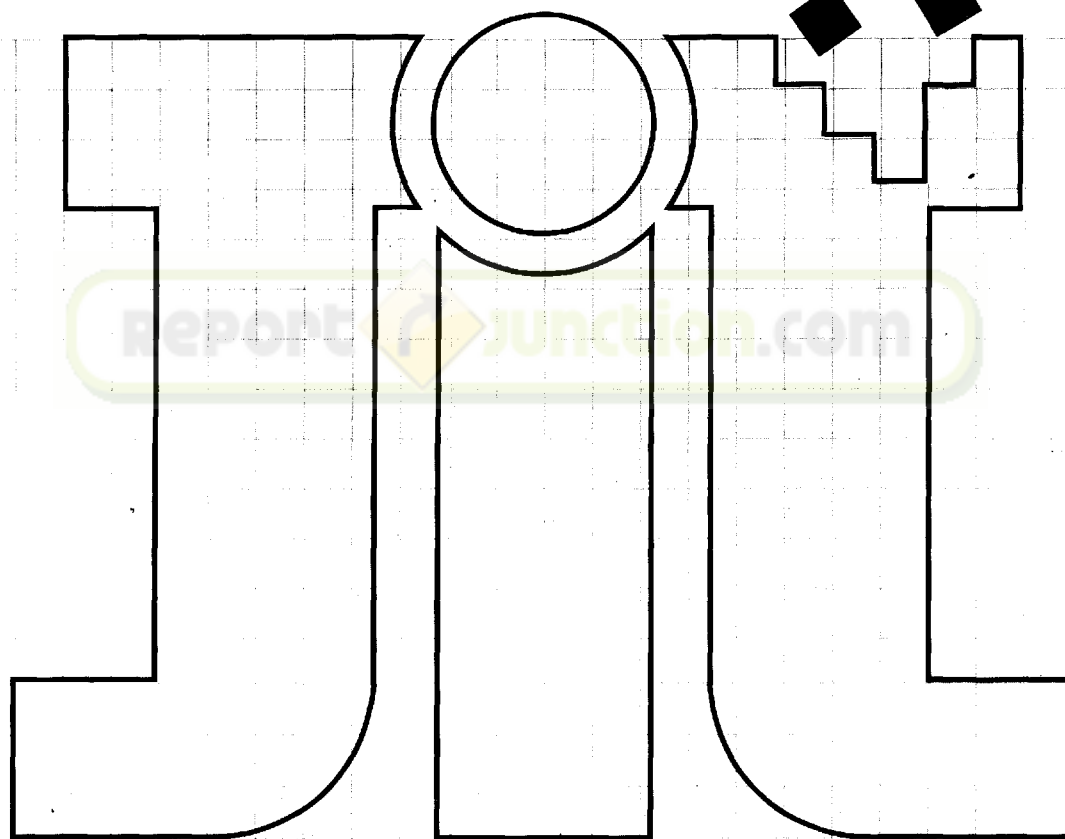


ANNUAL REPORT 2004-05



JAGATJIT INDUSTRIES LIMITED

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Jagatjit Industries Limited

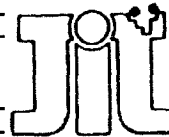
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Subsidiary Company

Binnies Estates Limited

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Directors' Report



**JAGATJIT
INDUSTRIES
LIMITED**



L.P. JAISWAL
Chairman

To the Shareholders

The Directors have pleasure in presenting their Report and Statement of Accounts for the financial year ended 31st March, 2005.

FINANCIAL RESULTS

	2004-05	(Rs. '000) 2003-04
Profit for the year after charging all expenses excluding financing charges and depreciation	95,602	178,480
Deduct: Financing Charges	54,225	48,835
Depreciation	47,520	(28,311)
Profit for the year before taxation	(6,143)	157,956
Tax Expenses		
Current Tax	—	4,400
— For the year	16,975	—
— For earlier years	(14,637)	43,243
Deferred Tax (Benefit)/Charge	(8,481)	110,313
APPROPRIATIONS		
Balance carried to Balance Sheet	(8,481)	110,313
	(8,481)	110,313

SALES & PROFIT

During the year under report, the sales (Net of Excise Duty) of the Company were Rs. 31,436.05 lacs as compared to Rs. 33,028.50 lacs and loss before taxation Rs. 61.43 lacs as compared to the profit of Rs. 1,579.56 lacs respectively during the previous year. "The unprecedented substantial increase in the prices of molasses (the basic raw material for alcoholic beverages) during the financial year adversely affected the profitability of the Company. The prices of molasses increased to Rs. 7,460 PMT as compared to average price of Rs. 3015 PMT in the previous year. During the year under report, the company would have incurred additional cost of Rs. 35 crores on this

account. However, the loss was restricted to Rs. 20 crores by use of grain spirit instead of molasses spirit."

