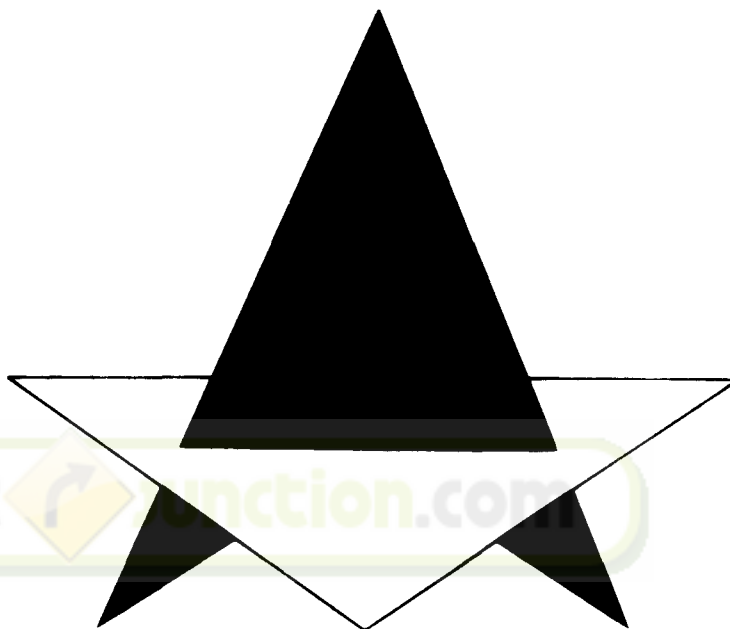


15th ANNUAL REPORT 2003-2004

ASSOCIATED ALCOHOLS & BREWERIES LTD.



ASSOCIATED
KEDIA GROUP
Dreams, Determination, Dexterity



15TH ANNUAL REPORT 2003-2004

15TH ANNUAL REPORT 2003-2004**NOTICE**

Notice is hereby given that the 15th 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 28th day of September 2004 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 2004 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 Surendra Kumar Khetawat, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Manish Kumar Tibrewal, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modifications, the following resolution as ordinary resolution.
 "RESOLVED that pursuant to the provisions of Sections 198,269 and 309 and other applicable provisions if any, of the Companies Act, 1956 read with Schedule XIII there to and subject to such approvals, if any, as may be necessary, appointment of Shri Santosh Kumar Kedia as Whole - time Director for a period of five years w.e.f. 1st April, 2004 on the terms and conditions as set out in the explanatory statement attached to this notice and hereby approved, with liberty to the Board of Directors to revise the terms as to remuneration, from time to time, within the limits provided for in the said Schedule XIII or any amendment thereof for the time being in force."
 "RESOLVED FURTHER that the Board of Director of the Company be and is hereby authorised to take such steps as may be necessary to give effect to this resolution."
6. To consider and if thought fit to pass with or without modifications, the following resolution as special resolution.
 "RESOLVED that pursuant to the provisions of Sections 198,269 and 309 and other applicable provisions if any, of the Companies Act, 1956 read with Schedule XIII thereto and subject to such approvals, if any, as may be necessary consent of the company be and is hereby accorded to the appointment of Shri Harshan Kumar Bhandari as whole time Director for a period of five years w.e.f. 1st April 2004 on the terms and conditions as set out in the explanatory statement attached to this notice and hereby approved, with liberty to the Board of Directors to revise the terms as to remuneration, from time to time, within the limits provided for in the said Schedule XIII or any amendment thereof for the time being in force."
 "RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary to give effect to this resolution."
7. To consider and if thought fit to pass with or without modifications, the following resolution as ordinary resolution.
 "RESOLVED that pursuant to the provisions of Sections 198,269 and 309 and other applicable provisions if any, of the Companies Act, 1956 read with Schedule XIII thereto and subject to such approvals, if any as may be necessary, consent of the company be and is hereby accorded to the appointment of Shri Ashish Kumar Gadia as whole time Director for a period from 1st January 2004 to 31st March, 2009 on the terms and conditions as set out in the explanatory statement attached to this notice and hereby approved, with liberty to the Board of Directors to revise the terms as to remuneration, from time to time, within the limits provided for in the said Schedule XIII or any amendment thereof for the time being in force."
 "RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary to give effect to this resolution."
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 need not 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 Friday the 24th day of September, 2004 to Tuesday the 28th September, 2004, both days inclusive.

