

ANNUAL REPORT 2011-2012
GLOBUS SPIRITS LIMITED





Globeus Spirits

BOARD OF DIRECTORS

CHAIRMAN

Mr. Gautam Premnath Khandelwal
(Non Executive & Independent Director)

MANAGING DIRECTOR

Mr. Ajay Kumar Swarup

EXECUTIVE DIRECTORS

Mr. Manik Lal Dutta
Dr. Bhaskar Roy (Director-Finance & CFO)
Mr. Shekhar Swarup

WHOLETIME DIRECTORS & OCCUPIER

Mr. Rajesh Kumar Malik
Mr. Rameshwar Dayal Aggarwal

NON-EXECUTIVE & INDEPENDENT DIRECTORS

Mr. Joginder Singh Dhamija
Mr. Santosh Kumar Bishwal
Mr. Satinder Lachhman Singh
Mr. Vivek Gupta
Mr. Kunal Agarwal

Auditors

: M/s B.M. Chatrath & Co.
Chartered Accountants,
A-78, IInd Floor, Sector-4, NOIDA-201301 (U.P.)

Bankers

: State Bank of India
HDFC Bank Ltd.
HSBC Bank Ltd.

Registered office

: A-46, Friends Colony (East), New Delhi - 110065

Corporate office

: F-0, Ground Floor, The Mira Corporate Suites,
Ishwar Nagar, Mathura Road, New Delhi-110065

Registrar & Share Transfer Agents

: Link Intime India Private Limited
A-40, 2nd Floor, Naraina Industrial Area, Phase-II,
Near Batra Banquet Hall, New Delhi-110028

Stock Exchanges where the Company is listed

: 1) Bombay Stock Exchange
2) National Stock Exchange

Website

: www.globusspirits.com

Table of contents

● About GSL	1
● Chairman's Note	2
● Financial Performance & trends	3
● Directors Report	4
● Corporate Governance Report	8
● CEO and CFO Certification	16
● Management Discussion Analysis	17
● Financial Statements	22
● Notice to the AGM	40
● Green Initiative in the Corporate Governance	46
● Proxy & Attendance Slip	47



Chairman's Note

Dear Shareholders,

It is a pleasure to write to you once again. It has been a landmark year for GSL given that we have crossed the 10 million cases mark in the IMIL segment for the first time in our history. We have closed the year with record sales of over 12 million cases. This is a momentous achievement given the way GSL has created a niche for itself through product based innovations and focused branding in the highly commoditized IMIL space. Our core strength lies in our unique 360° business model which straddles across all segments of the spirits value chain (consumer facing and manufacturing). This not only insulates us from risk in price movement of any one of the products but also ensures greater quality control over the entire value chain.

The IMIL segment has been a traditional bastion for GSL. We have made concerted efforts to reinvent ourselves and consolidate our stronghold in the North Indian IMIL markets. It gives me immense pleasure and satisfaction to say the least that we have changed the face of this industry. Our strategy to brand IMIL with the launch of 'Nimboo' in the state of Haryana has received phenomenal consumer response. It has turned into a ~Rs.3,500 million brand at the retail level. GSL has revolutionized the product, packaging and branding to make a truly unique product in a heavily commoditized market. The idea is to implement this strategy to other states as well. The IMIL industry in the North Indian states is showing healthy volume growth and the company is geared to meet evolving needs of the bottom-of-the-pyramid consumers.

Coming to the branded IMFL space, GSL continues to strengthen its marketing and distribution network. The idea here is to build a robust platform from where we can launch higher value added products. We are also adding newer markets and newer products as witnessed by the launch of 'Country Club' in Delhi and 'French Castle' in the states of AP & Kerala. We now have a distribution reach extending to eight states i.e., Haryana, Rajasthan, Chandigarh, Punjab, Himachal Pradesh, Kerala, Andhra Pradesh and Delhi which contribute ~40% to branded IMFL industry. In addition we also have a plan to build a premium product portfolio in collaboration with international partners enjoying strong brand equity globally. This is a young business and remain committed to development of the same through sustained brand building along with building a strong marketing and distribution network.

