

BALAJI DISTILLERIES LIMITED

Report



Report Junction

25TH ANNUAL REPORT 2008-2009



BALAJI DISTILLERIES LIMITED

TWENTY FIFTH ANNUAL REPORT

Board of Directors	Shri R Raghuram Managing Director
	Shri S V Sessa Reddy Shri V Chandrasekhara Reddy
Company Secretary	Shri G Sriraman
Auditors	M/s P. A. Reddy & Co. Chartered Accountants
	M/s PKF Sridhar & Santhanam Chartered Accountants
Bankers	Standard Chartered Bank
Registered Office & Distillery Division	Bye-Pass Road Poonamallee Chennai - 600 056 Tamilnadu
Brewery Division	Mount Tiruvallur High Road Aranvoyal Village Tiruvallur District Pin - 602 025 Tamil Nadu
Corporate Office	9, Bazullah Road T. Nagar Chennai - 600 017, Tamilnadu
Registrar and Share Transfer Agent	Cameo Corporate Services Limited "Subramanian Building" No. 1, Club House Road Chennai 600 002.



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BALAJI DISTILLERIES LIMITED

NOTICE

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of **Balaji Distilleries Limited** will be held at Balamandir German Hall, No.17, Prakasam Street, T.Nagar, Chennai 600 017, on Wednesday, the 30th September, 2009, at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit and Loss Account for the financial year ended 31st March, 2009, the Balance Sheet as at that date and report of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Shri S V Sessa Reddy, who retires by rotation and being eligible, offer himself for re-appointment.

3. To appoint Auditors and to fix their remuneration. In this connection, to consider and, if thought fit, to pass with or without modification the following resolution as an ordinary resolution.

"RESOLVED THAT the retiring Auditors, M/s P A Reddy & Co., Chartered Accountants and M/s PKF Sridhar & Santhanam, Chartered Accountants, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting or until the merger of the Company with United Spirits Limited which ever is earlier, on a remuneration as may be decided by the Board of Directors."

By Order of the Board

Place: Chennai
Date : July 31, 2009

G. SRIRAMAN
Company Secretary

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NOTES:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and such proxy need not be a member of the company.
2. The instrument appointing proxy in order to be effective should be lodged at the Registered Office of the Company not less than 48 hours before the meeting. A blank proxy form is enclosed.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 25.09.2009 to 30.09.2009 (both days inclusive).
4. Members/Proxies should bring the Attendance slip duly filled in for attending the meeting. For shares held in dematerialised form, the DP ID and Client ID numbers should be indicated in the Attendance Slip.
5. For shares held in physical form, any change in address/other details may be intimated to the Company/Share Transfer Agent by quoting the Folio Number(s). For shares held in demat form,

change in address/other details may be intimated directly to the Members' DP.

6. Members are requested to send queries, if any, on the accounts, at least seven days prior to the date of the meeting, so that the information can be made available at the meeting.
7. Reappointment of Director:

Shri S V Sessa Reddy, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Shri S V Sessa Reddy is a Director of the Company since 26.05.1999. He is a graduate and has about 36 years of experience in all facets of Liquor trade including production and marketing. He has been associated with the Company's growth all along. He is also a Director in Prime Distilleries Limited.



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DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

The Directors of your Company present their Twenty Fifth Annual Report, together with the audited statement of accounts for the financial year ended 31st March, 2009.

PERFORMANCE HIGHLIGHTS

Your Company earned a gross revenue of Rs.2,20,127.16 lakhs during the financial year ended 31st March, 2009 as against the gross revenue of 1,84,518.84 lakhs in the previous financial year ended 31st March, 2008.

SUMMARY OF FINANCIAL RESULTS

	Rs. in lakhs	
	2008-2009 (financial year ending 31st March 2009)	2007-2008 (financial year ending 31st March 2008)
Profit/(Loss) before depreciation	(1170.24)	1585.74
Less: Depreciation	835.22	1088.46
Profit/(Loss) before tax	(2005.46)	497.28
Provision for Tax	Nil	Nil
Profit/(Loss) after tax	(2005.46)	497.28
Prior period/exceptional items / provision for tax	2952.67	10109.15
Profit/(Loss) for the year	947.21	10606.43
Profit/(Loss) brought forward from previous years	(41000.53)	(51606.96)
Loss carried forward from Profit and Loss Account	(40053.32)	(41000.53)
Less : Transfer from General Reserve	5088.81	5088.81
Accumulated Loss carried to the Balance sheet	(34964.51)	(35911.72)

