



# **Associated Alcohols & Breweries Ltd.**

*Dreams*

*Determination*

*Dexterity*

**18TH  
ANNUAL REPORT  
2006-2007**

**18th ANNUAL REPORT 2006-2007****ASSOCIATED ALCOHOLS & BREWERIES LTD.****18th ANNUAL REPORT 2006-07****NOTICE**

Notice is hereby given that the 18<sup>th</sup> Annual General Meeting of the Members of Associated Alcohols & Breweries Ltd. will be held at "Shripati Singhania Hall", Rotary Sadan, 94/2, Jawaharlal Nehru Road, (Chowranghee Road), Kolkata 700 020 on Friday, 28th day of September 2007 at 4 P.M. for following business:

**ORDINARY BUSINESS**

1. To Consider and adopt the Audited Balance Sheet of the Company as at 31st March 2007 and the Profit and Loss Account for the year ended on that date, together with the report of Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri Surendra Kumar Khetawat, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Manish Kumar Tibrewal, 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 if thought fit to pass with or without modification, the following resolution as ordinary resolution:

"RESOLVED that Shri Manish Kumar Kedia who holds office up to the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and who is eligible for appointment and in respect of whom the company has received notice in writing, pursuant to Section 257 of the Proposing his candidature for the office of Director and is hereby appointed a Director of the Company, liable to retire by rotation."

**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 Monday, 24th day of September, 2007 to Friday, the 28<sup>th</sup> day of September, 2007, both days inclusive.

**REGISTERED OFFICE**

Queen Court  
8C, Queens Park,  
Ballygunge, Kolkata-700 019  
Dated: 18<sup>th</sup> August 2007

By order of the Board

**S.K. KEDIA**  
**DIRECTOR**

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## ANNEXURE TO NOTICE

I. EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2)  
OF THE COMPANIES ACT, 1956**Item No.6**

Shri Manish Kumar Kedia was appointed as an Additional Director of the Company on 1<sup>st</sup> March 2007 pursuant to Section 260 ("the Act"). Shri Manish Kumar Kedia holds office up to the date of the ensuing Annual General Meeting of the Company. The company has received a notice from him proposing as a candidate for the office of the director of the Company. The appointment of Shri Manish Kumar Kedia shall be in the interest of the Company and therefore the Board recommends the resolution for its adoption. Except Shri Manish Kumar Kedia and Shri S.K. Kedia, none of the directors of the Company is interested or concerned in the resolution.

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

**Shri Surendra Kumar Khetawat :**

Shri Surendra Kumar Khetawat holds a Bachelor's degree from University of Kolkata. He is a seasoned businessman and having over decade of experience in multi-functional area 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.
4. M/s. Aapee Trading & Holdings (P) Ltd.,
5. M/s. Rameshwara Projects Ltd.,

**Shri Manish Kumar Tibrewal**

Shri Manish Kumar Tibrewal is a Commerce graduate. He is young and dynamic and having rich experience in multi-functional areas.

Outside Directorship: Nil

**Shri Manish Kumar Kedia**

Shri Manish Kumar Kedia is a MS in Computer Science from California State University, USA. He is young and dynamic and having rich experience in multi-functional areas.

Outside Directorship: Nil

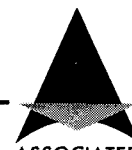
**REGISTERED OFFICE**

Queen Court  
8C, Queens Park,  
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By order of the Board

S.K. KEDIA  
DIRECTOR

Dated: 18<sup>th</sup> August 2007

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Dreams, Determination, Dexterity

**DIRECTORS REPORT**

To the Members,

Your Directors have pleasure in presenting their 18<sup>th</sup> Annual Report together with the Audited Accounts of the Company for the year ended on 31st March 2007.

