

**Board Of Directors**

M.P.Purushothaman - **Chairman & Managing Director**
Nisha Purushothaman - **Joint Managing Director**
Shaji Purushothaman
Lt.Gen R.S.Nagra (Retd.)
T.S.Raghavan
M.K.Mohan

**Company Secretary
& Vice President
Corporate Affairs**

N.S.Suryanarayanan

Auditors

N.C.Ananthakumar
Chartered Accountant
No.19, Trustpakkam South
Raja Annamalaipuram
Chennai - 600 028

Bankers

Andhra Bank
Indian Overseas Bank
Allahabad Bank

Factories**IMFL:**

- 1) Mevalookuppam Village, Sriperumbudur Taluk,
Kancheepuram District, Tamil Nadu,
- 2) Nida, Menonpara Road, Kanjikode Post,
Palakkad District, Kerala.

Power

Kottadivayal Village,
Aranthangi Taulk, Pudukottai District, Tamil Nadu.

Registered Office

693, Mount Road
Chennai - 600 006.

Corporate Office

Empee Tower No.59,Harris Road
Pudupet, Chennai - 600 002.



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EMPEE DISTILLERIES LIMITED

EMPEE DISTILLERIES LIMITED**Regd Office: 693, Mount Road, Chennai 600 002.****NOTICE TO SHARE HOLDERS**

NOTICE is hereby given that the 23rd Annual General Meeting of Empee Distilleries Limited will be held on Monday, the 10th March, 2008 at 10.00 A.M at IMAGE Hall, MRC Nagar, Raja Annamalai Puram, Chennai 600 028 to transact the following business:

ORDINARY BUSINESS

To receive, consider and adopt the Balance Sheet of the Company as at 30th September 2007 and the Profit and Loss Account for the year ended on that date together with the reports of the Directors and Auditors thereon.

1. To appoint a Director in place of Mr.M.K.Mohan, who retires by rotation and being eligible, offers himself for reappointment.
2. To appoint a Director in place of Lt.Gen.R.S.Nagra (Retd.), who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors of the Company for the period commencing from the conclusion of this Annual General Meeting till the conclusion of the next Annual General meeting and to fix their remuneration. Mr. N.C.Ananthakumar, Chartered Accountant, Chennai, the retiring Auditor, is eligible for reappointment.

SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:

“RESOLVED that Mr.Shaji Purushothaman, who was appointed as an Additional Director pursuant to the Provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company liable to retire by rotation.”

Place: Chennai.

Date : 5.12.2007

By Order of the Board
For Empee Distilleries Ltd
N.S.Suryanarayanan

Company Secretary & Vice President (Corp. Affairs)

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on a poll on his behalf and the proxy need not be a member. The proxy form duly completed and stamped must reach the registered office of the company not less than 48 hours before commencement of the Meeting.
2. The register of members and share transfer books of the company will be closed from 1st March, 2008 to 10th March, 2008 (both days inclusive).
3. Members/Proxies should bring the attendance slip duly filed along with copy of annual report in for attending the meeting.



4. Members are requested to intimate change if any, in their address to the company at its Registered Office quoting their folio numbers.
5. Members are requested to kindly correspond with the Registrars and Share Transfer Agents of the Company – Cameo Corporate Services Ltd, 1, Subramaniam Bldg, Club House Road, Chennai 600 002 for matters pertaining to their change of address and other share related matters.
6. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the Meeting is annexed.

EXPLANATORY STATEMENT UNDER SEC 173(2) OF THE COMPANIES ACT, 1956

Item No.4

The Board of Directors of the Company appointed, Mr.Shaji Purushothaman as an Additional Director of the Company with effect from July 25, 2007 pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 75 of the Articles of Association of the Company.

In terms of the provision of Section 260 of the Companies Act, 1956, Mr.Shaji Purushothaman would hold office upto the date of this Annual General Meeting. The Company has received a notice in writing from a member alongwith a deposit of Rs.500/- proposing the candidature of Mr. Shaji Purushothaman for the office of Director of the Company, under the provisions of Section 257 of the Companies Act, 1956.

Mr. Shaji Purushothaman is the son of Mr.M.P.Purushothaman. He is an Arts Graduate and has also completed Oxford 'A' level from Oxford University, U.K. He has been actively associated with our Company for the last 12 years. He is currently engaged in executing and implementing the diversification plans of the group. He has more than a decade of administrative experience.

