

JAGATJIT INDUSTRIES LIMITED

Annual Report

for the year ended 31st March, 2007

Report  Junction.com





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, 2007.

FINANCIAL RESULTS

	2006-07	(Rs. '000) 2005-06
Profit for the year after charging all expenses excluding financing charges and depreciation	389,522	217,807
Deduct:		
Financing Charges	69,377	38,311
Depreciation	120,548	113,769
Profit for the year before taxation	199,597	65,727
Tax Expenses		
Current Tax		
– For the year	26,500	5,500
– Fringe Benefit Tax	12,000	11,500
Deferred Tax (Benefit)/Charge	19,370	(1,396)
Provision for earlier years written back	(22,000)	(16,975)
	163,727	67,098
APPROPRIATIONS		
Balance carried to Balance Sheet	163,727	67,098
	163,727	67,098

SALES & PROFIT

During the year under report, the Gross Turnover (including income from Services & Other Sources) was Rs. 639.70 crores as compared to Rs. 407.75 crores during the previous year and the Profit before taxation increased to Rs. 1995.97 lacs as compared to Rs. 657.27 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

Mr. Surjit Singh Bawa, Director retires by rotation, is eligible and offers himself for re-appointment.

SUBSIDIARIES

The Directors' Report and Audited Accounts of Binnies Estates Limited, the Subsidiary Company, for the year ended 31st March, 2007 alongwith the information specified under Section 212 of the Companies Act, 1956, are annexed.

FIXED DEPOSITS

As on 31st March, 2007, 372 persons whose Fixed Deposits/Loans with the Company amounting to Rs. 73.09 lacs had become due for payment during the year, did not claim or renew their Deposits/Loans. Out of these, Fixed Deposits/Loans of 51 persons amounting to Rs. 11.64 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 have been followed along with proper explanations relating to material departures.
- ii) The Directors have 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 have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) The Directors have 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 2007-08 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 : 30th June, 2007

Sd/-
Managing Director

Sd/-
Director



ANNEXURE TO THE DIRECTORS' REPORT 2006-07

**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, 2007.

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 2005-06 is as under (in respect of Dairy, Food Processing and Glass Units).

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

	2006-07	2005-06
1. Electricity		
(a) Purchases		
Units (KWH)	12,935,757	16,347,488
Total amount (Rs.)	47,204,262	61,505,776
Rate/Unit (Rs.)	3.65	3.76
(b) Own Generation		
(i) Through Diesel generator Units (KWH)	1,423,599	1,817,082
Units per litre of diesel oil (KWH)	2.97	2.66
Cost/Unit (Rs.)	8.88	7.75
(ii) Through Steam turbine/generator		
Units (KWH)	6,710,708	4,758,965
Units per kg. of steam (KWH)	0.74	0.74
Cost/Unit (Rs.)	0.60	0.51
2. Natural Gas		
Quantity (Cubic Meters)	9,557,611	12,812,581
Total Cost (Rs.)	87,871,061	110,470,422
Rate/Cubic Meter (Rs.)	9.19	8.62
3. Others/Internal Generation		
Husk		
Quantity (Tonnes)	30,453	22,465
Total Cost (Rs.)	65,773,532	36,435,985
Rate/Unit (Rs.)	2,159.84	1,621.90
(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.

Directors' Report

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Your Company is a multi-product company manufacturing Alcoholic Beverages (being Indian Made Foreign Liquor and Country Liquor), Malted Milkfood, Dairy Products, Glass 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, Brandy, 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 110 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 7.5% of IMFL industry with ARISTOCRAT, ARISTOCRAT PREMIUM, AC BLACK, BONNIE SPECIAL & BINNIES as the leading brands available across the Country. Country liquor is manufactured and sold in the State of Punjab and your Company has market share of around 13% in Punjab.

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

With the looking up of the economy during the year and improved performance all around, the performance in the Glass Container 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. The production capacity of the unit has been enhanced to meet the internal demand and also to increase the sales turnover.