| <b>FINANCIAL RESULTS</b>                        |                         |                  |
|---|-------------------------|------------------|
|   | <b>(Rupees in Lacs)</b> |                  |
| <b>PARTICULARS</b>                              | <b>2006-2007</b>        | <b>2005-2006</b> |
| Sales & Other Income                            | 8321.76                 | 7777.17          |
| Profit/(Loss) before Depreciation & Tax         | 573.61                  | 277.88           |
| Profit/(Loss) before Tax                        | 344.26                  | 95.03            |
| Provision for- Income Tax                       | (38.63)                 | (21.81)          |
| - Fringe Benefit Tax                            | (5.26)                  | (6.42)           |
| Deferred Taxation                               | (67.11)                 | 213.24           |
| Profit for the year                             | 233.26                  | 280.04           |
| Add: Balance brought forward from previous Year | 1121.08                 | 891.03           |
| Profit available for appropriation              | 1354.34                 | 1171.07          |

**APPROPRIATIONS**

|                             |         |         |
|-----------------------------|---------|---------|
| Proposed Dividend           | 16.35   | --      |
| Tax on Dividend             | 2.78    | --      |
| General Reserve             | 100.00  | 50.00   |
| Amount carried to next year | 1235.21 | 1121.07 |

Your directors have recommended Dividend @ 2.5% (Previous year Nil) on the equity share capital of Rs.653.96 Lacs for the year ended on 31<sup>st</sup> March 2007.

**OPERATIONS**

The turnover of the Company during the year was at Rs.83.22 Crores in comparison to Rs. 77.77 Crores in the previous year. The operating profit for the year was Rs.344.26 Lacs in comparison to Rs.95.05 Lacs in the previous year. In view of the scenario of the Industry, your Directors consider overall performance of the Company satisfactory.

**SUBSIDIARY COMPANY**

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. In view of continuous losses of the subsidiary, the Company is in the process of finalisation of the deal for disposal of shares and realization of investment in the interest of the company. Necessary approval for same is being sought from the shareholders.

**MODERNISATION/ EXPANSION**

The company undertook the project of installing Turbine and High Pressure Boilers to increase the operational efficiency alongwith saving of substantial power cost of SEB from captive generation. This is apart from certain up-gradation programme of manufacturing facilities of Barwaha unit. The cost of project estimated to about Rs.1150 Lacs is going to be financed by Internal accruals and preferential issue of warrants.

**POST BALANCE SHEET EVENT**

With the requisite sanctions, the Company has issued 35 Lacs warrants aggregating to Rs.840 Lacs on preferential allotment basis and these warrants are convertible into equal number of equity shares of Rs.10/ each at a premium of Rs.14/ per such share within a period of 18 months from the date of their allotment.

**DIRECTORS**

Shri Surendra Kumar Khetawat and Shri Manish Kumar Tibrewal Directors retire by rotation and being eligible, offer themselves for reappointment. Shri Sandeep Kumar Tulsyan associated with the Company as a Director of the Company since 20<sup>th</sup> October 2001, resigned on 1<sup>st</sup> March 2007. The Company acknowledge its highest appreciation Mr. Tulsyan for the services rendered by him over the years. Shri Manish Kumar Kedia was appointed as additional director on 1<sup>st</sup> March, 2007. In terms of section 260 of the companies Act, 1956, Shri Kedia relinquishes his office at the commencement of the next annual general meeting. However proposal has been received by the company for appointment of Shri Kedia as director of the company.

**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 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.

**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

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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.68.64 Crores at the year-end 2006-2007 in comparison to Rs.62.07 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.15.41 Crores at the close of 2006-2007 as against Rs.11.29 Crores at the end of the previous years.

The interest outflow was Rs. 2.10 Crores in 2006-2007 as against Rs. 1.85 Crores in 2005-2006, out of which working capital interest and bank charges accounted for Rs.1.83 Crores as against Rs.1.85 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.

**f. Cautionary Statement:**

Statement in this report on Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable security laws or regulations. These statements are based on certain assumptions and expectation of future events. Actual results could however, differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include demand-supply conditions, finished goods prices, raw materials costs and availability, changes in Government regulations and tax structure and other factors. The Company assumes no responsibility of forward looking statement herein which may undergo changes in future on the basis of subsequent developments, information or events.

