

**14th
Annual Report
2002 - 2003**



Inertia Industries Limited

Inertia Industries Limited**14th Annual Report 2002-2003****BOARD OF DIRECTORS**

S.R. Gupte
 R.K. Jain *Managing Director*
 A.K.R. Nedungadi
 Kalyan Ganguly
 P. Subramani
 Vasant Narkar
 C.L. Jain
 R.M. Parekh

COMPANY SECRETARY

Sanjay Sawant

BANKERS

Punjab National Bank, New Delhi

AUDITORS

Price Waterhouse
 1104, Raheja Chambers,
 Nariman Point, Mumbai 400 021.

REGISTERED OFFICE

O-14, 1st Floor,
 Lajpat Nagar II, New Delhi 110 024

BREWERIES**Dharuhera**

Main Delhi-Jaipur Highway,
 Village Joniawas, Dharuhera,
 Distt. Rewari, Haryana 122 106

Aurangabad

L-10, MIDC Industrial Area,
 Waluj, Aurangabad,
 Maharashtra 431 136

REGISTRAR & TRANSFER AGENTS

Intime Spectrum Registry Ltd.
 A-31, 3rd Floor,
 Naraina Industrial Area, Phase - I,
 New Delhi - 110028.

Audit Committee

Vasant Narkar
 A. K. R. Nedungadi
 R. M. Parekh

**Shareholders'/Investors'
Grievance Committee**

S. R. Gupte
 R. K. Jain
 A. K. R. Nedungadi
 P. Subramani

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Inertia Industries Limited

NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the Members of Inertia Industries Ltd. will be held on Monday, 29th September 2003 at Ashok Country Resort, Rajokri Road, Kapashera, New Delhi 110 037 at 2.00 p.m. to transact the following business:

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31st March 2003, the Profit and Loss Account for the period ended on that date and the Reports of the Directors and Auditors thereon.
- 2) To appoint a Director in place of Mr. S. R. Gupte, who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Mr. A. K. R. Nedungadi, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

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

RESOLVED THAT consent of the Company be and is hereby granted to the Board of Directors in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and Regulation 23 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 to mortgage and / or charge, in addition to the mortgages and/or charges created by the Company, if any, in such form and manner and with such ranking as to priority and for such time and on such terms as the Board may determine, all or any of the movable and/or immovable, tangible and/or intangible assets of the Company, both present and future, and/or the whole or any part of the undertaking(s) of the Company, in favour of Rabo India Finance P. Ltd. (RIF) for securing the Long Term Acquisition Finance Facility of Rs.80,00,00,000 (Rupees Eighty Crores only) sanctioned by RIF to the Company, together with interest, additional interest, compound interest, penal interest, liquidated damages, commitment charges, premia on pre-payment, all other costs, charges and expenses and all other monies payable by the Company under the terms and conditions of the said Long Term Acquisition Finance Facility sanctioned by RIF to the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board or any Committee thereof be and is hereby authorized to finalise, settle and execute such documents / deeds / writings / papers/ agreements as may be required and to do all acts, deeds, matters and things, as it may in its absolute discretion deem to be necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages/charges as aforesaid.

- 6) To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution (**By Postal Ballot**):

RESOLVED THAT pursuant to Section 293 (1) (a), Section 372A and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and Regulation 23 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 consent of the Company be and is hereby accorded to the Board of Directors to give guarantees or provide securities in connection with the loan(s) made / to be made by Rabo India Finance P. Ltd. (RIF) to McDowell Alcobev Ltd., so that the aggregate of such guarantees given or securities provided in connection with loans made by RIF to McDowell Alcobev Ltd., shall not, at any point of time, exceed the limit of Rs.210,00,00,000 (Rupees Two Hundred Ten Crores only), notwithstanding that the amounts of the said guarantees given and securities provided, taken together with the aggregate of the loans already made, moneys already invested, guarantees already given and securities already provided in respect of all bodies corporate, may exceed the limit prescribed under the said Section 372A.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take such steps as may

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be necessary to obtain applicable approvals, consents or permissions, whether statutory, contractual or otherwise, in relation to such guarantees / securities, to settle all matters arising out of and incidental thereto and to enter into agreements, deeds, documents or writings as may be necessary in this connection and generally to do all acts, matters, deeds and things as may be deemed necessary to give effect to the aforesaid resolution.

