) at Bank of Baroda, EDI, AMA, CED, etc. He is a member of Education Committee of Ahmedabad Management Association. He is on the Board of Gujarat Ambuja Exports Ltd. He is a Chairman of Audit Committee of the Directors of the Company. He is also a member of Remuneration Committee of the Directors of the Company.

Shri Rajesh R. Gandhi

Shri Rajesh R. Gandhi has been associated with the Company since its inception having experience on hands for Ice-cream & Processed Food business. He looks after day-to-day affairs of the Company pertaining to the hereby-mentioned areas : Production,

QA/QC, R&D, Logistics (Ice-cream Transportation), Cups & Cones, Purchase (Capital Goods & Deep Freeze Machines) of Ice-cream Division is taken care by him. He also looks after Sales & Marketing of Ice-cream Exports and Happinezz Parlors owned and/or managed by Group. For Processed Food Division, Shri Rajesh R. Gandhi looks after Exports and Domestic Sales, International Freight, Government Subsidies of entire division. For Construction, he takes care of Sales & Marketing & Legal. The total portfolio of Finance, Accounts, MIS, Taxation, Internal Audit, EDP, Secretarial, Legal, Insurance, Systems, all Taxes & DGFT and Human Resource of all above-mentioned departments and P&A of Head Office is taken care by him. He is a Director in the following other Companies – Vadilal Enterprises Ltd., Vadilal Chemicals Ltd., Vadilal Gases Ltd., Vadilal International Pvt. Ltd., Vale Properties Pvt. Ltd. and Valiant Constructions Pvt. Ltd., Shri Rajesh R. Gandhi is a member of Share Transfer & Investors' Grievance Committee of your Company and Vadilal Chemicals Limited. He is also a member of Share Transfer Committee of Vadilal Enterprises Ltd.

Shri Devanshu L. Gandhi

Shri Devanshu L. Gandhi has been associated with the Company since its inception having experience on hands for Ice-cream & Processed Food business. He looks after day-to-day affairs of the Company pertaining to the hereby-mentioned areas : Domestic Sales and Marketing of Ice-cream Division, Government Subsidies of Ice-cream plants and Revenue Expenses of Refrigeration Service Department. Shri Devanshu L. Gandhi looks after Production, Purchase, Works, QC, R&D of Processed Food Division. He looks after purchase of Land & Materials, Project Commissioning & Legal for Construction Division. Entire Forex Division (FFMC & Consultancy Services) and Human Resource & P&A (respective) is taken care by him. He is a Director in the following other Companies – Vadilal Enterprises Ltd., Vadilal Chemicals Ltd., Vadilal Gases Ltd., Vadilal International Pvt. Ltd., Numan Technologies Pvt. Ltd., Vale Properties Pvt. Ltd. and Valiant Constructions Pvt. Ltd. Shri Devanshu L. Gandhi is a member of Share Transfer & Investors' Grievance Committee of your Company and Vadilal Chemicals Limited. He is also a member of Share Transfer Committee of Vadilal Enterprises Ltd.

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

Shri Rajesh R. Gandhi was re-appointed as Managing Director of the Company with payment of remuneration for a period of 5 years w.e.f. 1st April, 2004 as per resolution passed at the Annual General Meeting of the Company held on 24th October, 2003 on the terms set out in that resolution and as per approval received from the Central Government.



Subsequently, the remuneration was increased w.e.f. 1st April, 2005 for a period of 3 years, i.e. upto 31st March, 2008 as per Special Resolution passed at the Annual General Meeting of the Company held on 29th September, 2005 and as approved by the Central Government.

Keeping in view the contribution made by Shri Rajesh R. Gandhi to the growth and development of the Company and substantial increase in the business activities of the Company due to expansion-cum-modernisation of existing Ice-cream plants situate at Pundhra and Bareilly and Processed Food plant situate at Dharampur, Dist. Valsad and on the recommendations of the Remuneration Committee, the Board of Directors at their meeting held on 28th July, 2007 have approved the revision of the remuneration payable to Shri Rajesh R. Gandhi, Managing Director, effective from 1st April, 2008 for remaining period of his tenure of 1 year, i.e. upto 31st March, 2009 and as set out below and more particularly set out in the draft Supplemental Agreement proposed to be entered into between the Company and Shri Rajesh R. Gandhi, subject however to the approval of Central Government, if applicable and subject further to such approvals and/or sanctions, as may be required :-

- I) Salary :
- Basic Salary of Rs. 1,50,000/- (Rupees One Lac Fifty Thousand only) per month.
- II) Perquisites & Allowances :
- In addition to the salary, Shri Rajesh R. Gandhi shall be entitled the following perquisites and allowances. The perquisites and allowances shall be evaluated as per the Income-tax Rules, wherever applicable. In the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost :

Category - A :

- a) House Rent Allowance (HRA) : Rs. 73,000/- per month in lieu of accommodation (furnished or otherwise).
- b) Medical re-imburement : Expenses incurred for the Managing Director and his family shall be subject to Rs.3,000/- per month.
- c) Leave Travel Concession : For the Managing Director and his family once in a year shall be subject to Rs. 30,000/- per annum.
- d) Club Fees : Fees of Clubs subject to Rs. 3,600/- per annum excluding admission and life membership fees.
- e) Personal Accident Insurance Premium : For self and family, not to exceed Rs. 8,400/- per annum.
- f) Mediclaim Insurance Premium : For self and family and Premium not to exceed Rs. 30,000/- per annum.
- g) Such other privileges, facilities, perquisites and amenities as per the Rules of the Company.

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

Category - B :

- a) Provident Fund : The Company's contribution to Provident Fund as per Rules of the Company.

b) Gratuity : Payment of Gratuity in accordance with the rules and regulations in force in the Company from time to time, but shall not exceed half a month's salary for each completed year of service.

c) Superannuation Fund : Superannuation Fund or Annuity Fund benefit in accordance with such Scheme of the Company.

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

Category - C

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

b) Encashment of leave at the end of the tenure will not be included in the ceiling on perquisites.

III) Commission :

In addition to the Salary, Perquisites and other Allowances as mentioned above and in case of Company having adequate profit in the financial year from 1-4-2008 to 31-3-2009 during his term of office, Shri Rajesh R. Gandhi shall also be entitled for such financial year to a Commission at the rate of 2% on the net profits of the Company computed in the manner laid down under Section 309(5) of the Companies Act, 1956, subject to the provisions of Section 198, 309 and other applicable provisions, if any, of the Companies Act, 1956.

IV) Minimum Remuneration : Notwithstanding anything to the contrary herein contained, where in the said financial year 2008-2009, during the currency of the tenure of Shri Rajesh R. Gandhi as a Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and other allowances as specified above and not exceeding the ceiling limits set out in Section II of Part II of Schedule XIII to the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force).

All other terms and conditions of the re-appointment and payment of remuneration to Shri Rajesh R. Gandhi, Managing Director, as approved earlier by the Shareholders and Central Government and as mentioned in the Principal Agreement dated 12th August, 2004, will remain unchanged.

V) A Statement as per requirement of Schedule XIII is given to the Shareholders containing following information of the Company and Shri Rajesh R. Gandhi :-

I. GENERAL INFORMATION :

(1) Nature of industry

The Company is engaged in the business of



manufacturing Ice-cream and Frozen Dessert and processing and exporting Processed Food products, such as Frozen Fruits and Vegetables, Canned Fruit Pulp, Ready-to-eat and Ready-to-serve products, etc.

Ice-cream Division of the Company has installed capacity of 32880 K.Liters at 3 manufacturing plant situated at 1) Dudheshwar Road, Ahmedabad, 2) Village Pundhra, Taluka Mansa, Dist. Gandhinagar, Gujarat and 3) Bareilly, Uttar Pradesh.

The Company is processing Frozen Fruits, Vegetables and Processed Foods by latest freezing technology, namely, "Individually Quick Freezing" (IQF) at its factory situated at Dharampur, Dist. Valsad, Gujarat, with an installed capacity of 16200 MT. The Processed Food Division commenced its operation in 1991. The Company is exporting nearly 60 products in USA, Canada, UK, Kuwait, UAE, Singapore, New Zealand. The Company has also started selling Processed Food products in Domestic Market.

The Company is also having Forex Division dealing in Foreign Exchange Management and Money Changing business.

(2) Date of commencement of commercial production

The Company is in the business of Ice-cream since 1982. The Process Food division commenced its operation in 1991.

(3) In case of new Companies, expected date of commencement of activities as per project approved by Financial Institutions appearing in the prospectus

The Company is in existence since 1982.

(4) Financial performance based on given indicators

Following is the financial performance of the Company since last 3 years :

(Rs. in Lacs)

Financial Year	Income from Operations	Gross Profit before Depreciation and Financial Expenses	Net Profit after Tax
2004-2005	10341.75	829.29	140.92
2005-2006	10878.15	1107.48	369.86
2006-2007	11911.90	1483.79	558.86

(5) Export performance and net foreign exchange earnings

Following is the export performance of the Company since last 3 Years:-

(Rs. in Lacs)

Financial Years	Export Sales (FOB Value)
2004-2005	2146.23
2005-2006	2108.05
2006-2007	2143.24

(6) Foreign investments or collaborators, if any.

The Company has no Foreign Investments or Collaborators.

II. INFORMATION ABOUT THE APPOINTEE:

(1) Background details:

Name : Shri Rajesh R. Gandhi
 Designation : Managing Director
 Age : 49 Years
 Qualifications : B. Com.
 Experience : 27 Years

Shri Rajesh R. Gandhi is a Director of the Company since Incorporation of the Company and Managing Director of the Company since 1986. He has an experience of over 27 years in Ice-cream business and experience of over 17 years in Processed Food business.

(2) Past remuneration:

The remuneration of Shri Rajesh R. Gandhi has been approved by the Remuneration Committee, Board of Directors, Shareholders and Central Government as under w.e.f. 1st April, 2005 for a period of 3 years :-

Sr. No.	Particulars	Remuneration per month (Rs.)
1	Salary	1,00,000
2	Perquisites & Allowances	63,300
3	Contribution to Provident Fund	12,000
	TOTAL	1,75,300

Plus 1% Commission on Net Profit of the Company as per applicable provisions of the Companies Act, 1956.

(3) Recognition or awards:

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 Division has also achieved Export House status from Government of India and received Two Star Export House Certificate from Joint DGFT. The Division has also won the award of certificate of merit from APEDA, New Delhi for commendable performance in export of Processed Food products.

The Company has also been awarded the ISO 9001:2000 certification and HACCP Certificate from Bureau of Indian Standard (BIS) for its Ice-cream plant at Bareilly in the State of Uttar Pradesh. The Company has also ISO 9001:2000 certification and HACCP Certificate from BVQI, Netherland for its Ice-cream plant at Pundhra in the State of Gujarat. The ice-cream plant has also been certified by Export Inspection Council of India.

(4) Job profile and his suitability

Shri Rajesh R. Gandhi has been associated with the Company since its inception having experience on



hands for Ice-cream & Processed Food business. He looks after day-to-day affairs of the Company pertaining to the hereby-mentioned areas : Production, QA/QC, R&D, Logistics (Ice-cream Transportation), Cups & Cones, Purchase (Capital Goods & Deep Freeze Machines) of Ice-cream Division is taken care by him. He also looks after Sales & Marketing of Ice-cream Exports and Happinezz Parlors owned and/or managed by Group. For Processed Food Division, Shri Rajesh R. Gandhi looks after Exports and Domestic Sales, International Freight, Government Subsidies of entire division. For Construction, he takes care of Sales & Marketing & Legal. The total portfolio of Finance, Accounts, MIS, Taxation, Internal Audit, EDP, Secretarial, Legal, Insurance, Systems, all Taxes & DGFT and Human Resource of all above-mentioned departments and P&A of Head Office is taken care by him.

(5) Remuneration proposed

It is proposed to revise and increase the remuneration as mentioned above payable to Shri Rajesh R. Gandhi w.e.f. 1/4/2008 for a period of 1 year, i.e. upto 31/3/2009.

With reference to the nature of Industry being manufacturer of Ice-cream products and processing and exporting Processed Food products and having sales turnover of Rs. 120 Crores and substantial increase in the business activities of the Company due to expansion-cum-modernisation of existing Ice-cream plants situate at Pundhra and Bareilly and Processed Food plant situate at Dharampur, Dist. Valsad, the proposed increase in the remuneration payable to Shri Rajesh R. Gandhi is reasonable. The proposed remuneration to the Managing Directors is in line with FMCG Industry.

(6) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.

Apart from Shri Rajesh R. Gandhi is a Managing Director of the Company and receiving managerial remuneration, he holds 1,78,316 Equity Shares of Rs. 10/- each of the Company in his individual capacity. Shri Rajesh R. Gandhi is a son of Shri Ramchandra R. Gandhi, Chairman of the Company and brother of Shri Virendra R. Gandhi, Vice-chairman and Managing Director of the Company.

III. OTHER INFORMATION:

Reasons of loss or inadequate profits

During the financial year 2005-2006 and 2006-2007, the Company does not have loss or inadequate profits.

IV. DISCLOSURES:

- (1) The Company has mentioned in the Corporate Governance Report attached with this report the details of managerial remuneration paid to Shri Rajesh R. Gandhi, Managing Director of the Company during the financial year ended on 31st March, 2007.
- (2) Apart from remuneration payable to the above two Managing Directors of the company, the Company does not pay any remuneration including bonus, stock options, pension, etc. to the other directors of the Company. The

Company only pays sitting fees to the non-executive Directors of the Company for attending the meeting of Board of Directors and Committees thereof.

- (3) The Company has already executed agreement with Shri Rajesh R. Gandhi for the period of five years w.e.f. 1st April, 2004 for his re-appointment and payment of remuneration. The Company has also executed Supplemental Agreement for increase in remuneration w.e.f. 1st April, 2005 for a period of 3 years.
- (4) The Company has not issued any stock options to any Directors of the Company.

As such, the special resolution as set out in this item of the Notice is accordingly commended for your acceptance.

The draft Supplemental Agreement to be entered into between the Company and Shri Rajesh R. Gandhi is available for inspection at the Registered Office of the Company on all working days between 2.00 p.m. and 4.00 p.m. upto the date of Annual General Meeting.

The above may also be treated as an abstract of the variation as mentioned in the draft Supplemental Agreement proposed to be entered into between the Company and Shri Rajesh R. Gandhi under Section 302 of the Companies Act, 1956.

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

ITEM NO. 7

Shri Devanshu L. Gandhi was re-appointed as Managing Director of the Company with payment of remuneration for a period of 5 years w.e.f. 1st April, 2004 as per resolution passed at the Annual General Meeting of the Company held on 24th October, 2003 on the terms set out in that resolution and as per approval received from the Central Government.

Subsequently, the remuneration was increased w.e.f. 1st April, 2005 for a period of 3 years, i.e. upto 31st March, 2008 as per Special Resolution passed at the Annual General Meeting of the Company held on 29th September, 2005 and as approved by the Central Government.

Keeping in view the contribution made by Shri Devanshu L. Gandhi to the growth and development of the Company and substantial increase in the business activities of the Company due to expansion-cum-modernisation of existing Ice-cream plants situate at Pundhra and Bareilly and Processed Food plant situate at Dharampur, Dist. Valsad, and on the recommendations of the Remuneration Committee, the Board of Directors at their meeting held on 28th July, 2007 have approved the revision of the remuneration payable to Shri Devanshu L. Gandhi, Managing Director, effective from 1st April, 2008 for remaining period of his tenure of 1 year, i.e. upto 31st March, 2009 and as set out below and more particularly set out in the draft Supplemental Agreement proposed to be entered into between the Company and Shri Devanshu L. Gandhi, subject however to the approval of Central Government, if applicable and subject further to such approvals and/or sanctions, as may be required :-

I) Salary :
Basic Salary of Rs. 1,50,000/- (Rupees One Lac Fifty Thousand only) per month.

II) Perquisites & Allowances :

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

Category - A :

- a) House Rent Allowance (HRA) : Rs. 73,000/- per month in lieu of accommodation (furnished or otherwise).
- b) Medical re-imburement : Expenses incurred for the Managing Director and his family shall be subject to Rs. 3,000/- per month.
- c) Leave Travel Concession : For the Managing Director and his family once in a year shall be subject to Rs. 30,000/- per annum.
- d) Club Fees : Fees of Clubs subject to Rs. 3,600/- per annum excluding admission and life membership fees.
- e) Personal Accident Insurance Premium : For self and family, not to exceed Rs. 8,400/- per annum.
- f) Mediclaim Insurance Premium : For self and family and Premium not to exceed Rs. 30,000/- per annum.
- g) Such other privileges, facilities, perquisites and amenities as per the Rules of the Company.

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

Category - B :

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

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

Category - C

- a) Provision of car for use on Company's business and telephone at residence (including payment for local calls and long distance official calls) will not be considered as perquisites and shall

not be included in the computation of perquisites and allowances for the purpose of calculating the above ceiling. However, personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.

- b) Encashment of leave at the end of the tenure will not be included in the ceiling on perquisites.

III) Commission :

In addition to the Salary, Perquisites and other Allowances as mentioned above and in case of Company having adequate profit in the financial year from 1/4/2008 to 31/3/2009 during his term of office, Shri Devanshu L. Gandhi shall also be entitled for such financial year to a Commission at the rate of 2% on the net profits of the Company computed in the manner laid down under Section 309(5) of the Companies Act, 1956, subject to the provisions of Section 198, 309 and other applicable provisions, if any, of the Companies Act, 1956.

IV) Minimum Remuneration : Notwithstanding anything to the contrary herein contained, where in the said financial year 2008-2009 during the currency of the tenure of Shri Devanshu L. Gandhi as a Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and other allowances as specified above and not exceeding the ceiling limits set out in Section II of Part II of Schedule XIII to the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force).

All other terms and conditions of the re-appointment and payment of remuneration to Shri Devanshu L. Gandhi, Managing Director, as approved earlier by the Shareholders and Central Government and as mentioned in the Principal Agreement dated 12th August, 2004, will remain unchanged.

V) A Statement as per requirement of Schedule XIII is given to the Shareholders containing following information of the Company and Shri Devanshu L. Gandhi :

I. GENERAL INFORMATION:

(1) Nature of industry

The Company is engaged in the business of manufacturing Ice-cream and Frozen Dessert and processing and exporting Processed Food products, such as Frozen Fruits and Vegetables, Canned Fruit Pulp, Ready-to-eat and Ready-to serve products, etc.

Ice-cream Division of the Company has installed capacity of 32880 K.Liters at 3 manufacturing plant situated at 1) Dudheshwar Road, Ahmedabad, 2) Village Pundhra, Taluka Mansa, Dist. Gandhinagar, Gujarat and 3) Bareilly, Uttar Pradesh.

The Company is processing Frozen Fruits, Vegetables and Processed Foods by latest freezing technology, namely, "Individually Quick Freezing" (IQF) at its factory situated at Dharampur, Dist.



Valsad, Gujarat, with an installed capacity of 16200 MT. The Processed Food Division commenced its operation in 1991. The Company is exporting nearly 60 products in USA, Canada, UK, Kuwait, UAE, Singapore, New Zealand. The Company has also started selling Processed Food products in Domestic Market.

The Company is also having Forex Division dealing in Foreign Exchange Management and Money Changing business.

(2) Date of commencement of commercial production

The Company is in the business of Ice-cream since 1982. The Process Food division commenced its operation in 1991.

(3) In case of new Companies, expected date of commencement of activities as per project approved by Financial Institutions appearing in the prospectus

The Company is in existence since 1982.

(4) Financial performance based on given indicators

Following is the financial performance of the Company since last 3 years:

(Rs. in Lacs)

Financial Year	Income from Operations	Gross Profit before Depreciation and Financial Expenses	Net Profit after Tax
2004-2005	10341.75	829.29	140.92
2005-2006	10878.15	1107.48	369.86
2006-2007	11911.90	1483.79	558.86

(5) Export performance and net foreign exchange earnings

Following is the export performance of the Company since last 3 Years:-

(Rs. in Lacs)

Financial Years	Export Sales (FOB Value)
2004-2005	2146.23
2005-2006	2108.05
2006-2007	2143.24

(6) Foreign investments or collaborators, if any.

The Company has no Foreign Investments or Collaborators.

II. INFORMATION ABOUT THE APPOINTEE:

(1) Background details:

Name : Shri Devanshu L. Gandhi
 Designation : Managing Director
 Age : 40 Years
 Qualifications : B. Com.
 Experience : 19 Years

Shri Devanshu L. Gandhi is a Director and Managing Director of the Company since 1988. He has an experience of over 19 years in Ice-cream business.

(2) Past remuneration:

The remuneration of Shri Devanshu L. Gandhi has been approved by the Remuneration Committee, Board of Directors, Shareholders and Central Government as under w.e.f. 1st April, 2005 for a period of 3 years :-

Sr. No.	Particulars	Remuneration per month (Rs.)
1	Salary	1,00,000
2	Perquisites & Allowances	63,300
3	Contribution to Provident Fund	12,000
	TOTAL	1,75,300

Plus 1% Commission on Net Profit of the Company as per applicable provisions of the Companies Act, 1956.

(3) Recognition or awards:

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 Division has also achieved Export House status from Government of India and received Two Star Export House Certificate from Joint DGFT. The Division has also won the award of certificate of merit from APEDA, New Delhi for commendable performance in export of Processed Food products.

The Company has also been awarded the ISO 9001:2000 certification and HACCP Certificate from Bureau of Indian Standard (BIS) for its Ice-cream plant at Bareilly in the State of Uttar Pradesh. The Company has also ISO 9001:2000 certification and HACCP Certificate from BVQI, Netherland for its Ice-cream plant at Pundhra in the State of Gujarat. The ice-cream plant has also been certified by Export Inspection Council of India.

(4) Job profile and his suitability

Shri Devanshu L. Gandhi has been associated with the Company since its inception having experience on hands for Ice-cream & Processed Food business. He looks after day-to-day affairs of the Company pertaining to the hereby-mentioned areas : Domestic Sales and Marketing of Ice-cream Division, Government Subsidies of Ice-cream plants and Revenue Expenses of Refrigeration Service Department. Shri Devanshu L. Gandhi looks after Production, Purchase, Works, QC, R&D of Processed Food Division. He looks after purchase of Land & Materials, Project Commissioning & Legal for Construction Division. Entire Forex Division (FFMC & Consultancy Services) and Human Resource & P&A (respective) is taken care by him.