REGISTERED OFFICE

Queen Court
 8C, Queens Park,
 Ballygunge, Kolkata-700 019
 Dated: 30th August 2004

By order of the Board

(V.N.DUBEY)
COMPANY SECRETARY

ASSOCIATED ALCOHOLS & BREWERIES LTD.

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15TH ANNUAL REPORT 2003-2004**ANNEXURE TO NOTICE****I. EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO 5**

Mr. Santosh kumar Kedia's tenure as a whole time Director of the Company ended on 31st March, 2004. The Board of Directors considering Mr. Kedia's rich experience in the industry, reappointed as the whole time Director w.e.f. 1.04.2004 on the revised terms subject to your approval. Such terms and conditions are as under:-

1. Salary Rs12,500/- per month subject to review by the Board from time to time as it deems fit.
2. In addition to above salary, following perquisites shall be provided to him.
 - a) Housing: Rent free accommodation.
 - b) Reimbursement of medical expenses for self and family subject to ceiling of one month's salary in a year or three months salary over a period of 3 years.
 - c) Leave Travel Concession: for the appointee and his family once in a year incurred.
 - d) Club fees : Fees of clubs subject to maximum two clubs.
 - e) Personal Accident Insurance : Premium not to exceed Rs. 5,000/- per annum.
3. The following perquisites shall also be provided which shall not be included in the computation of the ceiling on remuneration as stated above :
 - a) Contribution to provident fund as per the rules of the company upto the extent these are not taxable under the Income-Tax Act, 1961.
 - b) Gratuity payable as per rules of the Company.
 - c) Encashment of Leave at the end of the tenure.
 - d) Car with driver to be used solely for business purpose.
 - e) Reimbursement of entertainment, travelling and all other expenses incurred for the business of the company. Where in any financial year, the Company has no profit or has inadequate profit, the remuneration payable to Mr. Santosh Kumar Kedia shall be as mentioned above. During the tenure of Directorship, Mr. Santosh Kumar Kedia shall not be entitled for any fee for attending meetings of the Board of Directors or any committee thereof. The above may be treated as an abstract of the terms of the contract in relation to his appointment between the Company and Mr. Santosh Kumar Kedia pursuant to Section 302 of the Companies Act, 1956. The Board of Directors consider the appointment of Mr. Santosh Kumar Kedia as the whole time Director in the overall interest of the Company and thereof, recommend the resolution for your approval Besides Mr. Santosh Kumar Kedia himself and no other directors is interested or concerned in the resolution.

ITEM NO. 6

Mr. Harshan kumar Bhandari's tenure as a whole time Director of the Company ended on 31st March, 2004. The Board of Directors considering Mr. Bhandari's rich experience in the industry, reappointed as the whole time Director w.e.f. 1.04.2004 on the terms and conditions mentioned herein, subject to your approval. Such terms and conditions are as under:-

- 1 Salary Rs12,500/- per month subject to review by the Board from time to time as it deems fit.
- 2 In addition to above salary, following perquisites shall be provided to him.
 - a) Housing: Rent free accommodation.
 - b) Reimbursement of medical expenses for self and family subject to ceiling of one month's salary in a year or three months salary over a period of 3 years.
 - c) Leave Travel Concession: for the appointee and his family once in a year incurred.
 - d) Club fees : Fees of clubs subject to maximum two clubs.
 - e) Personal Accident Insurance : Premium not to exceed Rs. 5,000/- per annum.

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- 3 The following perquisites shall also be provided which shall not be included in the computation of the ceiling on remuneration as stated above :
- Contribution to provident fund as per the rules of the company upto the extent these are not taxable under the Income-Tax Act, 1961.
 - Gratuity payable as per rules of the Company.
 - Encashment of Leave at the end of the tenure.
 - Car with driver to be used solely for business purpose.
 - Reimbursement of entertainment, travelling and all other expenses incurred for the business of the company. Where in any financial year, the Company has no profit or has inadequate profit, the remuneration payable to Mr. Harshan Kumar Bhandari shall be as mentioned above.