The Franchisee Bottling business is witnessing strong traction post the signing of a new agreement with USL and revival of bottling operations for Jagatjit Industries. This business is a proxy play on the rapid growth of the branded IMFL industry. The initial contract with USL will contribute volumes of ~0.75 million cases per year and is expected to ramp up significantly going forward. We will start with bottling Bagpiper Whisky which will be followed by Moghul Monarch and Derby Special. The arrangement further strengthens GSL's alliances in the franchisee bottling segment and will enable guaranteed utilization of capacities coupled with higher margins compared to the sale of bulk spirit. GSL can proudly claim to manufacture two of the world's largest selling whiskies, Bagpiper and Officer's Choice. The bottling business is also of sticky nature and allows us to capitalize on the growth of branded IMFL industry with limited investments.

Coming to bulk alcohol space, our capacity which has increased from 43.2 million liters to 84.4 million liters p.a., the operations have stabilized and our new plants are now operating at high capacity utilization. We also have plans to increase our capacity further to about 120 million liters for which we have already placed necessary orders for plant and equipment and they are in advanced stage of erection at our distilleries. We are adding 40 million litres of zero effluent discharge capacities at a much lower cost than industry norms. An important point to note is that over the last 3 years, we have achieved ~3x capacity expansion without any equity dilution. The bulk alcohol segment is expected to show strong growth given the macro situation vis-à-vis demand-supply gap for potable alcohol and implementation of ethanol blending requirements. GSL is well positioned to take advantage of the buoyancy in the bulk spirit prices due to its expanded capacities.

To put FY12 into perspective, GSL recorded strong topline growth and a small increase in profitability. It has to be kept in mind that FY12 also saw higher fuel and raw material costs. Our capacities have also completely stabilized and we believe that coming year will see the benefit of optimum utilization. We have taken steps to continuously fortify our 360° business model through differentiated strategies for each segment and remain confident of exhibiting a healthy operating and financial performance in FY13 as we reap the benefits of intra-segment synergies coupled with the robust demand outlook.