- 7) To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution (**By Postal Ballot**):

RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and such other consents and approvals as may be required from any other authority, approval of members be and is hereby accorded to the following Counter Guarantees of an aggregate amount of Rs.53.75 crores issued by the Company to McDowell & Company Ltd. (MCDL) in respect of the Corporate Guarantees issued by MCDL on behalf of the Company as collateral security for the following borrowings of the Company:

Amount	In favour of
Rs.30 crores	ICICI Bank Ltd.
Rs.8.75 crores	Punjab National Bank
Rs.15 crores	Rabo India Finance P. Ltd.

- notwithstanding the fact that the issuance of the above Counter Guarantees would be in excess of the limits prescribed under Section 372A of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do such acts, deeds and things as may be required to give effect to the above Resolution.

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

RESOLVED THAT pursuant to the provisions of Section 163 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) approval of members be and is hereby accorded to maintain the Register of Members, Index of Members, copies of Annual Returns made u/s 159 of the Companies Act, 1956 together with copies of certificates and documents required to be annexed thereto u/s 161 of the Companies Act, 1956 or one or more of them, at the office of Intime Spectrum Registry Ltd., Registrar & Transfer Agent of the Company, at A-31, 3rd Floor, Naraina Industrial Area, Phase-I, New Delhi 110028 in addition to they being maintained at the Registered Office of the Company at O-14, 1st Floor, Lajpat Nagar - II, New Delhi 110 024.

By order of the Board of Directors

Place : New Delhi
Date : 28th July 2003

Sanjay Sawant
Company Secretary

NOTES:

- 1) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
- 2) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. The proxy need not be a member of the Company. In order to be effective, the proxy must be lodged at the Registered Office of the Company not less than forty-eight hours before the time of the meeting.
- 3) The Register of Members and Share Transfer Books relating to the equity shares of the Company will remain closed between 23rd September 2003 and 29th September 2003 (seven days, both days inclusive).
- 4) All documents referred to in the Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during office hours between 11.00 a.m. to 1.00 p.m. upto the date of Annual General Meeting except on Saturdays, Sundays and holidays.

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- 5) M/s Price Waterhouse, Statutory Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and have expressed willingness to be reappointed. They have submitted a certificate to the effect that their reappointment, if made, shall be in compliance with the limits stipulated under Section 224(1B) of the Companies Act, 1956.
- 6) The Special Resolutions at Sr. No. 6 and 7 require consent of members through postal ballot in terms of Section 192A of the Companies Act, 1956 read with Rule 4 of the Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001. The Postal Ballot forms for assent/dissent of members to the said resolutions are being dispatched to the members together with a Business reply envelope. The result of the ballot will be declared at the ensuing Annual General Meeting and shall be deemed to have been passed thereat.
- 7) Members are requested to bring their copies of the Annual Report to the meeting together with the attendance slip duly filled in.
- 8) Members desiring any information about the accounts to be explained at the meeting are requested to furnish their queries, if any, to the Company at least 10 days in advance of the Annual General Meeting so that details can be kept ready at the meeting.
- 9) In compliance with the requirements of SEBI circular No. D&CC/FITTC/CIR-15/2002 dated 27th December 2002, stipulating appointment of a common agency for share registry work for shares in physical as well as electronic form, the Company has appointed Intime Spectrum Registry Ltd., a SEBI Registered Registrar & Transfer Agent (RTA) having its office at A-31, 3rd Floor, Naraina Industrial Area, Phase-I, New Delhi 110028 as the RTA of the Company. Members are advised to forward all requests / communications and grievances, if any, in respect of their shareholding, to the RTA at their address given above.
- 10) Members are requested to notify change of address to (a) their respective Depository Participant, in respect of shares held in electronic form and (b) the RTA in respect of shares held in physical form.
- 11) Members holding shares in identical order of names in more than one folio are requested to write to the RTA for consolidation of their holdings under one folio.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 5

Rabo India Finance P. Ltd. (RIF) has sanctioned to the Company, a Long Term Acquisition Finance Facility (LTAFF) of Rs.80 crores in terms of facility letter Ref. No.CF/SK/IL-AFF/July03 dated 16th July 2003. One of the conditions of the said LTAFF is that the same is proposed to be secured, in favour of RIF, inter alia, by:

- a. first pari passu charge on all the fixed assets, present and future, of the Company;
- b. second pari passu charge on all the current assets, present and future, of the Company;
- c. first pari passu charge on all the brands owned by the Company, including but not limited to Sandpiper, Zingaro and Turbo; and
- d. Corporate Guarantee of the Company.