(5) Remuneration proposed

It is proposed to revise and increase the remuneration as mentioned above payable to Shri Devanshu L.

Gandhi w.e.f. 1/4/2008 for a period of 1 year, i.e. up to 31/3/2009.

With reference to the nature of Industry being manufacturer of Ice- cream products and processing and exporting Processed Food products and having sales turnover of Rs. 120 Crores and substantial increase in the business activities of the Company due to expansion-cum-modernisation of existing Ice-cream plants situate at Pundhra and Bareilly and Processed Food plant situate at Dharampur, Dist. Valsad,, the proposed increase in the remuneration payable to Shri Devanshu L. Gandhi is reasonable. The proposed remuneration to the Managing Directors is in line with FMCG Industry.

(6) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.

Apart from Shri Devanshu L. Gandhi is a Managing Director of the Company and receiving managerial remuneration, he holds 1,98,832 Equity Shares of Rs. 10/- each of the Company in his individual capacity. Shri Devanshu L. Gandhi is not related to other Directors of the Company.

III. OTHER INFORMATION:

Reasons of loss or inadequate profits

During the financial year 2005-2006 and 2006-2007, the Company does not have loss or inadequate profits.

IV. DISCLOSURES:

- (1) The Company has mentioned in the Corporate Governance Report attached with this report the details of managerial remuneration paid to Shri Devanshu L. Gandhi, Managing Director of the Company during the financial year ended on 31st March, 2007.
- (2) Apart from remuneration payable to the above two Managing Directors of the company, the Company does not pay any remuneration including bonus, stock options, pension, etc. to the other directors of the Company. The Company only pays sitting fees to the non-executive Directors of the Company for attending the meeting of Board of Directors and Committees thereof.
- (3) The Company has already executed agreement with Shri Devanshu L. Gandhi for the period of five years w.e.f. 1st April, 2004 for his re-appointment and payment of remuneration. The Company has also executed Supplemental Agreement for increase in remuneration w.e.f. 1st April, 2005 for a period of 3 years.
- (4) The Company has not issued any stock options to any Directors of the Company.

As such, the special resolution as set out in this item of the Notice is accordingly commended for your acceptance.

The draft Supplemental Agreement to be entered into between the Company and Shri Devanshu L. Gandhi is available for inspection at the Registered Office of the Company on all working days between 2.00 p.m. and 4.00 p.m. upto the date of Annual General Meeting.

The above may also be treated as an abstract of the

variation as mentioned in the draft Supplemental Agreement proposed to be entered into between the Company and Shri Devanshu L. Gandhi under Section 302 of the Companies Act, 1956.

Shri Devanshu L. Gandhi is interested in the resolution. None of the other Directors of the Company is, in any way, concerned or interested in the resolution.

ITEM NO. 8

The present term of office of Shri Rajesh R. Gandhi as a Managing Director of the Company will expire on 31st March, 2009. The Board of Directors of the Company at their meeting held on 28th July, 2007 has, subject to the approval of Shareholders in General Meeting and approval of Central Government, if applicable, re-appointed Shri Rajesh R. Gandhi as a Managing Director of the Company for a further period of five years with effect from 1st April, 2009, on the terms and conditions as to the re-appointment and payment of remuneration, perquisites, allowances and commission mentioned below and more particularly mentioned in the draft Agreement to be entered into between the Company and Shri Rajesh R. Gandhi.

The Department of Company Affairs has vide notification dated 16th January, 2002, amended Schedule XIII to the Companies Act, 1956, revising the limits for payment of managerial remuneration by Companies. Pursuant to the said notification, the Remuneration Committee, at their meeting held on 28th July, 2007 approved the terms and conditions of payment of remuneration, perquisites, allowances and commission to Shri Rajesh R. Gandhi as mentioned below and more particularly mentioned in the draft Agreement to be entered into between the Company and Shri Rajesh R. Gandhi, subject to the approval of Shareholders in General Meeting and approval of Central Government, if applicable.

Shri Rajesh R. Gandhi has been associated with the Company since its inception and he is looking after day to day affairs of the Company. He has vast experience in Ice-cream and Processed Food business. Considering the above, your Directors are of the opinion that it is in the interest of the Company to re-appointment him as a Managing Director of the Company.

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

Subject to the provisions of Section 198, 269, 309, 316 and 317 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the principal terms and conditions as contained in the draft Agreement relating to re-appointment and particularly payment of remuneration to Shri Rajesh R. Gandhi are as under :-

1. The Managing Director shall, subject to the supervision, direction and control of the Board of Directors of the Company, manage the business and affairs of the Company.
2. Period of Agreement: 5(five) years with effect from 1st April, 2009.
3. Salary :
Basic Salary of Rs. 1,80,000/- (Rupees One Lac Eighty Thousand only) per month with increase in



basic salary in subsequent years w.e.f. 1st April, 2010, subject to review by Remuneration Committee and Board of Directors, so as not to exceed the total Remuneration of Rs. 4,00,000/- per month upto 31st March, 2014.

4. Perquisites & Allowances :

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

Category - A :

- a) House Rent Allowance (HRA) : Rs. 90,000/- per month in lieu of accommodation (furnished or otherwise).
- b) Medical re-imburement : Expenses incurred for the Managing Director and his family shall be subject to Rs. 2,400/- per month.
- c) Leave Travel Concession : For the Managing Director and his family once in a year shall be subject to Rs. 30,000/- per annum.
- d) Club Fees : Fees of Clubs subject to Rs. 3,600/- per annum excluding admission and life membership fees.
- f) Personal Accident Insurance Premium : For self and family, not to exceed Rs. 8,400/- per annum.
- f) Mediclaim Insurance Premium : For self and family and Premium not to exceed Rs. 30,000/- per annum.
- g) Such other privileges, facilities, perquisites and amenities as per the Rules of the Company.

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

Category - B :

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

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

Category - C

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

and use of car for private purpose shall be billed by the Company to the Managing Director.

- b) Encashment of leave at the end of the tenure will not be included in the ceiling on perquisites.

5. Commission :

In addition to the Salary, Perquisites and other Allowances as mentioned above and in case of Company having adequate profit in any financial year during his term of office, Shri Rajesh R. Gandhi shall also be entitled for such financial year to a Commission at the rate of 2% on the net profits of the Company computed in the manner laid down under Section 309(5) of the Companies Act, 1956, subject to the provisions of Section 198, 309 and other applicable provisions, if any, of the Companies Act, 1956.

6. Minimum Remuneration : Notwithstanding anything to the contrary herein contained, where in any financial year, during the currency of the tenure of Shri Rajesh R. Gandhi as a Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and other allowances as specified above and not exceeding the ceiling limits set out in Section II of Part II of Schedule XIII to the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force).

7. The Company shall also re-imbure 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.

8. The terms and conditions of payment of remuneration, perquisites, allowances and commission specified hereinabove may be enhanced, enlarged, widened, altered or varied from time to time by Remuneration Committee and Board of Directors as they may in their discretion, deem fit, within the maximum amount payable to Managing Director in accordance with Schedule XIII to the Act and in conformity with any amendments to the relevant provisions of the Companies Act and/or the rules and regulations made thereunder from time to time in future and/or such guidelines as may be announced by the Central Government from time to time.

9. The Managing Director, so long as he function as such, shall not be paid any sitting fees for attending meetings of the Board of Directors or Committee thereof.

10. The Managing Director shall not be liable to retire by rotation.

11. For all other terms and conditions not specifically spelt out above, the Rules and Orders of the Company shall apply.

The Board therefore recommends approval of the re-appointment of Shri Rajesh R. Gandhi as a Managing Director of the Company and payment of remuneration and commission as mentioned above.

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

The draft Agreement to be entered into between the Company and Shri Rajesh R. Gandhi and referred to in the Resolution contained in Item No. 8 of the Notice is available for inspection at the Registered Office of the Company on all working days, between 2.00 p.m. and 4.00 p.m. upto the date of Annual General Meeting.

Shri Rajesh R. Gandhi is interested in the resolution. Shri Ramchandra R. Gandhi and Shri Virendra R. Gandhi, Directors of the Company, being related to Shri Rajesh 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. 9

The present term of office of Shri Devanshu L. Gandhi as a Managing Director of the Company will expire on 31st March, 2009. The Board of Directors of the Company at their meeting held on 28th July, 2007 has, subject to the approval of Shareholders in General Meeting and approval of Central Government, if applicable, re-appointed Shri Devanshu L. Gandhi as a Managing Director of the Company for a further period of five years with effect from 1st April, 2009, on the terms and conditions as to the re-appointment and payment of remuneration, perquisites, allowances and commission mentioned below and more particularly mentioned in the draft Agreement to be entered into between the Company and Shri Devanshu L. Gandhi.

The Department of Company Affairs has vide notification dated 16th January, 2002, amended Schedule XIII to the Companies Act, 1956, revising the limits for payment of managerial remuneration by Companies. Pursuant to the said notification, the Remuneration Committee, at their meeting held on 28th July, 2007 approved the terms and conditions of payment of remuneration, perquisites, allowances and commission to Shri Devanshu L. Gandhi as mentioned below and more particularly mentioned in the draft Agreement to be entered into between the Company and Shri Devanshu L. Gandhi, subject to the approval of Shareholders in General Meeting and approval of Central Government, if applicable.

Shri Devanshu L. Gandhi has been associated with the Company since its inception and he is looking after day to day affairs of the Company. He has vast experience in Ice-cream and Processed Food business. Considering the above, your Directors are of the opinion that it is in the interest of the Company to re-appoint him as a Managing Director of the Company.

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

Subject to the provisions of Section 198, 269, 309, 316 and 317 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the principal terms and conditions as contained in the draft Agreement relating to re-appointment and particularly payment of remuneration to Shri Devanshu L. Gandhi are as under :-

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

2. Period of Agreement: 5(five) years with effect from 1st April, 2009.

3. Salary :

Basic Salary of Rs. 1,80,000/- (Rupees One Lac Eighty Thousand only) per month with increase in basic salary in subsequent years w.e.f. 1st April, 2010, subject to review by Remuneration Committee and Board of Directors, so as not to exceed the total Remuneration of Rs. 4,00,000/- per month upto 31st March, 2014.

4. Perquisites & Allowances :

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

Category - A :

- a) House Rent Allowance (HRA) : Rs. 90,000/- per month in lieu of accommodation (furnished or otherwise).
- b) Medical re-imburement : Expenses incurred for the Managing Director and his family shall be subject to Rs. 2,400/- per month.
- c) Leave Travel Concession : For the Managing Director and his family once in a year shall be subject to Rs. 30,000/- per annum.
- d) Club Fees : Fees of Clubs subject to Rs. 3,600/- per annum excluding admission and life membership fees.
- g) Personal Accident Insurance Premium : For self and family, not to exceed Rs. 8,400/- per annum.
- f) Mediclaim Insurance Premium : For self and family and Premium not to exceed Rs. 30,000/- per annum.
- g) Such other privileges, facilities, perquisites and amenities as per the Rules of the Company.

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

Category - B :

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

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

Category - C

- a) Provision of car for use on Company's business and telephone at residence (including payment for local



calls and long distance official calls) will not be considered as perquisites and shall not be included in the computation of perquisites and allowances for the purpose of calculating the above ceiling. However, personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.

b) Encashment of leave at the end of the tenure will not be included in the ceiling on perquisites.

5. Commission :

In addition to the Salary, Perquisites and other Allowances as mentioned above and in case of Company having adequate profit in any financial year during his term of office, Shri Devanshu L. Gandhi shall also be entitled for such financial year to a Commission at the rate of 2% on the net profits of the Company computed in the manner laid down under Section 309(5) of the Companies Act, 1956, subject to the provisions of Section 198, 309 and other applicable provisions, if any, of the Companies Act, 1956.

6. Minimum Remuneration : Notwithstanding anything to the contrary herein contained, where in any financial year, during the currency of the tenure of Shri Devanshu L. Gandhi as a Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and other allowances as specified above and not exceeding the ceiling limits set out in Section II of Part II of Schedule XIII to the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force).

7. The Company shall also re-imburse 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.

8. The terms and conditions of payment of remuneration, perquisites, allowances and commission specified hereinabove may be enhanced, enlarged, widened, altered or varied from time to time by Remuneration Committee and Board of Directors as they may in their discretion, deem fit, within the maximum amount payable to Managing Director in accordance with Schedule XIII to the Act and in conformity with any amendments to the relevant provisions of the Companies Act and/or the rules and regulations made thereunder from time to time in future and/or such guidelines as may be announced by the Central Government from time to time.

9. The Managing Director, so long as he function as such, shall not be paid any sitting fees for attending meetings of the Board of Directors or Committee thereof.

10. The Managing Director shall not be liable to retire by rotation.

11. For all other terms and conditions not specifically spelt out above, the Rules and Orders of the Company shall apply.

The Board therefore recommends approval of the re-appointment of Shri Devanshu L. Gandhi as a Managing Director of the Company and payment of remuneration and commission as mentioned above.

This explanation together with the accompanying notice is and should be treated as an abstract of the terms of re-appointment and payment of remuneration as mentioned in the draft Agreement proposed to be entered into between the Company and Shri Devanshu L. Gandhi under Section 302 of the Companies Act, 1956.

The draft Agreement to be entered into between the Company and Shri Devanshu L. Gandhi and referred to in the Resolution contained in Item No. 9 of the Notice is available for inspection at the Registered Office of the Company on all working days, between 2.00 p.m. and 4.00 p.m. upto the date of Annual General Meeting.

Shri Devanshu L. Gandhi is interested in the resolution. None of the other Directors of the Company is, in any way, concerned or interested in the 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 : July 28, 2007



DIRECTORS' REPORT

To,
The members,
VADILAL INDUSTRIES LIMITED

Your Directors have pleasure in presenting herewith the 23rd Annual Report together with the Audited Statement of Accounts for the year ended on 31st March, 2007.

FINANCIAL RESULTS

(Rs. In Lacs)

Particulars	Year ended 31-3-2007	Previous year ended 31-3-2006
(a) Profit for the year before Depreciation and Financial Expenses	1483.79	1107.48
(b) Less: Depreciation	291.41	245.83
Financial Expenses (Net)	302.67	295.58
(c) Profit before Exceptional & Prior Year Items	889.71	566.07
(d) Prior Years' Adjustments (Net)	(2.21)	(1.05)
(e) Profit before tax	887.50	565.02
(f) Provision for Tax		
— Current	272.00	114.00
— Deferred Tax	(5.71)	69.26
— Fringe Benefit Tax	11.00	12.50
— (Short) / Excess Provision of Tax / Deferred Tax of earlier years (Net)	(51.35)	0.60
(g) Net Profit after Tax	558.86	369.86
(h) Profit brought forward	255.71	388.88
Amount available for appropriation	814.57	758.74
Appropriation		
— Proposed Dividend	86.26	71.88
— Tax on Proposed Dividend	14.66	10.08
— Transfer to General Reserves	450.00	421.07
— Balance carried to Balance Sheet	263.65	255.71
Total	814.57	758.74

DIVIDEND

The Directors have recommended dividend of 12 % on 71,88,230 Equity Shares of Rs. 10/- each of the Company for the financial year ended on 31st March, 2007. The Company declared 10% dividend for the previous financial year ended on 31st March, 2006. This will absorb Rs. 86.26 lacs as against Rs. 71.88 lacs absorbed in the previous year. The corporate dividend tax payable by the Company on the said dividend will be Rs. 14.66 lacs as against Rs. 10.08 lacs in the previous year.

If approved, the dividend will be paid without deduction of tax at source to those shareholders whose names appear in the Register of Members of the Company as on 29th September, 2007.

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, Segmental Reporting (in Notes on Consolidated Accounts), Calculation of EPS, Deferred Tax Liability, etc.

QUALITY ASSURANCE AND SYSTEMS

ISO 22000:2005 AND ISO 9001:2000 CERTIFICATES

Your 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 Division has also achieved Export House status from Government of India and received Two Star Export House Certificate from Joint DGFT. The Division has also won the award of certificate of merit from APEDA, New Delhi for commendable performance in export of Processed Food products.

The Company has also ISO 9001:2000 certification and HACCP Certificate from Bureau of Indian Standard (BIS) for its Ice-cream plant at Bareilly in the State of Uttar Pradesh. The Company has also ISO 9001:2000 certification and HACCP Certificate from BVQI, Netherland for its Ice-cream plant at Pundhra in the State of Gujarat. The plant has also been certified by Export Inspection Council of India.

FINANCE

During the year under review, the Consortium Banks, namely, Bank of Baroda, State Bank of India, South Indian Bank Ltd., State Bank of Travancore, IDBI Ltd. and Exim Bank, have enhanced their working capital limits aggregating to Rs. 31.65 crores. The Company has executed necessary security documents in favour of the said Consortium Banks by way of 1st charge on pari-passu basis by hypothecation on movable properties of the Company situate at IQF unit, Dharampur, Dist. Valsad and Ground & 2nd Floor of Vadilal House, Navrangpura, Ahmedabad and on entire current assets of the Company.

During the year under review, 3 Term Lenders, namely, State Bank of India, IDBI Ltd. and Exim Bank, have also sanctioned to the Company Rupee Term Loan aggregating to Rs. 21 crores to part finance towards expansion-cum-modernisation of Company's existing Ice-cream plants situate at Pundhra and Bareilly and Processed Food plant situate at Dharampur, Dist. Valsad and to set up a new ice-cream manufacturing plant at Kolkata. The Company has also executed necessary security documents in favour of the said Term Lenders by way of 1st charge on pari-passu basis by hypothecation on movable properties of the Company and 2nd charge on pari-passu basis on entire current assets of the Company.

In terms of the provisions of Investor Education and Protection Fund (IEPF) Rules, 2001, during the financial year 2006-2007, the Company has transferred the unclaimed dividend amount of Rs. 2,54,268/- (including interest amount of Rs. 28,962/- on fixed deposit) declared for the financial year ended on 30-9-1998 to IEPF established by the Government under Section 205C(1) of the Companies Act, 1956.

FIXED DEPOSITS

The Company has no overdue deposits outstanding other than those unclaimed deposits of Rs. 19.85 lacs as on 31st March, 2007. As on date of this Report, deposits aggregating Rs. 9.67 lacs thereof have been claimed and either paid or renewed. The Company has mobilised Fixed Deposit of Rs. 588.04 lacs during the year ended on 31st March, 2007, 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, 2007 stood at Rs. 743.65 lacs.

CORPORATE GOVERNANCE

As a Listed Company, necessary measures are taken 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, 2007 is produced as a part of this Annual Report. A certificate from Statutory Auditors of the Company regarding compliance of Corporate Governance as stipulated under revised Clause 49 of Listing Agreement is obtained by the Company and annexed to the Directors' 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 :

- a) 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;
- b) 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, 2007 and of the profit or loss of the Company for that year;
- c) 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;
- d) 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.

CONSOLIDATED FINANCIAL STATEMENTS

As stipulated by Clause 32 of Listing Agreement with Stock Exchanges, Consolidated Financial Statements of the Company and its Associates, namely, Vadilal Cold Storage, a Partnership Firm and Vadilal Chemicals Limited, an Associate Company for the year ended on 31st March, 2007 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.

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 Stock Exchanges at Ahmedabad and Mumbai.

The Company confirms that it has paid Annual Listing Fees due to the Ahmedabad and Mumbai Stock Exchanges upto the financial year 2007-2008.

PARTICULARS OF EMPLOYEES

As required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the particulars of the concerned employees are given in Annexure "C" which is attached hereto and forms part of the Directors' Report.

DIRECTORS

During the period of this report, Shri M.N. Vora ceased to be the Director of the Company with effect from 25th June, 2007 due to his sad demise. Shri M.N. Vora was one of the senior member on the Board of the Company. He was also a member of Audit and Remuneration Committee of the Directors of the Company. The Directors placed on record the valuable services and guidance provided by Shri M.N. Vora during his tenure as a Director of the Company and also as a member of Audit and Remuneration Committee of the Directors of the Company.

Pursuant to the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri Ramchandra R. Gandhi and Shri Rohit J. Patel, Directors of the Company, retire by rotation at this Annual General Meeting, and being eligible, offer themselves for re-appointment. 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 Annual General Meeting.

The Directors have on the recommendation of Remuneration Committee proposed to increase the remuneration of Shri Rajesh R. Gandhi and Shri Devanshu L. Gandhi, Managing Directors of the Company, with effect from 1st April, 2008 for remaining period of their tenure of 1 year upto 31st March, 2009, subject however to the approval of Central Government, if applicable, for which, necessary resolutions have been incorporated in the Notice of the meeting.

Shri Rajesh R. Gandhi and Shri Devanshu L. Gandhi who have been associated with the Company since its inception and looking after day-to-day affairs of the Company, have been re-appointed as Managing Directors of the Company for further period of 5 years w.e.f. 1st April, 2009 with payment of remuneration. Necessary resolutions have been incorporated in the Notice of meeting seeking members approval for re-appointing Shri Rajesh R. Gandhi and Shri Devanshu L. Gandhi as Managing Directors of the Company. The brief resume / details relating to the said Managing Directors who are to be re-appointed as Managing Directors are furnished in the Notes to the Notice of Annual General Meeting.

AUDITORS

M/s. Kantilal Patel & Co., Chartered Accountants, Ahmedabad, hold 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 re-appointment till the conclusion of the next Annual General Meeting. The Company has received a certificate from the said Auditors under Section 224(1) of the Companies Act, 1956 to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Act. Members are requested to consider their re-appointment as Statutory Auditors of the Company for the current year at a remuneration to be decided by the Board of Directors.

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.

For and on behalf of the Board

RAMCHANDRA R. GANDHI
Chairman

Ahmedabad,

Dated : July 28, 2007



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

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

a) Ice-cream Division

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

b) Processed Food Division

India is world's 2nd largest producer of vegetables and fruits and agriculture sector represents almost one third of India's GDP which is highest among developed and developing countries. However, country's share in the world trade of processed fruits and vegetables is still less than one per cent.