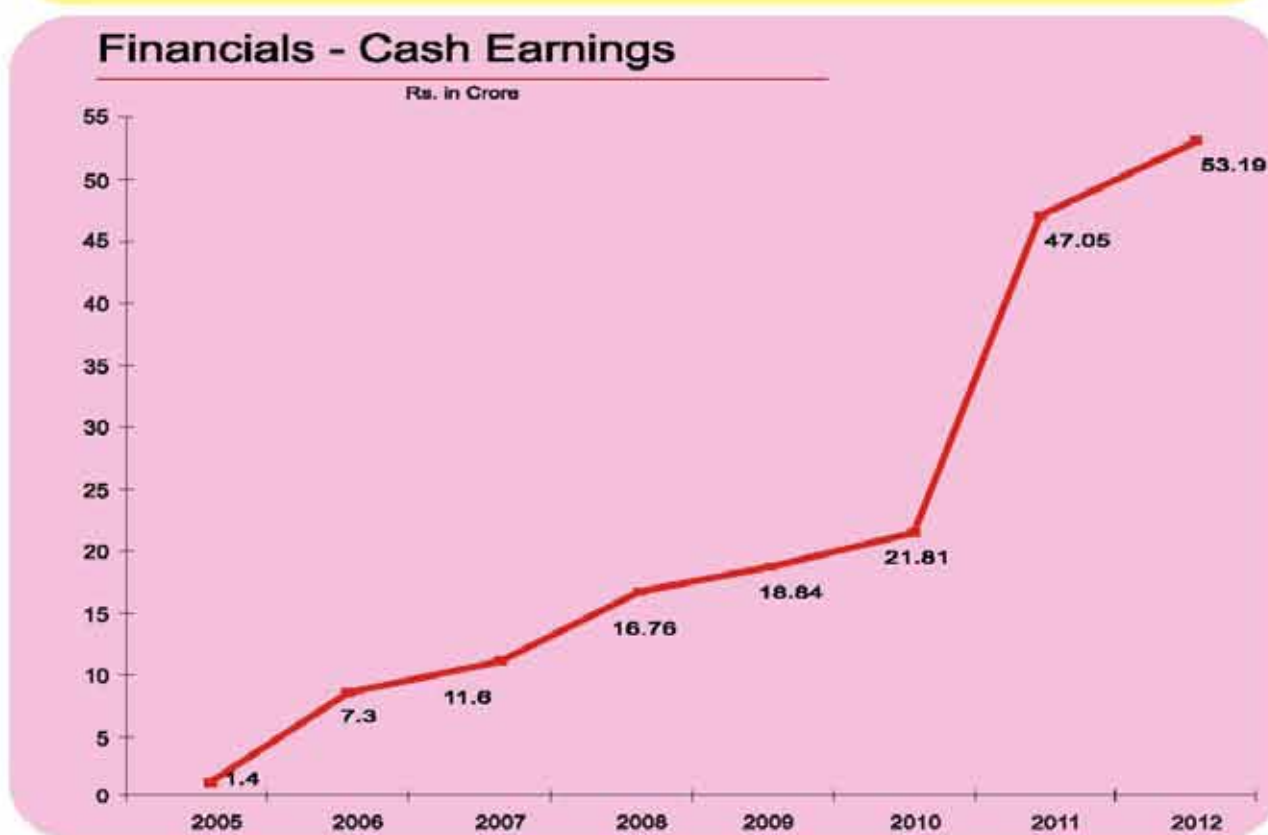
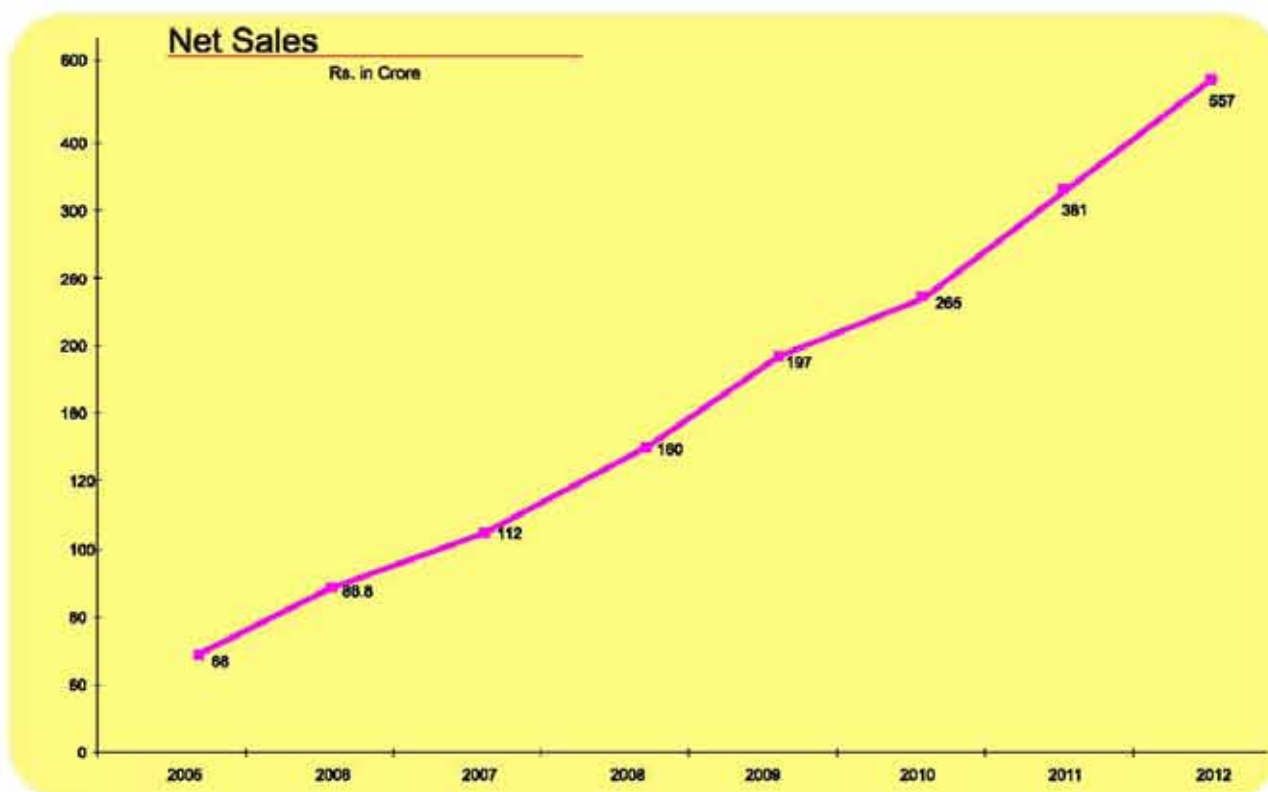
I am happy to announce that the Board has recommended a dividend of 12% per share.

I would like to thank everyone, first and foremost our employees, our customers, bankers, financial institutions who have all stood by us and also our shareholder community for their faith in our growth story. I also wish to thank our other stakeholders for their continued support.