During the tenure of Directorship, Mr. Harshan Kumar Bhandari shall not be entitled for any fee for attending meetings of the Board of Directors or any committee thereof.

The above may be treated as an abstract of the terms of the contract in relation to his appointment between the Company and Mr. Harshan Kumar Bhandari pursuant to Section 302 of the Companies Act, 1956. The Board of Directors consider the appointment of Mr. Harshan Kumar Bhandari as the whole time Director in the overall interest of the Company and thereof, recommend the resolution for your approval Besides Mr. Harshan Kumar Bhandari himself and no other directors is interested or concerned in the resolution.

ITEM NO 7

Mr. Ashish kumar Gadia is associated with the company for the last several years and the Company has benefited by his services from time to time. The Board of Directors, considering his rich experience appointed him as the whole time Director from 1st January, 2004 to 31st March, 2009 on the terms subject to your approval. Such terms and conditions are as under:-

- Salary Rs.7000/- per month subject to review by the Board from time to time as it deems fit.
- In addition to above salary, following perquisites shall be provided to him.
 - Housing: Rent free accommodation.
 - Reimbursement of medical expenses for self and family subject to ceiling of one month's salary in a year or three months salary over a period of 3 years.
 - Leave Travel Concession: for the appointee and his family once in a year incurred.
 - Club fees : Fees of clubs subject to maximum two clubs.
 - Personal Accident Insurance : Premium not to exceed Rs. 5,000/- per annum.
- The following perquisites shall also be provided which shall not be included in the computation of the ceiling on remuneration as stated above :
 - Contribution to provident fund as per the rules of the company upto the extent these are not taxable under the Income-Tax Act, 1961.
 - Gratuity payable as per rules of the Company.
 - Encashment of Leave at the end of the tenure.
 - Car with driver to be used solely for business purpose.
 - Reimbursement of entertainment, travelling and all other expenses incurred for the business of the company. Where in any financial year, the Company has no profit or has inadequate profit, the remuneration payable to Mr. Ashish Kumar Gadia shall be as mentioned above. During the tenure of Directorship, Mr. Ashish Kumar Gadia shall not be entitled for any fee for attending meetings of the Board of Directors or any committee thereof.

The above may be treated as an abstract of the terms of the contract in relation to his appointment between the Company and Mr. Ashish Kumar Gadia pursuant to Section 302 of the Companies Act, 1956.

The Board of Directors consider the appointment of Mr. Ashish Kumar Gadia as the whole time Director in the overall interest of the Company and thereof, recommend the resolution for your approval.

Besides Mr. Ashish Kumar Gadia himself and no other directors is interested or concerned in the respective resolution.

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

1. Shri Surendra Kumar Khetawat:

Shri Surendra Kumar Khetawat (aged about 38 years) holds a Bachelor's degree in Commerce from University of Kolkata. He is a seasoned businessman and having over decade of experience in multi-functional areas in various industries.

Outside Directorship

1. M/s.Bharat Roadways Transport Ltd.
2. M/s.Rameshwara Engg. Co. Pvt. Ltd.
- 3.M/s.Rameshwara Syntex Ltd.

2. Mansih Kumar Tibrewal:

Shri Manish Kumar Tibrewal (aged about 27 years) holds Bachelors degree. He is young and dynamic and having rich experience in multi-functional areas.

Other Directorship: Nil.

3. Shri Santosh Kumar Kedia

Shri Santosh Kumar Kedia (aged about 55 years) is a reputed businessman having 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 director of the Company.

Other Directorship: Nil.

4. Shri Harshan Kumar Bhandari:

Shri Harshan Kumar Bhandari (aged about 55 years) is an Engineering Graduate 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.

Other Directorship : Nil.

5. Ashish Gadia

Shri Ashish Gadia (aged about 28 years) is a Commerce Graduate. He is a young, dynamic and having considerable experience multi-functional areas.

