

14th ANNUAL REPORT 2002-2003

ASSOCIATED ALCOHOLS & BREWERIES LTD.



**ASSOCIATED
KEDIA GROUP**
Dreams, Determination, Dexterity

**14TH
ANNUAL REPORT
2002-2003**

14TH ANNUAL REPORT 2002-2003**NOTICE**

Notice is hereby given that the 14th Annual General Meeting of the Members of Associated Alcohols & Breweries Ltd. will be held at the Registered Office of the Company at 8C Queens Park, Ballygunge, Kolkata-700 019 on Tuesday, the 30th day of September 2003 at 10.30 a.m. for following business:

ORDINARY BUSINESS

1. To Consider and adopt the Audited Balance Sheet of the Company as at 31st March 2003 and the Profit and Loss Account for the year ended on that date, together with the report of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Santosh Kumar Kedia, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Prasann Kumar Kedia, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Ashish Gadia, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. To Consider and it thought fit to pass with or without modification, the following resolution as special resolution: -

"RESOLVED THAT subject to the provisions of Section 61 of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter), and the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company, the consent of the Company be and is hereby accorded to the Board to delist the Company's Shares from all or any of the stock exchanges where Company's shares are presently listed, excluding the Stock Exchange, Mumbai i.e. delisting from the Stock Exchange at Ahmedabad, the Kolkata Stock Exchange Association Ltd., at Kolkata and the Madhya Pradesh Stock Exchange at Indore."

"RESOLVED FURTHER that the Board be and is hereby authorized to take all necessary steps in this regard in order to comply with the legal and/or procedural formalities, including authorizing any of the Directors/Officers/ Executives of the Company to do all such acts, deeds or things to give effect to the above."

NOTES

1. Explanatory statements pursuant to section 173(2) of the Companies Act, 1956 are annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. Such proxy needs to be a member of the Company. Proxies in order to valid and effective must be delivered at the Registered Office of the Company not later than forty-eight hours before the Commencement of the meeting.
3. The Register of Members and the Shares transfer books of the Company shall remain closed from Thursday the 25th day of September, 2003 to Tuesday the 30th September, 2003, both days inclusive.

REGISTERED OFFICE

Queen Court
8C, Queens Park,
Ballygunge, Kolkata-700 019
Dated: 22nd August 2003

By order of the Board
(V.N.DUBEY)
COMPANY SECRETARY

ASSOCIATED ALCOHOLS & BREWERIES LTD.**1**

14TH ANNUAL REPORT 2002-2003**ANNEXURE TO NOTICE****I. EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM No. 6**

Presently, the Company's Securities are listed on the following 4 Stock Exchanges in India: -

1. The Stock Exchange, Mumbai (BSE)
2. Madhya Pradesh Stock Exchange Limited, Indore
3. The Stock Exchange, Ahmedabad
4. The Kolkata Stock Exchange Association Limited, Kolkata

Of late, it has been observed that there has been no trading at the Stock Exchanges other than the BSE during the last few years. Further, with the wide and extensive networking of centers of BSE, the investors have access to online dealings in the Company's securities across the country. The listing fees paid to the said Stock Exchanges do not now offer commensurate benefits to the Company/its investors and therefore, the continued listing on the said Stock Exchanges is not considered necessary. The Board of Directors at its meeting held on 22nd August 2003 has, therefore, decided to apply for the voluntary delisting of the Company's Equity Shares from all the Stock Exchanges excluding BSE. The proposed voluntary delisting would further contribute to the cost reduction initiative taken across various functional areas of the Company.

The proposed voluntary delisting of the company's Equity Shares from the said Stock Exchanges will not adversely affect any investor including the Members located in the regions where the said Stock Exchanges are situated. Pursuant to Section 61 of the Act and the SEBI (Delisting of Securities) Guidelines, it is now proposed to seek the Members' approval by way of a Special Resolution for voluntary delisting of the Company's Equity Shares from the said Stock Exchanges as set out in the Resolution at item No. 6.