Place : New Delhi
Date : 11/08/2012

Sd/-
(Gautam Premnath Khandelwal)
Chairman

Financial performance & trends



DIRECTORS' REPORT

To the Members

Your Directors are pleased to present the Nineteenth Annual Report and Audited Accounts for the year ended 31st March, 2012.

FINANCIAL RESULTS

	Current Year 2011-2012 (Rs. In Lacs)	Previous Year 2010-2011 (Rs. In Lacs)
Gross Sales	71,375.16	52,157.77
Profit/(loss) before Depreciation	7,014.50	6,234.03
Less: Depreciation	1,229.65	694.32
Profit/(Loss) after Depreciation	5,784.85	5,539.71
Profit/(Loss) before tax after Extraordinary items	5,775.14	5,539.71
Less: Provision for taxation	1,200.00	1,104.01
Deferred tax	485.90	442.54
Profit/ (Loss) after tax	4,089.24	3,993.16
Balance brought forward	9,794.08	6,169.10
Profit available for appropriation	13,883.31	10,162.25
Appropriations		
-Transfer to General Reserve	105.00	100.00
-Proposed Dividend	275.97	229.98
-Provision for Tax on Dividend	44.79	38.20
Balance Carried forward to Balance Sheet	13,457.55	9,794.08

PERFORMANCE REVIEW

During the year under review your Company reported an increase in Gross turnover by 36.84% from Rs.521.58 Crore (Previous year) to Rs.713.75 Crore (Current year) and an increase in PBT by Rs.2.45 Crore over the previous year and an increase in PAT by Rs.0.96 Crore over the previous year. The EPS of the company is Rs.17.78/- as compared to Rs.17.36/- in the previous year.

THE YEAR IN PERSPECTIVE

During the year, your Company strengthened its presence in both the bulk and the branded businesses in line with its vision of being a 360p player. The IMIL segment experienced robust growth at more than 40%, crossing ten million cases for the first time and concluding the years with 12.4 million cases. Your Company launched a new brand 'Nimboo' in the IMIL segment in the Haryana market, which within a short span of seven months increased your Company's market share from 20% to 27% in the state. In Rajasthan also, your Company improved its market share to 25%, while retaining its leadership position in the state of Delhi. The IMFL segment showed high volume growth at more than 25%, with your Company widening its distribution network in the states where it operates.

Your Company stabilized the new capacities which had been commissioned in the previous year and by end of fourth quarter was operating at 90% capacity utilization rate. The capacities across all three units at Behror (Rajasthan), Samalkha (Haryana) and Hisar (Haryana) now stand at 84.4 million litres. This will provide strong support to fuel growth in the branded and franchise business in coming years and keep these businesses insulated from any price increases in Extra Neutral Alcohol.

MATERIAL CHANGES AFTER MARCH 31, 2012

During the current year, commencing April 1, 2012, your Company entered into a new franchisee contract with United Spirits Ltd, a leading player in the IMFL segment. The initial contract will contribute volumes of ~0.75 million cases per year and is expected to ramp up significantly going forward. Your Company also revived the bottling operations for Jagatjit Industries Limited in its Samalkha unit at Haryana following a change in the excise policy. These arrangements strengthen GSL's alliances in the franchisee bottling segment and contribute to sustaining high utilization of bulk alcohol capacities coupled with higher margins compared to sale of bulk alcohol standalone.



Your Company has launched a new brand "French Castle" in the brandy segment (IMFL division) catering to the semi-premium market. This has been introduced in the states of Andhra Pradesh and Kerala. This is in line with your Company's long-term strategy of introducing brands in the higher value added segments. In addition, your Company has launched its flagship brand 'County Club' whisky in the Delhi market.

DIVIDEND

Your Directors are pleased to recommend dividend of Re. 1.20/- i.e. 12 % per equity share of Rs. 10/- each of the Company for the year 2011- 2012.

PUBLIC DEPOSITS

The Company has not accepted or invited deposits covered under the provisions of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposit) Rules 1975 from any person.

DIRECTORS

During the year, Mr. Ajay K. Swarup whose period of office as Managing Director expired on December 1, 2011 was re-appointed by the Board with effect from such date for another term of five years. His reappointment as Managing Director of the Company is proposed for the consent of members in the forthcoming Annual General Meeting.