DIVIDEND

The Board of Directors do not recommend any dividend for the year under report.

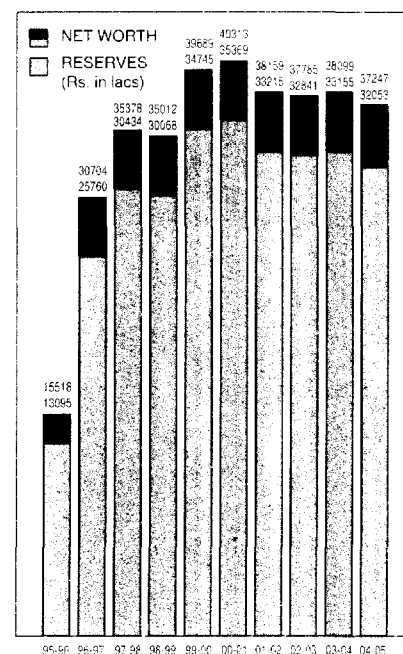
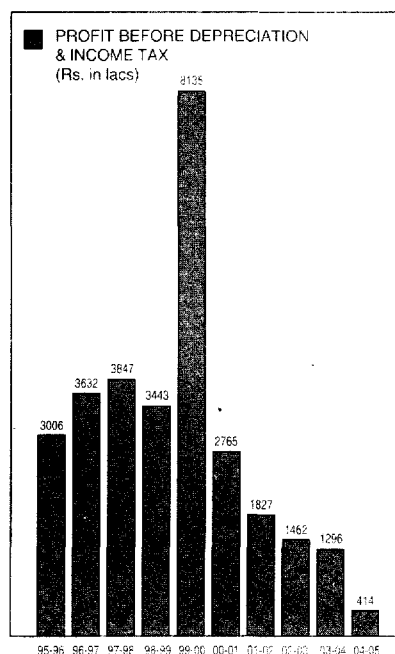
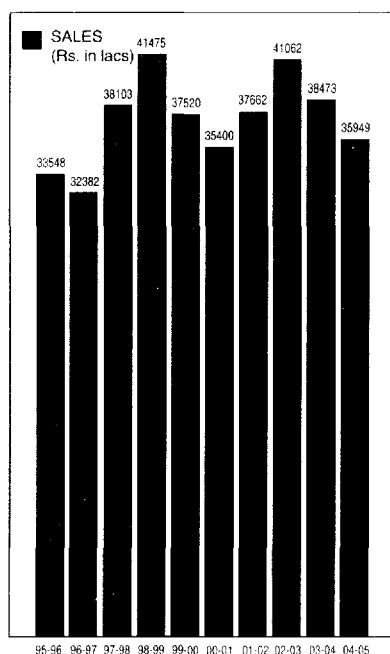
PROSPECTS FOR FUTURE

The reduction of prices of the molasses as expected during the financial year 2005-06, will improve the margins and consequently the profitability.

OTHER FACTORS

Mrs. Gita Bawa, Director, retires by rotation, is eligible and offers herself for re-appointment.

Directors' Report



Mr. Arvind Behl, was appointed as an Additional Director of the Company on 30th October, 2004. He holds office upto the date of the ensuing Annual General Meeting and is eligible for re-appointment. Notice under Section 257 of the Companies Act, 1956, has been received from a member signifying his intention to propose the name of Mr. Arvind Behl as a Director of the Company.

The Directors' Report and Audited Accounts of Binnies Estates Limited for the year ended 31st March, 2005 alongwith the information specified under Section 212 of the Companies Act, 1956, are annexed.

As on 31st March, 2005, 349 persons whose Fixed Deposits/Loans with the Company amounting to Rs. 55.89 lacs had become due for payment during the year, did not claim or renew their Deposits/Loans. Out of these, Fixed Deposits/Loans of 107 persons amounting to Rs. 22.32 lacs have since been renewed/paid.