OPERATING RESULTS

During the financial year under review, your Company's Distillery Division achieved a production of 96,04,027 cases of Indian Made Foreign Liquor (IMFL) (81,67,200 cases in 2007-08) and sold 95,48,874 cases (81,67,203 cases in 2007-08) of IMFL generating a net revenue of Rs.49,467.57 lakhs (Rs.38,137.59 lakhs in 2007-08) and your Company's Brewery division has achieved a production of 79,44,267 cases of Beer and 2,31,080 litres of Drought Beer (78,17,757 cases beer and 2,23,570 litres of Drought Beer in 2007-08) and sold 79,95,624 cases of Beer and 2,31,080 litres of Drought

Beer (77,19,325 cases beer and 2,23,570 litres of Drought Beer in 2007-08) generating a net revenue of Rs.17,858.35 lakhs (Rs. 15,274.92 lakhs in 2007-08).

Your Company has made a profit of Rs.947.21 lakhs for the financial year ended 31st March, 2009 as compared to the profit of 10606.43 lakhs for the financial year ended 31st March, 2008, after taking into account interest, depreciation, prior period adjustments and exceptional items.

MANAGEMENT DISCUSSION AND ANALYSIS

General

The Company manufactures Indian Made Foreign Liquor (IMFL) and beer. The IMFL and Beer manufacturing facility are situated near Chennai. Both these two products together are some times referred as Alcoholic Beverages.

INDUSTRY STRUCTURE AND DEVELOPMENT

Indian Made Foreign Liquor (IMFL) and Beer industries are "state subject" and as such every State has its own policies in respect of this industry. Tamilnadu, the state in which the company operates, has its own policy, both for manufacture as well as for marketing/distribution.

With the issue of three new licenses by the Government of Tamilnadu for the production of IMFL and one license for the production of Beer, there are 9 Distilleries and 4 Breweries in the State of Tamilnadu. Out of the new licenses issued, two Distilleries have started commercial production.

All the products manufactured by these units are sold to Tamilnadu State Marketing Corporation Ltd (TASMAC) and TASMAC in turn sell through TASMAC owned shops. As a preventive measure to curb the menace of unauthorized movement of liquor from the neighboring states, TASMAC has started purchasing the major requirement of IMFL and Beer only from the units situated within the state. From November 2003, the State Government has taken over the retail distribution of IMFL and Beer and accordingly the entire alcoholic beverages are sold through retail outlets owned by TASMAC. This move has benefited the consumers by way of availability of genuine products at government fixed prices, which in turn increased the demand for your company's products.

Within the IMFL segment, the demand is split between various products such as Whisky, Brandy, Rum, Gin, Vodka. Within the product segments, the demand is



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further split between the premium brands, medium brands and lower end brands, which are categorized according to the price. In terms of volume, it is the brandy and the lower end brands sells more than the other products and premium and medium brands.

During 2008-09 TASMAL has sold about 358.65 lakhs cases registering a growth rate of 16.13%.

The Beer industry is highly price sensitive and the growth of the Beer industry is totally dependant on the Government pricing policy.

During 2008-09 TASMAL has sold about 225.26 lakhs cases registering a growth rate of 13.45%.

Contribution to the Exchequer

Alcoholic beverages industry is one of the major contributors to the exchequer by way of State excise duty, VAT, Excise Label Fee, etc.

During 2008-09, your company has contributed Rs.1,52,314.65 lakhs to the exchequer of the State Government and during the last five years, your company has contributed Rs.5,40,177.49 lakhs to the Exchequer of the State Government by way of Excise duty, Sales Tax, VAT, Excise Label fee, etc.

OPPORTUNITIES AND THREATS

OPPORTUNITY

Alcoholic beverages industry, probably is the only industry, which posts consistent growth year after year and is not affected by any cyclical factors. With the state government's efforts to eradicate the evil of illicit liquor, the demand for medium and lower end brands are expected to boom in the years to come. Your company has already made inroads into lower segment.