During the year Mr. Shekhar Swarup was inducted in the Board as an additional director of the Company and has been designated as Executive Director. Per section 269 of the Companies Act, 1956 read with schedule XIII of the Companies Act, 1956, the aforesaid appointment is proposed for the consent of members in the forthcoming Annual General Meeting.

During the year Mr. S.L.Singh, Mr. Vivek Gupta and Mr. Kunal Agarwal were also inducted in the Board as additional directors and were designated as Non-Executive & Independent Directors of the Company. They are also proposed to be regularized in the forthcoming Annual General Meeting. Mr. Joginder Singh Dhamija and Mr. Santosh Kumar Bishwal, Non-Executive & Independent Directors of the Company retire by rotation and being eligible offer themselves for re-appointment. The Board recommends their re-appointment.

During the year there were no other changes in the Board of Directors.

CORPORATE GOVERNANCE

As per requirement of Clause 49 of the Listing Agreement with the Stock Exchanges, a Compliance Report on Corporate Governance has been annexed as part of the Annual Report.

AUDITORS

M/s. B. M. Chatrath & Co., Chartered Accountants, Statutory Auditors of the Company had been appointed as Auditors at the last Annual General Meeting and retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. They have furnished a certificate to the effect, that the re-appointment, if made, will be in accordance with section 224 (1B) of the Companies Act, 1956.

AUDITORS' REPORT

The notes on accounts appearing in the schedule and referred to in the Auditors Report are self-explanatory and therefore do not call for any further comments or explanations. There are no adverse remarks/ qualifications in the auditor's report.

PARTICULARS OF EMPLOYEES

Statement pursuant to u/s 217 (2A) of the Companies Act, 1956 read with the Companies (Particular of Employees) Rules, 1975, the name & other particulars of the employees are as follows:-

Sl. No.	Name	Age	Designation	Gross Remuneration	Qualification	Experience in years	Date of commencement of employment	Particulars of last employment
1	Mr. Ajay K. Swarup	53	Managing Director	75,00,000/- p.a. + other Perquisites	PGDBM (IIM, Kolkata)	28	December 01, 2006	M/s SVP Industries Ltd.

Further Mr. Ajay K. Swarup is holding 16,29,820 equity share in the company as on 11/08/2012.

CONSERVATION OF ENERGY / TECHNOLOGY ABSORPTION / RESEARCH & DEVELOPMENT ETC.

Particulars as required under the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules 1988 are given in Annexure I and form part of this report.



PERSONNEL

During the year the company employed some senior and experienced employees in its management and the Company also maintained good relations with employees at all levels. The Directors place on record their appreciation of the contribution made by the employees towards the growth of the Company.

Management's discussion and analysis of financial condition and results of operations.

Management's Discussion and Analysis Report has been annexed & forms part of the Annual Report.

Directors Responsibility Statement (Pursuant to Section 217(2AA))

1. In preparation of the Annual Accounts, the applicable Accounting Standards have been followed by the company.
2. Appropriate accounting policies have been selected and applied constantly and have 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 31st March, 2012 and of the Profit of the Company for the year ended 31st March, 2012.
3. Proper and sufficient care has been taken 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.
4. The Annual Account has been made on going concern basis.

ACKNOWLEDGEMENT

The Board wishes to place on record its appreciation for the wholehearted support and valuable co-operation extended to the company by the Central & the State Governments, Bankers, Suppliers, Associates, Contractors, employees and shareholders.

For and on behalf of the Board of Directors

Sd/-

(Dr. Bhaskar Roy)

Director Finance & CFO

Sd/-

(Ajay K. Swarup)

Managing Director

Place: New Delhi

Date : 11/08/2012



Annexure I to the Directors' Report 2011-12

Particulars required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988.

(A) Conservation of Energy

Conservation of energy is a high priority area for the company and the company has some proposals for reduction of consumption of energy.

a) Energy Conservation Measures Taken:

The same has been shown on Management Discussion Analysis report as per annexure.