The food processing industry is one of the largest industries in India – it is ranked fifth in terms of production, consumption, export and expected growth. While the industry is large in size, it is still at a nascent stage in terms of development. Of the country's total agriculture and food products, only 2 per cent is processed. Given the size of the industry and the nascent development stage, the food processing sector is a key focus area for the Government of India. The production of processed Fruits & Vegetables in the country has increased a lot in recent years due to focused approach of GOI for development of processed food industry. Major processed food products are fruit pulps and juices, frozen fruits and vegetables, fruit based ready-to-serve beverages, canned fruits and vegetables, jams, squashes, pickles, chutneys and dehydrated vegetables. More recently, products like IQF fruits and vegetables, frozen pulps and vegetables, fruit juice concentrates and frozen vegetable curries, gherkins in brine and mushroom products have been taken up for manufacture by the Industry. Development of agro-based and food processing industries are essential for generating employment and reducing poverty.

Opportunity

Since liberalisation and withdrawal of excise duty on fruit and vegetable products, there has been significant rise in the growth rate of the industry. Favorable changes in export-import policies have helped improving the export potential. Future of the Industry looks very bright due to the developmental measures taken by the Government. Due to recent WTO implementation of agricultural treaties, now subsidies on food products being given by European countries will be discontinued, therefore, Asian and other countries would be more competitive in international markets.

c) Forex Division

Money Changing – RBI authorised category II

The Forex Division of the Company is doing Full Fledged Money Changers (FFMC) activities to purchase/sale foreign currencies and travelers cheques, as licensed by RBI.

Amongst Private Money Changers operating from Ahmedabad, the Division is the second to obtain RBI licence under Category – II. The Division is once again a separate profit generating in its related activities dealing with buying and selling currencies and travelers cheques of all traded currencies, viz. USD, GBP-Sterling, EURO, Canadian Dollars, Australian Dollars. The Division is authorised stock holders of TCs of American Express travel related service.

2) FUTURE STRATEGY

a) Ice-cream Division

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

For availability of ice-cream, Vadilal has got the largest fleet of Refrigerated Vehicles in India, backed by the strong Distribution Network of C&F Agents, Distributors and retail dealers. Also Vadilal is having a strong team of marketing personnels to help out the distribution panel. Distribution network is continuously being improved by appointing new C&F Agents, Distributors and Dealers, together with making proper investment in respective territories for providing infrastructure. The Company has clearly dominated the market in Gujarat, Rajasthan, Uttar Pradesh, Uttaranchal, Haryana and Delhi. Also the regional competitors have felt the presence of Vadilal in West Bengal, Orissa, Bihar, Jharkhand, Madhya Pradesh, Chhattisgarh, Tamilnadu, Chandigarh, Punjab, Himachal Pradesh, and Jammu.



Further looking to the present market scenario and the demand of the public, the Company has decided to launch NO SUGAR ADDED ICE-CREAM, which is mainly keeping in mind, health conscious, aged and diabetic consumers who want to relish Ice-cream. The Company is also introducing various types of Candies in wide range which shall be manufactured by the Candy machine imported by the Company at its Bareilly plant. And also, as always, new Ice-cream products with new flavor and taste shall be launched from time to time by the Company.

The Company has also decided to set up new manufacturing facility at a strategic location in the Eastern part of India. This manufacturing facility will suffice the purpose of getting a strong hold in the Eastern Market together with catering the need of the consumer there. The Company has recently embarked upon expansion-cum-modernization of its existing ice-cream manufacturing plant situated at Bareilly and Pundhra. Looking to the immense potentiality of the market, competitor scenario, and demographic profile of the region, the Company has taken this strategic decision.

The overall vision of the Company is to increase the consumption of ice-cream on a national level which is 300 ml per person, whereas in developed countries, it is almost more than 20 times that of India. Also to increase sale, Vadilal is doing appropriate promotion and market communication through advertisement in News Paper and Radio. The Company is among the frontiers, and maximum spender on Paper advertisement all over India. This spending actually surpasses the annual advertising budget of some of the regional players. Also Vadilal has introduced various Schemes time to time which actually gives more utility for the consumers and market consumption to the Company.

b) Processed Food Division

Expansion process

Processed Food products are at high demand and having great potential in both, domestic and international markets.

The Company has an adequate manufacturing capacity at Dharampur unit, but due to shortage of storage facilities, it is difficult to utilize 100% production capacity, therefore, the Company has decided to expand processing facilities at Dharmapur (Dist.:Valsad) plant. The Company has already initiated expansion process at Dharampur plant in phased manner. The Company intend to expand cold storage facilities with additional capacity of 3000 MT wherein civil construction of 1st phase (1000 MT) is almost completed. To serve zero defect product, the Company has installed a new metal detector with high sensitivity. The Company has also installed new dicer machine of URSCHL brand with different cut sizes.

The Company is in the process of introducing a few new range of product such as Ready Meals, Nann / Kulcha, Punjabi Samosas, RTS in retort packs and other South Indian frozen products.

Processed Food products are not only consumed by Ethnic population but Europeans, Americans and other consumers are relishing them too. The Company has already initiated discussions with various supermarkets in Australia (Woolworth), France (Auchan), UK (Tesco, Safeway), USA (Krogers, Walmart) where we intend to make our frozen products available in very near future.

Apart from regular communication with prospective buyers, overseas visits and participation in fairs have created several new buyers and markets for our existing products.

There is a good international demand for certain processed fruits products. Fruits identified as having good export potential are : Mango, Papaya, Grapes, Banana, Lichee and exotic fruits like Sapota, Pomegranate, custard apple and other Tropical Fruits.

Domestic Market

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

3) HIGHLIGHTS OF FINANCIAL PERFORMANCE AND OPERATIONAL PERFORMANCE.

In spite of stiff competition, particularly in ice-cream industry, your Company has earned an Income from Operations of Rs. 11911.90 lacs during the year ended on 31st March, 2007 as against Rs. 10878.15 lacs earned during the previous year ended on 31st March, 2006, a rise of 9.50%.

Your Company has earned the Gross Profit of Rs. 1483.79 lacs before Depreciation and Financial Expenses during the year ended on 31st March, 2007 as compared to Rs. 1107.48 lacs earned during the previous year ended on 31st March, 2006, a rise of 33.98 %.

The Company has earned the Net Profit of Rs. 558.86 lacs during the year ended on 31st March, 2007 after providing Financial Expenses and Depreciation and other adjustments and after making Provision for Current Tax of Rs. 272.00 lacs, Fringe Benefit Tax of Rs. 11.00 lacs and other adjustments as compared to Net Profit of Rs. 369.86 lacs earned during the previous year ended on 31st March, 2006, a rise of 51.10 %.



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, 2007		(Rs. in lacs)
Segment Revenue (Sales plus income from services)		
Ice-cream		8,885.69
Processed Foods		2,987.98
Others		193.34
Total		12067.01
Less : Inter-segment revenue		(34.81)
Net Sales/Income from Operations		12101.82
Segment Results (PBIT)		
Ice-cream		808.75
Processed Foods		401.70
Others		24.33
Total		1234.78
Less : Interest (Net) & prior year adjustment	288.77	
Other unallocable expenditure	44.15	332.92
Total Profits (PBT)		901.86
Capital employed in segments (Segment assets less liabilities) - as at 31st March, 2007		
Ice-cream		4742.44
Processed Foods		2215.03
Others		115.53
Total Capital employed in segments		7073.00
Add : Unallocable corporate assets less corporate liabilities		(3768.21)
Total Capital Employed		3304.79

5) RISK AND CONCERN

a) Ice-cream Division

The Company is facing competition with major competitors especially on pricing front, though Company overcame the competition successfully in past. Further, local and regional brands are increasing day by day which is also eating away some of the market.

b) Processed Food Division

Indians can make optimum use of specific regional production areas to provide a product range that is as broad as possible, but currently, the Company is facing stiff competition with China. Owing to mass production and various Government subsidies, their cost of production is very low, as such, they are very competitive in the market as compared to India.

There are many direct and indirect taxes in India. On International level, Indian food products are subject to higher import duty in Europe and America, whereas products from East Europe and Central America are either exempted or attract lower rate of import duty.

Exorbitant power cost makes situation worse in case of frozen food industry where products are processed during the season and stored round the year.

Overall, cold chain is very poor and an adequate plugging in facilities should be created at airports and seaports for handling reefer cargo.

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. 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 suggest 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 Division has also achieved Export House status from Government of India and received Two Star Export House Certificate from Joint DGFT. The Division has also won the award of certificate of merit from APEDA, New Delhi for commendable performance in export of Processed Food products.

The Company has also been awarded the ISO 9001:2000 certification and HACCP Certificate from Bureau of Indian Standard (BIS) for its Ice-cream plant at Bareilly in the State of Uttar Pradesh. The Company has also ISO 9001:2000 certification and HACCP Certificate from BVQI, Netherland for its Ice-cream plant at Pundhra in the State of Gujarat. The ice-cream plant has also been certified by Export Inspection Council of India.

7) HUMAN RESOURCES

The Company has total staff strength of 504 at all locations, which includes 203 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" is 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, 2007]

A) CONSERVATION OF ENERGY

a) Energy Conservation measures taken :

Ice-cream Division

- Company has installed Hardening Tunnel to enhance manufacturing capacity resulting in improvement of production planning & reducing the energy conservation.
- Company has installed new cooling towers resulting in reduction of water temperature and discharge pressure.
- Company has installed new continuous freezers resulting in better output and total energy conservation.
- Alfa level PHE is installed in the manufacturing of mix resulting in energy saving.
- Company has installed glycol chiller to improve the temperature resulting in better temperatures and conservation of energy.
- The Company installed the automatic cup filling machine, to improve the efficiency and quality.
- The Company has installed one additional continuous freezer, to improve the production capacity.
- The Company has added one fruit feeder controlling the nut / fruit quantity to be added automatically. This will result in to improvement of product quality.
- Company has rescheduled the mix production for improving the work efficiency.

Processed Food Division

- In refrigeration system, installed two nos. of shell and tube condensers. With installation of this, are able to maintain temperature.

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

Ice-cream Division

- The Company has replaced old freezers with new ones resulting in enhanced production, improvement of quality and reduction of wastage.
- Cooling tower fins are replaced to reduce water temperature resulting in reduction of discharge pressure and saving of electricity.



- Power capacitors have been added to improve power factor and saving in power bills.
- The Company has planned to install one additional hardening tunnel and a cold store to enhance the production capacity and to improve the product availability during peak season.

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

- Company has maintained the power factor by using the power capacitors.
- The measures listed above (a) and (b) would result in lower power consumption and low cost of production of finished.
- This will result in lower cost of production increase of productivity and improved profitability.
- The rescheduling of mix production has resulted in to saving of 20% furnace oil (appx Rs. 8 lacs) in the financial year.

Processed Food Division

- With installation of two nos. of shell and tube condensers in refrigeration system, the Company will able to maintain the temperature.

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
- Process modifications
- Product diversifications

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. 3.20 lacs.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

a) Efforts in brief, made towards technology absorption, adaptation and innovation :

- Total computerization of despatch operations including vehicle movement, billing, payments, costing analysis.
- Introduced bar coding system at production shop floor to account goods transfer from production to cold stores. The next phase to be introduced is to despatch the goods from cold store to C&F / Distributors.
- Adopted computerized forecast production modules for improved production planning.
- Implementation of bar coding system.
- Up-gradation of computerization.

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. 2108.05 lacs for the previous year ended on 31st March, 2006, the Company has earned Foreign Exchange of Rs. 2143.24 lacs for Export of Goods on FOB value for the year ended on 31st March, 2007.

As against Foreign Exchange Outgo of Rs. 436.50 lacs for the previous year, the Outgo during the year under review was Rs. 465.88 lacs.



FORM A

Form for disclosure of particulars with respect to Conservation of Energy

	Year ended on 31-3-2007	Year ended on 31-3-2006	
PUNDHRA, GANDHINAGAR (ICE-CREAM DIVISION)			
(A) Power and Fuel Consumption :			
1) Electricity			
a) Purchased -			
i) Units KWH	4796059	4234520	
Total Amount (Rs.)	2,48,99,928.41	205,77,162.46	
Rate/Unit (Rs.)	5.19	4.86	
b) Own Generation -			
i) Through Diesel Generator			
Units KWH	27728	17040	
Units per liters of diesel	3.48	3.45	
Cost per unit (Ltrs.) (Rs.)	10.64	10.94	
2) Coal (Specify quality and where used)			
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)	180789	215267	
Total Amount (Rs.)	40,07,792.00	41,48,664.00	
Average rate (Rs.)	22.17	19.27	
b) HSD for Boiler			
Qty. (Kg./K. Liters)	160	81	
Total Amount (Rs.)	5,945.00	2,859.78	
Average rate (Rs.)	37.16	35.31	
4) Other/internal generation			
Qty.	Nil	Nil	
Total Cost	Nil	Nil	
Rate/unit	Nil	Nil	
B) Consumption per unit of production.	Unit of Measurement	Year ended on 31-3-2007	Year ended on 31-3-2006
<u>Ice-cream and Juicy</u>			
Electricity :	Units	0.615	0.675
Diesel for steam generation :	Liters	Nil	Nil
DUDHESHWAR - AHMEDABAD (ICE-CREAM DIVISION)			
(A) Power and Fuel Consumption :			
1) Electricity			
a) Purchased -			
i) Units KWH	1268930	1067720	
Total Amount (Rs.)	61,53,558.00	51,03,242.00	
Rate/Unit (Rs.)	4.85	4.78	
b) Own Generation -			
i) Through Diesel Generator			
Units KWH	Nil	Nil	
Units per litre of diesel	Nil	Nil	
Cost per unit (Ltrs.) (Rs.)	Nil	Nil	
2) Coal (Specify quality and where used)			
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)	2200	1650	
Total Amount (Rs.)	78,824.00	53,649.00	
Average rate (Rs.)	35.83	32.71	



		Year ended on 31-3-2007	Year ended on 31-3-2006
4) Other/internal generation			
Qty.		Nil	Nil
Total Cost		Nil	Nil
Rate/unit		Nil	Nil
B) Consumption per unit of production.	Unit of Measurement	Year ended on 31-3-2007	Year ended on 31-3-2006
<u>Ice-cream and Juicy</u>			
Electricity :	Units	* Nil	* Nil
Diesel for steam generation :	Liters	* Nil	* Nil
Note : * Dudheshwar factory is used as a storage hub. All production is done at Pundhra factory only.			
		Year ended on 31-3-2007	Year ended on 31-3-2006
BAREILLY, UTTAR PRADESH (ICE-CREAM DIVISION)			
(A) Power and Fuel Consumption :			
1) Electricity			
a) Purchased -			
i) Units KWH		2857644	2509936
Total Amount (Rs.)		1,35,77,978.00	1,13,54,220.00
Rate/Unit (Rs.)		4.75	4.52
b) Own Generation -			
i) Through Diesel Generator			
Units KWH		595717	526998
Units per litre of diesel		3.13	3.12
Cost per unit (Ltrs.) (Rs.)		9.58	9.07
ii) Through steam Turbine/ Generator Units		Nil	Nil
Units per litre of fuel/gas		Nil	Nil
2) Coal (Specify quality and where used)			
Qty. (Tones)		Nil	Nil
Total Cost		Nil	Nil
Average rate (Rs.)		Nil	Nil
3) Furnace Oil/HSD			
Qty. (Kg./K. Liters)		84177	196639
Total Amount (Rs.)		24,57,438.51	52,05,428.00
Average rate (Rs.)		29.19	26.47
4) Other/internal generation			
Qty.		Nil	Nil
Total Cost		Nil	Nil
Rate/unit		Nil	Nil
B) Consumption per unit of production.	Unit of Measurement	Year ended on 31-3-2007	Year ended on 31-3-2006
<u>Ice-cream and Juicy</u>			
Electricity :	Units	0.709	0.652
HSD / FO per litre of Mix :	Liters	0.048	0.053
DHARAMPUR, DIST. VALSAD (PROCESSED FOODS DIVISION)			
(A) Power and Fuel Consumption :			
1) Electricity			
a) Purchased -			
i) Units		2757248	2420240
Total Amount (Rs.)		1,38,89,700.00	1,21,48,888.00
Rate/Unit (Rs.)		5.04	5.02
b) Own Generation -			
i) Through Diesel Generator			
Units		22346	17712
Units per litre of diesel		1.97	2.08
Cost per unit (Ltrs.) (Rs.)		17.92	16.89
ii) Through steam Turbine Generator Units		Nil	Nil
Units per litre of fuel/gas		Nil	Nil



		Year ended on 31-3-2007	Year ended on 31-3-2006
2)	Coal (Specify quality and where used)		
	Qty. (Tones)	Nil	Nil
	Total Cost	Nil	Nil
	Average rate (Rs.)	Nil	Nil
3)	Furnace Oil/LDO		
	Qty. (Kg./K. Liters)	135.97	127.89
	Total Amount (Rs.)	30,09,016.00	28,72,409.00
	Average rate (Rs.)	22.13	22.46
4)	Other/internal generation		
	Qty.	Nil	Nil
	Total Cost	Nil	Nil
	Rate/unit	Nil	Nil
B)	Consumption per unit of production.		
		Unit of Measurement	Year ended on 31-3-2007
			Year ended on 31-3-2006
	Fruit Pulp		
	Electricity :	Units	0.46
	Furnace Oil with HSD	Liters	0.025

ANNEXURE "C" TO THE DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED ON 31ST MARCH, 2007.

Information showing names and other particulars of Employees who were employed throughout the year and were in receipt of remuneration in the aggregate of not less than Rs. 24,00,000/- per financial year.

Name	Designation/ Nature of Duties	Remun- eration received (Rs.)	Qualifi- cations	Experi- ence (Years)	Date of Commence- ment of Employment	Age (Years)	Particulars of last Employment held (Name/Place/Period of Ser./Designation)
Shri Rajesh R. Gandhi	Managing Director	29,68,264/-	B.Com	27	27-12-1983	49	Vadilal Marketing Private Limited (Managing Director)
Shri Devanshu L. Gandhi	Managing Director	29,68,948/-	B.Com	19	19-11-1990	40	-

Notes: 1) Nature of employment : Contractual and renewable.

- 2) Other terms and conditions as per Agreement and subject to the provisions of Sections 269, 309, 310 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII of the Act and also as per Company's Rules and also as per approval received from the Central Government.
- 3) Shri Rajesh R. Gandhi is a relative of Shri Ramchandra R. Gandhi and Shri Virendra R. Gandhi, Directors of the Company.
- 4) Remuneration received includes Salary, House Rent Allowance, re-imbursment of Medical Expenses, Personal Accident Insurance Premium, Mediciam Insurance Premium, Club Membership fees, Company's contribution to Provident Fund, other allowances and Commission.

For and on behalf of the Board

RAMCHANDRA R. GANDHI
Chairman

Ahmedabad

Dated : July 28, 2007



CORPORATE GOVERNANCE REPORT

Report on Corporate Governance for the year ended on 31st March, 2007 (2006-2007)

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 (as on 31-3-2007) :

The Board comprises of 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 and control of the Board of Directors of the Company. The Company fulfils the condition of minimum 1/3 rd Directors as Independent Directors, as the Chairman of the Company is Non-executive Chairman.

The Board of Directors of the Company as on 31-3-2007 consists of the following 8 Directors :-

<u>Category</u>	<u>Name of Directors</u>
— Promoter, Chairman & Non-executive Director	Ramchandra R. Gandhi
— Promoters & Executive Directors	Virendra R. Gandhi, Rajesh R. Gandhi, Devanshu L. Gandhi
— Non-executive & Independent Directors	M.N. Vora, C.M. Maniar, Kshitish M. Shah, Rohit J. Patel

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

7 Board Meetings of the Company were held during the year from 1-4-2006 to 31-3-2007. The dates on which the meetings were held are as follows. The gap between two Board Meetings did not exceed 4 months.

24-5-2006, 26-6-2006, 31-7-2006, 27-9-2006, 31-10-2006, 31-1-2007 & 19-3-2007

Board Meetings are 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 1-4-2006 to 31-3-2007, last Annual General Meeting (AGM) and number of Directorship and Chairmanship / Membership of Committee of each Director in various Companies as on 31-3 2007 :-

Name of Director	Attendance particulars		No. of directorships and committee member/ chairmanship		
	Board Meetings (7 Board Meetings)	Last AGM	Directorship *	Committee Membership **	Committee Chairmanship **
Ramchandra R. Gandhi	7	Yes	4	4	2
Virendra R. Gandhi	7	Yes	4	3	1
Rajesh R. Gandhi	7	Yes	4	3	Nil
Devanshu L. Gandhi	7	Yes	4	3	Nil
C.M. Maniar	3	No	14	9	1
M.N. Vora	6	Yes	2	1	Nil
Kshitish M. Shah	7	Yes	2	2	1
Rohit J. Patel	7	Yes	2	1	1

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

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

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

Among others, this includes :

- (a) Annual operating plans and budgets and updates,
- (b) Capital budget and updates,
- (c) Quarterly Results of the Company and its operating divisions or business segments, (d) Minutes of meetings of Audit Committee & other Committees of the Board,
- (e) The information on recruitment and remuneration of senior officers just below the Board level,
- (f) Show cause, demand, prosecution notices and penalty notices which are materially Important,
- (g) Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems,
- (h) Any material default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company,
- (i) Any issue, which involves possible public or product liability claims of substantial Nature,
- (j) Details of any Joint Ventures or Collaboration Agreement,
- (k) Transactions that involve substantial payment towards goodwill, brand equity or intellectual property,
- (l) Significant labour problems and their proposed solutions. Significant development in Human Resources/Industrial Relations front,
- (m) Sale of material nature of investments, subsidiaries, assets, which is not in normal course of business,
- (n) Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material,
- (o) 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 and other allowances paid including contribution towards Provident Fund to the two Managing Directors of the Company during the year ended on 31-3-2007 (i.e. from 1-4-2006 to 31-3-2007) are as follows as per approval received from the Central Government for re-appointment of Shri Rajesh R. Gandhi and Shri Devanshu L. Gandhi as Managing Directors of the Company for a further period of 5 years w.e.f. 1st April, 2004 and increase in remuneration w.e.f. 1st April, 2005 for a period of 3 years :-

	Amount (Rs. in lacs)				
	Salary	Perquisites/ Allowances	Commission @ 1% on Net Profit	Contribution to PF	Total
Shri Rajesh R. Gandhi	12.00	7.20	9.05	1.44	29.69
Shri Devanshu L. Gandhi	12.00	7.20	9.05	1.44	29.69

Besides this, the above Managing Directors were also entitled to Superannuation or Annuity Fund, to the extent not taxable and Gratuity and encashment of Leave at the end of tenure 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 31-3-2007.

