



# *McDowell Holdings Limited*

ANNUAL REPORT 2010 - 2011



## McDOWELL HOLDINGS LIMITED

Registered Office: Canberra, Level 9, UB City, #24, Vittal Mallya Road, Bangalore – 560 001

**NOTICE IS HEREBY GIVEN OF THE SEVENTH ANNUAL GENERAL MEETING** of the Company to be held at Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College, Residency Road, Bangalore - 560 025, on Thursday, September 29, 2011, at 2.30 p.m. for the following purposes;

1. To receive and consider the accounts for the year ended March 31, 2011 and the reports of the Auditors and Directors thereon;
2. To elect a Director in the place of Dr. Vijay Mallya, who retires by rotation and being eligible, offers himself for re-appointment;
3. To elect a Director in the place of Mr. N Srinivasan, who retires by rotation and being eligible, offers himself for re-appointment;
4. To appoint Auditors and fix their remuneration.

By order of the Board

New Delhi  
August 02, 2011

Ritesh Shah  
Company Secretary

### Notes:

- 1) Brief particulars of the Directors proposed to be re-appointed at the Annual General Meeting are given in the Corporate Governance Report.
- 2) **A SHAREHOLDER ENTITLED TO ATTEND THE MEETING AND VOTE THEREAT MAY APPOINT A PROXY TO ATTEND AND VOTE ON HIS BEHALF ONLY ON A POLL. SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

The proxy form duly completed must reach the Registered Office of the Company not later than forty-eight hours before the time appointed for the holding of the Meeting.

- 3) The Transfer Books and Register of Members will remain closed from Wednesday, September 28, 2011, to Thursday, September 29, 2011 (both days inclusive).
- 4) Members are requested to intimate immediately to the Company's Registrars and Transfer Agents, Integrated Enterprises (India) Limited (IEIL), (Alpha Systems Private Limited, erstwhile Registrars and Transfer Agent has been merged with IEIL), 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore 560 003 (Telephone No. 080-2346 0815-0818 Fax No. 080-2346 0819), any change in their e-mail id / correspondence address along with Pin Code Number.
- 5) Members holding shares in the same name or same order of names under different ledger folios are requested to apply for consolidation of such folios, to the Company's Registrars and Transfer Agents, at the address as stated in Note No. 4 above.
- 6) Members may please address all their documents/ correspondence relating to the equity shares of the Company directly to the Company's Registrars and Transfer Agents, at the address as stated in Note no. 4 above.
- 7) Nomination facility for shares is available for members. The prescribed format in this regard can be obtained from the Company's Registrars and Transfer Agents at the address as stated in Note no. 4 above.
- 8) The Company's equity shares are under compulsory dematerialisation. Accordingly, trading of these shares through the Stock Exchanges would be facilitated if the share certificates are dematerialised. Members having the physical share certificates are

advised to consider opening of a Demat Account with an authorised Depository Participant and arrange for dematerialising their shareholdings in the Company.

- 9) The Company has designated an exclusive e-mail id viz, [mhlinvestor@ubmail.com](mailto:mhlinvestor@ubmail.com) to enable the investors to post their grievances and monitor its redressal.
- 10) There is no unclaimed dividend required to be transferred to the Investor Education and Protection Fund.
- 11) Members attending the Annual General Meeting are requested to bring with them the following:
  - a. Copy of the Annual Report and Notice, as no copies thereof would be distributed at the Meeting;
  - b. The Attendance Slip duly completed and clearly indicating their DP ID & Client ID, in case of shares held in dematerialized mode and Folio Number, in case of shares held in physical mode, to facilitate identification of membership at the Meeting.
- 12) The Company would accept only the Attendance Slip from a member actually attending the Meeting, or from

the person attending as a proxy under a valid proxy form registered with the Company not less than 48 hours prior to the Meeting.

- 13) Attendance Slips of Members/valid proxies not personally present at the Meeting, or relating to Proxies which are invalid, will not be accepted from any other member/person.
- 14) The Meeting is for members or their proxies only. Please avoid being accompanied by non-members/children.
- 15) Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.

By order of the Board

New Delhi  
August 02, 2011

Ritesh Shah  
Company Secretary

UB  
GROUP

## CONTENTS

Report of the Directors	2
Corporate Governance Report	5
Management Discussion & Analysis Report	17
Auditors' Report	18
Balance Sheet	22
Profit & Loss Account	23
Cash Flow Statement	24
Schedules to the Accounts	25
Balance Sheet Abstract	32

## BOARD OF DIRECTORS

**DR. VIJAY MALLYA**  
CHAIRMAN

**A. HARISH BHAT**  
MANAGING DIRECTOR

**N. SRINIVASAN**  
DIRECTOR

**M. R. DORAISWAMY IYENGAR**  
DIRECTOR

**S. G. RUPAREL**  
DIRECTOR

**S. N. PRASAD**  
DIRECTOR

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**RAVI NEDUNGADI**  
PRESIDENT & CFO - THE UB GROUP

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**RITESH SHAH**  
COMPANY SECRETARY

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**AUDITORS**  
VISHNU RAM & CO., CHARTERED ACCOUNTANTS, BANGALORE

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**REGISTERED OFFICE**  
CANBERRA, LEVEL 9, UB CITY,  
# 24, VITTAL MALLYA ROAD, BANGALORE - 560 001



Your Directors present the Seventh Annual Report of your Company and the audited accounts for the year ended March 31, 2011.