THREAT

Even though the entry of foreign players was perceived as a threat long back, it is not considered as a threat today due to high price of the foreign brands, which predominantly target the elitist society.

Prohibition is generally perceived as a major threat to this industry. However, with the state governments enjoying high revenue from this industry and with the lesser opportunity to compensate the loss of huge revenue, we do not anticipate any threat on account of prohibition.

OUTLOOK

Today, with the acceptance of social drinking, the alcoholic beverages industry is likely to grow with the compounded annual growth rate of 16%. More and

more foreign players are expected to come into India, especially in the beer segment and on such foreign players entering the beer market, this segment is expected to grow exponentially.

Your Company continues to enjoy a significant market share in Tamil Nadu in respect of Indian Made Foreign Liquor and Beer. Barring unforeseen circumstances, the Company expects to do well in this line of business, in the coming years.

RISK AND CONCERNS THE MANAGEMENT PERCEIVE

For alcoholic beverages industry, the significant risk factor is the purchasing power of individuals and non existence of brand loyalty. The company is ensuring that its products are available on the shelf at any point of time.

Further the availability of spirit and bottles pose a major threat to this industry. Due to high volatility in international crude oil prices and with oil companies move towards blending of ethanol with petrol and the sugar companies opting for supply to the oil companies, the availability of rectified spirit has decreased substantially. This has ultimately resulted in steep increase in the prices of rectified spirit. The volatility of the prices has a negative impact, especially when the company is not able to pass through the cost of increase in the prices of inputs on regular basis.

FINANCIAL SUMMARY

The summarised Profit & Loss account of the company is given below:

	Rs. in lakhs	
	2008-2009 (financial year ending 31st March 2009)	2007-2008 (financial year ending 31st March 2008)
Sales and services	2,19,640.57	1,84,069.58
Other income	486.59	449.26
Total income (A)	2,20,127.16	1,84,518.84
Excise Duty, Sales Tax, TN Vat and Turnover Tax	1,52,761.73	1,30,800.72
Cost of Materials	41,742.83	33,566.74
Overheads	23,261.38	15,500.84
Interest	3,531.45	3,064.79
Depreciation	835.23	1,088.47
Total (B)	2,22,132.62	1,84,021.56
Profit/(Loss) before prior period/ exceptional items (A-B)	(2,005.46)	497.28



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Add/(Less) prior period adjustments	1.03	2.97
Add/(Less): Exceptional items	3,147.09	10,219.30
Less: Provision for Fringe Benefit Tax	181.93	88.12
Less: Provision for Fringe Benefit and Income Tax of earlier years	13.52	25.00
Profit/(Loss) Before Taxation	947.21	10,606.43
Provision for taxation	---	---
Profit/(Loss) after Taxation	947.21	10,606.43

EXPANSION DETAILS

Distillery Unit:

In the expansion front of Distillery unit, your company installed 9 new Blending Tanks of 45 KL capacity, converted 3 Spirit Storage Tanks in to Blending Tanks of 55 KL each, so as to increase the Blending Capacity by 5,70,000 bulk litres, modernized 5 Bottling Lines from 120 to 240 BPM, made addition to the De-mineralised Water Treatment Plant to cater to the additional Blending Capacity.

Your company has invested Rs.10 crores for the above improvements, which has resulted an increase in production capacity from 680600 cases per month to 990000 cases per month-the largest IMFL Bottling unit in Tamil Nadu.

Brewery Unit:

In the expansion front of Brewery unit, your company installed additional Brew House with 500 HL Brew Length, 2 nos of Unit Tanks of 3000 HL capacity each, Filtration System of 300 HL per hour, 500 TR Refrigeration Plant, Capacity enhancement of utilities such as Air Compressor, 2000 KVA Diesel Generator, 2000 KVA Electric Transformer, Reverse Osmosis Water Treatment Plant and upgradation of Effluent Treatment Plant, with total investment of Rs.45 crores. With this expansion the Brewery unit can now produce 1,80,00,000 cases of Beer per annum-the largest Brewery unit in Tamil Nadu.

MERGER OF THE COMPANY WITH UNITED SPIRITS LIMITED

The liquor industry in the state of Tamil Nadu has been opened up with the import of IMFL and beer by TASMAC from the neighboring states, and with the issue of three new distillery licenses and one new brewery license. Your company with no brand on its own and with the over dependence on brands of one company viz United Spirits Limited(USL) and United Breweries Limited(UBL), the Board of Directors of the company has felt that it has become necessary to ward off competition.