Messrs Price Waterhouse, Chartered Accountants, Auditors of the Company, retire at the forthcoming Annual General Meeting. The Company has received a Special Notice from a Member proposing the name of M/s Mittal Chaudhary & Company, Chartered Accountants, New Delhi for appointment as statutory auditors of the Company at the ensuing Annual General Meeting. The Company has received a confirmation from them that their appointment, if made, will be within the prescribed limits specified under Section 224(1B) of the Companies Act, 1956. The Board of Directors of your Company place on record their sincere appreciations for the services rendered by Messrs Price Waterhouse during their tenure and propose to seek continuous professional services including as internal auditors, from M/s Price Waterhouse, Chartered Accountants.

The Board of Directors hereby state that

- In the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures.
- The Directors had selected such accounting policies and applied them consistently (except for corrections made in classification of certain items of Plant and Machinery based upon the advice of a Technical Expert from continuous plant to normal plant on retrospective basis and the computation of Depreciation as referred to in Note II(B)3(b) on Schedule 22) 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 at the end of the financial year and of the profit or loss of the Company for that period.
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Directors had prepared the annual accounts on a going concern basis.

A report on Corporate Governance and the Management Discussion and Analysis report are annexed separately and form part of this report.

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this report. However, as

per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders of the Company excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy of the said statement may write to the Secretary at the Registered Office of the Company.

The shares of your Company are listed at the Ludhiana, Delhi, Mumbai and Calcutta Stock Exchanges and the Listing fees for the financial year 2005-06 have been paid.

As required under Section 217(1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed.

The Notes forming part of the Accounts being self-explanatory, the comments made by the Auditors in their Report, are not being dealt with separately.

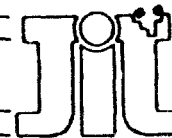
The Directors place on record their appreciation for the services rendered by the employees of the Company.

For and on behalf of the Board

Sd/-
Managing Director

Sd/-
Director

Date : 20th July, 2005



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ANNEXURE TO THE DIRECTORS' REPORT 2004-05

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

Information under Section 217(1)(e) of 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, 2005.

A. CONSERVATION OF ENERGY

(a) Energy Conservation Measures Taken

The Company lays great emphasis on the conservation of energy and to give impetus to this objective, pollution control devices have been installed with generation of Bio Gas which is used as an alternate source of fuel for energy generation. Steam turbines have been installed for self generation of power thereby saving the cost of energy consumption.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

The Company is continuously investing on the waste heat recovery system and other energy saving devices at appropriate units.

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

With implementation of the above measures, energy consumption may reduce to a certain extent resulting in a marginal reduction of cost of production.

(d) Total energy consumption per prescribed Form A together with Comparative Figures for 2003-04 is as under (in respect of Dairy, Food Processing and Glass Units).

FORM A

CONSERVATION OF ENERGY

(A) Power & Fuel Consumption

	2004-05	2003-04
1. Electricity		
(a) Purchases		
Units (KWH)	15,410,490	16,375,770
Total amount (Rs.)	59,253,419	63,907,954
Rate/Unit (Rs.)	3.85	3.90
(b) Own Generation		
(i) Through Diesel generator Units (KWH)	2,212,157	2,081,608
Units per litre of diesel oil (KWH)	7.54	6.02
Cost/Unit (Rs.)	6.84	6.34
(ii) Through Steam turbine/generator		
Units (KWH)	4,659,187	4,935,205
Units per kg. of steam (KWH)	0.74	0.74
Cost/Unit (Rs.)	0.46	0.43
2. Furnace Oil		
Quantity (Tonnes)	38	9,010
Total amount (Rs.)	384,849	96,216,231
Average Rate (Rs.)	10,153	10,679
3. Natural Gas		
Quantity (Cubic Meters)	12,443,344	541,008
Total Cost (Rs.)	105,959,251	4,660,214
Rate/Cubic Meter (Rs.)	8.52	8.61

Directors' Report

Continued

	2004-05	2003-04
4. Others/Internal Generation		
Husk		
Quantity (Tonnes)	21,535	22,121
Total Cost (Rs.)	31,462,062	32,613,586
Rate/Unit (Rs.)	1460.94	1474.35

- (e) The Company operates with a number of factories and produces various products and uses different sources of energy in different combinations for different products. It is, therefore, not feasible to arrive at the energy consumption per unit for each source of energy as prescribed.