### **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 2007 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 Exchange. A separate report on Corporate Governance and Auditors Report there on are 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 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 on business compulsions and the directors are of the opinion that the same is not prejudicial to the interest of the company. Further as regards note No.4 for accounting of excise duty, the same were done accordance with accepted business practices. As regards note No.14 regarding non-funding of gratuity liability, the same is provided on the basis of certificate of LIC obtained at the year end and deposited thereafter.

### **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.

### **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

Dated: 18<sup>th</sup> August 2007

Place: KOLKATA

HARSHAN KUMAR BHANDARI

DIRECTOR

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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 2007 was 6 members comprising of 3 Executive Directors and 3 Non-Executive Directors. The composition includes 3 independent Directors out of which 2 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 30 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 2006, 10<sup>th</sup> April, 2006, 20<sup>th</sup> April 2006, 25<sup>th</sup> April 2006, 5<sup>th</sup> May 2006, 20<sup>th</sup> May 2006, 20<sup>th</sup> June 2006, 15<sup>th</sup> July 2006, 20<sup>th</sup> July 2006, 21<sup>st</sup> July 2006, 5<sup>th</sup> August 2006, 20<sup>th</sup> August 2006, 21<sup>st</sup> August 2006, 5<sup>th</sup> September 2006, 20<sup>th</sup> September 2006, 20<sup>th</sup> October 2006, 20<sup>th</sup> November 2006, 27<sup>th</sup> November 2006, 5<sup>th</sup> December 2006, 15<sup>th</sup> December 2006, 20<sup>th</sup> December 2006, 28<sup>th</sup> December 2006, 5<sup>th</sup> January 2007, 10<sup>th</sup> January 2007, 20<sup>th</sup> January 07, 5<sup>th</sup> February 2007, 20<sup>th</sup> February 2007, 1<sup>st</sup> March 2007, 2<sup>nd</sup> March 2007, 5<sup>th</sup> March 2007, & 20<sup>th</sup> March 2007.

| 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    | 30                      | Yes                    | 1  | -  |
| 2.      | Shri Harshan Kumar Bhandari  | ED       | Director    | 17                      | No                     | 1  | -  |
| 3.      | Shri Ashish Gadia            | ED       | Director    | 15                      | Yes                    | -  | -  |
| 4.      | Shri Surendra Kumar Khetawat | NED      | Director    | 20                      | Yes                    | 5  | 2  |
| 5.      | Shri Manish Kumar Tibrewal   | NED      | Director    | 22                      | Yes                    | -  | 2  |
| 6.      | Shri Sandeep Kumar Tulsyan   | NED      | Director    | 15                      | No                     | -  | -  |
| 7.      | Shri Manish Kumar Kedia      | NED      | Director    | 04                      | No                     | -  | 2  |

Details of shares held by the Non-Executive Directors as on 31<sup>st</sup> March 2007 are as follows:

- |    |                              |              |
|----|------------------------------|--------------|
| 1. | Shri Surendra Kumar Khetawat | Nil          |
| 2. | Shri Manish Kumar Tibrewal   | Nil          |
| 3. | Shri Manish Kumar Kedia      | 2,900 shares |

**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 20th April 2006, 21st July 2006, 20<sup>th</sup> October 2006 and 20<sup>th</sup> January 2007.

**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   |

Shri S.K. Kedia, Director alongwith the Statutory Auditors are invitees to the meeting.



