

McDowell Holdings Limited

ANNUAL REPORT 2008 - 2009

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BOARD OF DIRECTORS

DR. VIJAY MALLYA
CHAIRMAN

A. HARISH BHAT
MANAGING DIRECTOR

N. SRINIVASAN
DIRECTOR

M. R. DORAISWAMY IYENGAR
DIRECTOR

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S. G. RUPAREL
DIRECTOR

S. N. PRASAD
DIRECTOR

COMPANY SECRETARY
RITESH SHAH

AUDITORS
VISHNU RAM & CO., CHARTERED ACCOUNTANTS, BANGALORE

REGISTERED OFFICE
20/2, VITTAL MALLYA ROAD
BANGALORE – 560 001

Your Directors present the fifth Annual Report of your Company and the audited accounts for the year ended March 31, 2009.

FINANCIAL RESULTS

Particulars	For the Financial Year Ended	
	31.03.2009 (Rs.)	31.03.2008 (Rs.)
Income	18,898,901	18,281,787
Less : Expenditure	4,133,362	9,331,140
Profit for the year before interest & tax	14,765,539	8,950,647
Less : Interest	24,931,645	-
(Loss) / Profit before tax	(10,166,106)	8,950,647
Less: Provision for tax	800,000	-
(Loss) / Profit after tax	(10,966,106)	8,950,647
Less: Transfer to Statutory Reserve Fund	-	1,790,129
Balance brought forward from previous year	18,674,029	11,513,511
Balance carried forward to the Balance Sheet	7,707,924	18,674,029

DIVIDEND

In view of the loss, your Directors do not propose any dividend on the equity shares for the year ended March 31, 2009.

REVIEW OF OPERATIONS

The total income of the Company during the financial year under review has marginally increased to Rs. 18,898,901 against Rs. 18,281,787 in the previous financial year. The total expenditure during the year was Rs. 4,133,362 against Rs. 9,331,140 in the previous financial year. After providing for a sum of Rs. 24,931,645 towards interest on inter corporate deposit (previous year : Nil) and Rs. 800,000 towards Provision for tax (previous year : Nil), the Company has recorded a loss of Rs. 10,966,106 for the year under review against net profit of Rs. 8,950,647 in the previous financial year.

During the year under review, the Company has availed an inter-corporate deposit of Rs. 190,000,000 from a group Company to finance the acquisition of 1,070,734 equity shares of Re. 1/- each of United Breweries Limited on rights basis.

FUTURE PROSPECTS

Your Company continues to hold significant investments in the UB Group Companies. During the financial year under review, the Indian economy was badly hit by the global recession, which in turn led to a slump in the stock markets. This resulted in substantial meltdown in the values of stocks held by the Company, which, however, have significantly improved in the current financial year.

Although the Company has not been able to service the inter-corporate deposit availed during the financial year under review, various alternatives are being explored to mitigate the burden of interest. The Company will continue to focus on making long-term strategic investments in various new ventures promoted by the UB group, besides consolidating the existing investments through further investments in the existing Companies as and when opportunities and resources are available.

Report of the Directors (Contd.)

DIRECTORS

Mr. N. Srinivasan retires by rotation and being eligible, offers himself for re-appointment.

Mr. V S Venkataraman resigned from the Board with effect from March 25, 2009. The Board places on record its appreciation of the valuable service rendered by Mr. V S Venkataraman during his tenure as a Director of your Company.

Mr. S Narasimha Prasad was appointed as an Additional Director on March 25, 2009, in terms of Section 260 of the Companies Act, 1956, and will hold office up to the date of the Annual General Meeting. Notice in writing has been received by your Company from a member signifying his intention to propose the appointment of Mr. S Narasimha Prasad as a Director at the Annual General Meeting.

The Board of Directors of the Company, at their Meeting held on July 28, 2009, has re-appointed Mr. A Harish Bhat as Managing Director of the Company in terms of Section 269 of the Companies Act, 1956, for a further period of three years, with effect from November 6, 2009, without remuneration, subject to the approval of the Shareholders at the Annual General Meeting.