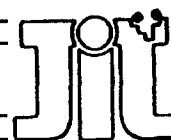
B. RESEARCH AND DEVELOPMENT AND TECHNOLOGY ABSORPTION

Continuous R&D effort so as to improve existing products and to develop newer products to meet the challenges of increasing competition is an on-going part of the Company's activities.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Complete information required under this head is shown in Notes No. 24, 25, 26 and 27 in Schedule 22 II B—Notes to Accounts. Members are requested to please refer to these Notes for the relevant information.

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Your Company is a multi-product company manufacturing Alcoholic Beverages, Malted Milkfood, Dairy Products, Glass Containers and Plastic Containers. However, as the Alcoholic Beverages business is the major activity, the Management Discussion and Analysis Report is mainly restricted to the Alcoholic Beverages only.

A. INDUSTRY OVERVIEW

Alcoholic Beverage industry in India comprises of Indian Made Foreign Liquor (IMFL) and Country Liquor. IMFL consists of Whisky, Rum, Gin and Vodka. Whisky comprises of large portion of IMFL market and accounts for nearly 60% of the market. The total IMFL industry in India is estimated at around 100 million cases growing @ 9 to 10% per annum. Country Liquor segment is about 10 million cases per annum.

Your Company has a market share of around 10% of IMFL industry with ARISTOCRAT, ARISTOCRAT PREMIUM, AC BLACK, ACP GOLD, BONNIE SCOT & BINNIES as the leading brands available across the Country. Country liquor is manufactured and sold in the State of Punjab and has market share of around 16% in Punjab.

The Company also manufactures Malted Milkfood and Dairy products on the Contract Manufacturing basis for the leading manufacturers in this industry.

The Glass container division of the Company performed well during the year. With the looking up of the economy during the year and improved performance all around, the performance in this sector is also expected to improve leading to higher demand. Though this division basically caters the internal demand of the Company, it has also contributed its part in the revenue generation.

B. REGULATORY ENVIRONMENT

Alcoholic Beverage industry in India is highly regulated. The State Government controls the production, Excise Duty structure and the distribution. The incidents of duties are very high and there is no unanimity of policies amongst various States. The advertising of alcoholic beverages is not permitted in India.

C. OPPORTUNITIES AND THREATS

The industry suffers due to heavy taxation and over-regulations which have affected the profitability. Heavy Excise Duty levied on the products increases the selling price thus restricting the sales. However, with the changing life style and increase of spending power, the Industry is witnessing a strong growth in the lower price segment, where your Company is a leading player.

D. OUTLOOK

The profitability of the Liquor Industry has been badly affected due to almost 200% increase in the prices of the molasses, the basic raw material for manufacture of alcohol, since the beginning of the year 2004. This, coupled with increase in the oil prices affected adversely the margins. All the leading manufacturers of Liquor Industry increased the prices of finished goods so as to meet the increased cost of production. The increased prices of lower segment products restricted the growth in short term. However, the prices of molasses are now witnessing the downward trend, which will reduce the cost of production resulting into higher demand and better margins.

Your Company embarked upon brand building exercises since Financial Year 2001-02, resulting in heavy Sales Promotion expenses. This also affected the profits in the year under review. The effects of this venture have started showing the results. The brands introduced in the previous years viz. ACP Gold, AC Neat Whisky and Aristocrat Old Reserve Whisky have been well accepted in the market. Your Company is also planning to add some more new brands which will be introduced very soon. Certain production capacities are also proposed to be increased. This will reduce the cost of production, increase the market share and the revenue generation.

With overall growth of the economy all around, your Company is confident of growth in all the segments in line with the National GDP growth envisaged at 5 to 8%.

E. INTERNAL CONTROL SYSTEM

The Company has adequate internal control system supplemented by internal audits by professional firms.

Directors' Report

Continued

CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Corporate Governance

The Company believes that compliance of the code of Corporate Governance is always helpful for smooth operations of the Company and to maintain the transparency and accountability in all the transactions of the Company. To excel with due diligence, is the underlying guiding force to further strengthen management and decision making process. The Board of Directors and Management of the Company always keep in mind the confidence of the Shareholders reposed in them.

2. Board of Directors

The Board of Directors Comprises of eminent persons who have the expertise and experience to guide and manage the Company. The Board comprises of 6 members with majority of the Directors being non executive.