Accordingly ordinary resolution set out under Item No.4 of the Notice is submitted to the Meeting.

None of the directors, except Mr.M.P.Purushothaman and Ms.Nisha Purushothaman are deemed to be concerned or interested in this resolution.

With regard to the details of Messers M.K.Mohan, Lt.Gen R.S. Nagra (Retd) and Mr Shaji Purushothaman to be furnished under Clause 49 IV(g) of the Listing Agreement, the same is provided in the Directors Report being sent along with this notice, which may kindly be referred to.

By Order of the Board

For Empee Distilleries Ltd

N.S.Suryanarayanan

Company Secretary & Vice President (Corp. Affairs)

Place: Chennai.

Date : 5.12.2007



DIRECTORS REPORT

To the Members,

Your Directors take pleasure in presenting their Report together with the Audited Accounts for the year ended 30th September 2007

Financial Results

(Rs. in lacs)

| | 2006-07 | 2005-06 |
|---|---------|---------|
| Operating Profit before Interest and Depreciation | 3756.46 | 1706.70 |
| Less Interest | 547.50 | 312.85 |
| Depreciation | 181.33 | 416.75 |
| Deferred Revenue Expenses | 41.56 | 41.56 |
| Profit before Tax & Extra Ordinary Items | 2986.08 | 1205.74 |
| Provision for Taxation (MAT) including FBT | 844.16 | 12.06 |
| Deferred Tax (Liability)/Asset | 131.45 | 218.81 |
| Profit /(Loss) After Tax | 2010.47 | 1538.18 |

DIVIDEND

In view of the expansions planned by the Company, Your Directors consider it prudent to retain the funds in the system to meet the increase in working capital requirement and other activities to support the growth plans envisaged. Hence your Directors do not recommend any Dividend for the year under review

PUBLIC ISSUE

Your company has successfully concluded its Initial Public Offering (IPO) of its Shares by way of Book Building route. The Issue opened for public subscription on the 1st November, 2007 and closed on the 6th November, 2007. The Issue was oversubscribed by about 7 times. The Board wishes to thank the investors for their wholehearted support to the IPO of the Company. The Shares were allotted to the successful allottees as per the basis of allotment approved by the Bombay Stock Exchange on the 16th November, 2007 and the refund payable to the unsuccessful applicants/ pro rata allottees have since been effected by way of RTGS/ECS/Warrants immediately thereafter. The Company has also listed its shares in the Bombay and the National Stock Exchanges.

OPERATIONS

The Turnover for the year 2006-07 was Rs 62569.59 Lacs as compared to Rs.47879.93 Lacs for the year 2005-06. Net Profit for the Year 2006-07 was Rs.2010.49 Lacs as compared to Rs 1538.18 Lacs for the year 2005-06. This was largely due to increased Capacity Utilisation and enhanced Production and Sales Volume.



FUTURE PLANS

The IMFL Industry in India is poised for significant growth in the coming years, keeping in view the favourable demographics and the low per capita consumption of Alcoholic Beverages. Growth in disposable income due to increase in per capita income and rise in the consumption of lifestyle products is expected to further benefit the IMFL Industry. The Indian IMFL Industry in which the Company operates is also protected by strong entry barriers like Licenses and has been subjected to high Taxes, ban on direct advertising and complex logistics and distribution, which work to the advantage of existing players thereby assuring them of a steady growth in the foreseeable future.

During the year ended 30th September, 2007, your Company achieved remarkable growth of 31 % over the last year's Sales Volume. The total Sales Volume crossed 4 million cases during the year. The Company's market share has also increased significantly during the year. Your company continues to put its efforts in brand building through innovative methods and measures. Your Company has plans to spread its activities to other Potential markets in the Country. Your Company has also implemented the plans to increase its presence in Medium and Premium segments of IMFL by the launch of two new brands El Canso XXX Dark Rum and Old Secret Brandy in the year 2006. Your Company continues its present efforts in cost control by optimizing the utilization of available resources and enhancement productivity at all levels of operation. Quality up-gradation through in-house R&D, is an on going process in your Company.

OUTLOOK FOR THE FUTURE

The Company is increasing the capacity of its existing Extra Neutral Alcohol Plant situated in Tamil Nadu from 20KLPD to 70KLPD and further increasing the capacity of this distillery to handle 5.00 Lakh cases per month from the present 3.20 Lakh cases per month which would bring horizontal expansion and thereby helping us to lower our input costs. It is also proposed to diversify into the business of power generation by setting up of 10 MW Bio-mass based Power Plant in Tamil Nadu and implementing real estate project by developing 2.00 Lakh sq.ft. of residential space in Mevalorkuppam, Sriperumbudur Taluk, Kancheepuram, District Tamil Nadu.