As per the declarations received, none of the Directors of the Company is disqualified to be appointed as a Director of any Public Limited Company in terms of Section 274 (1) (g) of the Companies Act, 1956.

AUDITORS

M/s. Vishnu Ram & Co., Chartered Accountants, the retiring Auditors, are eligible for re-appointment at the ensuing Annual General Meeting and it is necessary to fix their remuneration.

LISTING OF EQUITY SHARES OF THE COMPANY

During the year under review, the equity shares of your Company were voluntarily de-listed from Delhi Stock Exchange Limited, in terms of the SEBI (De-listing of Securities) Guidelines, 2003.

The equity shares of your Company continue to be listed on Bangalore Stock Exchange Limited (Regional Exchange), Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

DEPOSITORY SYSTEM

The trading in the equity shares of your Company is under compulsory dematerialisation mode. As on July 24, 2009 (i.e. date of last benpos), equity shares representing 94.74% of the equity share capital are in dematerialised form.

SHIFTING OF REGISTERED OFFICE

Pursuant to the decision taken by the Board of Directors of the Company, the Registered Office of your Company was shifted from 4, Convent Road, Bangalore – 560 025, to 20/2, Vittal Mallya Road, Bangalore – 560 001, with effect from February 16, 2009.

REGISTRATION WITH RESERVE BANK OF INDIA AS NON BANKING FINANCIAL COMPANY

Your Company has already filed application with Reserve Bank of India, seeking registration as Non-Banking Financial Company (non deposit taking) and the Certificate of Registration is awaited.



Report of the Directors (Contd.)

CORPORATE GOVERNANCE

A report on Corporate Governance is annexed separately as a part of this Annual Report along with a certificate of compliance from the Auditors. Necessary requirements of obtaining certifications / declarations in terms of Clause 49 of the listing agreement with the stock exchanges have been complied with.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to Clause 49 of the listing agreement with the stock exchanges, Management Discussion and Analysis Report is annexed and forms an integral part of the Annual Report.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION ETC.

Your Company has not undertaken any activity relating to conservation of energy and technology absorption and hence there is nothing to be disclosed pursuant to Section 217 (1) (e) of the Companies Act, 1956, during the year under review.

During the year under review, the Company had no transactions in foreign exchange and no expenditure was incurred on Research & Development.

EMPLOYEES

The Company has no employee in respect of whom Statement under Section 217 (2A) of the Companies Act, 1956, is required to be annexed.

FIXED DEPOSITS

The Company has not accepted any deposits from the public during the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT

As required in terms of Section 217 (2AA) of the Companies Act, 1956, your Directors wish to state as under –

- a. That in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- b. That the Directors have selected such Accounting Policies and applied them consistently and made judgements 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 loss of the Company for that year;
- c. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d. That the Directors have prepared the Annual Accounts on a going concern basis.

ACKNOWLEDGEMENT

Your Directors wish to acknowledge the co-operation, understanding and support extended by the Group Companies, Shareholders and Bankers.

By Authority of the Board

July 28, 2009
Bangalore

Dr. Vijay Mallya
Chairman

Corporate Governance Report



1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Sound Corporate Governance Principles are the foundation upon which the trust of investors is built. McDowell Holdings Limited has always strived for excellence in Corporate Governance. Beyond mere compliance, the Company is committed towards taking all strategic initiatives to enhance Shareholders' wealth in the long term. In pursuit towards corporate goals, the Company accords high importance to transparency, accountability and integrity in its dealings.

Your Company confirms the compliance of Corporate Governance as contained in Clause 49 of the Listing Agreement, details of which are given below:

2. BOARD OF DIRECTORS

The Board of Directors comprises a Non - Executive Chairman (Promoter), a Managing Director and four other Non Executive Directors.

During the financial year under review, five (05) Board Meetings were held on April 18, 2008, July 24, 2008, August 21, 2008, October 22, 2008 and January 19, 2009.

