



McDowell Holdings Limited

ANNUAL REPORT 2011 - 2012

McDOWELL HOLDINGS LIMITED

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

NOTICE IS HEREBY GIVEN OF THE EIGHTH 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 Tuesday, September 25, 2012, at 2.30 p.m. for the following purposes:

1. To receive and consider the accounts for the year ended March 31, 2012 and the reports of the Auditors and Directors thereon;
2. To elect a Director in the place of Mr. S Narasimha Prasad, who retires by rotation and being eligible, offers himself for re-appointment;
3. To elect a Director in the place of Mr. M R Doraiswamy Iyengar, who retires by rotation and being eligible, offers himself for re-appointment;
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

5. Re-appointment of Mr. A Harish Bhat as Managing Director:

To consider and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:-

“RESOLVED, that subject to the provisions of Section 269, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any statutory modification or re-enactment thereof, Mr. A Harish Bhat, be and is hereby re-appointed as Managing Director of the Company, without remuneration, for a further period of three years, with effect from November 06, 2012.”

“FURTHER RESOLVED, that as the Managing Director, Mr. A Harish Bhat be entrusted with substantial powers of management and be responsible for the general conduct and management of business and affairs of the Company, subject to the superintendence, control and direction of the Board of Directors of the Company and that he shall be entitled for reimbursement of all expenses incurred by him for discharging his official duties.”

“FURTHER RESOLVED, that Mr. A. Harish Bhat shall not be subject to retirement by rotation, during his tenure as the Managing Director of the Company.”

By order of the Board

New Delhi
August 08, 2012

Ritesh Shah
Company Secretary

Notes:

- 1) Please refer to the explanatory statement given here under.
- 2) Brief particulars of the Directors proposed to be re-appointed at the Annual General Meeting are given in the Corporate Governance Report.
- 3) **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.
- 4) The Transfer Books and Register of Members will remain closed from Monday, September 24, 2012, to Tuesday, September 25, 2012 (both days inclusive).
- 5) Members are requested to intimate immediately to the Company's Registrars and Transfer Agents, Integrated Enterprises (India) Limited, 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore 560 003 (Telephone No. 080-23460815-818 Fax No. 080 2346 0819), any change in their e-mail id / correspondence address along with Pin Code Number.
- 6) 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. 5 above.

- 7) 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. 5 above.
- 8) 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. 5 above.
- 9) 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.
- 10) The Company has designated an exclusive e-mail id viz., mhlinvestor@ubmail.com to enable the investors to post their grievances and monitor its redressal.
- 11) There is no unclaimed dividend required to be transferred to the Investor Education and Protection Fund.
- 12) 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.
- 13) 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.
- 14) 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.
- 15) The Meeting is for members or their proxies only. Please avoid being accompanied by non-members/ children.
- 16) 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 08, 2012

Ritesh Shah
Company Secretary

EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173 OF THE COMPANIES ACT, 1956

Item no. 5

The Board of Directors of the Company, at its Meeting held on August 08, 2012, has re-appointed Mr. A Harish Bhat (Mr. Bhat) as the Managing Director of the Company, without remuneration, for a period of three years, with effect from November 06, 2012, subject to the approval of the Members at this Annual General Meeting.

Mr. Bhat shall be entrusted with substantial powers of management and be responsible for the general conduct and management of business and affairs of the Company, subject to the superintendence, control and direction of the Board of Directors of the Company.

The Directors recommend the resolution for approval by members.

None of the Directors of the Company except Mr. Bhat is interested or concerned in this Resolution. Mr. Bhat holds 204 (two hundred and four) equity shares of Rs. 10/- each, of the Company and is not related to any other Director of the Company.

The relevant resolution concerning the re-appointment of Mr. Bhat as Managing Director in the accompanying notice may be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

By order of the Board

New Delhi
August 08, 2012

Ritesh Shah
Company Secretary

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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. NARASIMHA PRASAD
DIRECTOR

RAVI NEDUNGADI
PRESIDENT & CFO - THE UB GROUP

RITESH SHAH
COMPANY SECRETARY

AUDITORS
VISHNU RAM & CO., CHARTERED ACCOUNTANTS, BANGALORE

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

Your Directors present the Eighth Annual Report of your Company and the audited accounts for the year ended March 31, 2012.

FINANCIAL RESULTS

Particulars	For the Financial Year Ended	
	31.03.2012 (Rs.)	31.03.2011 (Rs.)
Income	33,077,102	23,016,474
Less : Expenditure	16,665,868	33,056,294
Profit / (Loss) before taxation	16,411,234	(10,039,820)
Less : Provision for tax	1,235,866	1,484,240
Profit / (Loss) after tax	15,175,368	(11,524,060)
Less : Transfer to Statutory Reserve Fund	3,035,074	Nil
Balance brought forward from previous year	17,188,180	28,712,239
Balance carried forward	29,328,473	17,188,180

DIVIDEND

In order to conserve the resources for operations, your Directors do not recommend any dividend on equity shares for the year ended March 31, 2012.

REVIEW OF OPERATIONS

Your Company has recorded good performance during the year under review. Inclusive of income by way of dividend, interest and security commission, the total income of your Company during the financial year was Rs. 33,077,102 compared to Rs. 23,016,474 in the previous financial year. The total expenditure during the year was Rs. 16,665,868 against Rs. 33,056,294 in the previous financial year. Your Company has recorded a net profit of Rs. 15,175,368 for the year versus net loss of Rs. 11,524,060 in the previous financial year.

