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AGM	<input checked="" type="checkbox"/>	SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>

*230 P. 12/2/98*

CERTIFIED TRUE COPY  
FOR HERBERTSONS LIMITED.

*[Signature]*

BHARATI P. C. J. V. L.  
Dy. Company Secretary & Manager-Legal.

HERBERTSONS LIMITED

61<sup>ST</sup>  
ANNUAL REPORT 1997-98



61ST ANNUAL REPORT 1997-98



**DIRECTORS**

Dr. VIJAY MALLYA ..... *Executive Chairman*

K. R. CHHABRIA ..... *Vice Chairman and Wholetime Director*

S. D. LALLA ..... *Managing Director*

S. K. DIWANJI

S. S. GANDHI

S. R. GUPTA

C. L. JAIN

RITU MALLYA

R. M. PAREKH

V. K. REKHI

N. SRINIVASAN

S. K. BISHWAL

**DEPUTY COMPANY SECRETARY**

BHARATH RAGHAVAN



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#### **REGISTERED OFFICE**

Ewart House, 22 Homi Mody Street,  
Mumbai 400 023.

#### **MANUFACTORY**

201/202 Matsya Industrial Area,  
Alwar 301 030, Rajasthan.



#### **AUDITORS**

Fraser & Ross, Chennai.

#### **REGISTRARS & SHARE TRANSFER AGENTS**

Computech Sharecap Limited  
147 Mahatma Gandhi Road,  
Mumbai 400 023.

#### **BANKERS**

CitiBank N.A.  
Credit Agricole Indosuez  
State Bank of Travancore  
State Bank of Bikaner and Jaipur  
Bank of India

**ANNUAL GENERAL MEETING AT**  
**Yashwantrao Chavan Pratishthan,**  
Gen. Jagannath Bhosale Marg,  
Mumbai 400 021.

## 61ST ANNUAL REPORT 1997-98

**REPORT OF THE DIRECTORS**

To the Members

Your Directors submit their Report and the audited Accounts for the year ended 31st March, 1998 as under :

(Rupees)  
Previous Year

The working of your Company for the year under review resulted in an operating profit of	119,680,385	131,170,087
From which has to be deducted :		
for Depreciation	29,482,530	46,667,080
for Taxation	40,000,000	53,000,000
	<u>69,482,530</u>	<u>99,667,080</u>
	50,197,855	31,503,007
Less : Extraordinary Items :		
Advances towards Share Capital Written Off	—	24,764,000
Surplus on Sale of Units (Net)	—	(24,481,117)
	<u>—</u>	<u>282,883</u>
	50,197,855	31,220,124
and to which is added surplus brought forward from previous year	22,849,869	29,816,134
	<u>73,047,724</u>	<u>61,036,258</u>
from which is appropriated		
General Reserve	10,000,000	5,000,000
Debenture Redemption Reserve	7,000,000	7,000,000
Prior years' Tax Adjustments	495,052	—
Dividends :		
On Equity Shares (proposed)	23,805,808	23,805,808
Corporate Dividend Tax	2,380,581	2,380,581
Leaving a balance in Profit & Loss Account	<u>30,356,387</u>	<u>22,849,869</u>

**DIVIDEND**

Your Directors recommend payment of dividend at the rate of 25% (previous year 25%) for the year ended 31st March, 1998, on 9,522,323 equity shares of Rs.10/- each.

**OPERATIONS**

The past year was a landmark year for your Company, registering a growth in sales volume of 28% with a number of remarkable achievements.

Your Company's flagship brand, Bagpiper Whisky, while recording a 30% growth in sales volume, also crossed 5 Million cases in sales volumes for the first time, making it the 5th largest selling whisky in

the world, as well as the largest selling whisky in India. Bagpiper Gold Whisky grew by 18% in sales volume and crossed 5.5 lakh cases, a new record for your Company in the semi-premium whisky segment. Honeybee Brandy achieved its highest ever sales crossing 5.75 lakh cases, a whopping 44% growth in sales volume. Romanov Vodka which continues to be India's largest selling vodka, notched up annual sales in excess of 75000 cases, a quantum leap of 54% in sales volumes.