## FINANCIAL RESULTS

Particulars	For the Financial Year Ended	
	31.03.2011 (Rs.)	31.03.2010 (Rs.)
Income	23,016,474	66,177,272
Less : Expenditure	5,266,711	4,236,877
Profit for the year before interest & tax	17,749,763	61,940,395
Less : Interest	27,789,583	31,350,001
(Loss) / Profit for the year before tax	(10,039,820)	30,590,394
Less: Provision for tax	1,484,240	4,335,000
(Loss) / Profit after tax	(11,524,060)	26,255,394
Less: Transfer to Statutory Reserve Fund	-	5,251,079
Balance brought forward from previous year	28,712,239	7,707,924
<b>Balance carried forward to the Balance Sheet</b>	<b>17,188,179</b>	<b>28,712,239</b>

## DIVIDEND

In view of the loss, your Directors do not propose any Dividend on the equity shares for the year ended March 31, 2011.

## REVIEW OF OPERATIONS

The total income of your Company during the financial year under review was Rs. 23,016,474 against Rs. 66,177,272 in the previous financial year (inclusive of profit on sale of non-core investments amounting to Rs. 51,849,790). The total expenditure during the year includes Rs. 287,883 (previous year : Nil), towards interest on debentures. Your Company has incurred net loss of Rs. 11,524,060 for the year under review against net profit of Rs. 26,255,394 in the previous financial year.

During the year under review, your Company issued 1,751,290 10% Optionally Convertible Debentures of the face value of Rs. 100 ("OCD") each to Kingfisher Finvest India Limited in consideration of the extinguishment of the amount due to Kingfisher Finvest India Limited, on account of the principal debt amount and accrued interest thereon, till the date of the allotment of the OCDs.

## FUTURE PROSPECTS

Your Company continues to hold strategic investments in the UB Group Companies. As the performance of the investee companies is on the growth path, it is expected that the dividend yield would increase in the years to come.

During the year under review, your Company has been able to mitigate the burden of interest on the inter-corporate deposit by conversion of the same into OCDs. The Company will continue to focus on making long-term strategic investments in various existing/new ventures, besides consolidating the existing investments, as and when opportunities and resources are available.

### ISSUE OF OPTIONALLY CONVERTIBLE DEBENTURES ON A PREFERENTIAL BASIS

Pursuant to the decisions taken in the Board Meeting held on February 22, 2011 and Extraordinary General Meeting held on March 25, 2011, the Committee of Directors, at its meeting held on March 25, 2011, allotted 1,751,290 10% Optionally Convertible Debentures of the face value of Rs. 100 ("OCD") each to Kingfisher Finvest India Limited, one of the Promoters of your Company, on a preferential basis, in consideration of the extinguishment of the amount due to Kingfisher Finvest India Limited, on account of the principal debt amount and accrued interest thereon, till the date of the allotment of the OCDs.

The holder is entitled to exercise the option to convert the OCDs into equity share(s) of the face value of Rs. 10 each, at any time, within eighteen months from the date of allotment of the OCDs at a conversion price, to be determined in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

During the year under review, Kingfisher Finvest India Limited had exercised the option to convert 8,12,031 OCDs and was allotted 605,000 equity shares of Rs. 10 each fully paid-up, on a preferential basis, at a price of Rs.134.22 per equity share.

### CAPITAL

During the year under review the Authorised Capital of your Company remained unchanged at Rs. 150,000,000 divided into 15,000,000 equity shares of Rs. 10 each.

The issued subscribed and paid-up equity share capital of your Company has increased from Rs. 121,442,810 divided into 12,144,281 equity shares of Rs. 10 each fully paid-up to Rs. 127,492,810 divided into 12,749,281 equity shares of Rs. 10 each fully paid-up, consequent to the allotment of 605,000 equity shares of Rs. 10 each fully paid-up to Kingfisher Finvest India Limited, on a preferential basis, at a price of Rs. 134.22 per equity share.

### INVESTMENT PORTFOLIO

Your Directors are pleased to report that due to appreciation in the market value of the quoted investments, the Net Asset Value of the Company's equity share as on March 31, 2011, works out to Rs. 494.03 per equity share compared to Rs. 307.70 as at the end of the previous year.