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**Meeting and Attendance:**

The Committee met four times during the year under review. The said meetings were held on 20<sup>th</sup> April 2006, 21<sup>st</sup> July 2006, 20<sup>th</sup> October 2006 and 20<sup>th</sup> January 2007.

| 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 2006-2007 | Nos. of meetings attended |
|------|------------------------------|----------|--------------------------|---------------------------|
| 1.   | Shri Sandeep Kumar Tulsyan   | Chairman | 20                       | 20                        |
| 2.   | Shri Manish Kumar Tibrewal   | Member   | 20                       | 15                        |
| 3.   | Shri Surendra Kumar Khetawat | Member   | 20                       | 20                        |

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

Mr. S.K. Kedia, Director

**Details of Shareholders complaints received:**

|                               |   |     |
|-------------------------------|---|-----|
| Number of Complaints          | - | 32  |
| 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       |
|------------------|---|------------|------------|
| 15 <sup>th</sup> | Registered Office at 8-C Queens Park, Ballygunge, Kolkata | 28-09-2004 | 10.30 a.m. |
| 16 <sup>th</sup> | Registered Office at 8-C Queens Park, Ballygunge, Kolkata | 28-09-2005 | 10.30 a.m. |
| 17 <sup>th</sup> | Registered Office at 8-C Queens Park, Ballygunge, Kolkata | 28-12-2006 | 01.30 p.m. |

The shareholders passed all the resolutions set out in the respective notices. There were no resolutions put through postal ballot last year. There are two business requiring implementation of the postal ballot under the applicable rules. Postal ballots and other related documents are being mailed separately.

**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 the fine imposed by BSE at the time of revocation of its suspension order for trading of the company's shares.

**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 alongwith 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).
- ▶ 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                                       | 28 <sup>th</sup> September 2007   |
| Venue                                      | "Shripati Singhania Hall" Rotary Sadan 94/2, Jawaharlal Nehru Road (Chowranghee Road), Kolkata-700020 |
| Time                                       | 4 P.M.  |
| Board meeting to approve quarterly results | Proposed Board Meetings dates to be results for the quarter ending as on                              |
| 30th June 2007                             | 31st July 2007  |
| 30th September 2007                        | 30 <sup>th</sup> October 2007   |
| 31st December 2007                         | 30th January 2008   |
| 31st March 2008                            | 30th April 2008   |
| Book Closure Date                          | 24 <sup>th</sup> September 2007 to 28 <sup>th</sup> September, 2007                                   |
| Dividend payment date                      | on or after 28 <sup>th</sup> September 2007   |
| Listing on Stock Exchange                  | Mumbai, Annual listing fee for the Year 2007-08 has been paid.  |
| Custodial Fees to Depositories             | Fee for the year 2007-08 to NSDL and CDSL has been paid.  |

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

**SHARE PRICE HIGH & LOW (Rs.) year 2006-2007**

| Month | Apr 06 | May 06 | June 06 | July 06 | Aug 06 | Sept 06 | Oct 06 | Nov. 06 | Dec. 06 | Jan 07 | Feb 07 | Mar 07 |
|-------|--------|--------|---------|---------|--------|---------|--------|---------|---------|--------|--------|--------|
| Low   | 3.52   | 6.00   | 11.00   | 16.00   | 23.80  | 16.80   | 11.05  | 10.90   | 10.87   | 17.50  | 14.00  | 13.25  |
| High  | 6.00   | 11.00  | 16.00   | 24.90   | 24.00  | 26.90   | 15.85  | 12.60   | 21.63   | 19.95  | 19.65  | 14.75  |

**Registrar & Transfer Agents:**

Ankit Consultancy Pvt. Ltd., Alankar Point, Geeta Bhawan Chauraha, Indore 452 001.

Phone No. 0731-2491298/2495229, Fax No. 0731-4065798

e-mail: ankitind@sancharnet.in.

