

JAGATJIT INDUSTRIES LIMITED

Annual Report

for the year ended 31st March, 2006

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L.P. Jaiswal
(15th February, 1915 - 11th August, 2005)
Founder Chairman

His integrity, values and vision will continue to guide us forever



Directors' Report

To the Shareholders

The Directors have pleasure in presenting their Report and Statement of Accounts for the financial year ended 31st March, 2006.

FINANCIAL RESULTS

	2005-06	(Rs. '000) 2004-05
Profit for the year after charging all expenses excluding financing charges and depreciation	217,807	95,602
Deduct:		
Financing Charges	38,311	54,225
Depreciation	113,769	47,520
Profit for the year before taxation	65,727	(6,143)
Tax Expenses		
Current Tax		
- For the year	5,500	—
- For earlier years	—	16,975
Fringe Benefit Tax	11,500	—
Deferred Tax (Benefit)/Charge	(1,396)	(14,637)
Provision for earlier years written back	(16,975)	—
	67,098	(8,481)
APPROPRIATIONS		
Balance carried to Balance Sheet	67,098	(8,481)
	67,098	(8,481)

SALES & PROFIT

During the year under report, the Gross Turnover (including income from Services & other Sources) was Rs. 407.75 Crores as compared to Rs. 399.96 crores during the previous year. The prices of molasses continued to remain at higher levels and your Company had to use the grains spirit for most of the year. Accordingly, the Company was forced to reduce the volumes in the cheaper segment of Indian Made Foreign Liquor (IMFL) to contain the losses. However, due to better product mix in the IMFL and reduction of certain overhead costs, the Profit before taxation increased to Rs. 657.27 lacs as compared to Loss of Rs. 61.43 lacs during the previous year.

DIVIDEND

The Board of Directors of your Company proposes to retain the profits for use in the business expansion programs. Accordingly, no dividend is recommended for the year under report.

PROSPECTS FOR FUTURE

With the thrust on the core business, your Company is hopeful of larger market share and more generation of revenues resulting in higher profits.

DIRECTORS

Your Directors express their profound grief on the sad demise of Mr. L.P. Jaiswal, the respected founder and Chairman of the Company on 11th August, 2005. The Company grew to these heights and recognition under his able stewardship and guidance. His integrity, values and vision will continue to guide us forever.

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

SUBSIDIARIES

The Directors' Report and Audited Accounts of Binnies Estates Limited for the year ended 31st March, 2006 along with the information specified under Section 212 of the Companies Act, 1956, are annexed.

FIXED DEPOSITS

As on 31st March, 2006, 507 persons whose Fixed Deposits/Loans with the Company amounting to Rs. 97.67 lacs had become due for payment during the year, did not claim or renew their Deposits/Loans. Out of these, Fixed Deposits/Loans of 234 persons amounting to Rs. 52.18 lacs have since been renewed/paid.

Directors' Report

AUDITORS

Messrs Mittal Chaudhry & Company, Chartered Accountants, Auditors of the Company, retire and being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors hereby state that

- i) In the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures.
- ii) The Directors had selected such 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 at the end of the financial year and of the profit or loss of the Company for that period.
- iii) 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.
- iv) The Directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

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

PARTICULARS OF EMPLOYEES

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.

INFORMATION UNDER THE LISTING AGREEMENTS WITH STOCK EXCHANGES

The shares of your Company are listed at the Ludhiana, Delhi, Mumbai and Kolkata Stock Exchanges and the Listing fees for the financial year 2006-07 have been paid.

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

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.

GENERAL

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

Date : 31st July, 2006

Sd/
Managing Director

Sd/
Director



ANNEXURE TO THE DIRECTORS' REPORT 2005-06

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

Information under 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 and forming part of the Directors' Report for the year ended 31st March, 2006.

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 as per prescribed Form 'A' together with Comparative Figures for 2004-05 is as under (in respect of Dairy, Food Processing and Glass Units).

