



we are  
**CHANGING**

**JAGATJIT INDUSTRIES LIMITED**

ANNUAL REPORT 2017-18



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View our 2017-18 Annual Report  
online: [www.jagatjit.com](http://www.jagatjit.com)

### Forward-looking Statement

This report may contain some statements on the Company's business or financials which may be construed as forward-looking based on the management's plans and assumptions. The actual results may be materially different from these forward-looking statements although we believe we have been prudent in our assumptions.





JAGATJIT INDUSTRIES LIMITED

WELCOME TO THE  
WORLD OF  
**JAGATJIT**  
**INDUSTRIES LIMITED**





It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change.



CHARLES DARWIN  
English Naturalist and Geologist



Every industry and business passes through challenging times as the operating landscapes change over time. What differentiates a successful business is their determination to overcome challenges by embracing the change.

At Jagatjit Industries Limited (JIL), we understand the importance of this. And so,

# We decided to **CHANGE**

**From manufacturing** to manpower

**From finance** to franchisee

**From operation** to optimisation

**From efficiency** to execution

We have identified hindrances to growth and developed strategies and execution plans to overcome them.

Today, we are looking ahead with clarity, conviction and confidence.

Optimistic of a better future.

**Determined to reinstate our position as India's leading alco-beverage and malted food manufacturers delivering *Superior Quality at Affordable Prices.***

**We are passionate to preserve *Heritage of Quality.***

Because,

We are  
**CHANGING...**





## Reigniting the **JAGATJIT BRAND**

At Jagatjit Industries, we have grown our reputation with several unique distinctions:

- From being one of Asia's largest integrated distilleries to having constructed India's first fully automated distillation, with in-house facilities for producing molasses and non-molasses based potable alcohol.
- From disrupting the mass segment with quality and affordable semi-premium products to emerging as the leading supplier of malted milk food and food extracts in the country.

Backed by a visionary management and seven decades of strong legacy, we are now undergoing an important change to drive the next phase of growth.

We are:

- Adopting a franchisee model to shift from being a pure manufacturing Company to an asset-light marketing Company.
- Revisiting people strategy to support this transition by hiring more women employees to bring in diversity and providing VRS (Voluntary Retirement Scheme) to surplus workers to become leaner.
- Modernising office space and manufacturing plants with better technologies to bring in more efficiencies.

### OUR MANUFACTURING CAPACITIES

**7.2 million cases p.a.**

Indian Manufactured  
Foreign Liquor

**4.2 million cases p.a.**

Country Liquor

**39,600 MT p.a.**

Malted Milk Food

**13,800 MT p.a.**

Malted Extract

### OUR REPUTATION

**40**

Total Liquor Brands

**ISO 22000:2018**

Food Safety Standard Certified

### CORPORATE PROFILE

Established in 1944 in the erstwhile state of Kapurthala, Punjab, JIL was founded by Late Mr. L.P. Jaiswal. The Company is driven by the promise of providing superior brands at affordable prices. It is listed on the BSE Ltd. The Company has an in-house R&D unit focussed on improving processes to ensure better product development and improving yields. It has 2 own manufacturing plants in the states of Rajasthan (Behror) and Punjab (Jagatjit Nagar, Kapurthala district), and collaboration with bottlers across India. Our products are exported to countries namely Guinea, Ghana, Togo, Burkina Faso, Angola, Cameroon, Nigeria, Sierra Leone, Liberia, Ivory Coast, the UAE, Oman, Italy, Kenya, Uganda, Rwanda, Ukraine to name a few.



## VALUES



Take ownership of the work we do



Work collaboratively as a team to ensure success



Respect and trust each other



Don't cheat



Encourage creativity and out of box thinking



Never too old to learn



Do more with less



Treat women as equals



Consistency and efficiency

## Business **AREAS**



### **Indian Made Foreign Liquor (IMFL)**

- Engaged in the production of Whisky, Rum, Gin, Vodka and Brandy.
- Operations in most states in India with exports to Africa and Middle East for semi-deluxe and below categories.