II. AS REQUIRED UNDER CLAUSE 49VI OF THE LISTING AGREEMENT GIVEN BELOW ARE THE DETAILS OF THE DIRECTORS PROPOSED FOR APPOINTMENT:**Shri Santosh Kumar Kedia:**

Shri Santosh Kumar Kedia (aged about 54 year:) is a reputed businessman having over decades of experience in multi-functional areas in various industries. He is associated with the Company since its inception and is one of the promoter directors of the Company. He is also director in Mount Everest Breweries Ltd. and Millennium Distilleries Ltd.

Shri Prasann Kumar Kedia:

Shri Prasann Kumar Kedia (aged about 31 years) is a MBA. He is young and dynamic and having rich experience in multi-functional areas. He is associated with Company since its inception. He is also the director of other companies.

Outside Directorship

- | | |
|-----------------------------------|--|
| 1. Rabisha Holdings Pvt. Ltd. | 6. Welplan Traders Pvt. Ltd. |
| 2. Oceanic Developers Pvt. Ltd. | 7. Associated Texworld Industries Ltd. |
| 3. Springbok Properties Pvt. Ltd. | 8. Mount Everest Breweries Ltd. |
| 4. Smilington Holdings Pvt. Ltd. | 9. Millennium Distilleries Ltd. |
| 5. Veneer Mercantiles Pvt. Ltd. | |

Shri Ashish Gadia:

Shri Ashish Gadia (aged about 28 years) is a Commerce graduate. He is young and dynamic and having considerable experience in multi-functional areas. He has no other directorship.

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Dated: 22nd August 2003

By order of the Board
(V.N.DUBEY)
COMPANY SECRETARY

ASSOCIATED ALCOHOLS & BREWERIES LTD.

14TH ANNUAL REPORT 2002-2003**DIRECTORS REPORT**

To the Members,

Your Directors have pleasure in presenting their 14th Annual Report together with the Audited Accounts of the Company for the year ended on 31st March 2003.

FINANCIAL RESULTS		(Rupees In Lacs)	
PARTICULARS	2002-2003	2001-2002	
Sales & Other Income	7292.15	8258.52	
Profit before Depreciation & Tax	383.36	515.69	
Profit before Tax	123.35	267.88	
Provision for Taxation	16.93	50.00	
Deferred Taxation	77.62	53.70	
Net Profit for the year	28.80	164.18	
Add: Balance brought forward from previous Year	1449.35	1485.17	
Profit available for appropriation	1478.15	1649.35	
APPROPRIATIONS			
General Reserve	100.00	200.00	
Amount carried to next year	1378.15	1449.35	

DIVIDEND

In order to meet the long-term funds' requirement for growth of business activities of your Company, your Directors consider it necessary to conserve the resources of the company and as such, are unable to recommend dividend for the year.

OPERATIONS

The sale of the Company during the year was at Rs.71.39 crores in comparison to Rs. 81.58 crores in the previous year. The cash profit for the year was Rs.377.83 Lacs in comparison to Rs.477.08 Lacs in the previous year. The net profit for the year was reduced to Rs.28.80 Lacs in comparison to Rs.164.18 Lacs in the previous year. The same was affected due to increased level of overheads, reduction in margin in view of competitive scenario of the industry and provision for deferred taxation as required by AS 22 issued by ICAI. In view of sluggish market conditions as prevails, your Directors consider overall performance of the Company satisfactory.

DIRECTORS

Shri Santosh Kumar Kedia, Shri Prasann Kumar Kedia and Shri Ashish Gadia, Directors retire by rotation and being eligible, offer themselves for reappointment. Shri Anand Kumar Kedia, Managing Director of the Company has left the board due to his personal preoccupations on 30th September 2002. The Company acknowledges its highest appreciation to Mr. Anand Kumar Kedia for the services rendered by him over the years. We regret to inform about sad and untimely demise of our Founder Chairman Shri Bhagwati Prasad Kedia on 9th March 2003. Your directors sincerely acknowledge his invaluable contribution to business and growth of the Company.

