

JAGATJIT INDUSTRIES LIMITED

Annual Report
for the year ended 31st March, 2008

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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



JAGATJIT INDUSTRIES LIMITED

NOTICE

NOTICE is hereby given that the Sixty Third Annual General Meeting of JAGATJIT INDUSTRIES LIMITED will be held on Tuesday, the 30th September, 2008 at 11.00 A.M. at the Registered Office of the Company at Jagatjit Nagar, Distt. Kapurthala, Punjab to transact the following business :-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts and Reports of the Directors and Auditors of the Company for the year ended 31st March, 2008.
2. To appoint a Director in place of Mrs. Gita Bawa, who retires by rotation, is eligible and offers herself for re-appointment.
3. To appoint a Director in place of Mr. Arvind Behl, who retires by rotation, is eligible and offers himself for re-appointment.
4. To appoint Auditors of the Company and to fix their remuneration from the conclusion of this Meeting until the conclusion of the next Annual General Meeting. Messrs Mittal Chaudhry & Company, Chartered Accountants, the retiring Auditors, are eligible and offer themselves for re-appointment.

BY ORDER OF THE BOARD
for JAGATJIT INDUSTRIES LIMITED

Date : 30th June, 2008
Registered Office :
Jagatjit Nagar-144 802
Distt. Kapurthala (Punjab)

Sd/-
K. K. Kohli
Company Secretary

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS STEAD AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM IS ENCLOSED.
Proxy form should be lodged with the Company at its Registered Office at least 48 hours before the scheduled time of the meeting.
2. Members are requested to intimate to the Company changes, if any, in their Registered Addresses along with Pin Code Numbers.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 27th September, 2008 to 30th September, 2008 (both days inclusive).
4. Members/Proxies should bring the Attendance Slip duly filled in for attending the Meeting.
5. Members are requested to bring their copy of the Annual Report to the Meeting.
6. The trading of shares of the Company have been put under compulsory dematerialised form. The Company has entered into agreements with M/s. National Securities Depository Ltd. and Central Depository Services (India) Ltd. and is providing all the share registry related services In-house. All members are advised to take steps for dematerialisation of shares for easy liquidity.
7. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.

8. The Company has already transferred the unclaimed dividend declared upto the financial year 1993-94 to the General Revenue Account of the Central Government as was required by the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978.

Further, in terms of Section 205A and 205C of the Companies Act, 1956, the amount of dividend declared for the financial years upto the financial year 1998-99 and remaining unclaimed and unpaid have been transferred to Investor Education and Protection Fund established by the Central Government.

Following dividends have been declared by the Company and the amounts remaining unclaimed and unpaid for a period of seven years will be transferred to said Fund as per the provisions of the Companies Act, 1956.

| Date of Declaration | For the Year |
|---------------------|---------------------|
| 28.01.2004 | 1999-2000 (Interim) |
| 29.04.2004 | 1999-2000 (Final) |

Members who have not encashed their dividend warrants pertaining to the aforesaid year may approach the Company Secretary of the Company at Jagatjit Nagar- 144802, Distt. Kapurthala (Punjab) for issue of Cheques/demand drafts in lieu thereof.

9. Mrs. Gita Bawa and Mr. Arvind Behl, Directors, retire at the ensuing Annual General Meeting, are eligible and offer themselves 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 holds 308 shares in 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 holds 100 shares in the Company.

10. Members are requested to intimate to the Company the details, if any, required in relation to this Annual Report at least 10 days before the meeting to enable the management to keep the information ready.



JAGATJIT INDUSTRIES LIMITED

JAGATJIT NAGAR, DISTT. KAPURTHALA (PUNJAB)

PROXY FORM

| | |
|-----------|--|
| DP ID | |
| Client ID | |

| | |
|-----------|--|
| Folio No. | |
|-----------|--|

I/We
 of
 being a member/members of JAGATJIT INDUSTRIES LIMITED hereby appoint Mr./Ms.
 of
 or failing him/her Mr./Ms.
 of
 as my/our proxy, to attend and vote for me/us on my/our behalf at the 63rd Annual General Meeting of the Company to be held at 11.00 A.M. on Tuesday, the 30th day of September, 2008 and at any adjournment thereof.