FORM A**CONSERVATION OF ENERGY****(A) Power & Fuel Consumption**

	2005-06	2004-05
1. Electricity		
(a) Purchases		
Units (KWH)	16,347,488	15,410,490
Total amount (Rs.)	61,505,776	59,253,419
Rate/Unit (Rs.)	3.76	3.85
(b) Own Generation		
(i) Through Diesel generator Units (KWH)	1,817,082	2,212,157
Units per litre of diesel oil (KWH)	8.97	7.54
Cost/Unit (Rs.)	7.75	6.84
(ii) Through Steam turbine/generator		
Units (KWH)	4,758,965	4,659,187
Units per kg. of steam (KWH)	0.74	0.74
Cost/Unit (Rs.)	0.51	0.46
2. Furnace Oil		
Quantity (Tonnes)	-	38
Total amount (Rs.)	-	384,849
Average Rate (Rs.)	-	10,153

Directors' Report

Continued

	2005-06	2004-05
3. Natural Gas		
Quantity (Cubic Meters)	12,812,581	12,443,344
Total Cost (Rs.)	110,470,422	105,959,251
Rate/Cubic Meter (Rs.)	8.62	8.52
4. Others/Internal Generation		
Husk		
Quantity (Tonnes)	22,465	21,535
Total Cost (Rs.)	36,435,985	31,462,062
Rate/Unit (Rs.)	1,621.90	1,460.94

- (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.



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 12 million cases per annum.

Your Company has a market share of around 10% of IMFL industry with ARISTOCRAT, ARISTOCRAT PREMIUM, AC BLACK, BONNIE SCOT & BINNIIES 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. Further, the competition from domestic, multinationals and unlicensed manufacturers have also increased which is effecting the margins and 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 substantial 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 during the year under review witnessed some reduction, leading to reduction in cost of production resulting into higher demand and better margins. Effective measures have been taken to reduce the overheads costs coupled with optimum utilization of resources and better product mix.

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 commensurate with its size and nature of business to ensure to safe guard and protect the interests and assets of the Company. A strong net work of Management Information System has been implemented to ensure the reliability of the reports and documents.

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	2	Nil	10	-	No
2.	Mrs. Gita Bawa	Non-Executive Independent	9	9	-	-	Yes
3.	Mr. Surjit Singh Bawa	Non - Executive Independent	9	9	-	-	Yes
4.	Mrs. Shakun Jaiswal	Non- Executive Promoter	9	9	5	-	No
5.	Mr. Karamjit Jaiswal	Executive Promoter	9	9	7	-	No
6.	Mr. Arvind Behl	Executive	9	9	6	-	No
7.	Mr. Sudhir Avasthi**	Non - Executive Independent	1	Nil	9	-	N. A.

* Mr. L. P. Jaiswal has expired on 11th August, 2005.

** Mr. Sudhir Avasthi was appointed as an Additional Director w.e.f. 27th March, 2006.

The Company held Nine Board Meetings during the period under review on 30th June, 2005, 20th July, 2005 (Adjourned Meeting), 30th July, 2005, 16th August, 2005, 15th September, 2005, 31st October, 2005, 30th November, 2005, 31st January, 2006, 28th February, 2006 and 27th March, 2006.

Mrs. Shakun Jaiswal, Director, retires at the ensuing Annual General Meeting, is eligible and offers herself for re-appointment. Mrs. Shakun Jaiswal has vast business and administration experience. She is well versed with the intricacies of business management. She is in the garment export business for the last 15 years. She is not a Director or member of any committee of the Board of any other company.

Mr. Sudhir Avasthi was appointed as Additional Director of the Company on 27th March, 2006. He holds the office upto the date of ensuing Annual General Meeting.

3. Audit Committee

The Audit Committee comprises of Mr. Surjit Singh Bawa, Mrs. Gita Bawa and Mr. Sudhir Avasthi. Mr. Sudhir Avasthi has been appointed as the member and the Chairman of the Committee w.e.f. 27th March, 2006. Prior to this Mr. Surjit Singh Bawa was the Chairman of the Committee. Mrs. Shakun Jaiswal ceased to be member w.e.f. 27th March, 2006.