Other Directorship : Nil.

REGISTERED OFFICE

Queen Court
8C, Queens Park,
Ballygunge, Kolkata-700 019
Dated: 30th August 2004

By order of the Board

(V.N.DUBEY)
COMPANY SECRETARY

15TH ANNUAL REPORT 2003-2004**DIRECTORS REPORT**

To the Members,

Your Directors have pleasure in presenting their 15th Annual Report together with the Audited Accounts of the Company for the year ended on 31st March 2004.

FINANCIAL RESULTS**(Rupees In Lacs)****PARTICULARS****2003-2004****2002-2003**

Sales & Other Income

6462.88

7292.15

Profit before Depreciation & Tax

309.03

383.36

Profit before Tax

51.16

123.35

Provision for Taxation

3.93

16.93

Deferred Taxation

(33.20)

77.62

Net Profit for the year

80.43

28.80

Add: Balance brought forward from previous Year

1378.15

1449.35

Profit available for appropriation

1458.58**1478.15****APPROPRIATIONS**

General Reserve

100.00

100.00

Amount carried to next year

1358.58**1378.15****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 turnover of the Company during the year was at Rs.64.63 crores in comparison to Rs. 72.92 crores in the previous year. The cash profit for the year was Rs.316.50 Lacs in comparison to Rs. 377.83 Lacs in the previous year. The net profit for the year was Rs.80.43 Lacs in comparison to Rs.28.80 Lacs in the previous year. In view of competitive scenario of the Industry, your Directors consider overall performance of the Company reasonable.

DIRECTORS

Shri Surendra Kumar Khetawat and Shri Manish Kumar Tibrewal, Directors retire by rotation and being eligible, offer themselves for reappointment. Shri Prasann Kumar Kedia Director retiring by rotation at ensuing Annual general Meeting of the company. The company acknowledge its highest appreciation to Mr. Kedia for the services rendered by him over the years. The tenure of whole time Directors of Shri Santosh Kumar Kedia and Shri Harshan Kumar Bhandari was completed on 31st March 2004 and they were reappointed for another terms of five years w.e.f 1st April 2004. Shri Ashish Kumar Gadia a Director of the Company is appointed as whole time Director.

ASSOCIATED ALCOHOLS & BREWERIES LTD.**5**

15TH ANNUAL REPORT 2003-2004**MANAGEMENT DISCUSSION AND ANALYSIS****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 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.

a. 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 improved 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.65.27 crores at the year-end 2003-2004 in comparison to Rs.66.91 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.1763.79 Lacs at the close of 2003-2004 as against Rs. 1982.54 Lacs at the end of the previous year. The interest outflow was Rs.233.40 Lacs in 2003-2004 as against Rs. 317.32 Lacs in 2002-2003, out of which working capital interest and bank charges accounted for Rs.144.17 Lacs as against Rs.152.36 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:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed.
- (b) 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 2004 and of its profit for the year ended on that date.
- (c) 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.
- (d) The annual accounts have been prepared on a going concern basis.

15TH ANNUAL REPORT 2003-2004**CORPORATE GOVERNANCE**

The Company has complied with the mandatory provisions of Corporate Governance as prescribed in the clause 49 the listing agreement with the Stock Exchanges. A separate report on Corporate Government and Auditors Report there as one included as part of the Annual Report.

AUDITOR'S REPORT

While the auditors report to note No.8 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 the Auditors in para (i) (a), (ix) (a), (xi), Note No. 5 and Note No. 9, your Directors have already taken steps to ensure regularities and/or timely deposits of dues to the concern authorities. For the remark under para (iii) (b), regarding charging of interest lower than the rate of the banker, the same is being the self generated surplus fund of the Company invested prudently for the time being. Hence, the same is not at all prejudicial to the interest of the company. For the remark of the auditors regarding changes in accounting policy for conversion of certain assets from fixed assets to stock in trade, in view of changing business scenario the same was needed for a more appropriate presentation of the financial statement.

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: 30th August 2004
Place: INDORE