B. REGULATORY ENVIRONMENT

Alcoholic Beverage industry in India is highly regulated. The State Government controls the production, Excise Duty structure and the distribution. Some State Governments also control the prices. 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. In line with its commitment with WTO, the Government of India has been consistently reducing the import duty on spirits, which is also a cause of concern for the liquor industry. The liquor industry is also suffering due to illicit liquor production, whereby not only the industry is suffering but also the State Governments are losing heavily on account of excise duty and sales tax etc. 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 sales of Alcoholic Beverages (IMFL) during the year have improved leading to better margins and higher profitability. The market scenario during the current year also appears to be encouraging and your company is expecting to post better results during the year. To meet its production requirements in IMFL, the Company has entered into lease agreement to augment its production capacity.

The Company is also expecting to increase the turnover in the malted milkfood and dairy products. The Glass Container division of the Company was partially shut down in September, 2006 for executing the expansion program and recommenced production activities in March, 2007. Due to this shutdown, the production of this division was substantially affected in the financial year 2006-07. The Glass division with its enhanced capacity is also likely to produce better results.

Effective measures are being taken regularly 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.

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.



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

* Mr. Sudhir Avasthi ceased to be Director w.e.f 30th September, 2006.

The Company held Seven Board Meetings during the period under review i.e. on 30th June, 2006, 31st July, 2006, 31st August, 2006, 31st October, 2006, 30th November, 2006, 31st January, 2007 and 28th February, 2007.

Mr. Surjit Singh Bawa, Director, retires at the ensuing Annual General Meeting, is eligible and offers himself for re-appointment. Mr. Surjit Singh Bawa is a graduate and has vast business and administration experience of around three decades. He is well versed with the intricacies of Business Management, Finance, Accounts and Banking. He is not a Director or member of any Committee of Board of any other Company.

3. Audit Committee

The Audit Committee comprises of Mr. Surjit Singh Bawa, Mrs. Gita Bawa and Mr. Arvind Behl. Mr. Arvind Behl has been appointed as the member of the Committee w.e.f. 31st August, 2006. Mr. Surjit Singh Bawa is the Chairman of the Audit Committee w.e.f 31st August, 2006. Prior to this Mr. Sudhir Avasthi was the Chairman of the Committee who ceased to be member of the Committee on 31st August, 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 held Five meetings i.e. on 27th April, 2006, 30th June, 2006, 31st July, 2006, 31st October, 2006 and 31st January, 2007.

Directors' Report

Attendance record of Audit committee members

Name of Members	No of meetings held during the tenure	Meetings attended
Mr. Surjit Singh Bawa	5	5
Mrs. Gita Bawa	5	5
Mr. Sudhir Avasthi	3	2
Mr. Arvind Behl	2	2

4. Remuneration Committee

The Remuneration Committee comprises of Mr. Surjit Singh Bawa, Mrs. Gita Bawa and Mr. Arvind Behl. Mr. Arvind Behl was appointed as the member of the Committee w.e.f 31st August, 2006. Mr. Surjit Singh Bawa is the Chairman of the Committee. Mr. Sudhir Avasthi ceased to be the member w.e.f. 31st August, 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 and Mr. Arvind Behl (Directors during the Financial Year 2006-07) were paid remuneration as under :

Name of the Director	Salary	Perquisites & others	Total (Rs.)
Mr. Karamjit Jaiswal	12,00,000	24,14,665	36,14,665
Mr. Arvind Behl	9,90,400	2,77,137	12,67,537

(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	14,250
2.	Mrs. Gita Bawa	13,500
3.	Mrs. Shakun Jaiswal	1,500
4.	Mr. Sudhir Avasthi	4,500

During the year under review the Remuneration Committee held two meetings i.e. on 31st October, 2006 and 31st January, 2007.