DIRECTORS

Mrs. A K Aruna, Mrs Sheena Purushothaman and Mr. Sheeju Purushothaman resigned from the Board due to their personal preoccupations during the year under review. The Board wishes to place on record their appreciation for their invaluable contribution as Directors of the Company. Mr. Shaji Purushothaman, who had resigned from the Board earlier this year due to personal reasons, was co-opted as an Additional Director, will be holding office till the ensuing Annual General Meeting. A notice has been received from a member of the Company proposing his candidature for appointment as a Director of the Company at the forthcoming Annual General Meeting.

Mr. M.K.Mohan and Lt Gen Nagra, Directors retire by rotation at the ensuing Annual General Meeting offer themselves for reappointment.



SUBSIDIARY COMPANY

M/s Empee Sugars and Chemicals Ltd. (ESCL) is the company's subsidiary, whose shares are listed on Stock Exchanges at Hyderabad, Madras and Mumbai and is holding 2,81,22,102 Equity shares of Rs.10/- each in ESCL, which amounts to 67% of the paid up capital of the company. During the year under review, Empee Power Co (India) Ltd (EPCIL) became a wholly owned subsidiary of the ESCL, thus also becoming a subsidiary of the Company. EPCIL is currently implementing a project for a Bagasse based Cogen Power Plant at the factory site at Naidupet.

The Company has obtained the necessary exemption from the Government of India, Ministry of Corporate Affairs under Section 212(8) of the Companies Act, 1956 from annexing the Annual Accounts of its Subsidiary Company - Empee Sugars and Chemicals Ltd and its Subsidiary - Empee Power Company (India) Ltd. However the Consolidated Accounts of the Company together with its Subsidiaries are published in this Annual Report. In the event of any shareholder requiring a copy of the Subsidiary Company's Accounts, he may write to the Company Secretary mentioning his Folio/Client ID Number. Copies of the Annual Accounts of the Subsidiary Companies are available for inspection by the members at the Registered Offices of the Company and its subsidiary.

AUDITOR

Mr. N.C.Ananthakumar, the Auditor of the Company will retire at the conclusion of the ensuing Annual General Meeting and being eligible offers himself for reappointment. The company has received a certificate from the Auditor to the effect that their reappointment, if made would be in accordance with Section 224 (1B) of the Companies Act, 1956. The Board recommends his re-appointment.

FIXED DEPOSITS

Your Company has not accepted any fixed deposits from the public during the year.

There is no employee falling within the provision of Section 217(2A) of the Companies Act, 1956 read with companies (Particulars of Employees) Rules 1975.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO

Information regarding conservation of Energy, Technology absorption and Foreign Exchange earnings and outgo in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Directors) Rules 1988 is annexed to this Report.

CORPORATE GOVERNANCE REPORT

A Report in line with the requirement of clause 49 of the Listing Agreement on the Corporate Governance practices followed by the Company and the Certificate from the Statutory Auditors on Compliance of mandatory requirements along with Management Discussion and Analysis, are given as an annexure to this report.

INDUSTRIAL RELATIONS

The Industrial Climate in the Company during the year has been conducive and the Company had good relations with its workforce located at its factories.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956 your Directors hereby state and confirm that:

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed;



EMPEE DISTILLERIES LIMITED

- b) The Directors have selected accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 30th September 2007 and of the profit or loss of the company for the year ended on that date;
- c) 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;
- d) the Directors have prepared the annual accounts on a 'going concern' basis.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation of the efforts and valuable contributions put in by the employees at all levels of the Company. Your Directors also wish to express their gratitude for the continuous assistance and support extended by the Banks, Financial Institutions, Customers and Government authorities and also to the shareholders for their forbearance and their faith in the management. Further, your Directors also place on record their deep sense of appreciation for the contributions made by employees at various levels to the growth and success of the company.

Place: Chennai
Date : 5.12.2007

For and on behalf of the Board of Directors
M.P. Purushothaman
Chairman & Managing Director

STATEMENT REGARDING SUBSIDIARY COMPANIES AS PER SECTION 212(3) OF THE COMPANIES ACT, 1956.