Attendance of each Director at the Board Meetings and the last Annual General Meeting and details of number of outside Directorship and Committee position held by each of the Directors as on date are given below:

Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM held on 22.09.2008	No. of other Companies in which Director	No of committees (other than the Company) in which Chairman/ Member
Dr. Vijay Mallya	Non Executive Chairman	04	Yes	24	01 (Chairman)
Mr. A. Harish Bhat	Managing Director	05	Yes	12	04
Mr. N. Srinivasan	Independent Non Executive Director	04	Yes	20	09 (Chairman of 05)
Mr. M.R.Doraiswamy Iyengar	Independent Non Executive Director	05	Yes	05	02 (Chairman of both)
Mr. S G Ruparel	Independent Non Executive Director	04	Yes	05	05 (Chairman of 01)
Mr. V S Venkataraman*	Non Executive Director	05	Yes	NA	NA
Mr. S Narasimha Prasad**	Non Executive Director	N.A.	N.A.	04	01

* resigned from the Board with effect from March 25, 2009.

** appointed as an additional director with effect from March 25, 2009.

NOTE:

The above details are in respect of their Directorship only in Indian Companies.

- a) Out of 24 other Companies in which Dr. Vijay Mallya is a Director, 09 are Private Companies, one Private Company, which is a subsidiary of a Public Company and 02 are Section 25 Companies.
- b) Out of 12 other Companies in which Mr. A. Harish Bhat is a Director, one is a Private Company and one is a Section 25 Company.
- c) Out of 20 other Companies in which Mr. N. Srinivasan is a Director, 06 are Private Companies.
- d) Out of 05 other Companies in which Mr. M.R. Doraiswamy Iyengar is a Director, 04 are Private Companies.
- e) Out of 04 other Companies in which Mr. S Narasimha Prasad is a Director one is a Private Company.

DISCLOSURES REGARDING APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS

Mr. N Srinivasan (Mr. Srinivasan) retires by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

The brief particulars of Mr. Srinivasan are as under:

Mr. Srinivasan, aged 78 years, is a Graduate in Commerce and a Chartered Accountant. He has over forty five years of experience in the field of Finance, Accounts and Audit and has served as Senior Partner of Fraser & Ross, Deloitte Haskins & Sells.

Details of Mr. Srinivasan's Directorships in other Indian Companies and Committee Memberships are as under:

Sl. No.	Other Directorships	Position held
1.	United Breweries (Holdings) Limited	Director & Chairman of Audit Committee
2.	The India Cements Limited	Director & Member of Audit Committee
3.	The Andhra Pradesh Paper Mills Limited	Director & Member of Audit Committee
4.	India Cements Capital Limited	Director
5.	Amco Batteries Limited	Director
6.	Gati Limited	Director & Chairman of Audit Committee
7.	Ador Fontech Limited	Director
8.	Essar Shipping Ports and Logistics Limited	Director & Member of Audit Committee
9.	UB Engineering Limited	Director & Chairman of Audit Committee
10.	Best & Crompton Engineering Limited	Director
11.	Tractors & Farm Equipment Limited	Director
12.	The United Nilgiri Tea Estates Company Limited	Director & Member of Audit Committee
13.	TAFE Motors & Tractors Limited	Director & Chairman of Audit Committee
14.	Redington (India) Limited	Director & Chairman of Audit Committee
15.	Unique Receivable Management Private Limited	Director

Corporate Governance Report (Contd.)



Sl. No.	Other Directorships	Position held
16.	SGP Exim Private Limited	Director
17.	Paterson Consulting Group Private Limited	Director
18.	Indair Carriers Private Limited	Director
19.	SCM Microsystems (India) Private Limited	Director
20.	UT Worldwide (India) Private Limited	Director
21.	The Associated Chamber of Commerce & Industry	Committee Member
22.	Indo Australian Chamber of Commerce	Committee Member
23.	The Madras Chamber of Commerce & Industry	Committee Member
24.	The Employers' Federation of Southern India	Committee Member

Mr. Srinivasan does not hold any equity shares of the Company and is not related to any other Directors of the Company.