Affix a
Revenue
Stamp

Signed this day of2008 Signatures

Note: The proxy in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the meeting at which the person named in the proxy proposes to vote.



JAGATJIT INDUSTRIES LIMITED

JAGATJIT NAGAR, DISTT. KAPURTHALA (PUNJAB)

ATTENDANCE SLIP

| | |
|-----------|--|
| DP ID | |
| Client ID | |

| | |
|-----------|--|
| Folio No. | |
|-----------|--|

Particulars to be completed by the Member

Name of the Member

(IN BLOCK LETTERS)

No. of Shares held

Name of the Proxy, if attending for Member

(IN BLOCK LETTERS)

I hereby record my presence at the 63rd ANNUAL GENERAL MEETING held in Jagatjit Nagar, District Kapurthala at 11.00 A.M. on Tuesday, the 30th day of September, 2008.

(To be signed and handed over at the Reception)

(Signature of Member/Proxy)



Directors' Report

To the Shareholders

The Directors have pleasure in presenting their Report and Statement of Accounts for the financial year ended 31st March, 2008.

FINANCIAL RESULTS

| | 2007-08 | (Rs. '000) 2006-07 |
|--|----------|-----------------------|
| Profit for the year after charging all expenses excluding financing charges and depreciation | 482,692 | 389,522 |
| Deduct: | | |
| Financing Charges | 75,811 | 69,377 |
| Depreciation | 166,636 | 120,548 |
| Profit for the year before taxation | 240,245 | 199,597 |
| Tax Expenses | | |
| Current Tax | | |
| – For the year | 61,000 | 26,500 |
| – Fringe Benefit Tax | 13,200 | 12,000 |
| Deferred Tax (Benefit)/Charge | (10,153) | 19,370 |
| Provision for earlier years written back | — | (22,000) |
| | 176,198 | 163,727 |
| APPROPRIATIONS | | |
| Balance carried to Balance Sheet | 176,198 | 163,727 |
| | 176,198 | 163,727 |

SALES & PROFIT

During the year under report, the Gross Turnover (including income from Services & Other Sources) was Rs. 800.43 crores as compared to Rs. 639.70 crores during the previous year and the Profit before taxation increased to Rs. 2,402.45 lacs as compared to Rs. 1,995.97 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

Mrs. Gita Bawa and Mr. Arvind Behl, Directors retire by rotation, are eligible and offer themselves for re-appointment.

SUBSIDIARIES

The Directors' Report and Audited Accounts of Binnies Estates Limited, the Subsidiary Company, for the year ended 31st March, 2008 alongwith the information specified under Section 212 of the Companies Act, 1956, are annexed.

FIXED DEPOSITS

As on 31st March, 2008, 328 persons whose Fixed Deposits/Loans with the Company amounting to Rs. 66.86 lacs had become due for payment during the year, did not claim or renew their Deposits/Loans. Out of these, Fixed Deposits/Loans of 105 persons amounting to Rs. 26.56 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 safeguarding 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 2008-09 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

Sd/-

Gita Bawa
Director

Place : New Delhi
Date : 0th June, 2008



ANNEXURE TO THE DIRECTORS' REPORT 2007-08

**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, 2008.

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 2006-07 is as under (in respect of Dairy, Food Processing and Glass Units).

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

| | 2007-08 | 2006-07 |
|--|-------------|------------|
| 1. Electricity | | |
| (a) Purchases | | |
| Units (KWH) | 13,533,470 | 12,935,757 |
| Total amount (Rs.) | 52,382,601 | 47,204,262 |
| Rate/Unit (Rs.) | 3.87 | 3.65 |
| (b) Own Generation | | |
| (i) Through Diesel generator Units (KWH) | 1,353,604 | 1,423,599 |
| Units per litre of diesel oil (KWH) | 2.93 | 2.97 |
| Cost/Unit (Rs.) | 9.53 | 8.88 |
| (ii) Through Steam turbine/generator | | |
| Units (KWH) | 8,632,655 | 6,710,708 |
| Units per kg. of steam (KWH) | 0.74 | 0.74 |
| Cost/Unit (Rs.) | 0.59 | 0.60 |
| 2. Natural Gas | | |
| Quantity (Cubic Meters) | 12,394,868 | 9,557,611 |
| Total Cost (Rs.) | 131,692,328 | 87,871,061 |
| Rate/Cubic Meter (Rs.) | 10.62 | 9.19 |
| 3. Others/Internal Generation | | |
| Husk | | |
| Quantity (Tonnes) | 38,341 | 30,453 |
| Total Cost (Rs.) | 95,115,416 | 65,773,532 |
| Rate/Unit (Rs.) | 2,480.78 | 2,159.84 |