All this was possible on account of your Company's inherent marketing strengths and continued focus on the consumers, supported by an effective manufacturing base.



Your Company has retained Andersen Consulting, a reputed firm of international management consultants, to do a complete study on the operations of the Company, and to make specific recommendations on future sales, marketing and distribution strategies to be adopted by the Company through business re-engineering/re-structuring to maintain its pre-eminent position in the changing market place, for profit improvement and increase in overall efficiency and productivity. Significant financial benefits have already been derived through interim recommendations that were received from time to time from Andersen Consulting. Further recommendations from Andersen Consulting are in the pipeline, which will ensure that your Company is well placed to meet the opportunities and challenges of the future.

#### PROSPECTS FOR THE CURRENT YEAR

Your Company plans to introduce new brands, brand variants and exciting pack upgradations to further strengthen its market position and complement its existing product portfolio.

#### DEBENTURES

The proceeds of the Partly Convertible Debentures and the Non-Convertible Debentures issued by your Company in 1992 have been utilised for the purposes for which the Debentures were issued. The first instalment of redemption of Non-Convertible portion (Part C) of the 15% Secured Redeemable Partly Convertible Debentures amounting to Rs.207 lacs and of the 17% Secured Redeemable Non-Convertible Debentures amounting to Rs.70 lacs (including premium on redemption) were paid on schedule in April 1998.

#### SUBSIDIARY COMPANY

The accounts of BDA Limited (subsidiary of your Company) for the years ended 31st March, 1996 and 31st March, 1997 which have been long pending, were received by the Company from BDA Limited on 5th May, 1998 and 10th July, 1998 respectively. It will be recalled that in the Reports of the Board of Directors of your Company for the years ended 31st March, 1996 and 31st March, 1997, it was mentioned that your Company would make applications to the Central Government for exemption under Section 212 of the Companies Act, 1956, from attaching the Subsidiary's accounts for the years ended 31st March, 1996 and 31st March, 1997 respectively.

The Board of Directors of your Company while considering the accounts of BDA Limited for the years ended 31st March, 1996 and 31st March, 1997 respectively have noted that the said accounts have been severely qualified by the Auditors who have stated that they are unable to form an opinion as to whether the Balance Sheets for the respective years give a true and fair view of the state of the company's affairs as at 31st March, 1996 and 31st March, 1997 respectively or the Profit and Loss accounts for the relevant years give a true and fair view of the loss for the years ended on the relevant dates. The Auditors have also stated that they are unable to form an opinion as to whether the Balance Sheets and the Profit and Loss accounts for the relevant years give the information required by the Companies Act, 1956 in the manner so required.

A Committee of Directors was therefore appointed by your Board of Directors specifically for going through the accounts of BDA Limited for the years ended 31st March, 1996 and 31st March, 1997 and reporting to your Board of Directors. The Committee has submitted its Reports seeking detailed clarifications which have been forwarded to BDA Limited for the consideration of its Board of Directors. The explanations of the Board of Directors of BDA Limited to the various queries raised in the Reports are still awaited by your Company. BDA's Chairman had assured your Company's Managing Director at the BDA Limited Board Meeting held on 12th November, 1998 that the duly audited and signed accounts of BDA Limited for the financial year 1997-98 would be made available to your Company latest by 30th November, 1998 subsequent to which BDA Limited would respond to the queries raised by your Company's Committee of Directors within 4 weeks thereafter.

The accounts of BDA Limited for the years ended 31st March, 1996 and 31st March, 1997 are being sent separately alongwith the accounts of your Company for the year ended 31st March, 1998. The accounts of BDA Limited for the year ended 31st March, 1998 have not yet been received by your Company and will be circulated to the members as and when received by your Company.