### DIRECTORS

Dr. Vijay Mallya and Mr. N Srinivasan, Directors, retire by rotation and being eligible, offer themselves for re-appointment.

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

The equity shares of your Company continue to be listed on Bangalore Stock Exchange Limited, Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The Annual Listing fees for the year 2011-12 have been paid to these Stock Exchanges.

### DEPOSITORY SYSTEM

The trading in the equity shares of your Company is under compulsory dematerialisation mode. As on July 29, 2011 (i.e. date of last benpos), equity shares representing 90.71% of the equity share capital are in dematerialised form.

### CORPORATE GOVERNANCE

A report on Corporate Governance is annexed separately as part of the 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, 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 public during the year.

### DIRECTORS' RESPONSIBILITY STATEMENT

As required in terms of Section 217 (2AA) of the Companies Act, 1956, your Directors state and confirm that -

- a. in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- b. they 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 loss of the Company for that year;
- c. they 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. they 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, Regulatory bodies, Shareholders and Bankers.

**By Authority of the Board**

August 02, 2011  
New Delhi

**Dr. Vijay Mallya**  
Chairman



## 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your Company believes that adopting and adhering to good Corporate Governance framework is a key element in attaining economic efficiency and growth. The Company believes that all its actions must serve the underlying goal of enhancing overall shareholders value. Your Company recognizes the significance of integrity, transparency, accountability and responsibility in all its business affairs and strives to communicate all the material development and its financial performance in a timely and meaningful manner.

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, a Managing Director and four other Non-Executive Directors.

During the financial year under review, Six Board Meetings were held i.e. on April 29, 2010, July 20, 2010, August 20, 2010, November 09, 2010, February 09, 2011 and February 22, 2011.

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 29.09.2010	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	19	Nil
Mr. A. Harish Bhat	Managing Director	06	No	13	03 (Chairman of 01)
Mr. N. Srinivasan	Independent Non Executive Director	06	Yes	19	09 (Chairman of 05)
Mr. M.R.Doraiswamy Iyengar	Independent Non Executive Director	05	Yes	02	02 (Chairman of both)
Mr. S G Ruparel	Independent Non Executive Director	04	Yes	04	03 (Chairman of 01)
Mr. S Narasimha Prasad	Non Executive Director	05	Yes	05	01

### NOTE:

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

- Out of nineteen (19) other Companies in which Dr. Vijay Mallya is a Director, seven (07) are Private Companies and two (02) are Section 25 Companies.
- Out of thirteen (13) other Companies in which Mr. A. Harish Bhat is a Director, two (02) are Private Companies and one (01) is a Section 25 Company.

- c) Out of nineteen (19) other Companies in which Mr. N. Srinivasan is a Director, five (05) are Private Companies.
- d) Out of two (02) other Companies in which Mr. M.R. Doraiswamy Iyengar is a Director, one (01) is a Private Company.
- e) Out of five (05) other Companies in which Mr. S Narasimha Prasad is a Director, two (02) are Private Companies.
- f) None of the Directors is related to any other Director.

### DISCLOSURES REGARDING APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS

#### Directors retiring by rotation and eligible for re-appointment.

##### Dr. Vijay Mallya

Dr. Vijay Mallya (Dr. Mallya) retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

The brief particulars of Dr. Mallya are as under:

Dr. Mallya is a well-known Industrialist and a Member of the Parliament (Council of States). He took over the reins of the United Breweries Group in 1983, at the age of 28, which today is a multi-national conglomerate. Dr. Mallya is the Chairman of several public companies, both in India as well as overseas.

Dr. Mallya has won wide recognition from distinguished institutions throughout the span of his career, which includes:

- Edmund Hillary Fellowship by the Government of New Zealand - 2011
- Entrepreneur of the Year Award - The Asian Awards, London - 2010
- Officer of the Legion of Honour conferred by the President of French Republic - 2008
- Asia's Leading Airline Personality - World Travel Award - 2007

Details of Dr. Mallya's directorships in other Indian companies and committee memberships are as under:

Sl. No.	Other Directorships	Position held
1.	Aventis Pharma Limited	Chairman
2.	Bayer CropScience Limited	Chairman
3.	Mangalore Chemicals and Fertilizers Limited	Chairman
4.	United Spirits Limited	Chairman
5.	United Breweries Limited	Chairman
6.	United Breweries (Holdings) Limited	Chairman
7.	Four Seasons Wines Limited	Chairman
8.	Kingfisher Airlines Limited	Chairman & Managing Director
9.	Shaw Wallace Breweries Limited	Chairman
10.	United Racing and Bloodstock Breeders Limited	Chairman
11.	Kamsco Industries Private Limited	Chairman
12.	Mallya Private Limited	Chairman
13.	Pharma Trading Company Private Limited	Chairman
14.	The Gem Investment & Trading Co. Private Limited	Chairman