Shri Virendra R. Gandhi has been re-appointed as a Managing Director of the Company designated as "Vice-Chairman & Managing Director" for a further period of 5 years w.e.f.1st July, 2004 without payment of any remuneration.

The Company has entered into an Agreement on 12-8-2004 with each Managing Directors of the Company for a period of 5 years for their appointment, powers, duties and payment of remuneration. The Company has also entered into a Supplemental Agreement on 20-4-2006 with Shri Rajesh R. Gandhi and Shri Devanshu L. Gandhi for increase in remuneration w.e.f. 1st April, 2005 for a period of 3 years, i.e. upto 31st March, 2008. 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 paid sitting fees to all Non-executive Directors of the Company at the rate of Rs. 2,000/- each for attending Board Meetings as under during the year ended on 31-3-2007 :-

(Amount in Rupees)

Shri Ramchandra R. Gandhi	14,000/-
Shri C.M. Maniar	6,000/-
Shri M.N. Vora	12,000/-
Shri Kshitish M. Shah	14,000/-
Shri Rohit J. Patel	14,000/-

The Company also paid sitting fees to the following Non-executive Directors of the Company for attending 7 Audit Committee meetings at the rate of Rs. 2,000/- for each meeting during the year ended on 31-3-2007 :-

(Amount in Rupees)

Shri Ramchandra R. Gandhi	14,000/-
Shri M.N. Vora	12,000/-
Shri Kshitish M. Shah	14,000/-
Shri Rohit J. Patel	14,000/-

As on 31st March, 2007, Shri Ramchandra R. Gandhi holds 47,798 Equity Shares of Rs. 10/- each of the Company in his individual capacity. Shri M.N. Vora holds 10 Equity Shares of Rs. 10/- each of the Company. No other Non-executive Directors hold any shares in the Company.

3) Committees of the Board

(a) Audit Committee (As on 31-3-2007)

(i) Composition

As on 31-3-2007, there were 4 members of Audit Committee as under :-

Shri Rohit J. Patel	- Chairman
Shri M.N. Vora	- Member
Shri Ramchandra R. Gandhi	- Member
Shri Kshitish M. Shah	- Member

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

Out of 4 members of Audit Committee, 3 members are Independent Directors, namely, Shri M.N. Vora, Shri Kshitish M. Shah and Shri Rohit J. Patel.

Shri M.N.Vora, member of Audit Committee and also an Independent Director, has the knowledge of Finance & Accounts. Shri Rohit J. Patel, who is the Chairman of Audit Committee was present at the last Annual General Meeting of the Company held on 27-9-2006. No queries were raised by the members present at the said meeting.

Shri 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 from 1-4-2006 to 31-3-2007, i.e. on 24-5-2006, 26-6-2006, 31-7-2006, 27-9-2006, 31-10-2006, 31-1-2007 and 19-3-2007. All 4 members of Audit Committee as mentioned above were present at the said meetings, except in case of Shri M.N. Vora, who was not present at the Audit Committee meeting held on 24-5-2006.

The representative of the Statutory Auditors was present in all meetings. Internal Auditors are also present in the meetings. Managing Directors are also generally invited to attend the meetings. Minutes of the Audit Committee 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 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 :-

- Oversight of the Company's financial reporting process and disclosure of its financial information.
- Recommending the appointment and removal of external Auditor, fixation of audit fee and also approval for payment for any other services.
- 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 a Subsidiary Companies.
 - j) It shall ensure compliance of internal control systems.
 - k) Taking note of Report on Corporate Governance.

(b) Remuneration Committee (As on 31-3-2007)

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 of the following three Directors of the Company, namely :-

1. Shri Kshitish M. Shah - Chairman
2. Shri M. N. Vora - Member
3. Shri Rohit J. Patel - Member

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

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

The members of Remuneration Committee at their meeting held on 27-8-2003 had approved the payment of managerial remuneration to Shri Rajesh R. Gandhi and Shri Devanshu L. Gandhi, Managing Directors of the Company for a further period of 5 years w.e.f. 1st April, 2004 and also approved at their meeting held on 2-9-2005 for increase in remuneration for a period of 3 years w.e.f. 1-4-2005 upto 31-3-2008. Subsequently, Board of Directors, Shareholders of the Company and Central Government have also approved the payment of managerial remuneration (including increase in remuneration) to the said Managing Directors of the Company.

(c) Share Transfer and Investors' Grievance Committee

(i) Name of Chairman (to be Non-executive Director)

The Board of the Company has constituted a Share Transfer and Investors' Grievance Committee, comprising 4 Directors of the Company, namely, Shri Ramchandra R. Gandhi (Chairman & Non-executive Director), Shri Virendra R. Gandhi, Shri Rajesh R. Gandhi and Shri Devanshu L. Gandhi. The Committee, interalia, approves transfer of Shares, issue of duplicate Certificates, splitting and consolidation of Shares etc. The Committee also looks into redressing 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 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 20. There were no outstanding complaints as on 31st March, 2007.

(iii) Name and designation of Compliance Officer

The Board has designated Shri Nikhil Patel, Dy. General Manager (Secretarial & Legal) and Company Secretary, as the Compliance Officer.

(iv) Number of pending transfers

No requests for transfer and dematerialisation were pending for approval as on 31st March, 2007.



4) General Body Meetings

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

Year	AGM	Location	Date	Time
2005-2006	22nd AGM	Bhaikaka Hall, Nr. Law Garden, Ellisbridge, Ahmedabad	27-9-2006	2.00 p.m.
2004-2005	21st AGM	Bhaikaka Hall, Nr. Law Garden, Ellisbridge, Ahmedabad	29-9-2005	3.30 p.m.
2003-2004	20th AGM	GCCI, Ashram Road, Ahmedabad	21-9-2004	2.30 p.m.#

Extended and held on 22-9-2004, at 4.30 p.m., at Bhaikaka Hall, Nr. Law Garden, Ellisbridge, Ahmedabad for declaration of results of the Poll taken on 21-9-2004.

(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 AGM, no resolution is proposed to be passed through Postal Ballot.

5) Disclosures

(i) Transaction with related parties are disclosed in Note No. 7 of Schedule 3.2 to the Notes on Accounts for the year ended on 31-3-2007 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, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

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 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.

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 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, 2007. The Code has also been posted on the Company's website-www.vadilalgroup.com. Certificate from Managing Directors affirming compliance of the said Code by all the Board Members and Senior Management Personnel is annexed separately to this Report.

7) Means of communication

Whether following included ?

(i) Half-yearly report sent to each household of Shareholders

Not mandatory. The results are not sent individually to the Shareholders.

(ii) Quarterly results

The quarterly unaudited results ended on 30-6-2006 (1st Quarter), 30-9-2006 (2nd Quarter), 31-12-2006 (3rd Quarter) and Audited Accounts for the year ended on 31-3-2007 including notes and segmentwise revenue, results and capital employed and also consolidated financial results are published in Indian Express / Business Standard (English) and Jansatta (Gujarati) newspapers of Ahmedabad edition and the said results including Notes and Segment wise revenue, results and capital employed are displayed on the corporate website, www.vadilalgroup.com of the



Company. The said results are also displayed on the web-site of Mumbai Stock Exchange, www.bseindia.com. The results are not sent individually to the Shareholders. The results are also uploaded in the EDIFAR (Electronic Data Information Filing and Retrieval) website viz. www.sebidifar.nic.in.

(iii) The web-site displays the official news releases

Yes. The Company's website has an exhaustive investor-help section. It contains comprehensive guidelines and procedure for investors.

(iv) Presentation made to institutional investor/analyst

There were no presentations made to the institutional investor or analyst.

(v) The Management Discussion and Analysis is a part of the Annual Report

The Management Discussion and Analysis Report are included in the Directors' Report for the year ended on 31-3-2007 and forms part of this Annual Report.

8) General Shareholder information

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

- Date & Time : Saturday, 29th September, 2007, at 1.00 p.m.
- Venue : Bhaikaka Hall, Near Law Garden, Ellisbridge, Ahmedabad-380 006.

(ii) Financial Calendar (from 1-4-2007 to 31-3-2008) (Tentative)

- Results for quarter ended on 30-6-2007 : 28th July, 2007
- Results for quarter ending on 30-9-2007 : Last week of October, 2007
- Results for quarter ending on 31-12-2007 : Last week of January, 2008
- Results for quarter ending on 31-3-2008 : Last week of April, 2008
- AGM for the year ending on 31-3-2008 : Last week of September, 2008

(iii) Book-closure date

Book-closure from 24th September, 2007 to 29th September, 2007 (both days inclusive) for the purpose of payment of dividend on Equity Shares for the year ended on 31st March, 2007.

(iv) Dividend payment date

The Dividend @ 12 % on Equity Shares for the year ended on 31st March, 2007 will be paid within the prescribed time limit.

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

The Company's shares are listed on Stock Exchanges at Ahmedabad and Mumbai. The Equity Shares of the Company have already been voluntarily delisted from Pune and Delhi Stock Exchanges w.e.f. 10-5-2004 and 20-1-2005 respectively. Listing fees for the year 2007-2008 has been paid to the Stock Exchanges at Ahmedabad & Mumbai.

(vi) Security Code No.

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

(vii) Stock Market Data

Bombay Stock Exchange (BSE) (in Rs.)

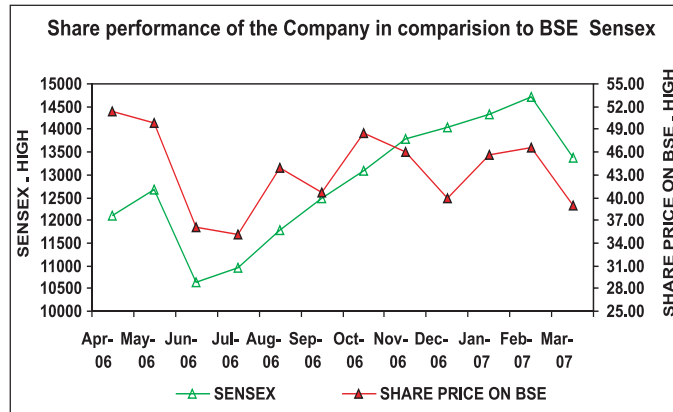
Period Month & Year	Month's High Price	Month's Low Price	Closing Price
April, 2006	51.35	42.95	46.70
May, 2006	49.85	35.35	37.80
June, 2006	36.05	23.70	29.05
July, 2006	35.10	25.25	34.80
August, 2006	44.00	34.25	36.30
September, 2006	40.70	34.00	35.55
October, 2006	48.50	34.10	44.35
November, 2006	46.00	34.50	37.90
December, 2006	39.90	32.00	36.45
January, 2007	45.70	36.00	41.70
February, 2007	46.65	37.00	37.85
March, 2007	38.95	31.75	36.45



(viii) **Share price performance in comparison to BSE Sensex based on share price on 31-3-2007**

Market - Price data : The monthly high, low and closing stock quotations during the financial year from April, 2006 to March, 2007 and performance in comparison to BSE Sensex are given below :

Period Month & Year	Month's High Price	Month's Low Price	Closing Price	SENSEX	
				High	Low
April, 2006	51.35	42.95	46.70	12102.00	11008.43
May, 2006	49.85	35.35	37.80	12671.11	9826.91
June, 2006	36.05	23.70	29.05	10626.84	8799.01
July, 2006	35.10	25.25	34.80	10940.45	9875.35
August, 2006	44.00	34.25	38.30	11794.43	10645.99
September, 2006	40.70	34.00	35.55	12485.17	11444.18
October, 2006	48.50	34.10	44.35	13075.85	12178.83
November, 2006	46.00	34.50	37.90	13799.08	12937.30
December, 2006	39.90	32.00	36.45	14035.30	12801.65
January, 2007	45.70	36.00	41.70	14325.92	13303.22
February, 2007	46.65	37.00	37.85	14723.88	12800.91
March, 2007	38.95	31.75	36.45	13386.95	12316.10



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

(xi) (a) **Distribution of Shareholding as on 31st March, 2007**

No. of Equity Shares held	No. of Share holders	No. of Shares	% of Shares
1-500	10687	925641	12.88
501-1000	274	121271	3.23
1001-2000	119	176928	2.46
2001-3000	42	110171	1.53
3001-4000	19	69079	0.96
4001-5000	17	80749	1.12
5001-10000	36	270440	3.76
10001 and above	59	5322851	74.05
Total	11253	7188230	100.00

(b) **Categories of Shareholders as on 31st March, 2007**

Sr. No.	Category of Shareholder	No. of Equity Shares held	% to total Shares
1	Directors, Relatives & HUF	12,40,971	17.26
2	Foreign Institutional Investors (FIIs)	2,000	0.03
3	Mutual Funds and UTI	8,350	0.12
4	Nationalise Bank	4,499	0.06
5	NRIs/OCBs	46,200	0.64
6	Corporate Bodies	35,74,305	49.73
7	Public	23,11,905	32.16
	Total	71,88,230	100.00

(xii) **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.

24,24,703 Equity Shares of the Company representing 33.73 % of the total paid-up capital of the Company have been dematerialised upto 31-3-2007. Trading in Equity Shares of the Company is permitted only in dematerialised form as per notification issued by SEBI.

(xiii) **Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on Equity.** Not Applicable

(xiv) **Plant locations**

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

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

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

(xv) **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 Fax No. : (079) 26581296

2) Secretarial & Share Department

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

Contact person : Shri Nikhil Patel, Company Secretary

Tel. Nos. : (079) 26564019 to 24

Fax No. : (079) 26564027

E-mail : shareslogs@vadilalgroup.com

Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participant.

(xvi) **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.

(xvii) **Address of Registrar of Companies (ROC), Gujarat**

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



(xviii) **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.

(xix) **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 contact at the Registered Office of the Company at Vadilal House, Shrimali Society, Near Navrangpura Railway Crossing, Navrangpura, Ahmedabad - 380 009. Telephone Nos. 26564019 - 24.

9) **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 :-

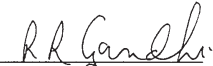
- 1) Half-yearly declaration of financial performance and summary of significant events in last six months have not been sent to each shareholder of the Company.
- 2) The Company has not conducted training for the Board members.
- 3) The Company does not have peer group of Board of Directors to evaluate 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, 2007.

For VADILAL INDUSTRIES LIMITED

Place : Ahmedabad
Date : June 25, 2007


RAJESH R. GANDHI
MANAGING DIRECTOR


DEVANSHU Z. GANDHI
MANAGING DIRECTOR

CERTIFICATE

To,
The Members of
Vadilal Industries Limited,

We have examined the compliance of conditions of Corporate Governance by **Vadilal Industries Limited**, for the year ended on **31st March, 2007**, 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.

In our opinion and to the best of our information and according to the explanations given to us, 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**

Date : July 28, 2007
Place : Ahmedabad

Arpit K. Patel
Partner
Membership No.: 34032



AUDITORS' REPORT

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

- 1 We have audited the attached balance sheet of **Vadilal Industries Limited** as at **March 31, 2007**, 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 2007, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 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, 2007;
 - (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**

**Arpit K. Patel
Partner**

**Place : Ahmedabad
Date : June 30, 2007**

Membership No.: 34032

ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF VADILAL INDUSTRIES LIMITED, ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2007.

- (i) (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets in respect of assets at Pundhra plant and plant & machineries and vehicles at Ahmedabad and Bareilly plants. As regards Dharampur plant and assets other than plant and machineries and vehicles at Ahmedabad and Bareilly plants, details are still under compilation.
- (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 except stock of frozen products lying at Dharampur which has not been physically verified during the year. 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 explanation 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 explanation 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 were not material and have been adequately dealt with in the books of account. In absence of physical verification of frozen products lying at Dharampur, the discrepancy, if any, could not be ascertained.
- (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 one company. The year end balance of loan taken from such party is Rs. 10.08 lakhs.
- [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. 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 except payment of advance tax and amount of Rs.0.30 lakhs required to be deposited with investor education and protection fund.
- (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, 2007 for the period of more than six months from the date they become payable except sales tax of Rs. 8.47 lakhs and payment of advance tax of Rs. 111.19 lakhs which remains outstanding for a period of more than six months from the date it became payable.
- (c) The details of disputed statutory dues as at March 31, 2007 that have not been deposited by the company, are as under :

Sr. No.	Dispute under:	Amt. (net of deposit)	Period to which the amount relates	Forum where dispute is pending
(i)	Central Sales Tax Act and Sales Tax Act of various states	130.06	1997-98 to 2004-05	- High Court
		2.37	1997-98	- Tribunal
		23.24	1998-99	- Tribunal
		1.55	2001-02	- Dy. Commissioner
		1.10	2002-03	- Tribunal
		2.39	2003-04	- Tribunal
		4.00	2003-04	- Dy. Commissioner
		16.62	2003-04	- Jt. Commissioner
		3.67	2004-05	- Jt. Commissioner
		(ii)	Income Tax Act, 1961	6.22



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:	Amt. (net of deposit)	Period to which the amount relates	Forum where department has preferred appeals
(i)	Central Excise Act, 1944	4.58 4.28 9.17	1988-89 2003-04 2000-01	- Asst. Comm. of Central Excise - Asst. Comm. of Central Excise - High Court, Hyderabad
(ii)	Income Tax Act, 1961	1.99 14.83 19.17 13.14 21.30 3.12 12.44	1991-92 1992-93 1993-94 1995-96 1996-97 1999-2000 2001-02	- Income Tax Appellate Tribunal - Income Tax Appellate Tribunal - Income Tax Appellate Tribunal - Income Tax Appellate Tribunal - Income Tax Appellate Tribunal - Income Tax Appellate Tribunal - Income Tax Appellate Tribunal

- (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 explanation 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 funds amounting to Rs. 202.23 lakhs raised on short term basis have been used for long term investments.
- (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**

**Place : Ahmedabad
Date : June 30, 2007**

**Arpit K. Patel
Partner
Membership No.: 34032**



BALANCE SHEET AS AT 31ST MARCH, 2007

	SCHEDULE	As At	
		31.03.2007	31.03.2006
	(Rs. in Lacs)	(Rs. in Lacs)	(Rs. in Lacs)
I. SOURCES OF FUNDS :			
(1) Shareholders' Funds:			
Share Capital	1.11	718.78	718.78
Reserves & Surplus	1.12	2,582.03	2,147.14
		3,300.81	2,865.92
(2) Deferred Government Grant		41.56	44.75
(3) Loan Funds :			
Secured Loans	1.21	2,655.75	2,432.92
Unsecured Loans	1.22	822.61	752.09
		3,478.36	3,185.01
(4) Deferred Tax Liability (Net)	1.30	423.00	464.59
TOTAL ->		7,243.73	6,560.27
II. APPLICATION OF FUNDS :			
(1) Fixed Assets :	1.50		
(a) Gross Block		6,181.59	5,822.30
Less : Depreciation		3,226.65	2,973.55
Net Block		2,954.94	2,848.75
(b) Capital Work In Progress		730.81	91.95
		3,685.75	2,940.70
(2) Investments :	1.60	331.89	331.90
(3) Current Assets, Loans & Advances :			
(a) Inventories	1.71	2,438.17	1,773.04
(b) Sundry Debtors	1.72	2,191.53	1,954.63
(c) Cash & Bank Balances	1.73	103.54	266.13
(d) Loans & Advances	1.74	923.10	852.58
(e) Other Current Assets	1.75	41.25	30.10
Sub Total (A) ->		5,697.59	4,876.48
LESS : Current Liabilities & Provisions :			
(a) Current Liabilities	1.41	2,025.33	1,410.77
(b) Provisions	1.42	478.32	239.79
Sub Total (B) ->		2,503.65	1,650.56
Net Current Assets (A - B)		3,193.94	3,225.92
(4) Misc. Expenditure (To the extent not written off or adjusted)	1.80	32.15	61.75
TOTAL ->		7,243.73	6,560.27
Significant Accounting Policies	3.1		
Notes to the Accounts	3.2		

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

For KANTILAL PATEL & CO.
Chartered Accountants

Arpit K. Patel
Partner

Place : Ahmedabad
Date : June 30, 2007

For and on behalf of the Board

Ramchandra R. Gandhi : Chairman
Virendra R. Gandhi : Vice-Chairman &
Managing Director
Rajesh R. Gandhi : Managing Director
Devanshu L. Gandhi : Managing Director

Nikhil Patel : Company Secretary

Place : Ahmedabad
Date : June 30, 2007



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	SCHEDULE		Year Ended 31.03.2007 (Rs. in Lacs)	Year Ended 31.03.2006 (Rs. in Lacs)
I INCOME :				
(a) Income From Operations	2.1	11,911.90		10,878.15
Less : Excise Duty on sales		0.82		1,206.06
Net Turnover			11,911.08	9,672.09
(b) Other Income	2.2		257.54	259.16
Total			12,168.62	9,931.25
II EXPENDITURE :				
(a) (Increase) / Decrease in stock	2.3		(166.76)	177.52
(b) Materials Consumed and Purchase of goods	2.4		6,937.78	5,372.02
(c) Manufacturing & Other Expenses	2.5		3,913.81	3,274.23
(d) Financial Expenses (Net)	2.6		302.67	295.58
(e) Depreciation		317.66		280.38
Less : Withdrawn From Revaluation Reserve / Deferred Govt. Grant		26.25		34.55
Total			291.41	245.83
III Profit before Exceptional & Prior year items			889.71	566.07
IV Prior Years' Adjustments (Net)			(2.21)	(1.05)
V Profit before Tax			887.50	565.02
VI Provision for Tax (Refer Note I on Schedule 3.1)				
- Current			272.00	114.00
- Deferred			(5.71)	69.26
- Fringe Benefit Tax			11.00	12.50
- (Short) / Excess Provision of Tax / Deferred Tax of earlier years (Net)			(51.35)	0.60
VII Net Profit after Tax			558.86	369.86
VIII Profit Brought Forward			255.71	388.88
Amount available for appropriation			814.57	758.74
Appropriations :				
(a) Proposed Dividend			86.26	71.88
(b) Tax on Proposed Dividend			14.66	10.08
(c) General Reserve			450.00	421.07
(d) Balance carried to Balance Sheet			263.65	255.71
Total			814.57	758.74
Basic and Diluted Earnings Per Share of Rs. 10/- each (Refer Note 8 on Sch 3.2)			7.77	5.15
Significant Accounting Policies	3.1			
Notes to the Accounts	3.2			