#### DIRECTORATE

Dr. Vijay Mallya was appointed Managing Director of your Company on 30th November, 1998 for a term of 5 years without remuneration subject to the approval of the Central Government and such other authorities as may be required, and consequently redesignated as Executive Chairman.

Your Company's Director, Mr. A. R. Wadia resigned during the year. The Board placed on record their appreciation of the valuable services rendered by Mr. A. R. Wadia during his tenure in office. Mr. S. K. Bishwal, Company Executive was appointed Director at the meeting of the Board of Directors held on 28th May, 1998 to fill up the casual vacancy caused by the resignation of Mr. A. R. Wadia.

Mr. C. L. Jain, Mr. R. M. Parekh and Mr. S. K. Diwanji retire by rotation and being eligible offer themselves for re-appointment.

#### AUDITORS

Messrs Fraser & Ross retire as Auditors at the ensuing Annual General Meeting and are eligible for re-appointment.

The approval of the members is also sought for the re-appointment of Messrs Nayyar Malik & Co. as Auditors to audit the accounts of the Sona Distilleries Branch for the financial year 1998-99.

#### PUBLIC DEPOSITS

The amount of fixed deposits due and not claimed by 179 claimants as at 31st March, 1998 was Rs.18,09,000. Out of this, deposits in respect of 105 claimants amounting to Rs.12,33,000 have either been renewed or repaid subsequent to 31st March, 1998.





### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure 1, forming part of this Report.

#### PERSONNEL

Relations between the Management and the Employees continued to be cordial.

Particulars of employees required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in Annexure II, forming part of this Report.

#### STOCK EXCHANGES WHERE THE COMPANY IS LISTED

Your Company is listed on the following Stock Exchanges :

The Stock Exchange, Mumbai  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai 400 023

The Stock Exchange  
Kamadhenu Complex  
Near Polytechnic, Panjara Pole  
Ahmedabad 380 015

The Delhi Stock Exchange Association Limited  
West Plaza, I. G. Stadium, Indraprastha Estate  
New Delhi 110 002

Bangalore Stock Exchange Limited  
Stock Exchange Towers  
51 1st Cross, J. C. Road  
Bangalore 560 027

The Annual Listing Fees for the year 1998-99 have been paid to the above Stock Exchanges.

#### AUDITORS' REPORT

With regard to the observations made by the Auditors in paragraph 2 of the Auditors' Report, the relevant notes to the accounts referred to therein are self explanatory and do not require further amplification.

#### ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the continued support from shareholders, customers, suppliers, investors, banks and financial institutions. Your Directors would also like to express their appreciation for the significant contribution by all the employees of your Company during the year.

By Authority of the Board

**VIJAY MALLYA**  
Executive Chairman

Mumbai, 30th November, 1998

## ANNEXURE I

READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1998

#### A. CONSERVATION OF ENERGY

- Installation of higher capacity ENA Plant has resulted in an increase in yield thereby saving in coal consumption.
- Effective running of Cooling Tower by recirculation of used water has resulted in conservation of water & power. Recycling of hot water as feed water in boiler has further added in saving towards coal consumption.

#### B. TECHNOLOGY ABSORPTION

##### 1. RESEARCH & DEVELOPMENT

With modification in the Malt spirit production plant and ENA plants, the quality of spirit produced has improved significantly and consistently. There has also been an increase in the yield resulting in increased production and reduction in cost.

##### 2. TECHNOLOGY ABSORPTION

Your Company has an on-going system of upgrading its technology keeping in view the latest developments in the Industry. Upgradation of the bottling facilities at the Distillery has resulted in increased production capacity and improved quality of finished production and thereby an overall reduction in cost. There has been no Import of Technology during the last five years.

##### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The information regarding total foreign exchange used and earned is contained in Note Nos. 24-27 of Schedule 16 to the accounts.

