



# **Associated Alcohols & Breweries Ltd.**

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**17TH  
ANNUAL REPORT  
2005-2006**

## 17th ANNUAL REPORT 2005-2006



**ASSOCIATED ALCOHOLS & BREWERIES LTD.**  
**17th ANNUAL REPORT 2005-06**  
**NOTICE**

Notice is hereby given that the 17<sup>th</sup> Annual General Meeting of the Members of Associated Alcohols & Breweries Limited will be held at the Registered Office of the Company at 8C, Queens Park, Ballygunge, Kolkata-700 019, on Thursday, 28th day of December 2006 at 1.30 p.m. for following business:

**ORDINARY BUSINESS**

1. To Consider and adopt the Audited Balance Sheet of the Company as at 31st March 2006 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 Ashish Gadia, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

**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 Saturday, 23rd day of December, 2006 to Thursday, the 28th day of December 2006. both days inclusive.

**REGISTERED OFFICE**

Queen Court  
 8C, Queens Park,  
 Ballygunge, Kolkata-700 019  
 Dated: 27<sup>th</sup> November 2006

By order of the Board

**(V.N.DUBEY )**  
**V.P. FINANCE**  
**& COMPANY SECRETARY**



ASSOCIATED  
Dreams, Determination, Dexterity

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### ANNEXURE TO NOTICE

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

#### **1. Shri Santosh Kumar Kedia:**

Shri Santosh Kumar Kedia (aged about 57 years) is a seasoned 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.

Other Directorship: M/s. Jaipur Distilleries Ltd.

#### **2. Shri Ashish Gadia**

Shri Ashish Gadia (aged about 31 years) is a Commerce Graduate. He is a young, dynamic and having considerable experience in multi-functional areas.

Other Directorship: Nil.

#### **REGISTERED OFFICE**

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**DIRECTORS REPORT**

To the Members,

Your Directors have pleasure in presenting their 17<sup>th</sup> Annual Report together with the Audited Accounts of the Company for the year ended on 31st March 2006.

<b>FINANCIAL RESULTS</b>		<b>(Rupees in Lacs)</b>	
<b>PARTICULARS</b>		<b>2005-2006</b>	<b>2004-2005</b>
Sales & Other Income		7777.17	7851.78
Profit/(Loss) before Depreciation & Tax		277.88	(294.90)
Profit/(Loss) before Tax		95.03	(558.71)
Provision for - Income Tax		(21.81)	(18.44)
- Fringe Benefit Tax		(6.42)	--
Deferred Taxation		213.24	109.60
Net Profit/(Loss) for the year		280.04	(467.55)
Add: Balance brought forward from previous Year		<b>891.03</b>	1358.58
Profit available for appropriation		<b>1171.07</b>	<b>891.03</b>

**APPROPRIATIONS**

General Reserve	50.00	--
Amount carried to next year	<b>1121.07</b>	<b>891.03</b>

**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.77.77 Crores in comparison to Rs. 78.52 Crores in the previous year. The net profit for the year was Rs.280.04 Lacs in comparison to loss of Rs.467.55 Lacs. In view of the scenario of the Industry, your Directors consider overall performance of the Company satisfactory. The Rajasthan Unit of the Company have been demerged and transferred to M/s. Jaipur Distilleries Ltd., a 100% Subsidiary of the Company as per scheme of arrangement approved by the Hon'ble High Court at Calcutta w.e.f. 1<sup>st</sup> April 2005. Copy of the Annual Report and Accounts of the subsidiary are annexed to the Accounts as required under section 212 of the Companies Act, 1956.

**DIRECTORS**

Shri Santosh Kumar Kedia and Shri Asish Gadia, Directors retire by rotation and being eligible, offer themselves for reappointment.

**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 8-10% CAGR. The Company's units are operating at optimum 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.

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**b. 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.

**c. 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.

**d. Financial Controls :**

The total capital employed by the Company was Rs.62.07 Crores at the year-end 2005-2006 in comparison to Rs.65.04 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.11.29 Crores at the close of 2005-2006 as against Rs. 18.30 Crores at the end of the previous year.

The interest outflow was Rs. 1.85 Crores in 2005-2006 as against Rs. 2.35 Crores in 2004-2005, out of which working capital interest and bank charges accounted for Rs. 1.85 Crores as against Rs. 1.53 Crores 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.

**e. 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 31<sup>st</sup> March 2006 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.