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

For KANTILAL PATEL & CO.
Chartered Accountants

Arpit K. Patel
Partner

Place : Ahmedabad
Date : June 30, 2007

For and on behalf of the Board

Ramchandra R. Gandhi : Chairman
Virendra R. Gandhi : Vice-Chairman &
Managing Director
Rajesh R. Gandhi : Managing Director
Devanshu L. Gandhi : Managing Director

Nikhil Patel : Company Secretary

Place : Ahmedabad
Date : June 30, 2007



CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET

		For the year ended 31.03.2007 (Rs. in Lacs)	For the year ended 31.03.2006 (Rs. in Lacs)
A CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before tax and Exceptional Items	889.71		566.07
Adjusted for			
Depreciation	317.66		280.38
Withdrawn From Revaluation Reserve /	(26.25)		(34.55)
Deferred Government Grant			
Loss / (Profit) on sale of Assets	(19.58)		(2.25)
Loss / (Profit) on Partnership Firms (Net)	(24.61)		(12.79)
Provision For Doubtful Advances	2.30		3.76
Bad Debts	11.95		0.00
Consideration Short received on Sale of property	3.80		0.00
Voluntary Retirement Scheme	22.75		20.50
Upfront Interest on restructuring of Loan	6.85		7.82
Excess Provision Written Back	0.00		(126.84)
Export Licence Incentive	(145.98)		(106.62)
Diminution in value of Current Investments	0.00		(0.35)
Dividend	(0.13)		(0.13)
Financial Expenses (Net)	302.67		295.58
Operating Profit before working capital changes	1,341.14		890.58
Adjusted for			
Trade and other Receivables	(198.22)		165.80
Inventories	(665.13)		183.70
Trade Payables and Liabilities	521.32		(211.51)
Deferred Revenue Expenditure (VRS)	0.00		(12.28)
Cash Generated from Operations	999.11		1,016.29
Direct taxes (paid / adjusted)	(143.26)		(88.86)
Cash flow before extraordinary items	855.85		927.43
Net Prior Year Expenses	(2.21)		(1.05)
Net Cash from Operating Activities		853.64	926.38
B CASH FLOW FROM INVESTING ACTIVITIES			
Loans given (Net)	43.19		(17.98)
Purchase of fixed assets	(919.14)		(189.90)
Sale of fixed assets	19.06		15.59
Purchase of Investments	0.00		(0.01)
Deferred Government Grant	0.00		47.95
Interest received	56.85		42.29
Dividend received	0.13		0.13
Net Cash used in Investing Activities		(799.91)	(101.93)
C CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings	1,292.71		1,005.25
Repayment of borrowings	(999.36)		(1,273.54)
Interest paid	(427.36)		(336.54)
Dividend paid	(82.31)		(39.81)
Net Cash used in Financing Activities		(216.32)	(644.64)
Net Increase/(Decrease) in cash and Cash equivalents (A+B+C)		(162.59)	179.81
Op. Balance of Cash and Cash Equivalents (Includes unrealised exchange difference of Rs. 0.28 lacs (P.Y. Rs. 0.55 lacs))		266.13	86.32
Cl. Balance of Cash and Cash Equivalents (Includes unrealised exchange difference of Rs. 0.05 lacs (P.Y. Rs. 0.28 lacs))		103.54	266.13
Major Components of Cash and Cash Equivalents as at		31.03.2007	31.03.2006
Cash and Cheques on hand		27.95	191.84
Balance With Banks - Current Accounts		31.16	25.96
- Fixed / Margin Money Deposit Accounts		44.43	48.33
		103.54	266.13

Notes :

1. The above Cash Flow has been prepared under Indirect Method set out in AS 3, issued by The Institute of Chartered Accountants of India.
2. 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

Arpit K. Patel
Partner

Place : Ahmedabad
Date : June 30, 2007

For and on behalf of the Board

Ramchandra R. Gandhi : Chairman
Virendra R. Gandhi : Vice-Chairman &
Managing Director
Rajesh R. Gandhi : Managing Director
Devanshu L. Gandhi : Managing Director

Nikhil Patel : Company Secretary

Place : Ahmedabad
Date : June 30, 2007



SCHEDULES TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

	As At 31.03.2007 (Rs. in Lacs)	As At 31.03.2006 (Rs. in Lacs)
SCHEDULE : 1.11 - SHARE CAPITAL		
AUTHORISED :		
1,00,00,000 Equity Shares of Rs. 10 each	1000.00	1000.00
	1000.00	1000.00
ISSUED AND SUBSCRIBED :		
71,88,230 (P.Y. 71,88,230) Equity Shares of Rs. 10/- each	718.82	718.82
	718.82	718.82
PAID UP :		
71,88,230 (P.Y. 71,88,230) Equity Shares of Rs. 10/- each (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)	718.82	718.82
Less : Calls Unpaid (Other than Directors)	0.04	0.04
	718.78	718.78

SCHEDULE : 1.12 - RESERVES & SURPLUS

	Balance As at 01.04.2006 (Rs. in Lacs)	Addition During the Year (Rs. in Lacs)	Deduction/ Adjustment During the year (Rs. in Lacs)	Balance As at 31.03.2007 (Rs. in Lacs)
1 Capital Reserve	8.82 (8.82)	0.00 (0.00)	0.00 (0.00)	8.82 (8.82)
2 Securities Premium*	487.27 (487.27)	0.00 (0.00)	0.00 (0.00)	487.27 (487.27)
3 General Reserve	1,200.00 (778.93)	450.00 (421.07)	0.00 (0.00)	1,650.00 (1,200.00)
4 Revaluation Reserve ** (Refer Note No C (ii) on Schedule 3.1)	195.34 (234.67)	0.00 (0.00)	23.05 (39.33)	172.29 (195.34)
5 Profit & Loss Account	255.71 (388.88)	263.65 (a) (255.71)	255.71 (b) (388.88)	263.65 (255.71)
	2,147.14 (1,898.57)	713.65 (676.78)	278.76 (428.21)	2,582.03 (2,147.14)

NOTE: Figures shown in Bracket relate to previous year

* Securities Premium	487.32
Less : Calls Unpaid (arrears)	0.05
	487.27
** Opening Balance	195.34
Less : Utilised during the year	23.05
Less : Inter Unit Transfer / Sale / Discarded	0.00
	172.29

(a) Transferred from

(b) Transferred to

	As At 31.03.2007 (Rs. in Lacs)	As At 31.03.2006 (Rs. in Lacs)
SCHEDULE : 1.21 - SECURED LOANS		
A. TERM LOANS		
i) From Financial Institutions	205.60	174.90
Carried Forward...	205.60	174.90



	(Rs. in Lacs)	As At 31.03.2007 (Rs. in Lacs)	As At 31.03.2006 (Rs. in Lacs)
	Brought Forward...	205.60	174.90
ii) Loans from Banks		553.14	604.60
(Principal overdue for Payment as at 31.03.2007 Rs. NIL (P.Y. Rs. 87.50 lacs) (Principal repayable within One year Rs. 100.85 Lacs (P.Y. Rs. 141.98 Lacs))			
B. WORKING CAPITAL LOANS			
From Banks	1,892.84		1,653.42
Add : Interest Accrued and due	4.17		0.00
		1,897.01	1,653.42
A i) Term loans from IDBI and MFPI (BOB - Bank Guarantee) are secured by way of mortgage of immovable and hypothecation of movable properties (save and except current assets and book debts hypothecated to banks for working capital requirements) of the company situated at the following places by way of first charge on pari-passu basis -			
1 Dudheshwar, Ahmedabad (Icecream Plant)			
2 Dharampur, Dist.- Valsad (Canning Unit)			
3 Vadilal House, Navrangpura, Ahmedabad (Basement and 3rd Floor) (Office Complex)			
4 Village Pundhra, Taluka Kalol, Dist. Gandhinagar (Icecream Plant)			
5 Parsakhera Industrial Estate, Bareilly, Uttar Pradesh (Icecream Plant - Unit I)			
6 Survey No 871 paiki, Bayad, Sabarkantha, and			
7 Survey No 87 Gomtipur, held by Vadilal Cold Storage, a partnership firm			
ii) Term Loan from Exim Bank and IDBI Ltd (further Term Loan is secured are secured by hypothecation of all movable properties of the company on first pari-passu charge basis except in case of IQF unit at Dharampur Vadilal House (Ground & 2nd Floor) and specific additional plant and machinery at IQF unit at Dharampur and Bareilly Unit - II and also secured by hypothecation of entire current assets of the company on second pari-passu charge basis.			
Term Loan from Exim Bank and IDBI Ltd are also secured by hypothecation of movable properties of the company situated at IQF Unit at Dharampur and Vadilal House (Ground and 2nd Floor) on second pari-passu charge basis			
iii) Term Loan from IDBI is secured by way of First charge on hypothecation of specific additional plant and machinery lying at Dharampur, Dist - Valsad (IQF Unit) and Parsakhera Industrial Area, Bareilly Uttar Pradesh (Unit - II)			
iv) Vehicle loans are secured by hypothecation of vehicles			
B i) Working capital facilities from consortium banks (namely BOB, SBI, SBT, SIB, Exim bank and IDBI Ltd) are secured by hypothecation of Stocks, book-debts and other current assets of the company by way of first charge on pari-passu basis.			
ii) Working Capital facilities from consortium banks (namely BOB, SBI, SBT and SIB) are also secured by way of second charge on pari-passu basis on the company's immovable and movable properties situated at Dudheshwar, Dharampur (Canning & IQF Unit), Vadilal House (Basement and 3rd Floor), Pundhra and Bareilly (Unit-I) as mentioned above.			
	Carried Forward...	2655.75	2432.92



	(Rs. in Lacs)	As At 31.03.2007 (Rs. in Lacs)	As At 31.03.2006 (Rs. in Lacs)
C Term Loans from Financial Institutions and working capital facilities from consortium Banks are also secured by personal guarantee of some of the Directors of the Company.	Brought Forward...	2655.75	2432.92
		2,655.75	2,432.92
SCHEDULE : 1.22 UNSECURED LOANS			
(a) Fixed Deposits	723.80		656.42
Add: Interest accrued and Due	7.12		6.47
(Repayable within One year Rs. 553.45 lacs (P.Y. Rs. 506.46 lacs))		730.92	662.89
(b) Inter Corporate Deposits		56.55	55.54
(c) Security Deposits from Customers		35.14	33.66
		822.61	752.09
SCHEDULE : 1.30 DEFERRED TAX LIABILITY (NET)			
(Refer Note No I (a) on Sch 3.1)			
Deferred Tax Liability			
Difference between book and Income Tax Depreciation		445.06	457.57
Other Timing Difference		5.71	38.80
		450.77	496.37
Deferred Tax Assets			
Expenditure under section 43 B of the Income Act, 1961		24.00	24.97
Other Timing Difference		3.77	6.81
		27.77	31.78
Deferred Tax Liability (Net)		423.00	464.59
SCHEDULE : 1.41 CURRENT LIABILITIES			
Sundry Creditors (Refer Note No 6 on Schedule 3.2)		949.93	680.95
Other Liabilities		416.69	423.20
Bills Payable		441.35	0.00
Advances From Customers		25.87	57.01
Interest accrued but not due on loans		49.13	89.98
Temporary Overdraft in Current A/C with Banks		95.09	118.66
Due to Managing Directors		18.09	12.40
Unclaimed Dividends *		3.15	3.50
Unpaid Matured Deposits *		22.99	22.16
Interest on Deposits *		2.74	2.61
Unpaid Matured Debenture & Interest **		0.30	0.30
* These figures do not include any amounts, due and outstanding, to be credited to Investor Education and Protection Fund, except Rs. 0.15 lacs (P.Y. Rs 0.15 lacs) which is held in abeyance due to legal case pending)		2,025.33	1,410.77
** Amount due and outstanding as on 31.03.2007 to be credited to Investor Education and Protection Fund.			
SCHEDULE : 1.42 PROVISIONS			
Gratuity (Refer Note No F (i) on Schedule 3.1)		40.56	40.56
Leave Encashment (Refer Note No F (ii) on Schedule 3.1)		36.30	33.47
Income Tax Less Advance Tax (Current Tax)		294.54	71.30
Fringe Benefit Tax (Net)		6.00	12.50
Proposed Dividend		86.26	71.88
Tax on Proposed Dividend		14.66	10.08
		478.32	239.79


SCHEDULE : 1.50 FIXED ASSETS (Refer Note No. C on Schedule 3.1)

(Rs. in Lacs)

	GROSS BLOCK (AT COST / REVALUED)			DEPRECIATION		NET BLOCK	
	As At 31.03.2006	Addition	Deduction	As At 31.03.2007	Up to 31.03.2007	As At 31.03.2007	As At 31.03.2006
Land (Freehold)	112.84	48.88	0.00	161.72	0.00	161.72	112.84
Land (Leasehold)	94.76	5.90	0.00	100.66	0.00	100.66	94.76
Buildings	1,247.38	20.10	0.50	1,266.98	321.93	945.05	955.61
Plant & Machinery	3,823.19	314.24	14.30	4,123.13	2,496.46	1,626.67	1,574.27
Furniture & Fixtures	101.28	4.45	0.00	105.73	85.12	20.61	22.57
Office Equipments	264.87	22.52	0.03	287.36	231.12	56.24	46.02
Vehicles	123.52	10.20	1.91	131.81	87.82	43.99	42.68
Total (A)	5,767.84	426.29	16.74	6,177.39	3,222.45	2,954.94	2,848.75
Leased Assets							
Plant & Machinery	50.26	0.00	50.26	0.00	0.00	0.00	0.00
Vehicles	4.20	0.00	0.00	4.20	4.20	0.00	0.00
Total (B)	54.46	0.00	50.26	4.20	4.20	0.00	0.00
Total (A+B)	5,822.30	426.29	67.00	6,181.59	3,226.65	2,954.94	2,848.75
Previous year	5,743.00	135.56	56.26	5,822.30	2,973.55	2,848.75	3,014.89
Capital W I P	91.95	723.26	84.40	730.81	0.00	730.81	91.95
Previous Year	37.61	74.71	20.37	91.95	0.00	91.95	37.61

NOTES :

- I. Land & Building includes Rs. 100.66 lacs (P.Y. Rs. 94.76 lacs) & Rs. 170.99 lacs (P.Y. Rs. 170.99 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 Borrowing cost capitalised during the year and shown in additions to fixed assets Rs. 3.46 Lacs (P.Y. Rs Nil) and in additions to Capital work in progress Rs. 12.38 Lacs (P.Y. Rs. Nil)
- IV. Estimated amount of contracts (Net Amount) remaining to be executed on capital account not provided for Rs. 689.06 lacs (P.Y. Rs. 99.50 lacs)
- V Capital Work in progress includes Rs 525.42 Lacs (P.Y. Rs 70.76 Lacs) as Capital Advance
- VI Adjusted Depreciation upto 01.04.2006 2,973.55
Add : Depreciation for the year 317.66

3,291.21
Less : Depreciation adjusted on Assets Sold / Discarded / Transferred during the year 64.56

3,226.65

	Face Value (in Rs.)	No of Units / Shares	As At 31.03.2007 (Rs. in Lacs)	No of Units / Shares	As At 31.03.2006 (Rs. in Lacs)
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SCHEDULE : 1.60 INVESTMENTS

(At or below Cost) (Refer Note No D on Sch 3.1)

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
(ii) 11.5 % IDBI Bond 2008	1000.00	280	2.41	280	2.41
2 Trade Investments					
a) In Equity Shares Quoted					
(i) Vadilal Chemicals Ltd. Unquoted	10.00	1473100	162.04	1473100	162.04
(i) Vadilal Happinezz Parlour Ltd (Previously known as Shraddha Realtors Ltd)	10.00	72500	7.25	72500	7.25
(ii) Vadilal Gases Ltd.	10.00	165000	14.84	165000	14.84
(iii) Majestic Farm House Ltd.	10.00	74100	1.87	74100	1.87
b) In Partnership Firm (Refer Note No 7 (D) on Schedule 3.2)					
(i) Vadilal Cold Storage	0.00	0	140.00	0	140.00



	Face Value (in Rs.)	No of Units / Shares	As At 31.03.2007 (Rs. in Lacs)	No of Units / Shares	As At 31.03.2006 (Rs. in Lacs)
c) 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
Total (I)			<u>330.63</u>		<u>330.63</u>
II Current Investments					
In Equity Shares					
Quoted					
(i) Aminex Chemicals Ltd.	10.00	400	0.04	400	0.04
(ii) Golden Agro Tech Industries Ltd.	10.00	200	0.02	200	0.02
(iii) Interface Financial Services Ltd.	1.00	25000	2.00	25000	2.00
(iv) Century Enka Ltd.	10.00	15	0.06	15	0.06
(v) Radhe Developers Ltd.	10.00	4900	0.49	4900	0.49
(vi) Matrix Laboratories Ltd.	2.00	120	0.64	120	0.64
(vii) Saket Projects Ltd.	10.00	2500	0.25	2500	0.25
(viii) Great Eastern Shipping Co.Ltd.	10.00	141	0.05	141	0.05
(ix) Essar Steel Ltd.	10.00	60	0.01	60	0.01
			<u>3.56</u>		<u>3.56</u>
Less : Diminution in value of Investments			<u>2.30</u>		<u>2.29</u>
Total (II)			<u>1.26</u>		<u>1.27</u>
In Preference Shares					
Unquoted					
(i) Essar Steel Ltd.	10.00	40	0.01	40	0.01
Total (I+II)			<u>331.89</u>		<u>331.90</u>
Aggregate Value of -					
a. Quoted Investments					
Book Value			165.60		165.60
Market Value **			164.02		163.85
b. Unquoted Investments					
Book Value			168.59		168.59
** In respect of Investment in shares of M/S Vadilal Chemicals Limited, book value of shares is considered in the absence of any trading in the market.					
			As At 31.03.2007 (Rs. in Lacs)	As At 31.03.2006 (Rs. in Lacs)	
SCHEDULE : 1.71 INVENTORIES					
(Refer Note No E on Schedule 3.1)					
Stores & Spares			88.96	76.40	
Raw Materials			911.67	395.02	
Packing Materials			419.51	450.15	
Finished Goods (Includes Goods in Transit Rs. 76.45 Lacs (P.Y. Rs. 54.14 Lacs))			1,018.03	851.47	
			<u>2,438.17</u>	<u>1,773.04</u>	
SCHEDULE : 1.72 DEBTORS (UNSECURED)					
Outstanding over six months					
Considered Good			39.43	28.92	
Others			2,152.10	1,925.71	
Considered Good			<u>2,191.53</u>	<u>1,954.63</u>	
SCHEDULE : 1.73 CASH & BANK BALANCES					
Cash Balance					
(Including cheques on hand / D D in transit Rs. 0.88 Lacs (P.Y. Rs. 167.73 Lacs))			27.95	191.84	
Bank Balances.					
(a) With Scheduled Banks.					
In Current Accounts			28.00	22.45	
In Fixed / Margin Money Deposit Accounts *			44.43	48.33	
In Unpaid Dividend A/c			3.16	3.50	
(* Out of which deposit of Rs. 43.54 Lacs (P.Y. Rs. 40.73 Lacs) pledged with scheduled banks)					
(b) With Others					
Textile Traders Co. op. Bank Ltd.			0.00	0.01	
In Current Accounts					



	(Rs. in Lacs)	As At 31.03.2007 (Rs. in Lacs)	As At 31.03.2006 (Rs. in Lacs)
(Maximum amount outstanding at any time during the year Rs. 0.01 Lacs (P.Y. Rs. 0.09 Lacs))		103.54	266.13
SCHEDULE :1.74 LOANS & ADVANCES			
(Unsecured, considered good unless otherwise stated)		287.59	229.19
Advances recoverable in cash or in kind or for value to be received			
Considered Doubtful	2.30		0.00
Less : Provided for :	2.30		0.00
		0.00	0.00
Staff Loan		287.59	229.19
Deposits with Government Authorities		7.12	2.34
Considered Doubtful	3.76	87.31	74.67
Less : Provided for :	3.76		3.76
		0.00	0.00
Other Trade / Security Deposits		87.31	74.67
Advance Income Tax less Provision (Current Tax)		414.73	414.67
Loans in Current Account		56.47	56.62
Balance with Firm in which company is a partner		1.79	27.96
Loan to Others		68.09	47.13
Considered Doubtful	0.00		13.37
Less : Provided for :	0.00		13.37
		0.00	0.00
		923.10	852.58
SCHEDULE :1.75 OTHER CURRENT ASSETS			
Interest Receivable		41.25	30.10
		41.25	30.10
SCHEDULE :1.80 MISCELLANEOUS EXPENDITURE			
Employees seperation cost (Refer Note No O(a) on Sch 3.1)		18.51	41.27
Upfront Interest on restructuring of loan (Refer Note No. O(b) on Schedule 3.1)		13.64	20.48
		32.15	61.75
	Unit of Measure-	Year Ended	Year Ended
	-ment (Qty)	31.03.2007 (Rs. in Lacs)	31.03.2006 (Qty) (Rs. in Lacs)
SCHEDULE : 2.1 INCOME FROM OPERATIONS			
(Refer Note No. G(i) on Schedule 3.1)			
Sales			
Ice Cream & Frozen Desserts	K. Ltrs 21335	8885.69	17824 7917.63
Fruit Pulp,Frozen Fruits & Vegetables	M.Tonnes 5509	3022.79	6727 2950.05
Others	-	0.00	- 6.51
Income from Money Changing Business		3.42	3.96
Sales includes Export Benefits / Licence Rs. 212.08 Lacs (P.Y. Rs. 112.80 Lacs)		11911.90	10878.15
SCHEDULE : 2.2 OTHER INCOME			
Profit on Sale of Fixed Assets		19.58	2.25
Share of Profit / (Loss) of Partnership Firms (Refer Note No 11 on Schedule 3.2)		24.61	12.79
Excess Provision Written Back / Amount written off in earlier years recovered		36.93	159.02
Miscellaneous Income *		99.73	67.65
Foreign Exchange Rate Fluctuation (Refer Note No J on Schedule 3.1)		76.56	17.32
Dividend (Gross)			
On Long Term Investments		0.13	0.13
* Includes Diminution in value of Current Investments written back Rs. -0.01 Lacs (P.Y. Rs 0.35 Lacs)		257.54	259.16