Sl. No.	Name of the Director	Category	No. of Board Meetings held during the tenure	No. of Board Meetings attended	No. of other Directorships	No. of memberships/ Chairmanships in other Board Committees	Last Annual General Meeting attended
1.	Mr. L.P. Jaiswal	Non-Executive Promoter	8	4	10	—	No
2.	Mrs. Gita Bawa	Non-Executive Independent	8	7	—	—	No
3.	Mr. Surjit Singh Bawa	Non-Executive Independent	8	7	—	—	No
4.	Mrs. Shakun Jaiswal	Non-Executive Promoter	8	7	5	—	No
5.	Mr. Karamjit Jaiswal	Executive Promoter	8	8	7	—	No
6.	Mr. Arvind Behl	Executive	3	3	6	—	N/A

The Company held eight Board Meetings during the period under review on 30th April, 2004, 14th June, 2004, 31st July, 2004, 30th August, 2004, 30th October, 2004, 30th November, 2004, 31st January, 2005 and 28th February, 2005.

Mrs. Gita Bawa, Director, retires at the ensuing Annual General Meeting, is eligible and offers herself for re-appointment. Mrs. Gita Bawa has vast business and administration experience of around three decades. She is well versed with the intricacies of business management, finance, accounts and banking. She is not a Director or member of any committee of any other company.

Mr. Arvind Behl, was appointed as an Additional Director of the Company on 30th October, 2004. He holds office upto the date of the ensuing Annual General Meeting and is eligible for re-appointment. Notice under Section 257 of the Companies Act, 1956, has been received from a member signifying his intention to propose the name of Mr. Arvind Behl as a Director of the Company. Mr. Arvind Behl is a post graduate in Marketing and has experience of around two decades in the fields of Marketing and Administration. He is director in six other companies viz. Lifetime Constructions Pvt. Ltd., Varsha Constructions Pvt. Ltd., Swastik Constructors & Builders Pvt. Ltd., R. Constructions Pvt. Ltd., Win Win Traders Pvt. Ltd. and Triplefast Investments Pvt. Ltd. He is not a member of any Committee of any other Company.

3. Audit Committee

The Audit Committee comprises of Mr. Surjit Singh Bawa, Mrs. Gita Bawa and Mrs. Shakun Jaiswal. Mr. Surjit Singh Bawa is the Chairman of the Committee.

The terms of reference of this Committee cover the matters specified for Audit Committee under Clause 49 of the Listing Agreement as well as in Section 292A of the Companies Act, 1956.

During the year under review the Audit Committee held four meetings and all the members were present in all the Meetings.

4. Remuneration Committee

The Remuneration Committee comprises of Mr. Surjit Singh Bawa, Mrs. Gita Bawa and Mrs. Shakun Jaiswal. Mr. Surjit Singh Bawa is the Chairman of the Committee. The functions and terms of reference of the Committee are


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as prescribed under the Listing Agreement with the Stock Exchanges. It determines the Company's policy on all elements of remuneration packages of all the Directors including salary, benefits, bonus, stock options, pension rights and compensation payment etc. It also reviews all aspects of benefits and compensation to employees throughout the Company including policies on the same.

Remuneration policy of the Company is such as to retain the employees on long term basis and is comparable with other industries in the region.

During the period under report Mr. L.P. Jaiswal, Mr. Karamjit Jaiswal and Mr. Arvind Behl (Directors during the Financial Year 2004-05) were paid remuneration as under :

(Amount in Rs.)

Name of the Director	Salary	Perquisites & others	Total
Mr. L.P. Jaiswal	9,97,800	—	9,97,800
Mr. Karamjit Jaiswal	12,00,000	12,54,700	24,54,700
Mr. Arvind Behl	1,47,483	89,185	2,36,668

(Perquisites & others include contribution to Funds, Commission and other allowances)

Details of Sitting Fees paid towards attending the Board and Committee Meetings during the Year:

Sl. No.	Name of the Director	Total Sitting Fees Paid (Rs.)
1.	Mr. L.P. Jaiswal	3,000/-
2.	Mr. Surjit Singh Bawa	10,500/-
3.	Mrs. Gita Bawa	10,500/-
4.	Mrs. Shakun Jaiswal	10,500/-

During the year under review the Remuneration Committee held one meeting and all the members were present in the Meeting.

5. Shareholders' Committee

The Shareholders' Committee comprises of Mr. Surjit Singh Bawa, Mrs. Gita Bawa and Mrs. Shakun Jaiswal. Mr. Surjit Singh Bawa is the Chairman of the Committee. Mr. K.K. Kohli, Company Secretary, has been appointed as the Compliance Officer. The functioning and terms of reference of the Committee are as prescribed under and in due compliance with the Listing Agreement with the Stock Exchanges with particular reference to the transfers and complaints of the shareholders of any nature.