By Authority of the Board

**VIJAY MALLYA**  
Executive Chairman

Mumbai, 30th November, 1998





## ANNEXURE II

STATEMENT UNDER SECTION 217(2A) READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1998

Sr. No.	Name of Employee	Designation & nature of duties	Remuneration received (Rs.)	Qualifications	Experience	Date of commencement of employment	Age (Yrs.)	Last Employment
<b>(A) Employed for the whole year and in receipt of remuneration of not less than Rs.3,00,000.</b>								
1	Ms. Almeida Zelia	Special Assistant	411,580	B.A.	29	01-10-93	47	Executive Secretary United Breweries Ltd.
2	Mr. Arora V K	Vice President All India Sales	942,275	B.A.(Hons)	26	15-04-74	46	Sales Representative Chemi Kleen (India) Pvt.Ltd.
3	Mr. Balchandani I M	General Manager Personnel & Administration	670,182	B.Sc., PGD IR & W	20	22-02-93	44	Regional Manager - Personnel Blue Star Limited
4	Mr Borkar S S	Manager Finance & Taxation	302,965	B.Com.,ACA	8	13-08-90	33	First Employment
5	Mr. Capoor Ashok	Divisional Vice President Marketing & Sales	1,153,894	B.A.(Hons), M.B.A.	23	12-05-92	45	Marketing Manager Godfrey Phillips India Ltd.
6	Mr. Chhabria K R	Vice Chairman & Wholetime Director	1,769,117	B.Com.	24	01-04-95	43	Chairman C M L
7	Mr. Dharmarajan S	General Manager Finance	597,643	B.Com.,B.G.L., A.C.A	14	07-11-86	40	Consultant N M Rajji & Co.
8	Ms. D'Silva Marilyn	Special Assistant	359,633	B.A.	20	01-10-93	42	Executive Secretary United Breweries Ltd.
9	Mr. Ghosh Bhaskar	Regional Accounts Manager	345,738	B.Sc.,Inter CA	15	01-12-96	50	Manager - Accounts McDowell & Co. Limited
10	Mr. Gupta Aditya	Assistant Regional Manager	330,597	B.Tech,PGDBM	10	01-06-92	30	Area Manager McDowell & Co. Limited
11	Mr. Joseph P C	Manager - Distribution	356,241	B.A.	24	11-10-76	45	Sales Assistant Packself Combine
12	Mr Kalra R	Branch Manager	322,463	B.Com.	19	21-01-86	38	Sales Representative Phipson & Co Ltd
13	Mr Khera G R	Branch Manager	311,113	B.Com.,Dip in SLS/HMRL	18	11-08-81	40	Salesman Bharat Furniture House
14	Mr. Lalla S D	Managing Director	2,227,449	L.C.& S.E., AMIE (Civil)	35	07-04-94	54	President Raychem RPG Ltd.
15	Mr Mahadevan N	Manager -Accounting Services	328,341	B.Sc.	16	01-06-95	40	Manager Accounts McDowell & Co. Limited
16	Mr. Mankekar Ram	Senior Manager Communications	576,001	B.A., Dip in Journalism, Dip in Advt & Mktg	15	01-10-93	40	Communication Manager United Breweries Ltd.
17	Mr. Mathur Ravi	Regional Manager	387,672	B.Com.,PGD in Mktg & Sales	15	01-12-86	39	Senior Sales Officer Blow Plast Ltd.
18	Mr. Medeira Mohan	Senior Manager Distribution & Marketing Services	517,788	B.Sc.(H),PGDSM DGMM	19	14-09-92	41	McDowell & Co. Limited Marketing Services Manager
19	Mr. Mistry C T	Manager - Administration	367,474	Dip in Auto Engg	39	01-10-93	49	Senior Executive United Breweries Ltd.
20	Mr. Mokal Arun	Senior Manager - Administration C M D	477,448	B.Com.	28	01-10-93	41	Manager - Admin ( C M D ) United Breweries Ltd.
21	Comde Mongia S K	Divisional Vice President Business Promotion	1,070,675	M.Sc.(Def.Sc)	40	01-08-93	56	Commodore Indian Navy
22	Mr. Nagappa G S	Regional Manager	390,720	B.Sc.	23	01-08-75	43	First Employment
23	Mr. Padmanabhan N R	Senior Manager Accounting Services	570,964	B.Com.,A.C.A.	14	31-08-94	42	Accounts Superintendent Schrader Duncan Limited