With the settlement of all secured lenders, unsecured lenders and preference share holders, the Board of Directors has opined that it is now their paramount duty to safeguard the interest of its stakeholders. Keeping

this in view, the Board of Directors has approved the merger of your company with USL subject to necessary approvals and opined that such a Scheme of Arrangement shall bring in the following strategic benefit to the company:

- De – risking of business in view of opening up of industry and issuance of new license;
- Opening up of opportunities for bottling of international brands of spirits belonging to Whyte & Mackay Glasgow, a wholly owned subsidiary of USL;
- Availability of pool of managerial talent of USL on a continuous basis without any additional cost;
- Merging into a company with a positive net worth;
- Improved negotiation power with vendors on account of large size of USL; and
- Savings on purchase/supply of special spirits from/by USL.

The scheme of arrangement envisages transfer of brewery division undertaking of the company into Chennai Breweries Private Limited, its wholly owned subsidiary and merger of the company with USL.

SWAP RATIO

The swap ratio in which the shares are proposed to be allotted by USL is given below:

Existing	Proposed
Equity share holders	2 (two) equity shares of Rs.10/- each of USL for every 55 (fifty five) equity shares of Rs.10/- each held in BDL
Preference share holders (*)	1 (One) 12.5% Redeemable Preference Shares of Rs.10/- each of USL redeemable in March 2014, for every 2 (two) 12.5% Cumulative Redeemable Preference Shares of Rs.10/- each held in BDL
OCCRPS holders (*)	1 (One) 12.5% Redeemable Preference Shares of Rs.10/- each of USL, redeemable in March 2014 for every 2 (two) 6% Optionally Convertible Cumulative Redeemable Preference Shares ("OCCRPS") of Rs.10/- each held in BDL

(*) However your company has redeemed the preference shares.

The swap ratio in which the shares are proposed to be allotted by USL is based on the recommendations/ valuation done by Grant Thornton and Price Water Coopers.

It is pertinent to note that the valuation of shares and fixation of swap ratio was based on certain assumptions underlying the financials for the purpose



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of merger, which inter alia includes infusion of funds through warrants, completion of expansion of distillery and brewery divisions, payment of VAT, etc. The merger will be effective from 1st April, 2009.

SHARE CAPITAL

Pursuant to the in-principle approval obtained from the Stock Exchanges for the issue and allotment of convertible warrants in terms of clause 24(a) of the listing agreement and subsequent to the receipt of balance 90% (i.e. Rs.12.402 per warrant aggregating to Rs.111.618 crores) of the price fixed and payable at the time of conversion of warrants into equity shares, your company has allotted 9 crore equity shares on 15.06.2009, on preferential basis to the 3 warrant holders.

On 15.06.2009, your Company has redeemed 4,46,20,900 – 6% Optionally Convertible Cumulative Redeemable Preference Shares (OCCRP) of Rs.10/- each aggregating to Rs.44,62,09,000/- for Rs.18,02,09,400/- out of the proceeds from the conversion of warrants in to equity shares.

On 30.06.2009, your Company has also redeemed 15000000 – 12.5% Cumulative Redeemable Preference Shares of Rs.10/- each aggregating to Rs.15 crores for Rs.7.50 crores out of the proceeds from the conversion of warrants into equity shares.

REFERENCE TO BIFR

The Hon'ble Board for Industrial and Financial Reconstruction (BIFR), has declared your Company as a sick industrial company within the meaning of clause (o) of the sub section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985(SICA) vide its order dated 28.12.2006 on the basis of company's reference registered with the said Hon'ble BIFR as case nos.103/2004 and 315/2004.

Further the Hon'ble BIFR has appointed IDBI as Operating Agency(OA) for formulating revival package. As per directions of the Hon'ble BIFR, your company has submitted the initial Draft Rehabilitation Scheme(DRS) to BIFR/ OA on 31st July, 2008 with 31.03.2008 as cut off date with the following as cost of scheme.