**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**

With regard to remarks of the Auditors in Para (i) (a), (vii), (ix) (a), your Directors have already taken

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steps to ensure regularities and/or deposit of dues to the concerned authorities, whereas the unsecured loans given to the subsidiary company as observed by the Auditors in para (iii) (b) is acceded by the company for long term potential and the directors are of the opinion that the same is not prejudicial to the interest of the company

**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 has been 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.

**ACKNOWLEDGMENT**

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**

**HARSHAN KUMAR BHANDARI**  
**DIRECTOR**

Dated: 27<sup>th</sup> NOVEMBER 2006  
Place: INDORE

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**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 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.

**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 2006 was 6 members comprising of 3 Executive Directors and 3 Non-Executive Directors. The composition includes 4 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 26 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 5<sup>th</sup> April, 2005, 20<sup>th</sup> April 2005, 5<sup>th</sup> May 2005, 20<sup>th</sup> May 2005, 20<sup>th</sup> June 2005, 11<sup>th</sup> July 2005, 20<sup>th</sup> July 2005, 5<sup>th</sup> August 2005, 20<sup>th</sup> August 2005, 29<sup>th</sup> August 2005, 5<sup>th</sup> September 2005, 20<sup>th</sup> September 2005, 20<sup>th</sup> October 2005, 5<sup>th</sup> November 2005, 21<sup>st</sup> November 2005, 5<sup>th</sup> December 2005, 20<sup>th</sup> December 2005, 5<sup>th</sup> January 2006, 20<sup>th</sup> January 06, 5<sup>th</sup> February 2006, 20<sup>th</sup> February 2006, 2<sup>nd</sup> March 2006, 5<sup>th</sup> March 2006, 16<sup>th</sup> March 2006 20<sup>th</sup> March 2006 & 21<sup>st</sup> March 2006.

Sr. No.	Name of Director	Category	Designation	Board Meetings Attended	Attendance at Last AGM	Total Number of other Directorship as on date#	No. of other committee membership on date member/ chairman
1.	Shri Sanotsh Kumar Kedia	ED	Director	26	No	1	-
2.	Shri Harshan Kumar Bhandari	ED	Director	24	No	1	-
3.	Shri Ashish Gadia	ED	Director	20	No	-	-
4.	Shri Surendra Kumar Khetawat	NED	Director	18	Yes	3	2
5.	Shri Manish Kumar Tibrewal	NED	Director	20	No	-	2
6.	Shri Sandeep Kumar Tulsyan	NED	Director	19	Yes	-	2



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**3. Board Committees:**

To enable better and more focused attention on the affairs of the Company, the Board has delegated specific matters to Committee of the Board set up for the respective 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 5th April 2005, 20th July 2005, 20th October 2005 and 20th January 2006.

**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 Manish Kumar Tibrewal	Non-Executive & Independent	Chairman
2.	Shri Sandeep Kumar Tulsyan	Non-Executive & Independent	Member
3.	Shri Surendra Kumar Khetawat	Non-Executive & Independent	Member

The 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.

**Meeting and Attendance:**

The Committee met four times during the year under review. The said meetings were held on 20th April 2005, 20th July 2005, 20th October 2005 and 20th January 2006.

S. No.	Name of Directors	Category	Nos. of Meeting attended
1.	Shri Manish Kumar Tibrewal	Chairman	4
2.	Shri Sandeep Kumar Tulsyan	Member	4
3.	Shri Surendra Kumar Khetawat	Member	4

**(2) Shareholders' /Investors Grievances Committee:**

The Committee constituted to attend to and address the Shareholders' and Investors' grievances consists of three members namely Shri Manish Kumar Tibrewal, Shri Sandeep Kumar Tulsyan and Shri Surendra Kumar Khetawat. This Committee meets periodically to approve transfer of shares and resolve investor's grievances, if any. The Committee oversees the performance of Registrars and Transfer Agents and recommends measures for overall improvement of the quantity of investor services.

S. No.	Name of Directors	Category	Total Meetings 2004-2005	Nos. of Meeting attended
1.	Shri Manish Kumar Tibrewal	Chairman	15	15
2.	Shri Sandeep Kumar Tulsyan	Member	15	15
3.	Shri Surendra Kumar Khetawat	Member	15	15



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**Name and Designation of the Compliance Officer:**

Mr. V. N. Dubey, V.P. Finance &amp; Company Secretary

**Details of Shareholders complaints received:**

Number of Complaints	-	23
Number of Complaints unsolved	-	Nil
Pending Complaints	-	Nil

**4. Annual General Meeting**

Location and time where last three Annual General Meetings were held :

AGM No.	Place	Date	Time
14th	Registered office at 8-C Queens Park Ballygunge, Kolkata	30-09-2003	10.30 a.m.
15th	Registered office at 8-C Queens Park Ballygunge, Kolkata	28-09-2004	10.30 a.m.
16th	Registered office at 8-C Queens Park Ballygunge, Kolkata	28-09-2005	10.30 a.m.