- 1) Setting up evaporators for all plants to concentrate effluent to give value addition of final product as cattle feed, zero discharge for environmental protection and water availability as hot condensate for process reuse, saving on use of fresh cold water and heat/energy saving.
 - 2) Recycle of hot high temperature spent lyes and hot condensate streams for process/boiler and saving fresh cold DM water and energy in terms of heat saving with hot spent lyes.
 - 3) Lowering the steam pressure in jet cookers to enable generation of power from steam used and reduce steam consumption to 50% of the present.
- b) Additional Investments & Proposals, if any, being implemented for reduction of consumption of Energy:
- 1) Increasing alcohol percentage in fermentation thereby lowering effluent quantity generation and production at lower steam consumption per liter of product.
 - 2) Reconfiguration of high temperature streams to reduce steam consumption in process such as liquefaction & evaporation.
- c) Impact of measures at (a) & (b) above for reduction of energy consumption & consequent impact on the cost of production of goods:

-As mentioned in point (a)

(B) Technology Absorption

FORM - B

(Form for Disclosure of Particulars with respect to Absorption.)

- (i) The Company's plants are based on indigenous technology which has been fully absorbed.
- (ii) The Company does not have separate Research & Development Section. However, steps are being taken continuously for:
 - a Improvement in product quality
 - b Improvement in productivity
 - c Improvement in cost effectiveness
- (iii) Expenditure of R & DNil

(C) Foreign Exchange earnings & Outgo

	2011-2012	2010-2011
Foreign Exchange earnings	Rs. 520.08lacs	Rs. 10.18lacs
Foreign Exchange used	NIL	NIL

For and on behalf of the Board of Directors

Sd/-
(Dr. Bhaskar Roy)
Director Finance & CFO

Sd/-
(Ajay K. Swarup)
Managing Director

Place: New Delhi
Date : 11/08/2012



CORPORATE GOVERNANCE REPORT

Your Company believes in conducting its affairs with the highest levels of integrity, with proper authorizations, accountability, disclosure and transparency. The Company strongly believes in maintaining a simple and transparent corporate structure driven solely by business needs. Shareholders' interests are on utmost priority and the management is only a trustee to carry out the activities in a truthful and fruitful manner.

The details of the Corporate Governance compliance by the Company as per the Clause 49 of the Listing Agreement with Stock Exchanges are as under:

A COMPLIANCE OF MANDATORY REQUIREMENTS:

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate governance is the system by which companies are directed and managed. Good corporate governance structure encourages companies to create value (through entrepreneurship, innovation, development and exploration) and provide accountability and control systems commensurate with the risks involved.

Globus Spirits believes in ensuring true Corporate Governance Practices to enhance long term shareholders' value through corporate performance, transparency, integrity and accountability.

2. BOARD OF DIRECTORS

Composition

The Board of Directors of the Company consists of an optimal mix of Executive and Non-Executive & Independent Directors who have in-depth knowledge of business, in addition to expertise in their areas of specialization. The Directors bring in expertise in the fields of human resource development, strategy, management, finance and economics among others. The Board provides leadership, strategic guidance, objective and independent view to the Company's management while discharging its fiduciary responsibilities, thereby ensuring that management adheres to high standards of ethics, transparency and disclosure.

As on 11th August 2012, the Board consisted of 12 Directors including Chairman being Non-Executive & Independent Director, one Managing Director and five more Non-Executive & Independent Directors, the rest five are Executive cum whole-time Directors. The Board meets the requirement of not less than one third being Independent Directors. The size and composition of the Board conforms to the requirements of Clause 49 of the Listing Agreement (Corporate Governance Code) with the Stock Exchanges.

None of the Directors hold Chairmanship of more than 5 Committees or Membership in more than 10 committees of Public Limited Companies.

Board Functioning & Procedure

Globus Spirits believes that at the core of its corporate governance practice is the Board, which oversees how the management serves and protects the long-term interests of all stakeholders of the company. An active, well-informed and independent board is necessary to ensure the highest standards of corporate governance.

Globus Spirits believes that composition of board is conducive for making decisions expediently, with the benefit of a variety of perspectives and skills, and in the best interests of the Company as a whole rather than of individual shareholders or interest groups.

In accordance with the provisions of Clause 49 of the Listing Agreement, the Board meets at least once in every quarter to review the quarterly results and other items of agenda. The agenda is sent in advance to the Directors along with the draft of relevant documents and explanatory notes.

During the financial year 2011-12, 8(Eight) Board Meetings were held on 16/05/2011, 08/07/2011, 02/08/2011, 03/10/2011, 31/10/2011, 30/11/2011, 08/02/2012 and 21/02/2012.

The Composition of Board of Directors, their shareholding, attendance during the year and at the last Annual General Meeting, Number of other Directorships, Committee memberships and