Cost of scheme	Rs. Lakhs
OTS With Lenders (Fully Paid)	16,877.50
Repurchase of OCCRP (OCCRP redeemed)	1,802.09
Payment of VAT (Paid)	2,500
Capex – Distillery	2,500.00
Capex – Brewery	7,500.00
OTS to Oriental Bank of Commerce - Pref. Shareholder (Redeemed)	750.00
Total	31,929.59

Means of Finance	Rs. Lakhs
Loan from SCB (Fully drawn)	11,900.00
Warrant Funds (Fully received)	12,402.00
Receipt from RSEB towards Lease rental and Interest (Received)	1,450.06
Deferred credit from Equipment suppliers	2,144.00
Increase in bottling deposit / deferment of royalty	1,500.00
Internal Accruals, Realization of old dues, etc.	2,533.53
Total	31,929.59

With the Board of Directors of your company considered and approved the proposal of merger of your company with United Spirits Limited (USL) subject to necessary approvals, in their meeting held on 29th November, 2008, your company has submitted revised DRS on 31st December, 2008 to BIFR/OA duly incorporating the scheme of arrangement.

In the revised Draft Rehabilitation Scheme(DRS) the cost of scheme remained the same and raising of resources thro' the issue of convertible warrants has been envisaged in the revised DRS also. The merger proposal is only an additional comfort/benefit to the employees/stakeholders of the sick company and also mitigate any further future risk on the company and its stake holders and hence no change in the cost of scheme.

On 15th June 2009, the company has allotted 9 crore equity shares pursuant to conversion of 9 crore convertible warrants. The BIFR vide its order dated 21st July 2009 has declared the allotment of warrants and subsequent conversion into equity shares as null and void as it has not been done in accordance with the provisions of SICA and ordered that the company may submit an alternative DRS. The company is contemplating to file an appeal against the BIFR order in the appropriate forum.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Your company has established its own internal control systems and procedures, which ensures maintenance of proper financial and accounting records. The financial institution and banks, as part of the restructuring exercise, have also appointed Concurrent Auditors to strengthen the payment procedures, flow of information etc. Subsequent to the settlement of the entire dues to secured lenders, the Company has appointed Internal Auditors of the Company with effect from 1st July, 2008. Your company review the policies and procedures on a continuous basis for effective internal control.

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MATERIAL DEVELOPMENTS IN HUMAN RESOURCES, INDUSTRIAL RELATIONS FRONT

The company considers the Human Resources as its most important asset and constantly endeavours to retain, nurture and groom talent to meet the current and future needs of the business. The company currently has 626 employees.

CAUTIONARY STATEMENT

The statement in this report is based on the experience and information available to the company in its businesses and assumptions with regard to economic conditions, Government and regulatory policies. The performance of the company is dependent on these factors. It may be materially influenced by various factors including change in economic conditions, government regulations, tax laws and other incidental factors, which are beyond the company's control, affecting the views expressed in or perceived from this report.

DIVIDEND

Though the operations of your company during the year ended 31st March, 2009, have resulted in a profit, as the said profit has accrued mainly on account of exceptional items without corresponding cash flow, your directors do not recommend any dividend for the financial year ended 31st March, 2009.

DIRECTORS

Shri S V Sessa Reddy retires by rotation at the conclusion of the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

SUBSIDIARIES

The consolidated financial statements and the Annual Report of the subsidiary companies, viz., BDL Distilleries Private Limited and Chennai Breweries Private Limited, together with statement under section 212 of the Companies Act, 1956 are annexed.

PERSONNEL

The Company continues to enjoy cordial relations with employees of all categories. The Board records its appreciation of the dedicated efforts put in by the employees at all levels.

PARTICULARS OF EMPLOYEES

In accordance with the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report is being sent to all the shareholders of the Company excluding the annexure prescribed under Section 217(2A) of the Companies Act. The said annexure, setting out the names and other particulars of employees, is available for inspection by the Members at the Registered Office of the Company during office hours till the date of the Annual General Meeting, viz., 30.09.2009.

CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, FOREIGN EXCHANGE EARNING ETC. (SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956)

The Company has fully absorbed the technology used in the manufacture of the Company's products under the supervision of the Company's Principals. Except for the normal quality control activities no research and development has been carried out. The Company has not earned any foreign exchange. The company has spent foreign exchange equivalent to Rs.2316.00 lakhs (997.84 lakhs in 2007-2008).