Attendance record of Remuneration Committee members

Name of Members	No of meetings held during the tenure	Meetings attended
Mr. Surjit Singh Bawa	2	2
Mrs. Gita Bawa	2	2
Mr. Arvind Behl	2	2

Details of shareholding of Non-executive Directors

Sl No.	Name of Director	No. of shares held
1.	Mrs. Shakun Jaiswal	100
2.	Mr. Surjit Singh Bawa	300
3.	Mrs. Gita Bawa	308

5. Investors Grievance Committee

The Investors Grievance Committee comprises of Mr. Surjit Singh Bawa, Mrs. Gita Bawa and Mr. Arvind Behl. Mr. Surjit Singh Bawa is the Chairman of the Committee. Mr. K.K. Kohli, Company Secretary, is the Compliance

**Continued**

Officer. Mr. Sudhir Avasthi ceased to be the member w.e.f. 31st August, 2006. Mr. Arvind Behl was appointed as a member of the committee w.e.f. 31st August, 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 eleven complaints from the shareholders and all the said complaints were redressed to the satisfaction of the shareholders during the year ended 31st March, 2007.

No transfer was pending on 31st March, 2007 for more than 30 days of its receipt.

During the year under review the Investors Grievance Committee held four meetings i.e. on 27th April, 2006, 31st July, 2006, 31st October, 2006 and 31st January, 2007.

Attendance record of Investors Grievance Committee members

Name of Members	No of meetings held during the tenure	Meetings attended
Mr. Surjit Singh Bawa	4	4
Mrs. Gita Bawa	4	4
Mr. Sudhir Avasthi	2	2
Mr. Arvind Behl	2	2

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
2004	09.09.2004	Thursday	11.00 A.M.
2005	28.09.2005	Wednesday	09.00 A.M.
2006	29.09.2006	Friday	09.00 A.M.

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

7. Code Of Conduct

The Code of Conduct for the Directors and senior management of the Company has been laid down by the Board and the same is posted on the website of the Company.

Declaration as required under Clause 49 of the Listing Agreement

I, Karamjit Jaiswal, Managing Director, hereby declare that the Code of Conduct adopted by the Company for its Board and Senior Management personnel has been duly complied by all Board Members and Senior Management personnel of the Company.

Place : New Delhi
Date : 30.06.2007

Sd/-
(Karamjit Jaiswal)
Managing Director

8. 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.

9. Means of Communications

The Annul, Half Yearly and Quarterly results are submitted to the Stock Exchanges in accordance with the Listing Agreement and are published in newspapers in a widely circulated English daily and a Pubjabi 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.

Directors' Report

10. General Shareholders Information

- a) Annual General Meeting
- | | | |
|-------|---|----------------------|
| Date | : | 10th September, 2007 |
| Time | : | 09.00 A.M. |
| Venue | : | Registered Office |
- b) Financial Calendar (2007-08)
- | | | |
|-----------------------------|---|----------------------|
| (i) First Quarter Results | : | End of July, 2007 |
| (ii) Half Yearly Results | : | End of October, 2007 |
| (iii) Third Quarter Results | : | End of January, 2008 |
| (iv) Yearly Results | : | End of April, 2008 |
- c) Dates of Book Closure
The Register of Members and Share Transfer Books will remain closed from 7th September, 2007 to 10th September, 2007 (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 2007-08 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, 2006	85.00	70.10	12102.00	11008.43
May, 2006	89.90	61.60	12671.11	9826.91
June, 2006	64.55	41.00	10626.84	8799.01
July, 2006	59.60	45.50	10940.45	9875.35
August, 2006	70.90	48.10	11794.43	10645.99
September, 2006	67.00	56.95	12485.17	11444.18
October, 2006	70.55	60.15	13075.85	12178.83
November, 2006	83.05	64.50	13799.08	12937.30
December, 2006	81.20	67.15	14035.30	12801.65
January, 2007	103.25	68.90	14325.92	13303.22
February, 2007	88.90	66.10	14723.88	12800.91
March, 2007	69.80	58.10	13386.95	12316.10

- 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.
- 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.