(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. 25, 26, 27 and 28 in Schedule 21 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 is generally divided into two main categories-Industrial Alcohol and Potable Alcohol. Potable Alcohol segment comprises of certain categories such as Indian Made Foreign Liquor (IMFL), Country Liquor, Beer and Wine. IMFL primarily comprises 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 125 million cases growing @ 10 to 12% per annum. Country Liquor segment is about 15 million cases per annum in the state of Punjab.

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 10% in the state of 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 division of the Company is also expected to improve owing 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 division has been enhanced to meet the internal demand and also to increase the sales turnover due to increased external demand.

B. REGULATORY ENVIRONMENT

Alcoholic Beverage industry in India is highly regulated. The State Governments control the production, Excise Duty structure and the distribution. Some State Governments also control the prices. The incidences 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 has 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 liquor, which is also a cause of concern for the industry. The industry is also suffering due to illicit liquor production, whereby not only is the industry suffering but also the State Governments are losing heavily on account of excise duty and sales tax etc. However, with the changing life styles and increase of spending power, the Industry is witnessing a strong growth in the middle and lower price segments, 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 current 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 division with its enhanced capacity produced better results and is likely to improve further during the current year.

Prices of raw materials increased during the year. 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 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 safeguard and protect the interests and assets of the Company. A strong network of Management Information System has been implemented to ensure the reliability of the reports and documents.



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 5 members with majority of the Directors being non executive.

Composition of Board of Directors and other details as on 31st March, 2008 are as under :

| 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 |
|-----------------------|---------------------------|--|--------------------------------|----------------------------|---|--------------------------------------|
| Mrs. Gita Bawa | Non-Executive Independent | 8 | 8 | — | — | Yes |
| Mr. Surjit Singh Bawa | Non-Executive Independent | 8 | 8 | — | — | Yes |
| Mrs. Shakun Jaiswal | Non-Executive Promoter | 8 | — | 5 | — | No |
| Mr. Karamjit Jaiswal | Executive Promoter | 8 | 8 | 7 | — | No |
| Mr. Arvind Behl | Executive | 8 | 7 | 3 | — | No |

In the Notice convening the last Annual General Meeting (AGM) of the Company scheduled to be held on 10th September, 2007 it was proposed to re-appoint Mr. Surjit Singh Bawa, Director, who retired by rotation and offered himself for re-appointment. Meanwhile, a few shareholders filed an application before the Hon'ble Company Law Board (the CLB) to stay the holding of the AGM of the Company on the ground of non receipt of the Notice of the AGM. The Company also made its representation. The CLB on 7th September, 2007 while permitting the holding of the AGM on the scheduled date, by its order dated 7th September, 2007 directed the Company to keep in abeyance the coming into effect of the resolutions to be passed in the AGM till further orders and also appointed a scrutinizer to examine and report whether the shareholders of the Company have been served the Notice of the AGM. The AGM was held as scheduled and the shareholders unanimously resolved inter alia to re-appoint Mr. Surjit Singh Bawa as a Director.

The documents relevant to the dispatch of the Notice were submitted to the Scrutinizer and he has submitted his report. The CLB thereafter passed an order dated 29th October, 2007 directing the Company to implement other resolutions of the Meeting subject to final outcome of the petition and advised that no action be taken on the resolution concerning the appointment of Mr. Surjit Singh Bawa till the disposal of the Petition. The Company has sought legal opinion and was advised that in view of the special circumstances in which the resolution re-appointing Mr. Surjit Singh Bawa has been kept in abeyance, he is deemed to continue as a director till fresh appointment or re-appointment is made. Accordingly, Mr. Surjit Singh Bawa continues to be a director till the time the matter of his re-appointment is decided by the CLB.

The Company held Eight Board Meetings during the period under review i.e on 24th May, 2007, 30th June, 2007, 31st July, 2007, 31st August, 2007, 31st October, 2007, 30th November, 2007, 31st January, 2008 and 29th February, 2008.