AUDITORS

M/s. P.A. Reddy & Co., Chartered Accountants and M/s PKF Sridhar & Santhanam, Chartered Accountants, Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Auditors have furnished a certificate regarding their eligibility for their re-appointment as Company's Auditors pursuant to Section 224 (1B) of the Companies Act, 1956. The Board recommends their re-appointment as referred in the Notice to the Share Holders.

With respect to the various Observations of the Auditors in their Report, the Board of Directors wish to express the following views:

- (i) With regard to the non disclosure of previous years' figures for the disclosures made pursuant to requirements in Accounting Standard 15(Revised), necessary steps shall be taken to disclose previous years' figures so as to comply with the requirements of AS 15(Revised) in the ensuing year.
- (ii) As regards non-disclosure of all the particulars required to be disclosed under clause 32 of the listing agreement, your directors are of the opinion that most of the particulars have already been disclosed by way of transaction with related party and necessary provision has been made for the doubtful loans and advances in the previous years itself.
- (iii) As regards quantitative details and location of assets in some cases, your directors are of the opinion that the same relates only to the leased assets to Rajasthan State Electricity Board (RSEB) like transformers and such other electrical equipments which are very large in numbers and are low in value. These assets are spread across the State of Rajasthan. Hence in the opinion of your company it is not feasible to obtain the quantitative details and location of these assets. Your directors wish to state that your company has settled the lease transaction with RSEB through



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Arbitration which was also confirmed by the Hon'ble Supreme Court of India, during April, 2008.

- (iv) As regards non payment of undisputed sales tax amount of Rs.4548.91 lakhs relating to the Financial Year 2003-04, interest thereon of Rs.5967.83 lakhs upto the Financial Year 2008-09 and interest of Rs.1231.83 lakhs upto the Financial Year 2008-09 in respect of Sales Tax/VAT relating to other Financial Years, your Company could not make these payments mainly on account of incurring of cash losses. These amounts and the interest on VAT has already been included in the Draft Rehabilitation Scheme (DRS) submitted by the Company to the BIFR/Operating Agency and sought to be paid over a period of time as mentioned in the DRS.
- (v) As regards small delays in TN VAT remittances, your company is of the opinion that such delays are mainly on account of mismatch of the cash flow. However, delayed remittances were made within the stipulated period and interest has been paid on such delayed remittances in accordance with the provisions of the TN VAT Act, 2006.
- (vi) As regards interest on debentures for Rs.206.10 lakhs pending since 1998-99, your company has settled the dues pursuant to one time settlement reached with Unit Trust of India during July 2009.
- (vii) As regards devolvement of corporate guarantee in respect of guarantee extended by the company to a body corporate in the earlier years and payment of a sum of Rs.2.12 crores, your directors are of the opinion that the same is not prejudicial to the interest of the company considering the positive development taking place in the company including the proposed merger of your company into USL.
- (viii) Your directors wish to state that pending infusion of equity through convertible warrants, also in the absence of availability of working capital, your company has utilised short term funds for acquisition of assets and also for payment of interest to the institutions/banks..

STOCK EXCHANGES

The Company's shares are listed in the following Stock Exchanges:

- The Madras Stock Exchange Limited
- Bombay Stock Exchange Limited
- The Hyderabad Stock Exchange Limited

CORPORATE GOVERNANCE

A report on Corporate Governance along with Auditors Certificate is annexed herewith.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the Annual Accounts for the financial year ended 31st March, 2009, the applicable accounting standards had been followed along with proper explanations relating to material departures;
- (ii) that the accounting policies implemented by the Company have been applied consistently, judgments and estimates have been reasonable and prudent thereby giving a true and fair view of the state of affairs of the Company at the end of financial year and of the profit of the Company for the period under review;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the annual accounts were prepared for the financial year ended 31st March, 2009 on a 'going concern' basis.

ACKNOWLEDGEMENT

The Directors wish to express their sincere thanks for valuable assistance extended by the Government of Tamilnadu, Tamilnadu State Marketing Corporation Limited and Standard Chartered Bank.

The Directors also wish to place on record their sincere thanks for valuable assistance extended by United Spirits Limited and United Breweries Limited.

On behalf of the Board

Place : Chennai
Date : July 31, 2009

R. RAGHURAM
Managing Director

V. CHANDRASEKHARA REDDY
Director