**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 2007**

| Range in Rs.  | Number of Holders | % to Total Holders | Shareholding (Rs. in Lacs) | % to total Capital |
|---------------|-------------------|--------------------|----------------------------|--------------------|
| 000001-1000   | 4933              | 74.70              | 49.29                      | 7.54               |
| 001001-5000   | 1148              | 17.38              | 34.03                      | 5.20               |
| 005001-10000  | 291               | 4.41               | 23.93                      | 3.66               |
| 010001-100000 | 196               | 2.96               | 52.32                      | 8.10               |
| 100001-above  | 36                | 0.55               | 494.39                     | 75.60              |
| <b>Total</b>  | <b>6604</b>       | <b>100.00</b>      | <b>653.96</b>              | <b>100.00</b>      |

| Sr.No. | Particulars                          | No. of Shares    | % to the total Paid up Share Capital |
|--------|--------------------------------------|------------------|--------------------------------------|
| 1.     | Promoters/Directors & Relatives      | 30,98,400        | 47.18                                |
| 2.     | Financial Institutions, Banks & M.F. | 3,000            | 0.05                                 |
| 3.     | Private Bodies Corporate             | 15,62,500        | 23.89                                |
| 4.     | Indian Public                        | 18,75,700        | 28.68                                |
|        | <b>TOTAL</b>                         | <b>65,39,600</b> | <b>100.00</b>                        |

**Dematerialization of Shares and liquidizing:**

76.71% of the Company's share capital is held in dematerialized form as on 31<sup>st</sup> March 2007. 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

**Declaration code of Conduct and ethics**

The Board of Directors of the company has laid down code of conduct and ethics for the company, its directors and senior employees. All the directors and the senior employees covered by the code affirmed compliance with code on an annual basis.

**Non-Mandatory Requirement:**

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



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**AUDITORS' REPORT ON CORPORATE GOVERNANCE TO THE MEMBERS OF  
ASSOCIATED ALCOHOLS & BREWERIES LIMITED**

We have examined the compliance of conditions of Corporate Governance by Associated Alcohols & Breweries Limited for the year ended March 31, 2007 as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchange(s).

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 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, and the representations made by the directors and the management, we certify that subject to our observation that the quarterly financial results of the company were considered and published without having them limited reviewed by the auditors, the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained by the Company, and to the best of our information and belief, there were no investor's grievance remaining unattended/pending for more than 30 days as at March 31, 2007.

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 B.K.AGRAWAL & CO.**  
Chartered Accountants

**FOR M.D.AGRAWAL & CO.**  
Chartered Accountants

(CA B. K. Agrawal)  
Partner

(CA M. P. Agrawal)  
Partner

Place: Kolkata  
Date : 18<sup>th</sup> August, 2007

**ANNEXURE -II TO THE DIRECTORS' REPORT**

Information required under the Companies (Disclosure of particulars in the Report to the Board of Directors) Rules, 1988 and forming part of the Directors Report for the year ended on 31st March 2007.

**A) CONSERVATION OF ENERGY**

Your Company continues to give the highest priority to the conservation of the energy. All respects of generation and usage are regularly reviewed. The Company has been generating the Biogas from the industrial effluents of the Distillery which has resulted in substantial savings in primary fuel. The Company is successfully operating Turbine Gen-Set of 800 KW for co-generation of Power, which resulted in saving of power. Further the Company have chalked out an ambitious project for installation of turbine of two MW to be generated from the Bio-gas. The project is in progress and expected to be completed by December 2007.

**B) TECHNOLOGY ABSORPTION**

The Company has adopted the latest technology in its production process. The Company has an inbuilt system of research and development and has not imported any technology.

**C) FOREIGN EXCHANGE EARNINGS AND OUTGO**

|                                 | (Rs.in Lacs) |           |
|---------------------------------|--------------|-----------|
|                                 | 2006-2007    | 2005-2006 |
| Foreign Exchange Earned         | 20.66        | 22.23     |
| Foreign Exchange Outgo/         |              |           |
| Expenditure in foreign currency | 74.17        | 137.82    |

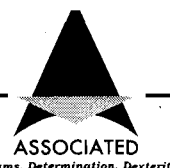
FOR AND ON BEHALF OF THE BOARD

**SANTOSH KUMAR KEDIA**  
DIRECTOR

**HARSHAN KUMAR BHANDARI**  
DIRECTOR

Dated: 18<sup>th</sup> August 2007  
Place: Kolkata

## 18th ANNUAL REPORT 2006-2007



## TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of Associated Alcohols & Breweries Limited as at 31st March, 2007 and the related Profit & Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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.