## 61ST ANNUAL REPORT 1997-98



Sr. No.	Name of Employee	Designation & nature of duties	Remuneration received (Rs.)	Qualifications	Experience	Date of commencement of employment	Age (Yrs.)	Last Employment
24	Mr. Patil C L	Controller - Administration	711,312	B.Com., M.A., L.L.B.	43	01-07-88	62	Administration Manager A F Ferguson & Company
25	Mr. Raghavan K S	Branch Manager	348,334	PGDM	24	01-10-77	44	Sales-cum-Medical Representative Aruna General Agencies
26	Mr. Raghunathan A	Divisional Vice President Finance	902,475	B.Com., A.C.A.	23	01-08-93	46	G M - Finance & Accounts McDowell & Co. Limited
27	Mr. Ranganathan L	Vice President	1,185,169	B.Tech.(Chem) M.B.A.	21	04-06-93	45	G M - Projects United Breweries Ltd.
28	Mr. Sabharwal M K	Branch Manager	312,388	B.Com.	39	15-11-79	40	Sales Officer Paramount Products
29	Ms. Sahib Freni	Manager - Personnel	393,825	B.A.	36	01-09-89	55	Secretary Baroda Rayons
30	Mr Santosh K G	Controller - Sales	553,753	B.Sc.	28	06-03-75	51	Junior Salesman J L Morrison & John India Ltd
31	Capt Sharma V K	Executive Director- Chairman's Office	1,571,117	B.Com., M.A., L.L.B.	24	01-10-93	55	V P - Administration United Breweries Ltd.
32	Mr. Shekhar Ramamurthy	General Manager Marketing	629,758	B.Tech.(Civil) PGDM	11	01-01-97	37	General Manager - Sales McDowell & Co. Limited
33	Mr. Srivastava C B	Controller - Sales	573,144	B.Sc.	20	18-09-78	42	Field Officer Institute of Productivity & Mgmt
34	Mr. Thomas E J	Branch Manager	353,868	M.A.	25	07-03-77	50	Sales Representative T M Chacko & Sons
<b>(B) Employed for part of the year and in receipt of remuneration of not less than Rs. 25,000 per month</b>								
1	Mr. Bharath Raghavan	Deputy Company Secretary & Manager - Legal	38,776	B.Com., ACS	12	13-02-98	34	Senior Manager Peregrine Capital India Pvt. Ltd.
2	Mr. E Kanthasami	Regional Manager	360,940	B.Sc.	24	01-06-97	46	Regional Manager Carew & Phipson Co Ltd.
3	Mr. Kiran Kumar	Marketing Manager	229,205	PGDM	7	28-04-97	30	Product Manager Olam Exports (I) Pvt. Ltd.
4	Mr. P Dey	Assistant Regional Manager	225,804	PGDM	14	01-06-95	37	Territory Sales Manager Brooke Bond India Ltd
5	Ms. Patricia Peters	Executive Secretary	146,663	HSC	36	20-06-94	55	Executive Secretary Ceat Electronics
6	Mr.S K Chatterjee	Company Secretary	288,956	B.Com., LLB, ACS	8	02-07-90	33	Management Trainee India Photographic Co Ltd

**NOTES :**

- The appointment of all the employees is contractual.
- None of the above employees is related to any Director of the Company.
- Remuneration includes salary and allowances, medical expenses, leave travel assistance, commission, bonus, Company's contribution to provident and superannuation funds and also the monetary value of perquisites calculated in accordance with the provisions of the Income-tax Act, 1961, and the Rules framed thereunder.

By authority of the Board

**VIJAY MALLYA**  
*Executive Chairman*

Mumbai, 30th November, 1998.