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MANAGEMENT DISCUSSION AND ANALYSIS

a. Present Industry Scenario and Developments, opportunities, Threats & Performance:

The Company is mainly operating under the bulk Alcohol segment and supplies to the Government and leading IMFL manufacturers. The liquor consumption is growing by 8-10% CAGR. The Company's units in Madhya Pradesh are operating at optimum level. Efforts are being made to operate the Rajasthan unit at its full capacity level. The Company is further concentrating for the value added products, IMFL to increase its margins in the coming years.

b. Outlook:

The Company is striving hard to improve cost efficiencies, widen its reaches to new consumer segments and consolidate further on its image. Barring unforeseen circumstances, the Company expects to improve its march towards profitability.

c. Risks and Concerns:

Stiff competition in the market does have an impact on the product pricing policies and put the operating margins under pressure. All the insurable interests of the Company including inventories, buildings, plants and machinery and liabilities under legislative enactments are adequately insured.

d. Internal Control Systems:

The Company has proper and adequate system of internal control to ensure that all assets are safe and protected against loss from unauthorized use or disposition, and that all transactions are authorized, recorded and reported correctly. The Company regularly conducts internal audits, using external and internal resources to monitor the effectiveness of internal control in the organization. The Company has a well-defined organization structure and authority limits. It strictly adheres to corporate policy with respect to financial reporting and budgeting functions. The Audit Committee of the Board of Directors deals with significant control issues coming out of by internal audit system and/or raised by the external auditors of the Company and instructs further areas to be covered.

e. Financial Controls

The total capital employed by the Company was Rs.66.91 crores at the year-end 2002-2003 in comparison to Rs.63.17 crores at the end of previous year. The working capital and interest costs have been managed more efficiently. The bank borrowing to sustain the business was Rs.1982.54 Lacs at the close of 2002-2003 as against Rs.2099.89 Lacs at the end of the previous year. The interest outflow was Rs.317.32 Lacs in 2002-2003 as against Rs.394.74 Lacs in 2001-2002, out of which working capital interest and bank charges accounted for Rs.152.36 Lacs as against Rs. 177.22 Lacs in the previous year. The Company's management is committed to evolve strategy to achieve enhancement in the shareholders value through the adoption of strong fiscal discipline, improvement in operating efficiencies and resource utilization.

f. Human Resources:

Human capital continues to be a vital resource for the Company. Training and development of our human resources continued to receive focused attention. The Company has a continuous process to monitor individual performance.

The Company continued to have cordial and harmonious relations with its employees.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under section 217 (2AA) of the Act, your Directors confirm that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed.
- Appropriate accounting policies have been selected and applied consistently and that judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on 31st March 2003 and of its profit for the year ended on that date.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records under the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The annual accounts have been prepared on a going concern basis.

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14TH ANNUAL REPORT 2002-2003**CORPORATE GOVERNANCE**

The Company has complied with Corporate Governance to the extent and in the manner set out in Corporate Governance Report (Annexure I), which is annexed hereto.

AUDITOR'S REPORT

While the auditors report to note No.5 relating to non-confirmation of certain accounts, the same was due to not receipt of timely confirmation from concerned parties. With regard to remark of Auditors (i), (xv), (xvii) and (xviii), your directors have already taken steps to ensure regularization and / or timely deposit of dues to the concerned authorities. For the remark under (xi), regarding sale of investment in unquoted shares of a company slightly lower than the book value, the same was held up with the Company for quiet a long time, there was no dividend income by the company since investment. Therefore, being non-tradable Stock and continuous reminder from the bankers, the same was sold to a relative of the director at the best-negotiated price.

AUDITORS

The Auditors M/s.B.K.Agrawal & Co., Kolkata and M/s.M.D.Agrawal & Co., Indore retire at the forthcoming Annual General Meeting and are eligible for reappointment for the period from the conclusion of the ensuing Annual General Meeting to the conclusion of the next Annual General Meeting.

PERSONNEL

The relation between the employees and the management has been cordial throughout the year under review and the Directors place on record their appreciation for the efficient services rendered by the employees at all levels.

There is no employee drawing remuneration in excess of limits prescribed under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

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

Information required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 with respect to conservation of energy, technology absorption and foreign exchange earnings/outgo is appended hereto as Annexure -II and forms part of this report.

ACKNOWLEDGEMENT

Your Directors are thankful to the Banks, Financial Institutions and other Government agencies for their assistance, as also to the suppliers and customers for their support to the Company. Your Directors also take this opportunity to express their sincere thanks to the shareholders for their continued faith in the Company.