We conducted our audit in accordance with the 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.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government and on the basis of such checks as were considered appropriate and according to the information and explanations given to us, we state that: -

- (i) (a) **The Company has not maintained proper records of fixed assets to show full particulars including quantitative details and situation of fixed assets.**
  - (b) As explained to us, these fixed assets have been physically verified by the management under the phased programme of physical verification, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. The frequency of verification is reasonable and no material discrepancy has been noticed on such verification.
  - (c) As per the information and explanation given to us on our enquiries the disposal of assets during the year were not substantial so as to have an impact on the operations of the company, or affect its going concern.
- (ii) (a) The inventories have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
  - (b) The procedure 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) The Company has maintained proper records of inventory. No material discrepancies were noticed on physical verification of inventory.
- (iii) (a) The Company has granted unsecured loans amounting to Rs.941.22 Lacs to the subsidiary company, listed in the register maintained under section 301 of the Act.
  - (b) **Since the unsecured loans given to the subsidiary company are interest free and there is no express stipulation regarding repayment of principal amount, in our opinion, to that extent the same is prejudicial to the interest of the company.**
  - (c) There are no stipulated conditions as regards to repayment of such interest free loans, accordingly Clause iii(c) and (d) is not applicable.
  - (d) The company has taken unsecured loans from two parties covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was 3.15 Lacs and the year end balance of the said loan Rs. 1.00 Lac.
  - (e) In our opinion the rate of interest and other terms and conditions on which loans have been taken from the parties listed in the registers maintained under Section 301 of the Act, are not *prima facie*, prejudicial to the interest of the company.
  - (f) Since there has been no express stipulation regarding repayment of principal and interest amount in relation to loans taken, we are unable to make comment about their regularity and over due amount if any.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (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 Companies Act, 1956 have been entered in the register maintained under the said section.
  - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rupees Five Lakhs in respect of any party during the year had been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) According to the information and explanations given to us the company has not accepted any deposits to which provisions of Section 58-A of the Companies Act, 1956 are applicable during the year. We have been informed that no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank Of India or any other courts or any other Tribunal.
- (vii) **The Company has no internal audit system as such. It needs to be implemented formally and to make it commensurate with the size and nature of the Company's business.**
- (viii) As far as we are informed, the Central Government has not prescribed the maintenance of cost records by the company under section 209(1)(d) of the Companies Act, 1956 for the year ended on 31-03-2007.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the company has generally been regular in depositing undisputed statutory dues including Provident Fund, Investor Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Custom duty, Excise duty, Cess and any other dues during the year with the appropriate authorities. **There was however, delay in timely deposit of Provident Fund dues for certain period during the year. Further, as at 31<sup>st</sup> March 2007, there are Entry tax Rs.2,20,133/-, M.P.C.T. Rs.1001- and C.S.T. Rs.10,201/- (for accounting year 2002-03) and Entry tax Rs.1498/-, M.P.C.T. Rs.10200/- and C.S.T. Rs.1000/- (for accounting year 2002-03) payable for a period of more than six months from the date they become payable.**
  - (b) According to the records of the company, the dues of Sales-tax, Income-tax, Customs tax/Wealth-tax, Excise duty/cess, which have not been deposited as on 31<sup>st</sup> March 2007 on account of any dispute are given below:

| Sr.No. | Name of the statute | Nature of dues                      | Amount<br>(Rs. in lacs) | Forum where dispute is pending                                 |
|--------|---------------------|-------------------------------------|-------------------------|--|
| 1.     | Service Tax Rules   | Service Tax Demand-<br>F.Y.-2005-06 | 114.54                  | Customs, Excise & Service Tax<br>Appellate Tribunal, New Delhi |