The shareholders passed all the resolutions set out in the respective notices.

There were no resolutions put through postal ballot last year. There is no business at the ensuing AGM requiring implementation of the postal ballot under the applicable rules.

**5. Disclosures:**

Details of materially significant related party transactions:

The Company does not have any related party transaction that may have a potential conflict with interests of the Company.

The Company has complied with all the requirements of regulatory authorities on capital market and no penalties or strictures have been imposed against it by Stock Exchanges or SEBI or any Statutory Authority during last three years except that trading in Company's shares have been kept under suspension by some of the Stock Exchanges.

**6. Means of communication:**

- ▶ Quarterly results are taken on record by the Board of Directors, and submitted the same to the Stock Exchange in terms of requirements of Clause 41 of the Listing Agreement.
- ▶ Publication of Quarterly results in newspapers: These were not published in the last year.
- ▶ The Company is having website as [www.associatedalcohols.com](http://www.associatedalcohols.com) however, the Quarterly results are not displayed on Company's website.
- ▶ Half-yearly results are not sent to shareholders.
- ▶ No presentations have been made to institutional investors or to the analysts.
- ▶ The Management Discussion and Analysis Report forms part of Directors Report.

**7. General Shareholder Information.****Annual General Meeting**

Date	: 28th December 2006
Venue	: 8-C, Queens Park, Ballygunge, Kolkata.
Time	: 1.30 p.m.
Board meeting to approve quarterly results	: Proposed Board Meetings dates to be results for the quarter ending as on
30th June 2006	: 20th July 2006
30th September 2006	: 20 <sup>th</sup> October 2006
31st December 2005	: mid January 2007



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31st March 2007	: mid April 2007
Book Closure Date	: 23rd December 2006 to 28 <sup>th</sup> December 2006
Dividend payment date	: Not Applicable
Listing on Stock Exchange	: Mumbai, Annual listing fee for the Year 2006-07 has been paid.

**Market Price data: H/L of each month in the last financial year:**

SHARE PRICE HIGH &amp; LOW (Rs.) year 2005-2006

Month	Apr-05	May 05	June 05	July 05	Aug 05	Sept 05	Oct 05	Nov. 05	Dec. 05	Jan 06	Feb 06	Mar 06
Low	--	--	--	--	--	--	--	--	--	--	--	3.06
High	--	--	--	--	--	--	--	--	--	--	--	3.20

**Registrar & Transfer Agents:**

Ankit Consultancy Pvt. Ltd., Alankar Point, Geeta Bhawan Chauraha, Indore 452 001. Phone No. 0731-2491298/2495229, e-mail: ankitind@sancharnet.in.  
Fax No. 0731-4065798

**Share Transfer System:**

The Share transfer work and dematerialization/re-materialization work was assigned to M/s. Ankit Consultancy Pvt. Ltd., the Registrars and Share transfer Agent. Shares in physical form sent for transfer are normally registered and returned within a month from the date of receipt, if the documents are in order in all respects. The Company has entered into agreement with CDSL & NSDL to facilitate holding and trading in shares of the Company in dematerialized form.

**Distribution of Shareholding as on 31st March 2006**

Range in Rs.	Number of Holders	% to Total Holders	Share holding (Rs, in Lacs)	% to Total Capital
000001-1000	5075	73.91	50.75	7.76
001001-5000	1236	11.00	36.42	5.57
005001-10000	321	4.07	26.473	4.05
010001-100000	200	2.91	51.01	7.80
100001-above	34	0.49	489.31	74.82
Total	6867	100	653.96	100

Sr. No.	Particulars	No. of Shares	% to the total Paid up Share Capital
1.	Promoters/Directors & Relatives	30,85,600	47.18
2.	Financial Institutions, Banks & M.F.	3,000	0.05
3.	Private Bodies Corporate	15,72,000	24.04
4.	Indian Public	18,79,100	28.73
	<b>TOTAL</b>	<b>65,39,600</b>	<b>100</b>

**Dematerialization of Shares and liquidizing :**

67.10% of the Company's share capital is held in dematerialized form as on 31<sup>st</sup> March 2006. The company's shares are being regularly traded on the Bombay Stock Exchange Ltd., ISIN in CDSL and NSDL for Company's equity shares is INE 073G 01016

**Non-Mandatory Requirement:**

The Company is in the process of implementation of non-mandatory requirements of Corporate Governance.