NEW DIRECTOR:

Mr. S Narasimha Prasad (Mr. Prasad), aged 51 years, is a Graduate in Commerce and a Chartered Accountant and Company Secretary. Mr. Prasad has been associated with the United Breweries Group since 1991 and possesses vast experience in Corporate Accounts and Finance function. Currently, he is the Divisional Vice President - Finance of United Spirits Limited.

Mr. Prasad was appointed as an Additional Director of the Company with effect from March 25, 2009 and will hold office as Director up to this Annual General Meeting.

Details of Directorships of Mr. Prasad in other Indian Companies and Committee Membership are as under:

Sl. No.	Other Directorships	Position held
1.	Shaw Wallace Breweries Limited	Director & Member Audit Committee
2.	Daffodils Flavours & Fragrances Private Limited	Director
3.	McDowell Beverages Limited	Director
4.	McDowell & Company Limited	Director

Mr. Prasad holds 162 equity shares of the Company and is not related to any other Directors of the Company.

3. AUDIT COMMITTEE

The Audit Committee, constituted on November 06, 2006, to meet the requirements under both, the Listing Agreement and Section 292A of the Companies Act, 1956, comprises the following Directors:

Mr. M R Doraiswamy Iyengar (Chairman)	Non Executive Independent Director
Mr. N Srinivasan	Non Executive Independent Director
Mr. S Narasimha Prasad	Non Executive Director

Mr. V S Venkataraman resigned from the Audit Committee with effect from March 25, 2009 and Mr. S Narasimha Prasad was appointed as a Member of the Audit Committee with effect from the same date.

Corporate Governance Report (Contd.)

The terms of reference of this Committee are in accordance with the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

The Company Secretary, Mr. Ritesh Shah, acts as the Secretary of the Committee.

During the financial year, five meetings of the Audit Committee were held i.e. on April 18, 2008, July 24, 2008, August 21, 2008, October 22, 2008 and January 19, 2009. The details of attendance by members of the Committee are as follows:

Name of the Director	No. of Meetings	Meetings attended
Mr. M.R. Doraiswamy Iyengar	5	5
Mr. N. Srinivasan	5	5
Mr. V S Venkataraman*	5	5
Mr. S Narasimha Prasad**	5	Nil

* resigned from the Audit Committee with effect from March 25, 2009.

** appointed as a Member of the Audit Committee, with effect from March 25, 2009.

4. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

A Shareholders/Investors Grievance (SIG) Committee was constituted on November 06, 2006, to operate in terms of the provisions related thereto in the Listing Agreements with the Stock Exchanges and / or the provisions as prescribed under the Companies Act, 1956.

The Committee comprises the following Directors:

Mr. M R Doraiswamy Iyengar (Chairman)	Non Executive Independent Director
Mr. S Narasimha Prasad	Non Executive Director

Mr. V S Venkataraman resigned from the SIG Committee with effect from March 25, 2009 and Mr. S Narasimha Prasad was appointed as a Member of the SIG Committee with effect from the same date.

During the financial year, four meetings were held i.e. on April 18, 2008, July 24, 2008, October 22, 2008 and January 19, 2009, which were attended by both the members of the committee.

Mr. Ritesh Shah, Company Secretary, is the Compliance Officer.

In the interest of the investors and for administrative convenience, the Board has authorised a Director and Company Secretary to jointly approve Share Transfer, Transmission etc. upto a specific limit.

During the year under review, 23 complaints were received from the shareholders/investors, which were replied / resolved to their satisfaction. There was no complaint pending as on March 31, 2009.

Committee of Directors

The Company has constituted a Committee of Directors with authority delegated by the Board of Directors, *inter alia*, to approve transfer and transmission of shares, issue of new share certificates on account of certificates