A sum of Rs. 3,035,074 (previous year: Nil), has been transferred to Statutory Reserve Fund, pursuant to the provisions of Section 45-IC of the Reserve Bank of India Act, 1934.

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 distribution by the investee companies would increase in the years to come.

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.

CONVERSION OF OPTIONALLY CONVERTIBLE DEBENTURES INTO EQUITY SHARES OF THE COMPANY

During the year under review, Kingfisher Finvest India Limited, one of the promoters of your Company had exercised the option to convert 641,350 10% Optionally Convertible Debentures of the face value of Rs. 100 ("OCDs") each and was allotted 635,000 equity shares of Rs. 10 each fully paid-up, on a preferential basis, at a price of Rs. 101.00 per equity share as per SEBI guidelines.

Subsequent to the balance sheet date, Kingfisher Finvest India Limited, further exercised the option to convert the balance 297,909 OCDs and was allotted 607,977 equity shares of Rs. 10 each fully paid-up, on a preferential basis, at a price of Rs. 49.00 per equity share as per SEBI guidelines.

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. 127,492,810 divided into 12,749,281 equity shares of Rs. 10 each fully paid-up to Rs. 139,922,580 divided into 13,992,258 equity shares of Rs. 10 each fully paid-up, consequent to the allotment of 1,242,977 equity shares of Rs. 10 each fully paid-up to Kingfisher Finvest India Limited, on a preferential basis, on August 08, 2011 and April 17, 2012.

DIRECTORS

Mr. S Narasimha Prasad and Mr. M R Doraiswamy Iyengar, Directors, retire by rotation and being eligible, offer themselves for re-appointment.

The Board of Directors of the Company, at its Meeting held on August 08, 2012, 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, 2012, 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.

REGISTRATION WITH RESERVE BANK OF INDIA AS NON BANKING FINANCIAL COMPANY

Your Company continues to be a Non-Banking (non deposit taking) Financial Company, duly registered, with Reserve Bank of India under the provisions of Section 45-IA of the Reserve Bank of India Act, 1934.

LISTING OF EQUITY SHARES OF THE COMPANY

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. The Annual Listing fees for the year 2012-13 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 August 03, 2012 (i.e. date of last benpos), equity shares representing 96.38% of the equity share capital are held 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 profit 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 08, 2012
New Delhi

Dr. Vijay Mallya
Chairman

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Sound Corporate Governance Principles are the foundation upon which the trust of investors is built. Your Company has always strived for excellence in Corporate Governance and is committed towards taking all 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, a Managing Director and four other Non-Executive Directors.

During the financial year under review, five Board Meetings were held i.e. on April 28, 2011, August 02, 2011, November 07, 2011, January 20, 2012 and February 13, 2012.

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 29.09.2011	No. of other Companies in which Director	No. of committees (other than the company) in which Chairman/ Member
Dr. Vijay Mallya	Non Executive Chairman	05	Yes	19	Nil
Mr. A. Harish Bhat	Managing Director	05	Yes	13	04 (Chairman of 01)
Mr. N. Srinivasan	Independent Non Executive Director	05	No	18	09 (Chairman of 05)
Mr. M. R. Doraiswamy Iyengar	Independent Non Executive Director	05	Yes	03	04 (Chairman of 03)
Mr. S. G. Ruparel	Independent Non Executive Director	04	Yes	04	04 (Chairman of 01)
Mr. S. Narasimha Prasad	Non Executive Director	04	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, of which one is a subsidiary of a Public Company 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.
- Out of eighteen (18) other Companies in which Mr. N. Srinivasan is a Director four (04) are Private Companies.

- d) Out of three (03) other Companies in which Mr. M. R. Doraiswamy Iyengar is a Director one (01) is a Private Company.
- e) Out of four (04) other Companies in which Mr. S. G. Ruparel is a Director, one (01) is a Private Company.
- f) Out of five (05) other Companies in which Mr. S. Narasimha Prasad is a Director, two (02) are Private Companies, which are subsidiaries of a Public Company.
- g) 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

Mr. S Narasimha Prasad

Mr. S Narasimha Prasad (Mr. Prasad) retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

The brief particulars of Mr. Prasad are as under:

Mr. Prasad, aged 54 years, is a Graduate in Commerce, 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 Senior Vice President - Finance of United Spirits Limited.

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

Sl. No.	Name of the Company	Position held
1.	Shaw Wallace Breweries Limited	Director & Member Audit Committee
2.	McDowell Beverages Limited	Director
3.	McDowell & Company Limited	Director
4.	Daffodils Flavours & Fragrances Private Limited	Director
5.	Tern Distilleries Private Limited	Director

Mr. Prasad is the Member of the Audit Committee & Shareholders / Investors Grievance Committee of the Company.

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

Mr. M R Doraiswamy Iyengar

Mr. M R Doraiswamy Iyengar (Mr. Iyengar) retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

The brief particulars of Mr. Iyengar are as under:

Mr. Iyengar, aged 77 years, is a Fellow Member of the Institute of Chartered Accountants of India and a Graduate in Law. He was a Senior Partner in M/s. K V Narasimhan & Company, Chartered Accountants, Bangalore. He has been in practice since 1965 and has vast experience in Audit & Taxation.