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 had five meetings and all the then members were present in all the Meetings.

4. Remuneration Committee

The Remuneration Committee comprises of Mr. Surjit Singh Bawa, Mrs. Gita Bawa and Mr. Sudhir Avasthi . Mr. Surjit Singh Bawa is the Chairman of the Committee. Mr. Sudhir Avasthi was appointed as the member w.e.f. 27th March, 2006. Mrs. Shakun Jaiswal ceased to be member w.e.f. 27th March, 2006.

The functions and terms of reference of the Committee are 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. Karamjit Jaiswal , Mr. Arvind Behl (Directors during the Financial Year 2005-06) were paid remuneration as under :

(Amount in Rs.)

Name of the Director	Salary	Perquisites & others	Total
Mr. Karamjit Jaiswal	12,00,000	20,04,770	32,04,770
Mr. Arvind Behl	6,96,000	1,57,084	8,53,084

(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. Surjit Singh Bawa	13,500/-
2.	Mrs. Gita Bawa	13,500/-
3.	Mrs. Shakun Jaiswal	13,500/-

During the year under review the Remuneration Committee had two meetings and all the then members were present in both the Meetings.

5. Investors Grievance Committee

The Investors Grievance Committee comprises of Mr. Surjit Singh Bawa, Mrs. Gita Bawa and Mr. Sudhir Avasthi. Mr. Surjit Singh Bawa is the Chairman of the Committee. Mr. K.K. Kohli, Company Secretary, is the Compliance Officer. Mr. Sudhir Avasthi was appointed as the member w.e.f. 27th March, 2006. Mrs. Shakun Jaiswal ceased to be member w.e.f. 27th March, 2006.

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 eight complaints from the shareholders, and all the said complaints were redressed to the satisfaction of the shareholders during the year ended 31st March, 2006.

No transfer was pending on 31st March, 2006 for more than 30 days of its receipt.

During the year under review the Investors Grievance Committee had two meetings and all the then 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
2003	29.04.2004	Thursday	12.30 P.M.
2004	09.09.2004	Thursday	11.00 A.M.
2005	28.09.2005	Wednesday	09.00 A.M.

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

Directors' Report

Continued

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.

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	:	29th September, 2006
Time	:	09.00 A.M.
Venue	:	Registered Office

b) Financial Calendar (2006-07)

(i) First Quarter Results	:	End of July, 2006
(ii) Half Yearly Results	:	End of October, 2006
(iii) Third Quarter Results	:	End of January, 2007
(iv) Yearly Results	:	End of April, 2007

c) Dates of Book Closure

The Register of Members and Share Transfer Books will remain closed from 27th September, 2006 to 29th September, 2006 (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 Where Listed	Stock Code No.
1.	Ludhiana Stock Exchange Ltd.	JIND
2.	The Delhi Stock Exchange Association Ltd.	10004
3.	Bombay Stock Exchange Ltd.	507155
4.	The Calcutta Stock Exchange Association Ltd.	20084

The Listing Fees for the year 2006-07 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, 2005	62.80	39.00	6649.42	6118.42
May, 2005	61.75	51.60	6772.74	6140.97
June, 2005	86.00	53.50	7228.21	6647.36
July, 2005	81.70	67.30	7708.59	7123.11
August, 2005	95.85	63.00	7921.39	7537.50
September, 2005	94.90	65.00	8722.17	7818.90
October, 2005	75.00	49.50	8821.84	7656.15
November, 2005	69.90	55.00	9033.99	7891.23
December, 2005	71.90	61.00	9442.98	6869.56
January, 2006	74.90	57.10	9945.19	9158.44
February, 2006	104.00	57.00	10422.65	9713.51
March, 2006	76.85	60.50	11356.95	10344.26

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 is doing all the share Registry related work in-house.