The Company received 22 complaints from the shareholders, and all the said complaints were redressed to the satisfaction of the shareholders during the year ended 31st March, 2005.

No transfer was pending on 31.03.2005 for more than 30 days of its receipt.

During the year under review the Shareholders' Committee held two meetings and all the members were present in both the Meetings.

6. General Body Meetings

The last three Annual General Meetings of the Company were held at the Registered Office of the Company at Jagatjit Nagar-144802, Distt. Kapurthala (Punjab), as per details given below :

Year	Date	Day	Time
2002	29.04.2004	Thursday	12.00 Noon
2003	29.04.2004	Thursday	12.30 P.M.
2004	09.09.2004	Thursday	11.00 A.M.

The Company has passed Two Special Resolutions in the last three Annual General Meetings.

During the last financial year the Company passed one Special Resolution through postal ballot for issuance of equity shares with differential rights as to dividend and voting to a Promoter Company, on preferential basis. A senior practicing Chartered Accountant was appointed as the scrutinizer. The resolution was passed unanimously. No Special Resolution is proposed to be conducted through Postal Ballot in this Annual General Meeting.

7. Disclosures

There was no transaction of material nature with the Directors or the Management or their relatives during the year, which may have conflict with the interests of the Company at large.

There was no instance of non-compliance on any matter related to the capital markets during the last three years.

Directors' Report

Continued

8. Means of Communications

The Annual, Half Yearly and Quarterly results are submitted to the Stock Exchanges in accordance with Listing Agreement and are published in newspapers in a widely circulated English daily and a Punjabi daily as required under the Listing Agreement. The same are also forwarded to the shareholders on their request. Management Discussion and Analysis Report is enclosed and forms part of the Annual Report.

9. General Shareholders Information

a) Annual General Meeting

Date	:	28th September, 2005
Time	:	9.00 A.M.
Venue	:	Registered Office

b) Financial Calendar (2005-06)

(i) First Quarter Results	:	End of July, 2005
(ii) Half Yearly Results	:	End of October, 2005
(iii) Third Quarter Results	:	End of January, 2006
(iv) Yearly Results	:	End of April, 2006

c) Dates of Book Closure

The Register of Members and Share Transfer Books will remain closed from 26th September, 2005 to 28th September, 2005 (Both days inclusive).

d) Dividend Payment Date

The Board of Directors have not recommended any dividend for the year under review.

e) Listing on Stock Exchanges

The details regarding Listings and payment of Listing Fee to Stock Exchanges are given below

Sl. No.	Name of Stock Exchanges	Stock Code No.
1.	The Ludhiana Stock Exchange Association Ltd.	JIND
2.	The Delhi Stock Exchange Association Ltd.	10004
3.	The Stock Exchange, Mumbai	507155
4.	The Calcutta Stock Exchange Association Ltd.	20084

The Listing Fees for the year 2005-06 have been paid.

f) Stock Market Data

The monthly high and low share prices of the Company in Rs. and the Sensex during the last financial year at the BSE are as follows :

Month	High	Low	Sensex High	Sensex Low
April, 2004	29.70	24.00	5979.25	5599.12
May, 2004	27.20	22.25	5772.64	4227.50
June, 2004	26.80	20.90	5012.52	4613.94
July, 2004	26.00	19.25	5200.85	4723.04
August, 2004	35.75	23.10	5269.22	5022.29
September, 2004	36.60	28.10	5638.79	5178.57
October, 2004	35.00	27.70	5803.82	5558.14
November, 2004	46.00	29.00	6248.43	5649.03
December, 2004	48.50	36.40	6617.15	6176.09
January, 2005	43.90	35.00	6696.31	6069.33
February, 2005	52.80	39.00	6721.08	6508.33
March, 2005	50.00	37.00	6954.86	6321.31

g) Registrar and Transfer Agent

In line with the guidelines of the Securities and Exchange Board of India and to provide better services to its shareholders, the Company has started all the share Registry related work in-house.

h) Share Transfer System

Share Transfer work of physical segment is attended to by the Company within the prescribed time period under law and the Listing Agreement with Stock Exchanges.

All share transfers are approved by a Committee constituted by the Board of Directors, which meets periodically.