FOR AND ON BEHALF OF THE BOARD
SANTOSH KUMAR KEDIA
DIRECTOR

PRASANN KUMAR KEDIA
DIRECTOR

Dated: 22nd August 2003
Place: INDORE

ANNEXURE TO THE DIRECTORS' REPORT**ANNEXURE - I****REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE****1. Company's Philosophy on Code of Governance**

The Company is committed to good Corporate Governance. The Company complied with the regulations relating to Corporate Governance from the financial year 2001-2002. The mandatory requirements pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges relating to "Corporate Governance" (hereinafter referred to as "the said Clause") have been implemented by the Company. The Company has always tried to adopt the good standards of disclosures so as to emphasize transparency, accountability and integrity towards all its stakeholders. The Company will continue to strive hard towards raising of standards so as to enhance the shareholders value. The Company has great pleasure in presenting its second report on Corporate Governance.

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2. Board of Directors ('Board'):

Composition of the Board of Directors

The Board comprises of Executive and Non-Executive Directors. The strength of the Board as on 31st March 2003 was 7 members comprising of 3 Executive Directors and 4 Non-Executive Directors. The composition includes 5 independent Directors out of which 3 are Non-Executive Directors. The Board's composition meets with the stipulated requirement of at least half of the Board comprising independent directors and non-executive Directors.

Responsibilities:

The Board has a formal schedule of matters reserved for its consideration and decision which includes reviewing Company's performance, ensuring adequate availability of financial resources and reporting to shareholders. During the year under review the Board met 21 times and there was no gap exceeding two months between any two meetings. Board members ensure that their other responsibilities do not materially have impact on their responsibilities as a Director of the Company.

The Board meetings during the year were held on 20th April, 2002, 16th May 2002, 20th May 2002, 5th June 2002, 17th June 2002, 5th July 2002, 8th July 2002, 20th July 2002, 26th August 2002, 5th September 2002, 20th September 2002, 30th September 2002, 5th October 2002, 5th November 2002, 5th December 2002, 6th December 2002, 20th December 2002, 6th January 2003, 5th February 2003, 20th March 2003, 24th March 2003.

Sr. No.	Name of Director	Category	Designation	Board Meetings Attended	Attendance at Last AGM	Total Number of other Director Ship as on date#	No. of other Committee membership on date Member/ Chairman
1.	Shri Anand Kumar Kedia	ED	Managing Director	10	No	8	- -
2.	Shri Prasann Kumar Kedia	ED	Director	15	Yes	9	- -
3.	Shri Santosh Kumar Kedia	ED	Director	20	No	2	- -
4.	Shri Harshan Kumar Bhandari	ED	Director	15	No	2	- -
5.	Shri Surendra Kumar Khetawat	NED	Director	08	No	4	2 -
6.	Shri Manish Kumar Tibrewal	NED	Director	11	No	-	2 -
7.	Shri Ashish Gadia	NED	Director	07	No	-	- -
8.	Shri Sandeep Kumar Tulsyan	NED	Director	11	Yes	-	2 2

3. Board Committees:

To enable better and more focussed attention on the affairs of the Company, the Board has delegated particular matters to Committee of the Board set up for the purpose. The requirement that a Director shall not be a member of more than five Committees and Chairman of more than two Committees has been complied with while constituting the Committee of Directors.

(1) Audit Committee:

The Audit Committee constituted as per the requirements of the provisions of Section 292A and in compliance of the requirements of Clause 49 of the Listing Agreement held its meeting on 20th April 2002, 20th July 2002, 5th October 2002 and 6th January 2003.

Terms of Reference

To consider the scope of audit review, the effectiveness of the system of internal control, risk management and statutory compliances.

The Committee's powers and role are as stipulated in Clause 49 of the Listing Agreement and under Section 292A of the Companies Act 1956.

S. No.	Name	Executive / Non Executive	Category
1.	Shri Sandeep Kumar Tulsyan	Non-Executive & Independent	Chairman
2.	Shri Manish Kumar Tibrewal	Non-Executive & Independent	Member
3.	Shri Surendra Kumar Khetawat	Non-Executive	Member

The Managing Director, Company Secretary and the Manager-Accounts alongwith the Statutory Auditors are invitees to the meeting. The Company Secretary acts as the Secretary to the Committee.