(Rs.in lacs)

| Sl.No | Name of the Company | Empee Sugars & Chemicals Ltd | Empee Power Company Limited |
|-------|---|----------------------------------|-------------------------------|
| 1 | Holding Company's interest at the end of the financial year of the subsidiary Company a. No of Equity Shares b. Extent of Holding c. Number of Preference Shares d. Extent of Holding | 2,81,22,102 67% Nil Nil | 5,00,000 67% Nil Nil |
| 2 | The net aggregate amount of the Subsidiary's Profit/(Loss) so far as it concerns the members of the Holding Company and is not dealt with the Holding Company's books of accounts a. Profit/(Loss) for the Financial Year b. Profit/(Loss) for the previous financial years since becoming a subsidiary | Nil Nil | Nil Nil |
| 3 | The net aggregate amount of the Subsidiary's Profit/(Loss) so far as it concerns the members of the Holding Company and is dealt with the Holding Company's books of accounts a. Profit/(Loss) for the Financial Year b. Profit/(Loss) for the previous financial years since becoming a subsidiary | 48.84 1139.36 | Nil Nil |

* Held by Empee Sugars & Chemicals Ltd.



EMPEE DISTILLERIES LIMITED

STATEMENT SHOWING HOLDING COMPANY'S INTEREST IN ITS SUBSIDIARY COMPANY PURSUANT TO THE PROVISIONS OF SECTION 212 (5) OF THE COMPANIES ACT, 1956

(Rs.in lacs)

| | | |
|---|---|------------------------------|
| a | Change in the holding company's interest in the subsidiary between the end of the financial year or of the last of the financial years of the subsidiary and the end of the holding company's financial year: | Nil |
| b | Material changes which have occurred between the end of the financial year or of the last of the financial years of the subsidiary and the end of the holding company's financial year in respect of: (i) the subsidiary's fixed assets: (ii) its investments (iii) the moneys lent by it (iv) the money borrowed by it for any purpose other than that of meeting current liabilities. | 93.66 Nil Nil 25.00 |

For and on behalf of the Board of Directors

Place: Chennai

Date : 05.12.2007

M.P.Purushothaman

Chairman & Managing Director

ANNEXURE TO THE DIRECTORS REPORT

Information pursuant to the Companies (Disclosure of Particulars in the Report of Board of Director) Rules, 1988 and forming part of the Directors Report for the period ended 30th September 2007.

A. Conservation of Energy:

a. Energy conservation measures undertaken.

The Company has installed the necessary energy conserving machinery as per the standard specification list prescribed by the Government of India for a factory of its size.

b. Additional Investments and proposals ,if any, being implemented for reduction of consumption of energy.

Nil

c. Impact of measures of (a) and (b) above for reduction of energy, consumption and consequent impact on the cost of production of goods. N.A



B. Technology absorption:

- | | |
|---|----------------|
| 1 Specific areas in which R&D carried out by the company. | Nil |
| 2. Benefits derived as a result of the above R&D | Not Applicable |
| 3. Future plan of action | Nil |
| 4. Expenditure on R&D | |

| | |
|---|-----|
| a. Capital | Nil |
| b. Recurring | Nil |
| c. Total | Nil |
| d. Total R&D expenditure as a % of the total turnover | Nil |

Technology absorption, adaptation and innovation

- Efforts, in brief made towards technology absorption, adaptation and innovation. Nil
- Benefits derived as a result of the above efforts, e.g product improvement, cost reduction, product development, import substitution Not Applicable

(C) Foreign Exchange earnings Nil

(D) Foreign Exchange outgo 296.78 Lacs

Place: Chennai.

Date : 5.12.2007

For and on behalf of the Board
M.P. PURUSHOTHAMAN
Chairman & Managing Director

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

The company firmly believes that good corporate governance is the foundation of corporate excellence. A sound governance process consists of a combination of business practices which result in enhancement of shareholder value and enable the company to fulfill its obligations to customers, employees, financiers and to the society in general. The company aims to increase and sustain its corporate value through growth and innovation. Your Company has been observing the key principles of the code and is committed to take adequate measures towards achieving full compliance of the Corporate Governance code. The areas where the Company is observing the recommendation of SEBI code are given below:

2. Board of Directors

The Board of Directors of the company consists of two Executive Directors and four non-executive directors. Three non-executive directors are independent and they have no pecuniary relationship with the Company in their capacity as Director. During the year 2006-07 the Board met 10 times. The above composition of the Board meets with the recommendation of SEBI code of Corporate Governance.