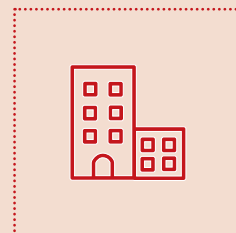
### **Country Liquor**

- Engaged in manufacturing high-quality country liquor having same ENA as that used in IMFL.
- Operates in Punjab with a 13% market share.



### **Food - Malted Milk Food and Malt Extract**

- Engaged in the production of high-quality food, distillery and brewery grade malt with best barley for internal requirements and external sales.
- Long-term contract with GlaxoSmithKline Consumer Healthcare to manufacture its product 'Boost'.



### **Real Estate**

- Engaged in leasing of owned properties for rentals.
- Owns a 2,00,000 Sq. Ft. property in Gurugram spread across 4 acres and a 23,000 Sq. Ft. property in Ashoka Estate, Connaught Place, New Delhi.





## Our strategies to succeed

One of the biggest challenges impacting our performance is the inability to reinvest in business to enhance capacities or acquire better technologies as most of our cash flows are directed towards servicing fixed obligations. This has led to a vicious cycle resulting in volume stagnancy and inefficiencies. Our strategy to succeed in this scenario will be:

### Expanding in an asset-light manner

#### Revamping production-cum-distribution model

Until now, we expanded operations by investing in own manufacturing capacities and sales outlets. This involved significant capital outlay and manpower resources, resulting in surging fixed costs, which negatively impacted our working capital.

To counter this, we are shifting focus to contract manufacturing and franchisee-based distribution model. This will enable us to immediately boost production and sales and widen reach without the need for additional resources and capital. Thus, revenues shall grow, fixed costs per unit shall decline and there shall be steady cash flows.

### Reducing working capital stress

#### Monetise land bank

We shall focus on monetising land bank and utilising cash surplus to discharge debts, reduce interest expenses and invest in operational efficiencies.

#### Provide VRS to permanent workers

We intend to retire permanent workers over a period of time by providing early VRS to minimise fixed costs.

### Revamping product packaging

We intend to utilise additional funds generated from expansion towards brand building and creating brand traction. For this, we are undertaking various promotional activities and revamping the product packaging to make it more attractive, in line with changing trends and competitive scenarios.

In the Financial Year 2017-18, we relaunched IICE Vodka in frosted bottles and revamped the packaging of AC Neat Whisky, both of which had a good market reception.

We also launched AC Black Whisky in Rajasthan and priced it for the first time ever, in the semi-premium segment. The brand is slowly gaining traction.



## A Message from **THE CHIEF RESTRUCTURING OFFICER**



**Roshini Sanah Jaiswal**  
Chief Restructuring Officer

Dear  
Shareholders,

Welcome to  
a changing  
Jagatjit Industries  
Limited!

I am delighted to share with you the Annual Report for the Financial Year 2017-18 encapsulating our strategy and plans for the future growth and expansion. As the title theme of this Annual Report says, 'We are changing,' I am excited to share with you an outline of this change, disruption and transformation to make this organisation sustainable in the long run.

Before I take you through how we are changing, it will be important to understand why we are changing. During the past few years, we have faced significant challenges, both due to external factors and internal issues.

While factors like demonetisation and various bans on the sale of alco-beverage impacted demand, low surplus funds after servicing high fixed costs prevented us from reinvesting in business to scale production, and invest in better technologies and branding. This also led to opportunity loss as stagnant production volumes were insufficient to meet the high latent demand for our products. Keeping the industry outside the purview of Goods and Services

Tax (GST), a bold and disruptive indirect reform aimed at creating open market, further aggravated the scenario as there was no provision for manufacturers to be able to claim input credit set-off.

In addition to the industry challenges, we have also been facing some internal challenges. Rising costs, particularly fixed costs, have stressed our working capital. Other issues, like upgrading our plant and equipment with latest technology can be extremely gruelling on resources. While there is a strong latent demand for many of our products, our resource limitations have constrained our ability to manufacture and meet this demand. Our branding spends have also been under pressure.

And thus, it became necessary to deploy right strategies to overcome these challenges and turnaround operations.

The first step towards this will be to free-up working capital requirement by curbing fixed cost. And for this, we have started moving towards the franchisee model and are evolving from a manufacturing