	Year Ended 31.03.2007	Year Ended 31.03.2006
(Rs. in Lacs)	(Rs. in Lacs)	(Rs. in Lacs)
SCHEDULE : 2.3 (INCREASE)/DECREASE IN STOCK		
Opening Stock :		
Finished Goods	851.47	1,045.82
Less : Excise Duty	0.93	17.76
	<u>850.54</u>	<u>1,028.06</u>
Closing Stock		
Finished Goods	1,018.03	851.47
Less : Excise Duty	0.73	0.93
	<u>1,017.30</u>	<u>850.54</u>
	<u>(166.76)</u>	<u>177.52</u>
SCHEDULE : 2.4 MATERIALS CONSUMED AND PURCHASE OF GOODS		
Raw & Packing Materials Consumption (Refer Note No 17 on Sch 3.2)	6,929.15	5,346.19
Purchase of Finished Goods (Refer Note No 16 on Sch 3.2)	8.63	25.83
	<u>6,937.78</u>	<u>5,372.02</u>
SCHEDULE : 2.5 MANUFACTURING AND OTHER EXPENSES		
Employees' Expenses		
Salary, Wages, Allowances, Gratuity & Bonus, etc	543.74	472.96
Contribution to Provident & other funds	34.78	34.10
Staff Welfare Expenses	50.59	38.11
	<u>629.11</u>	<u>545.17</u>
Job Charges	479.11	402.38
Power & Fuel	804.21	684.47
Stores & Spares Consumption	64.88	52.15
Warehouse Charges	143.25	117.00
Repairs		
Building	12.66	17.32
Machinery	68.86	82.20
Others	27.89	25.55
Other Manufacturing Expenses	36.24	34.54
Rent	3.74	5.33
Rates & Taxes	4.95	5.53
Insurance	35.35	33.12
Donation	3.14	1.96
Vehicle Repairs & Petrol Expenses	53.83	40.15
Research & Development Expenses (Refer Note No N on Schedule 3.1)	3.20	6.96
Directors' Sitting Fees	1.14	0.76
Travelling	63.42	56.76
(Includes Directors Travelling Rs. 16.04 Lacs (P.Y. Rs 8.06 Lacs))		
Freight and Forwarding	1,078.40	873.39
Entry Tax and Sales Tax Assessment Dues	13.54	12.80
Advertisement & Sales Promotion	19.90	28.77
Sales Commission and Brokerage	15.96	22.62
Provision for Doubtful Debts & Advances	2.30	3.76
Bad Debts	11.95	0.00
Consideration Short received on Sale of property Development	3.80	0.00
Royalty	17.71	0.00
Other Expenses (Including Legal & Professional, Conveyance, Telephone, Postage, Printing & Stationery, Reuter's Fees, etc)	315.27	221.54
	<u>3,913.81</u>	<u>3,274.23</u>
SCHEDULE : 2.6 FINANCIAL EXPENSES (NET)		
(Refer Note No. H on Sch. 3.1)		
Fixed Loans	83.35	104.05
Bank Overdrafts	119.02	121.35
Fixed Deposits	59.26	59.15
Others	7.52	12.86
Bill Discounting Charges	42.12	0.00
Brokerage & Other Financial Charges	59.40	42.85
	<u>370.67</u>	<u>340.26</u>
Less : Interest Income	68.00	44.68
(TDS Rs. 12.46 lacs (P.Y. Rs. 9.65 lacs))	<u>302.67</u>	<u>295.58</u>



SCHEDULE : 3.1

SIGNIFICANT ACCOUNTING POLICIES :

A) ACCOUNTING CONVENTION :

The financial statements have been prepared in accordance with applicable Accounting standards and relevant presentational requirements of the 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) FIXED ASSETS, DEPRECIATION AND EXPENDITURE DURING CONSTRUCTION PERIOD :

i) 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. Pre-operative expenses, 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. Adjustments arising from exchange rate variations relating to borrowings attributable to the fixed assets acquired from a country outside india are capitalised.

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.172.29 lacs as at 31st March 2007 (Previous year Rs.195.34 lacs) after charging incremental depreciation and adjustment for disposal/ inter unit transfer during the last seven years. The revalued amount of Rs. 2378.47 lacs (Previous year Rs. 2378.47 lacs) stands substituted for historical cost of Rs. 1470.71 lacs (Previous year Rs.1470.71 lacs) in the gross block of fixed assets.

iii) Lease assets (given prior to 01.04.2001) are shown at the cost of acquisition.

iv) 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 leased assets (given prior to 01.04.2001) depreciation is provided at the rate prescribed in Schedule XIV or the rate based on the estimated useful life equivalent to lease period of the respective assets, whichever is higher.

c) Incremental cost arising on account of translation of foreign currency liabilities for acquisition of fixed assets, depreciation has been provided over the residual life of the respective assets.

d) On revalued assets, depreciation is provided on the estimate of the remaining useful life of such assets.

e) 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.

v) 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.

D) 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.

E) 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.

F) RETIREMENT BENEFITS :

i) GRATUITY :

For Gratuity, being a defined benefit plan, the Company makes contribution to fund administered by LIC of India. The difference between the actuarial valuation of the defined benefit obligation ascertained at the year end and the fund value as intimated by LIC of India is provided for in the financial statements. As at 31st March 2007, as against the actuarial valuation of Rs. 76.39 Lacs, a provision of Rs. 40.56 Lacs exists in financial statements after considering Rs. 35.85 Lacs fund available with LIC of India.

- ii) Leave encashment is accounted on accrual basis at the year end.
- iii) Contributions to defined contribution schemes such as Provident fund and Family pension fund are charged to the profit and loss account as incurred.

G) REVENUE RECOGNITION :

i) **SALES ACCOUNTING :**

Sales is inclusive of Excise, Export Incentives/Licences and exclusive of VAT and Sales Tax.

ii) **DIVIDEND INCOME :**

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

iii) **LICENCE INCOME :**

Licence income is accounted on the basis of eligible entitlement.

iv) **INSURANCE CLAIM AND TRANSPORT ASSISTANCE SUBSIDY FOR EXPORTS :**

In respect of Insurance claims and Transport assistance subsidy for exports, as the ability to assess the ultimate collection with reasonable certainty is lacking at the time of raising the claim, the same is accounted on settlement basis.

H) BORROWING COSTS :

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.

I) TAXES ON INCOME AND EXPENSES

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) Fringe Benefit tax has been determined at current applicable rate on taxes falling within the ambit of "Fringe Benefit" as defined under the Income Tax Act, 1961.

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) 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.

iv) Any income or expense on account of exchange difference either on settlement or on translation is recognised in the profit and loss account except in respect of imported fixed assets adjusted in cost of fixed assets.

K) PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS :

Provisions are recognised when the company has 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 accounts.

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 grant 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 "Other Income" in profit and loss account.

iii) Grant towards specific fixed assets was presented as deduction from its gross value up to 31.03.2005 and thereafter 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.
 b) Upfront interest paid on restructuring of term loans is amortised over the tenure of such loans. -

SCHEDULE : 3.2

NOTES TO ACCOUNTS

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 . Outstanding against this as at 31.03.2007	995.00	615.00
II)	i) For Excise -		
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 8.87 lacs) Net of Tax	582.94	376.22
b)	Related to the matters for which, final hearing of the submissions filed by the company in response to show cause notices by the Excise Department is pending. Gross Rs 32.01 lacs (P.Y. Rs 7.19 lacs) Net of Tax	11.96	5.88
c)	Related to a matter which is disputed by the Company against which appeal is preferred. Gross Rs Nil lacs (P.Y.Rs.14.87 lacs) Net of Tax	21.24	4.77
	ii) For Income Tax -		
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.	0.00	9.86
b)	Against which Income Tax department has preferred appeal (as per information available with the company)	5.55	5.02
c)	In respect of erstwhile Vadilal Financial Services Limited (VFSL) Income Tax Demand (including interest) for which the company has preferred appeal.	85.99	125.04
	iii) For Sales Tax -		
	Disputed by the company and against which company has preferred an appeal. Gross Rs 77.69 lacs (P.Y. Rs 55.71 lacs) Net of Tax	3.95	4.71
	iv) For other Matters -		
	Gross Rs 1.94 lacs (P.Y. Rs.1.94 lacs) Net of Tax	1.29	1.29
	v) In respect of other labour suits		
	pending before various courts, liability is unascertainable.		
vi)	Differential amount of custom duty in respect of machinery imported under EPCG scheme.	28.71	0.00

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 not able to fulfill export obligations of Rs. 172.27 Lacs within next twelve years.

[B] Particulars of dues of Sales Tax, Income Tax and Excise duty as at March 31, 2007, which have not been deposited on account of dispute. [Rs.in Lacs]

(I) Disputed cases, where company has preferred appeals.

Name of Statute	Nature of dues	Amount	Period of which the amount relates	Forum where dispute is pending
(i) FOR SALES TAX ASST.DUES S.Tax	Asst.dues	2.37	1997-98	S.Tax Tribunal
	Asst.dues	23.24	1998-99	S.Tax Tribunal
	Asst.dues	1.55	2001-02	Dy.Comm.,S.Tax
	Asst.dues	1.10	2002-03	S.Tax Tribunal
	Asst.dues	4.00	2003-04	Dy.Comm.,S.Tax
	Asst.dues	2.39	2003-04	S.Tax Tribunal
	Asst.dues	16.62	2003-04	Jt.Comm.,S.Tax
(ii) FOR S.TAX EXEMPTION CERTIFICATE - [Ref.Note No.3] S.Tax	Asst.dues	3.67	2004-05	Jt.Comm.,S.Tax
	Asst.dues	130.06	1997-98 to 2004-05	High Court
(iii) FOR INCOME TAX I.Tax	Computation of I. Tax under section 115JB	6.22	2002-03	CIT (Appeals)

(II) Decided in favour of the company but the department has preferred appeals.

(i) Excise	Goods cleared without duty	4.58	1988-89	Asst.Commissioner
	Cenvat credit	4.28	2003-04	Asst.Commissioner
	Cenvat credit	9.17	2000-01	High Court, Hyderabad
(ii) I.Tax	I.Tax Asst.	1.99	1991-92	ITAT
		14.83	1992-93	ITAT
		19.17	1993-94	ITAT
		13.14	1995-96	ITAT
		21.30	1996-97	ITAT
		3.12	1999-2000	ITAT
	12.44	2001-02	ITAT	

2) 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)

A) 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 %

- 3) Company has availed Sales Tax exemption benefit of Rs. 151.46 lacs up to 31.03.2007 (previous year Rs.151.46 lacs) in respect of assets and liabilities of Bareilly plant - II assigned from erstwhile company. In respect of erstwhile company, U.P.Trade Tax Tribunal has upheld the eligibility exemption against the order of Divisional Level Committee, Bareilly Region, Bareilly refusing exemption. Trade Tax Dept. U.P. has preferred appeal against the said order of U.P.Trade Tax Tribunal in High Court of Allahabad, Lucknow Bench.The company has filed counter appeal. Based on legal advise of its entitlement to sales tax exemption,the company is contesting demand for sales tax of Rs. 136.38 lacs (Previous year Rs. 121.11 lacs) raised up to 2004-05 for completed sales tax assessment.

- 4) a) Land taken on lease for wind farm , for which future obligations towards lease rentals for 3 years under the lease agreements as on 31st March 2007 amount to Rs. 1.56 lacs (Previous year Rs. 2.08 lacs).
b) The Company has taken land and building on operating lease that is renewable on a periodic basis and cancelable at its option. Rental expenses for operating lease recognised in statement of profit and loss for the year is Rs. 4.26 lacs (Previous year Rs. 5.85 lacs).
c) In respect of asset taken on lease from 1st April,2001 :

	Balance as at 31.03.07	Not later than one year	Later than one year & not later than five years	Later than five years
i) Total of minimum lease payments	3.64	1.15	2.49	—
ii) Present value of minimum lease payments	3.12	0.89	2.24	—



- iii) A general description of the significant finance leasing arrangements :
The company has taken vehicle on hire purchase for a period of 60 months.
- 5) The company has written down the inventories to net realisable value during the year by Rs. 35.82 lacs (Previous year Rs. 53.88 lacs).
- 6) a) Sundry creditors includes : (Rs.in Lacs)

	<u>C.YEAR</u>	<u>P.YEAR</u>
- Total outstanding dues of small scale industrial undertakings.	133.79	152.03
- Total outstanding dues of creditors other than small scale industrial undertakings	816.14	528.92
Total	<u>949.93</u>	<u>680.95</u>

The names of the small scale industrial undertakings to whom the company owes a sum outstanding for more than 30 days (as per available information with the company).

<u>Sr.No.</u>	<u>Vendor Name</u>	<u>Sr.No.</u>	<u>Vendor Name</u>
1)	Associated Construction & Engg. Co.	18)	Novex Polyfilms Pvt.Ltd.
2)	Amarnath Enterprises	19)	Print-N-Pack
3)	Ambica Packaging	20)	Print-N-Pack Pvt.Ltd.
4)	Bhargava Packaging Pvt.Ltd.	21)	Prakash Printers
5)	Desai Coating Industries	22)	Parth Print & Packers Pvt.Ltd.
6)	Duggal Packaging	23)	Printman Packaging Pvt.Ltd.
7)	Gujarat Print Pack Publication Ltd.	24)	R.Damani Enterprise
8)	Geeta Packaging	25)	Shyam Paper Products
9)	Honey India Corporation Div.-II	26)	Shree Jay Ambe Company
10)	Indusons International	27)	Supertech Cartons Pvt.Ltd.
11)	India Offset	28)	S L Poly Pack Pvt.Ltd.
12)	Jyoti Paper Products	29)	Shree Kamlesh Art Printary
13)	Kalaivani Screen Printers	30)	Shiva Splints
14)	Karam Packaging Pvt.Ltd.	31)	Tejas Packaging
15)	Master Time Industries	32)	VSN Plas Pack
16)	Meru Engineers	33)	Variety Printers
17)	M M Graphics & Printers	34)	Western Cans Pvt.Ltd.

- b) 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, 2007. Hence, the information as required under the Micro, Small and Medium Enterprises Development Act, 2006 is not disclosed.

7) RELATED PARTY DISCLOSURES

- A) Name of related party and description of relationship where control exists.
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.
 - 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.
[Formerly known as Shraddha Realtors Ltd.]
 - v) Veronica Constructions Pvt. Ltd.
 - vi) Padm Complex Pvt. Ltd.
 - vii) Ambica Dairy Products
 - viii) Majestic Farm House Ltd.
 - ix) Vadilal Soda Fountain
(Formerly known as Modern Caterers)
 - 4) Relative of key Management Personnel :
Mamta R Gandhi



C) Transaction with related parties :						(Rs. in Lacs)
Sr. No.	Particulars of Transaction	Control Exist	Associates	Relatives of Key management Personnel	Enterprises owned or significantly influenced by key management personnel or their relatives	Total
1	Sales	— (—)	— (—)	— (—)	9245.90 (8252.34)	9245.90 (8252.34)
2	Purchase	— (—)	6.42 (6.75)	— (—)	0.64 (5.81)	7.06 (12.56)
3	Sale of RM/PM	— (—)	— (—)	— (—)	0.50 (0.22)	0.50 (0.22)
4	Hire Charges/Rent paid	4.55 (4.91)	— (—)	— (—)	— (—)	4.55 (4.91)
5	Freight paid	— (—)	— (—)	— (—)	246.25 (192.59)	246.25 (192.59)
6	Rent Income	— (—)	— (—)	— (—)	0.90 (0.90)	0.90 (0.90)
7	Interest paid	— (—)	— (—)	— (—)	5.80 (5.39)	5.80 (5.39)
8	Salary paid	— (—)	— (—)	1.20 (1.03)	— (—)	1.20 (1.03)
9	Interest Income	— (—)	— (—)	— (—)	4.00 (—)	4.00 (—)
10	Share of profit in partnership firms	24.61 (12.79)	— (—)	— (—)	— (—)	24.61 (12.79)
11	Royalty paid/payable	— (—)	— (—)	— (—)	17.71 (—)	17.71 (—)
12	Corporate guarantee given	— (—)	— (—)	— (—)	380.00 (—)	380.00 (—)
13	Balance outstanding at year end					
i)	Investments	— (—)	162.04 (162.04)	— (—)	1.87 (1.87)	163.91 (163.91)
ii)	Receivable	208.09 ** (187.13) **	— (—)	— (—)	2293.06* (2028.52)*	2501.15 (2215.65)
iii)	Payable	— (—)	8.94 (12.94)	— (—)	56.55 (104.15)	65.49 (117.09)
iv)	Against corporate guarantee	— (—)	— (—)	— (—)	582.94 (376.22)	582.94 (376.22)

Note : a) Payment to key management personnel in form of Managing Director's remuneration is shown in Note No. 14 a).
* b) Amount includes Rs. 400.00 lacs (Previous year Rs. 400.00 lacs) towards deposit.
** c) Represents as capital investments and amount in current account with partnership firm in which company is partner.
d) Figures in brackets relate to previous year.
e) Director's sitting fees is shown separately in accounts.
f) Transaction of sales are shown net of VAT & S.Tax.



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	Maximum O/S.
	31.03.07	during the year
	(Rs.in Lacs)	(Rs.in Lacs)
(I) ASSOCIATES		
Vadilal Chemicals Ltd.		
- Investments	162.04	162.04
	(162.04)	(162.04)
(II) PARTNERSHIP FIRMS WHERE		
SHARE IS MORE THAN 51 %		
Vadilal Cold Storage		
- Investments	140.00	140.00
	(140.00)	(140.00)

Figures in brackets relate to previous year.

8) EARNINGS PER SHARE

- a) The amount used as the numerator in calculating basic and diluted earning 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 71,88,230.

9) Disclosure as required by Accounting Standard (AS) 29 "Provision, Contingent Liabilities and Contingent Assets"

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

Sr. No.	Particulars of Disclosure	Class of Provisions		
		Excise	Others	Total
1)	Balance as at 01.04.2006	6.98	5.72	12.70
2)	Additional provision during 2006-07	7.81	—	7.81
3)	Provision used during 2006-07.	—	—	—
4)	Provision reversed during 2006-07.	6.98	—	6.98
5)	Balance as at 31.03.2007	7.81	5.72	13.53

b) Nature of provisions :

Provision for others represents the Entry Tax.

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

10) From 01.04.2006, the company has followed the practice as per the guidance note issued by the Institute of Chartered Accountants of India on accounting of VAT and Sales Tax. To make previous period figures comparable, VAT and Sales Tax have been excluded from previous period sales figures. Exclusion of Sales Tax and VAT from sales do not have any effect on the profit for the respective periods.

11) Amount of share of profit in partnership firm amounting to Rs. 24.61Lacs have been accounted on the basis of unaudited financial statements of the partnership firm.

12) PARTICULARS OF DERIVATIVE INSTRUMENTS :

Derivative contracts entered into by the company and outstanding as on 31st March, 2007:

- i) Particulars of derivative instruments acquired for hedging amount to US \$ 2000000 equal to Rs 871.20 Lacs.(Previous year US \$ 620000 equal to Rs. 276.58 Lacs)
- ii) All derivative and financial instruments acquired by the company are for hedging.
- iii) Foreign currency exposure that are not hedged by derivative instruments as on 31st March, 2007 - US \$ 1719232 equal to Rs. 751.16 Lacs (Previous year US \$ 1525185 equal to Rs. 679.72 Lacs) Euro 116850 equal to Rs. 67.84 Lacs (Previous year Euro 99444 equal to Rs. 54.69 Lacs)

13) AUDITORS REMUNERATION

	C.YEAR	P.YEAR
	(Rs.in Lacs)	
Audit fees	5.50	5.15
Tax Audit fees	2.30	1.68
Certification	3.95	2.65
Taxation matter fees	0.79	4.48
Out of pocket expenses	0.44	0.68
Total	12.98	14.64

14) MANAGERIAL REMUNERATION

a) Salaries, Wages, Allowances, Bonus etc. includes Rs. 59.39 lacs towards Managing Director's remuneration as per details given below

	C.YEAR	P.YEAR
	(Rs.in Lacs)	
Salary	24.00	24.00
Commission	18.09	11.74
Contribution to P.F.	2.88	2.88
other perquisites in cash or kind	14.42	15.02
Total....	59.39	53.64



	C.YEAR	P.YEAR
	(Rs.in Lacs)	
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	887.50	565.62
Add :		
1) Depreciation charged in A/c's	317.66	280.38
Less : Withdrawn from Revaluation Reserve / Deferred Govt. Grant	26.25	34.55
	291.41	245.83
2) Director's remuneration	59.39	53.64
3) Sitting Fees	1.14	0.76
4) Loss on sale of assets u/s. 349(3)(c)(d)	—	—
5) Loss on sale of investments	—	—
6) Provision for doubtful debts / Advances	2.30	3.76
	1241.74	869.61
Less :		
1) Depreciation u/s.350 of the Companies Act,1956	317.66	280.38
2) Profit of a capital nature in terms of section 349(3)(d)	19.58	2.25
	337.24	282.63
Net Profit / (Loss) u/s.349 of the Companies Act,1956	904.50	586.98
Commission payable to two Managing Directors @ 1 % each	18.09	11.74

15) LICENSED, INSTALLED CAPACITY & PRODUCTION

	* Licensed capacity (as registered with DGTD) (per annum)	** Installed capacity (as certified by Managing Director) (per annum)	Production
a) Ice cream & Frozen Dessert	700 MT (700)MT	37740 K.Ltrs. (36300)K.Ltrs.	21386 K.Ltrs. (17903)K.Ltrs.
b) Fruit Pulp, Frozen Fruits & Vegetables	5400 MT (5400)MT	16200 MT (16200)MT	7780 MT (7174)MT
c) Sugar Cone		210.00 Nos. (210.00)inLacs	165.50 Nos. (197.84)in Lacs
d) Paper Cup/Lid & Corrugated Boxes		1050.00 Nos. (1050.00)in lacs	948.98 Nos. (990.64)in Lacs

* For Pundhra and Bareilly plant 17500 MT (per annum) capacity is registered with S.I.A. for which licence is not required.

** 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) Production of Fruit Pulp, Frozen Fruits & Vegetables includes 990 MT (Previous year 1589 MT) processed by third parties, and 2010 MT (Previous year 1147 MT) used for captive consumption.
- 3) Licenced capacity is not applicable for Frozen Fruits and Vegetables.

16) STOCK OF FINISHED GOODS :

Sr. No.	Products	Units	Opening Stock		Closing Stock	
			(Qty.)	(Rs.)	(Qty.)	(Rs.)
A)	Ice cream & Frozen dessert	K.Ltrs.	681 (611)	263.76 (260.95)	708 (681)	308.23 (263.76)
B)	Fruit Pulp, Frozen Fruits & Vegetables	MT	2664 (3533)	587.71 (784.88)	2795 (2664)	709.80 (587.71)

17) 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	19 (40)	8.63 (20.39)
B)	Others		— (—)	— (5.44)

NOTE : Figures in brackets relate to previous year.



18) 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.	52.89	1769.62	51.56	1165.38
Dry Fruits, Fresh Fruits & Vegetables	Kgs.	105.78	1523.31	124.33	1242.23
Packing Materials		—	1648.38	—	1413.27
Others		—	1987.84	—	1525.31
			<u>6929.15</u>		<u>5346.19</u>

NOTES :-

- 1) Inter godown transportation and Octroi charges included in others Rs. 6.21 lacs (previous year Rs.7.04 lacs).
- 2) Consumption of Raw and Packing Materials :

	C.YEAR Rs.in Lacs	%age	P.YEAR Rs.in Lacs	%age
1) Imported	510.45	7.37	381.46	7.13
2) Indigenous	6418.70	92.63	4964.73	92.87
	<u>6929.15</u>	<u>100.00</u>	<u>5346.19</u>	<u>100.00</u>

19) STORES AND SPARES CONSUMED :

	C.YEAR Rs.in Lacs	%age	P.YEAR Rs.in Lacs	%age
1) Imported	8.73	13.46	7.46	14.30
2) Indigenous	56.15	86.54	44.69	85.70
	<u>64.88</u>	<u>100.00</u>	<u>52.15</u>	<u>100.00</u>

20) A) C.I.F.VALUE OF IMPORTS :

	C.YEAR (Rs.in Lacs)	P.YEAR (Rs.in Lacs)
a) Raw Materials and Packing Materials	293.61	171.57
b) Stores and Spares	11.86	4.05
c) Capital Goods	84.17	8.93

B) EXPENDITURE IN FOREIGN CURRENCY:

i) Sales Promotion and Commission	4.10	30.95
ii) Travelling	8.61	9.62
iii) Interest	0.00	40.72
iv) Freight	47.64	166.77
iv) Others	15.89	3.89

C) EARNINGS IN FOREIGN CURRENCY:-

Export of Goods (F.O.B.Value)	2143.24	2108.05
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21) REMITTANCE OF FOREIGN CURRENCIES FOR DIVIDENDS :

The company has not made any remittances in foreign currencies on account of dividends during the year and does not have information as to the extent to which remittances in foreign currencies on account of dividends have been made by/on behalf of non-resident shareholders. The particulars of dividends paid to non-resident shareholders are as follows :

	C.YEAR	P.YEAR
Year to which dividend relates	2005-06	2004-05
Number of non-resident shareholders	9	5
Number of shares held by them on which dividend is due	50925	9950
Amount remitted to bank accounts in India of non-resident shareholders - (Rs. in Lacs)	0.51	0.05

22) As per the Accounting Standard 21 on "Consolidated Financial Statements" and Accounting Standard 23 on "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India, the Company has presented consolidated financial statements separately. Accordingly, segment information as required under Accounting Standard 17 (AS - 17) on Segment reporting is included under the Notes to Consolidated Financial Statements.

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



24) **BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I REGISTRATION DETAILS

Registration No.	5169	State Code	04
Balance Sheet Date	31.03.2007		

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	724373	Total Assets	724373
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Sources of Funds

Paid up capital (Incl.share capital suspense)	71878	Reserves & Surplus	258203
Deferred Govt. Grant	4156	Secured Loans	265575
Unsecured Loans	82261	Deferred Taxation (Net)	42300

Application of Funds

Net Fixed Assets	368575	Investments	33189
Net current Assets	319394	Misc.Expenditure	3215
Accumulated Losses	Nil		

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

Turnover	1216862	Total Expenditure	1128112
Profit/(Loss) before tax	88750	Profit/(Loss) after tax	55886
Earnings per share (in Rs.) Annualised	7.77	Dividend rate	12 %

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 1.11 to 3.2

For KANTILAL PATEL & CO.

For KANTILAL PATEL & CO.
Chartered Accountants

Arpit K. Patel
Partner

Place : Ahmedabad
Date : June 30, 2007

For and on behalf of the Board

Ramchandra R. Gandhi : Chairman
Virendra R. Gandhi : Vice-Chairman &
Managing Director
Rajesh R. Gandhi : Managing Director
Devanshu L. Gandhi : Managing Director

Nikhil Patel : Company Secretary

Place : Ahmedabad
Date : June 30, 2007



CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

	SCHEDULE		As At 31.03.2007 (Rs. in Lacs)	As At 31.03.2006 (Rs. in Lacs)
I. SOURCES OF FUNDS :				
(1) Shareholders' Funds:				
(a) Share Capital	1.11	718.78		718.78
(b) Reserves & Surplus	1.12	2,570.76		2,118.60
			3,289.54	2,837.38
(2) Deferred Government Grant			41.56	44.75
(3) Minority Interest			5.84	5.34
(4) Loan Funds :				
(a) Secured Loans	1.21	2,655.75		2,432.92
(b) Unsecured Loans	1.22	822.61		752.09
			3,478.36	3,185.01
(5) Deferred Tax Liability (Net)	1.30		423.00	464.59
TOTAL ->			<u>7,238.30</u>	<u>6,537.07</u>
II. APPLICATION OF FUNDS :				
(1) Fixed Assets :	1.50			
(a) Gross Block		6,463.69		6,097.67
Less : Depreciation		3,409.24		3,151.32
Net Block			3,054.45	2,946.35
(b) Capital Work In Progress			730.81	91.95
			3,785.26	3,038.30
(2) Investments :	1.60			
In Associate		150.72		133.45
In Others		29.85		29.86
(3) Current Assets, Loans & Advances :			180.57	163.31
(a) Inventories	1.71	2,438.17		1,773.04
(b) Sundry Debtors	1.72	2,197.73		1,961.25
(c) Cash & Bank Balances	1.73	105.48		267.36
(d) Loans & Advances	1.74	986.15		914.70
(e) Other Current Assets	1.75	41.32		30.10
Sub Total (A) ->		5,768.85		4,946.45
LESS : Current Liabilities & Provisions :				
(a) Current Liabilities	1.41	2,036.84		1,426.26
(b) Provisions	1.42	491.69		246.48
Sub Total (B) ->		2,528.53		1,672.74
Net Current Assets (A - B)			3,240.32	3,273.71
(4) Misc. Expenditure (To the extent not written off or adjusted)	1.80		32.15	61.75
TOTAL ->			<u>7,238.30</u>	<u>6,537.07</u>
Significant Accounting Policies	3.1			
Notes to the Accounts	3.2			

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

For KANTILAL PATEL & CO.
Chartered Accountants

Arpit K. Patel
Partner

Place : Ahmedabad
Date : June 30, 2007

For and on behalf of the Board

Ramchandra R. Gandhi : Chairman
Virendra R. Gandhi : Vice-Chairman & Managing Director
Rajesh R. Gandhi : Managing Director
Devanshu L. Gandhi : Managing Director

Nikhil Patel : Company Secretary

Place : Ahmedabad
Date : June 30, 2007



CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

		SCHEDULE	Year Ended 31.03.2007	Year Ended 31.03.2006
		(Rs. in Lacs)	(Rs. in Lacs)	(Rs. in Lacs)
I. INCOME :				
(a)	Income From Operations	2.1	12,101.82	11,028.32
	Less : Excise Duty on sales		0.82	1,206.06
	Net Turnover		12,101.00	9,822.26
(b)	Other Income	2.2	233.99	246.62
	Total		12,334.99	10,068.88
II. EXPENDITURE :				
(a)	(Increase) / Decrease in stock	2.3	(166.76)	177.52
(b)	Materials Consumed and Purchase of goods	2.4	6,937.78	5,372.35
(c)	Manufacturing & Other Expenses	2.5	4,074.89	3,410.97
(d)	Financial Expenses (Net)	2.6	288.77	284.98
(e)	Depreciation		322.49	284.59
	Less : Withdrawn From Revaluation Reserve / Deferred Govt. Grant		26.25	34.55
	Total		296.24	250.04
			11,430.92	9,495.86
III.	Profit before Exceptional & Prior year items		904.07	573.02
IV.	Prior Years' Adjustments (Net)		(2.21)	(1.05)
V.	Profit before Tax		901.86	571.97
VI.	Provision for Tax			
	- Current		285.30	120.59
	- Deferred		(5.71)	69.26
	- Fringe Benefit Tax		11.07	12.60
	- (Short) / Excess Provision of Tax / Deferred Tax of earlier years (Net)		(51.84)	0.60
VII	Profits applicable to minority interest		0.50	0.26
VIII	Share in Profit/(Loss) of Associate		17.27	(49.30)
IX	Net Profit after Tax		576.13	320.56
X	Profit Brought Forward		180.76	363.23
	Amount available for appropriation		756.89	683.79
Appropriations :				
(a)	Proposed Dividend		86.26	71.88
(b)	Tax on Proposed Dividend		14.66	10.08
(c)	General Reserve		450.00	421.07
(d)	Balance carried to Balance Sheet		205.97	180.76
	Total		756.89	683.79
	Basic and Diluted Earnings Per Share of Rs. 10/- each		8.02	4.46
	Significant Accounting Policies	3.1		
	Notes to the Accounts	3.2		

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

For KANTILAL PATEL & CO.
Chartered Accountants

Arpit K. Patel
Partner

Place : Ahmedabad
Date : June 30, 2007

For and on behalf of the Board

Ramchandra R. Gandhi : Chairman
Virendra R. Gandhi : Vice-Chairman &
Managing Director
Rajesh R. Gandhi : Managing Director
Devanshu L. Gandhi : Managing Director

Nikhil Patel : Company Secretary

Place : Ahmedabad
Date : June 30, 2007



CONSOLIDATED CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET

		For the Year Ended 31.03.2007 (Rs. in Lacs)		For the Year Ended 31.03.2006 (Rs. in Lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net profit before tax and Exceptional Items	904.07			573.02
Adjusted for				
Depreciation	322.49			284.59
Withdrawn From Revaluation Reserve / Deferred Government Grant	(26.25)			(34.55)
Loss / (Profit) on sale of Assets	(19.58)			(2.25)
Loss / (Profit) on Partnership Firms	0.00			(0.12)
Provision For Doubtful Advances	2.30			3.76
Bad Debts Written Off	11.95			0.00
Consideration short received for sale of property	3.80			0.00
Voluntary Retirement Scheme	22.75			20.50
Upfront Interest on restructuring of Loan	6.85			7.82
Excess Provision Written Back	0.00			(126.84)
Export Licence Incentive	(145.98)			(106.62)
Diminution in value of Current Investments	0.00			(0.35)
Dividend	(0.13)			(0.13)
Financial Expenses (Net)	288.77			284.98
Operating Profit before working capital changes	1,371.04			903.81
Adjusted for				
Trade and other Receivables	(197.93)			161.48
Inventories	(665.13)			183.70
Trade Payables and Liabilities	517.33			(207.57)
Deferred Revenue Expenditure (VRS)	0.00			(12.28)
Cash Generated from Operations	1,025.31			1,029.14
Direct taxes (paid / adjusted)	(152.89)			(93.28)
Cash flow before extraordinary items	872.42			935.86
Net Prior Year Expenses	(2.21)			(1.05)
Net Cash from Operating Activities			870.21	934.81
B. CASH FLOW FROM INVESTING ACTIVITIES				
Loans given (Net)	20.23			(61.95)
Purchase of fixed assets	(925.87)			(198.73)
Sale of fixed assets	19.06			15.63
Purchase of Investments	0.00			(0.01)
Deferred Government Grant	0.00			47.95
Interest received	70.68			52.92
Dividend received	0.13			0.13
Net Cash used in Investing Activities			(815.77)	(144.07)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from borrowings	1,292.71			1,005.25
Repayment of borrowings	(999.36)			(1,273.54)
Upfront Interest on restructuring of Loan	0.00			0.00
Interest paid	(427.36)			(336.31)
Dividend paid	(82.31)			(34.77)
Net Cash used in Financing Activities			(216.32)	(639.37)
Net Increase/(Decrease) in cash and Cash equivalents (A+B+C)			(161.88)	151.38
Op. Balance of Cash and Cash Equivalents (Includes unrealised exchange difference of Rs. 0.28 lacs (P.Y. Rs. 0.55 lacs))			267.36	115.98
Cl. Balance of Cash and Cash Equivalents (Includes unrealised exchange difference of Rs. 0.05 lacs (P.Y. Rs. 0.28 lacs))			105.48	267.36
Major Components of Cash and Cash Equivalents as at			31.03.2007	31.03.2006
Cash and Cheques on hand			29.44	192.26
Balance With Banks - Current Accounts			31.61	26.77
- Fixed / Margin Money Deposit Accounts			44.43	48.33
			105.48	267.36

Notes :

1. The above Cash Flow has been prepared under indirect method set out in AS 3, issued by the Institute of Chartered Accountants of India.
2. 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

Arpit K. Patel
Partner
Place : Ahmedabad
Date : June 30, 2007

For and on behalf of the Board

Ramchandra R. Gandhi : Chairman
Virendra R. Gandhi : Vice-Chairman &
Managing Director
Rajesh R. Gandhi : Managing Director
Devanshu L. Gandhi : Managing Director

Nikhil Patel : Company Secretary
Place : Ahmedabad
Date : June 30, 2007


SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

	As At 31.03.2007 (Rs. in Lacs)	As At 31.03.2006 (Rs. in Lacs)
SCHEDULE : 1.11 SHARE CAPITAL		
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 :		
71,88,230 (P.Y. 71,88,230) Equity Shares of Rs. 10/- each	718.82	718.82
Less : Calls Unpaid (Other than Directors)	0.04	0.04
	<u>718.78</u>	<u>718.78</u>

SCHEDULE : 1.12 RESERVES & SURPLUS

	Balance As at 01.04.2006 (Rs. in Lacs)	Addition during the Year (Rs. in Lacs)	Deduction/ Adjustment during the Year (Rs. in Lacs)	Balance As at 31.03.2007 (Rs. in Lacs)
1. Capital Reserve	55.23 (55.23)	0.00 (0.00)	0.00 (0.00)	55.23 (55.23)
2. Securities Premium *	487.27 (487.27)	0.00 (0.00)	0.00 (0.00)	487.27 (487.27)
3. General Reserve	1,200.00 (778.93)	450.00 (421.07)	0.00 (0.00)	1,650.00 (1,200.00)
4. Revaluation Reserve **	195.34 (234.67)	0.00 (0.00)	23.05 (39.33)	172.29 (195.34)
5. Profit & Loss Account	180.76 (363.23)	205.97 (a) (180.76)	180.76 (b) (363.23)	205.97 (180.76)
	<u>2,118.60</u> (1,919.33)	<u>655.97</u> (601.83)	<u>203.81</u> (402.56)	<u>2,570.76</u> (2,118.60)

NOTE: Figures shown in Bracket relate to previous year

* Securities Premium	487.32
Less : Calls Unpaid (arrears)	0.05
	<u>487.27</u>

** Opening Balance	195.34
Less : Utilised during the year	23.05
Less : Inter Unit Transfer / Sale / Discarded	0.00
	<u>172.29</u>

(a) Transferred from

(b) Transferred to



(Rs. in Lacs)	As At 31.03.2007 (Rs. in Lacs)	As At 31.03.2006 (Rs. in Lacs)
SCHEDULE : 1.21 SECURED LOANS		
A. TERMLOANS		
i) From Financial Institutions	205.60	174.90
ii) Loans from Banks	553.14	604.60
(Principal overdue for payment as at 31.03.2007 Rs. NIL (P.Y. Rs. 87.50 lacs) (Principal repayable within One year Rs. 100.85 Lacs (P.Y. Rs. 141.98 Lacs))		
B. WORKING CAPITAL LOANS		
From Banks	1,892.84	1,653.42
Add : Interest Accrued and due	4.17	0.00
	1,897.01	1,653.42
	2,655.75	2,432.92
SCHEDULE : 1.22 UNSECURED LOANS		
Fixed Deposits	723.80	656.42
Add: Interest accrued and Due	7.12	6.47
(Repayable within One year Rs. 553.45 lacs (P.Y. Rs. 506.46 lacs))	730.92	662.89
Inter Corporate Deposits	56.55	55.54
Security Deposits from Customers	35.14	33.66
	822.61	752.09
SCHEDULE : 1.30 DEFERRED TAX LIABILITY (NET)		
Deferred Tax Liability		
Difference between book and Income Tax Depreciation	445.06	457.57
Other Timing Difference	5.71	38.80
	450.77	496.37
Deferred Tax Assets		
Expenditure under section 43 B of the Income Tax Act, 1961	24.00	24.97
Other Timing Difference	3.77	6.81
	27.77	31.78
Deferred Tax Liability (Net)	423.00	464.59
SCHEDULE : 1.41 CURRENT LIABILITIES		
Sundry Creditors	949.93	680.95
Other Liabilities	425.13	435.42
Bills Payable	441.35	0.00
Advances From Customers	25.87	57.01
Interest accrued but not due on loans	49.13	89.98
Temporary Overdraft in Current A/C with Banks	98.16	121.93
Due to Managing Directors	18.09	12.40
Unclaimed Dividends *	3.15	3.50
Unpaid Matured Deposits *	22.99	22.16
Interest on Deposits *	2.74	2.61
Unpaid Matured Debenture & Interest **	0.30	0.30
* These figures do not include any amounts, due and outstanding, to be credited to Investor Education and Protection Fund, except Rs 0.15 lacs (P.Y. Rs 0.15 lacs) which is held in abeyance due to legal case pending)	2,036.84	1,426.26
** Amount due and outstanding as on 31.03.2007 to be credited to Investor Education and Protection Fund		
SCHEDULE : 1.42 PROVISIONS		
Gratuity	40.56	40.56
Leave Encashment	36.30	33.47
Income Tax Less Advance Tax (Current Tax)	307.84	77.89
Fringe Benefit Tax	6.07	12.60
Proposed Dividend	86.26	71.88
Tax on Proposed Dividend	14.66	10.08
	491.69	246.48


SCHEDULE : 1.50 FIXED ASSETS
(Rs. in Lacs)

	GROSS BLOCK (AT COST / REVALUED)			As At 31.03.2007	DEPRECIATION Up to 31.03.2007	NET BLOCK	
	As At 31.03.2006	Addition	Deduction			As At 31.03.2007	As At 31.03.2006
Land (Freehold)	112.84	48.88	0.00	161.72	0.00	161.72	112.84
Land (Leasehold)	138.38	5.90	0.00	144.28	0.00	144.28	138.39
Buildings	1,335.93	20.74	0.50	1,356.17	380.84	975.33	985.73
Plant & Machinery	3,964.70	320.04	14.30	4,270.44	2,618.36	1,652.08	1,597.96
Furniture & Fixtures	101.44	4.48	0.00	105.92	85.25	20.67	22.61
Office Equipments	266.40	22.78	0.03	289.15	232.76	56.39	46.15
Vehicles	123.52	10.20	1.91	131.81	87.83	43.98	42.68
Total (A)	6,043.21	433.02	16.74	6,459.49	3,405.04	3,054.45	2,946.36
Leased Assets							
Plant & Machinery	50.26	0.00	50.26	0.00	0.00	0.00	0.00
Vehicles	4.20	0.00	0.00	4.20	4.20	0.00	0.00
Total (B)	54.46	0.00	50.26	4.20	4.20	0.00	0.00
Total (A+B)	6,097.67	433.02	67.00	6,463.69	3,409.24	3,054.45	2,946.36
Previous year	6,009.54	144.39	56.26	6,097.67	3,151.32	2,946.35	3,107.91
Capital W I P	91.95	723.26	84.40	730.81	0.00	730.81	91.95
Previous Year	37.61	74.71	20.37	91.95	0.00	91.95	37.61

NOTES :

- I. Land & Building includes Rs. 100.66 lacs (P.Y. Rs. 94.76 lacs) & Rs. 170.99 lacs (P.Y. Rs. 170.99 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. Borrowing cost capitalised during the year and shown in additions to fixed assets Rs.3.46 lacs (P.Y. Nil) and in additions to capital work in progress Rs. 12.38 Lacs (P.Y.Nil)
- IV. Estimated amount of contracts (Net Amount) remaining to be executed on capital account not provided for Rs. 689.06 lacs (P.Y. Rs.99.50 lacs)
- V. Capital Work in progress includes Rs 525.42 Lacs (P.Y. Rs 70.76 Lacs) as Capital Advance
- VI. Adjusted Depreciation upto 01.04.2006 2,973.55
Add : Depreciation for the Year 317.54
3,291.09
Less : Depreciation adjusted on Assets Sold / Discarded / Transferred during the Year 64.55
3,226.54

	Face Value in Rs.	No of Units / Shares	As At 31.03.2007 (Rs. in Lacs)	No of Units / Shares	As At 31.03.2006 (Rs. in Lacs)
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SCHEDULE : 1.60 INVESTMENTS
(At or below Cost)

I	In Associate Vadilal Chemicals Ltd. (Including Rs 46.41 lacs of capital reserve after adjusting Rs 15.14 lacs in share of accumulated losses upto 31.03.2002) Less : Accumulated Losses since 2002-03 Onwards	10.00	1473100	150.72	1473100	133.45
			208.45		208.45	
			57.73		75.00	
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	0.28	0	0.28
	(ii) 11.5 % IDBI Bond 2008	1000.00	280	2.41	280	2.41
2	Trade Investments					
a)	In Equity Shares					



	Face Value in Rs.	No of Units / Shares	As At 31.03.2007 (Rs. in Lacs)	No of Units / Shares	As At 31.03.2006 (Rs. in Lacs)
Unquoted					
(i) Vadilal Happinezz Parlour Ltd (Previously known as Shradha Realtors Limited)	10.00	72500	7.25	72500	7.25
(ii) Vadilal Gases Ltd.	10.00	165000	14.84	165000	14.84
(iii) Majestic Farm House Ltd.	10.00	74100	1.87	74100	1.87
b) 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
Total (A)			<u>28.59</u>		<u>28.59</u>
B Current Investments					
In Equity Shares					
Quoted					
(i) Aminex Chemicals Ltd.	10.00	400	0.04	400	0.04
(ii) Golden Agro Tech Ind Ltd.	10.00	200	0.02	200	0.02
(iii) Interface Financial Services Ltd.	1.00	25000	2.00	25000	2.00
(iv) Century Enka Ltd.	10.00	15	0.06	15	0.06
(v) Radhe Developers Ltd.	10.00	4900	0.49	4900	0.49
(vi) Matrix Laboratories Ltd.	2.00	120	0.64	120	0.64
(vii) Saket Projects Ltd.	10.00	2500	0.25	2500	0.25
(viii) Great Eastern Shipping Co Ltd.	10.00	141	0.05	141	0.05
(ix) Essar Steel Ltd.	10.00	60	0.01	60	0.01
			<u>3.56</u>		<u>3.56</u>
Less : Diminution in value of Investments			<u>2.30</u>		<u>2.29</u>
Total (B)			<u>1.26</u>		<u>1.27</u>
In Preference Shares					
Unquoted					
(i) Essar Steel Ltd.	10.00	40	0.01	40	0.01
Total (A+B)			<u>29.85</u>		<u>29.86</u>
Total (I+II)			<u>180.57</u>		<u>163.31</u>
Aggregate Value of -					
a. Quoted Investments					
Book Value			154.28		137.01
Market Value **			164.02		163.85
b. Unquoted Investments					
Book Value			28.59		28.59

** In respect of Investment in shares of M/S Vadilal Chemicals Limited, book value of shares is considered in the absence of any trading in the market.

	As At 31.03.2007 (Rs. in Lacs)	As At 31.03.2006 (Rs. in Lacs)
SCHEDULE : 1.71 INVENTORIES		
Stores & Spares	88.96	76.40
Raw Materials	911.67	395.02
Packing Materials	419.51	450.15
Finished Goods (Includes Goods in Transit Rs. 76.45 lacs (P.Y. Rs. 54.14 lacs)	1,018.03	851.47
	<u>2,438.17</u>	<u>1,773.04</u>



	As At 31.03.2007 (Rs. in Lacs)	As At 31.03.2006 (Rs. in Lacs)
SCHEDULE : 1.72 DEBTORS (UNSECURED)		
Outstanding over six months		
Considered Good	39.43	28.92
Others		
Considered Good	2,158.30	1,932.33
	2,197.73	1,961.25
SCHEDULE : 1.73 CASH & BANK BALANCES		
Cash Balance	29.44	192.26
(Including cheques on hand / D D in transit Rs. 0.88 lacs (P.Y. Rs. 167.73 lacs))		
Bank Balances.		
(a) With Scheduled Banks.		
In Current Accounts	28.45	23.26
In Fixed / Margin Money Deposit Accounts *	44.43	48.33
In Unpaid Dividend A/c	3.16	3.50
(* Out of which deposit of Rs. 43.54 Lacs (P.Y. Rs. 40.73 lacs) pledged with scheduled banks)		
(b) With Others		
Textile Traders Co. op. Bank Ltd.		
In Current Accounts	0.00	0.01
(Maximum amount outstanding at any time during the year Rs. 0.01 Lacs (P.Y. Rs. 0.09 Lacs))		
	105.48	267.36
SCHEDULE :1.74 LOANS & ADVANCES		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	287.74	241.75
Considered Doubtful	2.30	
Less : Provided for :	2.30	
	0.00	0.00
	287.74	241.75
Staff Loan	7.34	2.61
Deposits with Government Authorities	89.54	62.53
Considered Doubtful	3.76	3.76
Less : Provided for :	3.76	3.76
	0.00	0.00
	89.54	62.53
Other Trade / Security Deposits	414.84	416.56
Advance Income Tax less Provision (Current Tax)	59.47	57.17
Loans in Current Account	127.22	134.08
Balance with Firm in which company is a partner Loan to Others	0.00	0.00
Considered Doubtful	0.00	13.37
Less : Provided for :	0.00	13.37
	0.00	0.00
	986.15	914.70
SCHEDULE :1.75 OTHER CURRENT ASSETS		
Interest Receivable	41.32	30.10
	41.32	30.10
SCHEDULE :1.80 MISCELLANEOUS EXPENDITURE		
Employees seperation cost	18.51	41.27
Upfront Interest on restructuring of loan	13.64	20.48
	32.15	61.75



	Unit of Measurement	Year Ended 31.03.2007 (Qty) (Rs. in Lacs)		Year Ended 31.03.2006 (Qty) (Rs. in Lacs)	
SCHEDULE : 2.1 INCOME FROM OPERATIONS					
Sales					
Ice Cream & Frozen Desserts	K. Ltrs	21335	8,885.69	17824	7,917.63
Fruit Pulp, Frozen Fruits & Vegetables	M.Tonnes	5509	3,022.79	6727	2,950.05
Others		-	189.92	-	156.68
Income from Money Changing business			3.42		3.96
Sales includes Export Benefits / Licence Rs. 212.08 Lacs (P.Y. Rs. 112.80 Lacs)					
			12,101.82	11,028.32	
				Year Ended 31.03.2007	Year Ended 31.03.2006
				(Rs. in Lacs)	(Rs. in Lacs)
SCHEDULE : 2.2 OTHER INCOME					
Profit on Sale of Fixed Assets				19.58	2.25
Share of Profit / (Loss) of Partnership Firms				0.00	0.12
Excess Provision Written Back				37.99	159.02
Miscellaneous Income *				99.73	67.78
Foreign Exchange Rate Fluctuation				76.56	17.32
Dividend (Gross)					
On Long Term Investments				0.13	0.13
* Includes Diminution in value of Current Investments written back Rs. -0.01 Lacs (P.Y. Rs 0.35 Lacs)					
			233.99	246.62	
SCHEDULE : 2.3 (INCREASE)/DECREASE IN STOCK					
Opening Stock :					
Finished Goods		851.47			1,045.82
Less : Excise Duty		0.93			17.76
			850.54	1,028.06	
Less : Closing stock :					
Finished Goods		1,018.03			851.47
Less : Excise Duty		0.73			0.93
			1,017.30	850.54	
			(166.76)	177.52	
SCHEDULE : 2.4 MATERIALS CONSUMED AND PURCHASE OF GOODS					
Raw & Packing Materials Consumption				6,929.15	5,346.17
Purchase of Finished Goods				8.63	26.18
			6,937.78	5,372.35	
SCHEDULE : 2.5 MANUFACTURING AND OTHER EXPENSES					
Employees' Expenses					
Salary, Wages, Allowances, Gratuity & Bonus, etc		571.99			494.71
Contribution to Provident & other funds		34.78			34.10
Staff Welfare Expenses		50.95			38.65
			657.72	567.46	
Job Charges				479.11	402.38
Power & Fuel				895.20	770.96
Stores & Spares Consumption				64.88	54.60
Warehouse Charges				141.10	117.00
Repairs					
Building				19.48	22.67
Machinery				78.77	92.97
Others				31.18	27.45
Other Manufacturing Expenses				39.98	41.41



	Year Ended 31.03.2007 (Rs. in Lacs)	Year Ended 31.03.2006 (Rs. in Lacs)
Rent	2.53	2.93
Rates & Taxes	5.37	6.00
Insurance	35.35	33.54
Donation	3.14	1.96
Vehicle Repairs & Petrol Expenses	53.83	40.17
Research & Development Expenses	3.20	6.96
Directors' Sitting Fees	1.14	0.76
Travelling (Includes Directors Travelling Rs 16.04 Lacs (P.Y. Rs 8.06 Lacs))	63.72	56.95
Freight and Forwarding	1,088.86	871.11
Sales & Turnover Tax and VAT	13.54	12.82
Advertisement & Sales Promotion	19.90	28.77
Sales Commission and Brokerage	15.96	22.62
Provision for Doubtful Debts and Advances	2.30	3.76
Bad debts	11.95	0.00
Consideration short received for sale of property Development	3.80	0.00
Royalty	17.71	0.00
Other Expenses (Including Legal & Professional, Conveyance, Telephone, Postage, Printing & Stationery, Reuter's Fees, etc)	325.17	225.72
	<u>4,074.89</u>	<u>3,410.97</u>
SCHEDULE : 2.6 FINANCIAL EXPENSES		
Fixed Loans	83.35	104.05
Bank Overdrafts	119.02	121.35
Fixed Deposits	59.26	59.15
Others	7.52	12.86
Bill Discounting Charges	42.12	0.00
Brokerage & Other Financial Charges	59.40	42.88
	<u>370.67</u>	<u>340.29</u>
Less : Interest Income (TDS Rs. 12.46 lacs (P.Y. Rs. 9.65 lacs)	81.90	55.31
	<u>288.77</u>	<u>284.98</u>

SCHEDULE : 3.1

SIGNIFICANT ACCOUNTING POLICIES :

A) ACCOUNTING CONVENTION :

The consolidated financial statements have been prepared in accordance with Accounting standards 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 Chemicals Ltd.,an associate company.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 circumstances 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.
- 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.
- 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.

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 set out in the notes to accounts under "Statement of accounting policies" of the financial statements of Vadilal Industries Ltd.

SCHEDULE : 3.2

NOTES TO ACCOUNTS

1) Enterprises considered in the consolidated financial statements is :

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

2) The Associate considered in the consolidated financial statement is :

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

3) 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 upto 31.03.2002 amounting to Rs.15.14 lacs is reduced from capital reserve arising on such reworking.

4) 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 . Outstanding against this as at 31.03.2007	995.00	615.00
II) i) For Excise -		
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 8.87 lacs) Net of Tax	11.96	5.88
b) Related to the matters for which, final hearing of the submissions filed by the company in response to show cause notices by the Excise Department is pending. Gross Rs 32.01 lacs (P.Y. Rs 7.19 lacs) Net of Tax	21.24	4.77
c) Related to a matter which is disputed by the Company against which appeal is preferred. Gross Rs. Nil lacs (P.Y.Rs.14.87 lacs) Net of Tax	0.00	9.86
ii) For Income Tax -		
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.	5.55	5.02
b) Against which Income Tax department has preferred appeal (as per information available with the company)	85.99	125.04
c) In respect of erstwhile Vadilal Financial Services Limited (VFSL) Income Tax Demand (including interest) for which the company has preferred appeal.	3.95	4.71
iii) For Sales Tax - Disputed by the company and against which company has preferred an appeal. Gross Rs 77.69 lacs (P.Y. Rs 55.71 lacs) Net of Tax	51.54	36.96
iv) For other Matters - Gross Rs 1.94 lacs (P.Y. 1.94 lacs) Net of Tax	1.29	1.29
v) In respect of other labour suits pending before various courts, liability is unascertainable.		
vi) Differential amount of custom duty in respect of machinery imported under EPCG Scheme.	28.71	0.00

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 not able to fulfill export obligations of Rs. 172.27 Lacs within next twelve years.



- 5) Company has availed Sales Tax exemption benefit of Rs. 151.46 lacs up to 31.03.2007 (previous year Rs.151.46 lacs) in respect of assets and liabilities of Bareilly plant-II assigned from erstwhile company. In respect of erstwhile company, U.P.Trade Tax Tribunal has upheld the eligibility exemption against the order of Divisional Level Committee, Bareilly Region, Bareilly refusing exemption. Trade Tax Dept. U.P. has preferred appeal against the said order of U.P.Trade Tax Tribunal in High Court of Allahabad, Lucknow Bench. The company has filed counter appeal. Based on legal advise of its entitlement to sales tax exemption, the company is contesting demand for sales tax of Rs. 136.38 lacs (Previous year Rs. 121.11 lacs) raised up to 2004-05 for completed sales tax assessment.
- 6) a) Land taken on lease for wind farm, for which future obligations towards lease rentals for 3 years under the lease agreements as on 31st March 2007 amount to Rs. 1.56 lacs (Previous year Rs. 2.08 lacs).
- b) The Company has taken land and building on operating lease that is renewable on a periodic basis and cancelable at its option. Rental expenses for operating lease recognised in statement of profit and loss for the year is Rs. 4.26 lacs (Previous year Rs. 5.85 lacs).
- c) In respect of assets taken on lease from 1st April, 2001 : (Rs. in Lacs)

	Balance as at 31.03.07	Not later than one year	Later than one year & not later than five years	Later than five years
i) Total of minimum lease payments	3.64	1.15	2.49	—
ii) Present value of minimum lease payments	3.12	0.89	2.24	—

iii) A general description of the significant finance leasing arrangements :

The company has taken vehicle on hire purchase for a period of 60 months.

- 7) The company has written down the inventories to net realisable value during the year by Rs. 35.82 lacs (Previous year Rs. 53.88 lacs)

8) SEGMENT INFORMATION :

A PRIMARY SEGMENT - BUSINESS SEGMENT :

[Rs. in Lacs]

SR. NO.	PARTICULARS	ICE CREAM	PROCESSED FOODS	OTHERS	ELIMINATION	TOTAL
a) SEGMENT REVENUE						
External Sales		8885.69	3022.79	193.34		12101.82
		(7924.15)	(2950.05)	(154.12)		(11028.32)
Inter segment			-34.81		34.81	0.00
			(24.70)		(-24.70)	(0.00)
Other segment Income		60.83	135.44	1.28		197.55
		(52.29)	(59.41)	(1.06)		(112.76)
Total segment revenue		8946.52	3123.42	194.62	34.81	12299.37
		(7976.44)	(3034.16)	(155.19)	(-24.70)	(11141.09)
b) SEGMENT RESULTS		808.75	401.70	24.33		1234.78
		(496.47)	(293.92)	(8.60)		(798.99)
Unallocated Expenditure net of unallocated income						44.15
						(-57.96)
Operating profit						1190.63
						(856.95)
Interest Expense (Net)						288.77
						(284.98)
Taxation for the year						285.30
- Current Tax						(120.59)
- Deferred Tax						-5.71
- Fringe Benefit Tax						(69.26)
- Short/Excess provision of I.Tax of earlier years						11.07
- Minority Interest						(12.60)
- Share in Profit/Loss of Associate						51.84
Net Profit/ (Loss)						(0.60)
						0.50
						(0.26)
						17.27
						(-49.30)
						576.13
						(320.56)
TOTAL CARRYING AMOUNT OF						
c) SEGMENT ASSETS		6398.33	2628.97	128.56		9155.86
		(5029.52)	(2431.87)	(131.08)		(7592.47)
Unallocated Assets						578.86
						(555.56)
Total Assets						9734.72
						(8148.03)



[Rs. in Lacs]

SR. PARTICULARS NO.	ICE CREAM	PROCESSED FOODS	OTHERS	ELIMINATION	TOTAL
d) SEGMENT LIABILITIES	1655.89	413.94	13.03		2082.86
	(1147.22)	(298.69)	(30.32)		(1476.23)
Unallocated liabilities					4347.07
Total Liabilities					(3846.11)
					6429.93
					(5322.34)
e) Cost incurred during the period to acquire segment fixed assets	880.64	240.45	35.19		1156.28
	(189.32)	(19.39)	(10.39)		(219.10)
f) Depreciation/Amortisation	211.94	88.66	16.57		317.17
	(194.64)	(79.29)	(5.34)		(279.27)
g) Non cash expenses other than depreciation/amortisation	18.05	0.00	0.00		18.05
	(3.76)	(0.00)	(0.00)		(3.76)

Note : Figures in brackets relate to previous year.

B SECONDARY SEGMENT - GEOGRAPHICAL SEGMENT :

Segment revenue by geographical area based on geographical location of customers :

<u>Geographical Area</u>	<u>Current Year</u>	<u>(Rs. in Lacs) Previous Year</u>
1 India	9767.65	8732.11
2 Middle East Asia	431.68	797.70
3 North America	585.74	470.27
4 Europe	882.45	552.61
5 Asia pacific	424.02	450.88
6 Africa	10.28	24.75
	<u>12101.82</u>	<u>11028.32</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 figures of the partnership firm, enterprise under control of the company is considered on the basis of its unaudited financial statements. Effects of audited accounts for the year ended 31st March, 2006, are given in current year 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.
 - 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.
[Formerly known as Shradha Realotrs Ltd.]
v) Veronica Construction Pvt.Ltd.
vi) Padm Complex Pvt.Ltd.
vii) Ambica Dairy Products
viii) Majestic Farm House Ltd.



- ix) Vadilal Soda Fountain
(Formerly known as Modern Caterers)
4) Relative of key Management Personnel :
Mamta R Gandhi

B) Transaction with related parties :					(Rs. in Lacs)
Sr. No.	Particulars of Transaction	Associates	Key Management Personnel/ & Relatives of Key Management Personnel +	Enterprises owned or significantly influenced by key management personnel or their relatives	Total
1	Sales	— (—)	— (—)	9245.90 (8252.34)	9245.90 (8252.34)
2	Purchase	6.42 (6.75)	— (—)	0.64 (5.81)	7.06 (12.56)
3	Sale of RM/PM	— (—)	— (—)	0.50 (0.22)	0.50 (0.22)
4	Freight paid	— (—)	— (—)	246.25 (192.59)	246.25 (192.59)
5	Rent Income	— (—)	— (—)	0.90 (0.90)	0.90 (0.90)
6	Interest paid	— (—)	— (—)	5.80 (5.39)	5.80 (5.39)
7	Salary paid	— (—)	1.20 + (1.03) +	— (—)	1.20 (1.03)
8	Remuneration Paid	— (—)	59.39 (53.64)	— (—)	59.39 (53.64)
9	Interest Income	— (—)	— (—)	4.00 (—)	4.00 (—)
10	Royalty paid/payable	— (—)	— (—)	17.71 (—)	17.71 (—)
11	Corporate guarantee given	— (—)	— (—)	380.00 (—)	380.00 (—)
12	Balance outstanding at year end				
	i) Investments	162.04 (162.04)	— (—)	1.87 (1.87)	163.91 (163.91)
	ii) Receivable	— (—)	— (—)	2293.06* (2028.52)*	2293.06 (2028.52)
	iii) Payable	8.94 (12.94)	— (—)	56.55 (104.15)	65.49 (117.09)
	iv) Against corporate guarantee	— (—)	— (—)	582.94 (376.22)	582.94 (376.22)

Note :

- * a) Amount includes Rs. 400.00 lacs (Previous year Rs. 400.00 lacs) towards deposit.
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 earning 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 71,88,230.

12) PARTICULARS OF DERIVATIVE INSTRUMENTS :

Derivative contracts entered into by the company and outstanding as on 31st March, 2007

- i) Particulars of derivative instruments acquired for hedging amount to US \$ 2000000 equal to Rs. 871.20 Lacs. (Previous year US \$ 620000 equal to Rs. 276.58 Lacs)
ii) All derivative and financial instruments acquired by the company are for hedging.
iii) Foreign currency exposure that are not hedged by derivative instruments as on 31st March, 2007
US \$ 1719232 equal to Rs. 751.16 Lacs (Previous year US \$ 1525185 equal to Rs. 679.72 Lacs)
Euro 116850 equal to Rs. 67.84 Lacs (Previous year Euro 99444 equal to Rs. 54.69 Lacs)



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

Signatures to schedule 1.11 to 3.2
For KANTILAL PATEL & CO.
Chartered Accountants

Arpit K. Patel
Partner
Place : Ahmedabad
Date : June 30, 2007

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

Place : Ahmedabad
Date : June 30, 2007

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

1. We have audited the attached consolidated Balance Sheet of **Vadilal Industries Limited** ("the Company") and its partnership firm / associate as at **31st March, 2007**, 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.
2. 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.
3. We did not audit the financial statements of partnership firm which in aggregate represent total assets (net) as at March 31, 2007 of Rs.213.93 lakhs and total revenues for the year ended on that date of Rs.190.99 lakhs and of associate which reflect the company's share of profit for the year of Rs.17.27 lakhs. The financial statements and other financial information of the associate have been audited by other qualified auditor whose report has been furnished to us by the management of the company, and our opinion is based solely on the report of the other auditor.
4. As stated in Note 9 of schedule 3.2, as the audited financial statements of partnership firm are not available, we have relied upon the unaudited financial statements as provided by the management of the firm for the purpose of our examination of Consolidated Financial Statements.
5. Subject to our remark in paragraph 4 above :
 - (i) 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 and Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.
 - (ii) 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 :
 - (a) in the case of Consolidated Balance Sheet, of the consolidated state of affairs of the Company, its partnership firm and associate as at 31st March 2007;
 - (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company, its partnership firm and associate for the year ended on that date; and
 - (c) in the case of the Consolidated Cash Flow Statement, of the consolidated Cash Flows of the Company, its partnership firm and associate for the year ended on that date.

For KANTILAL PATEL & CO.,
Chartered Accountants

Arpit K. Patel
Partner
Membership No.: 34032

Date : June 30, 2007
Place : Ahmedabad



VADILAL INDUSTRIES LIMITED

23rd ANNUAL GENERAL MEETING

Day - Saturday

Date - 29th September, 2007

Time - 1.00 p.m.

Venue - Bhaikaka Hall, Nr. Law Garden,
Ellisbridge, Ahmedabad - 380 006.

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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 23rd Annual General Meeting of the members of the Company to be held on Saturday, the 29th September, 2007, at 1.00 p.m., at Bhaikaka Hall, Near 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 _____ 2007

Signature.....

Affix
15 Paise
Revenue
Stamp

* 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 23rd Annual General Meeting of the members of the Company on Saturday, the 29th September, 2007, at 1.00 p.m., at Bhaikaka Hall, Near Law Garden, Ellisbridge, Ahmedabad - 380 006.

* Applicable for investors holding shares in electronic form.

Signature of Shareholder(s)/Proxy