In addition, the Company has requested GMR Beverages & Industries Ltd. (GMR) and Empee Breweries Ltd. (EBL), wholly owned subsidiaries of McDowell Alcobev Ltd. (who has recently agreed to acquire 51.753% of equity capital in the Company and has made a Public Announcement of an Open Offer to acquire a further 25% of the equity capital of the Company), to create security in favour of RIF on their respective assets. Creation of security as above by GMR and EBL is also one of the terms and conditions of the facility letters in respect of the above LTAFF.

Members' approval is being sought in terms of the provisions of Section 293 (1)(a) of the Companies Act, 1956 and Regulation 23 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 for mortgaging/charging the Company's assets to secure the above LTAFF sanctioned by RIF during the pendency of the Open Offer made by McDowell Alcobev Ltd.

None of the directors of the Company is interested in the above resolution.

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ITEM NO. 6

Rabo India Finance P. Ltd. (RIF) has sanctioned to McDowell Alcobev Ltd. (MAL, who has recently agreed to acquire 51.753% of the equity capital of the Company and has made a Public Announcement of an Open Offer to acquire a further 25% of the equity capital of the Company) the following financial assistances:

1. Long Term Acquisition Finance Facility (LTAFF) of Rs.160 crores in terms of facility letter Ref. No.CF/SK/MABL-AFF/July03 dated 16th July, 2003; and
2. Working Capital Revolver Facility (WCRF) of Rs.50 crores in terms of facility letter Ref. No.CF/SK/MABL-WC/July03 dated 16th July, 2003

One of the terms and conditions relating to security for the above LTAFF and WCRF is that the same is proposed to be secured, in favour of RIF, inter alia, by:

- a. first pari passu charge on all the fixed assets, present and future, of the Company;
- b. second pari passu charge on all the current assets, present and future, of the Company;
- c. first pari passu charge on all the brands owned by the Company including but not limited to Sandpiper, Zingaro and Turbo; and
- d. Corporate Guarantee of the Company.

Since MAL does not have adequate tangible assets to offer as security for the said financial assistances, MAL has requested GMR Beverages & Industries Ltd. (GMR) and Empee Breweries Ltd. (EBL), its wholly owned subsidiaries as well as the Company to create security in favour of RIF on their respective assets. Creation of security as above by GMR, EBL and the Company is also one of the terms and conditions of the facility letters in respect of the above LTAFF and WCRF.

The provision of security and issuance of the Corporate Guarantee as envisaged above will be in excess of the limits prescribed under Section 372A of the Companies Act, 1956 and hence requires the approval of members by way of a Special Resolution, by a Postal Ballot.

Members' approval is being sought in terms of the provisions of Section 293 (1)(a), Section 372A of the Companies Act, 1956 and Regulation 23 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 for mortgaging/ charging the Company's assets and issuing Corporate Guarantee to secure the above facilities sanctioned by RIF during the pendency of the Open Offer made by MAL.

Mr. S. R. Gupte, Mr. R. K. Jain and Mr. A. K. R. Nedungadi, Directors of the Company, are also directors of MAL and are deemed to be interested in the above resolution. None of the other Directors is in any way concerned or interested in the said resolution.

ITEM NO. 7

McDowell & Company Ltd. (MCDL) has, from time to time, issued Corporate Guarantees on behalf of the Company in favour of various Lenders of the Company as security / collateral security. The details of the Corporate Guarantees issued by MCDL, the loans availed by the Company in respect whereof the Guarantees were issued and the current status of those loans are given below.

Date of Guarantee	Amount	In favour of	Purpose	Status of loan
27.4.2001	Rs.30 crores	ICICI Bank Ltd.	Part security for the Term Loan of Rs.30 crores	Repaid in full
30.1.2002	Rs.8.75 crores	Punjab National Bank	Part security for the working capital facilities (fund based and non fund based) of Rs.8.75 crores	Rs.6.73 crores Outstanding
9.9.2002	Rs.15 crores	Rabo India Finance P. Ltd.	Security for the Working Capital Financing Facility of Rs.15 crores	Repaid in full

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The issuance of the Counter Guarantees is in excess of the limits prescribed under Section 372A of the Companies Act, 1956 and hence requires the approval of shareholders by way of a Special Resolution by a Postal Ballot. Although the loans availed from ICICI Bank and Rabo India Finance P. Ltd. have been repaid in full, approval of members is being obtained as a matter of good corporate practice.

Mr. S. R. Gupte, Director of the Company is also a Director of MCDL, and hence is deemed to be concerned or interested in this resolution. None of the other Directors is in any way concerned or interested in the said resolution.

ITEM NO. 8

In terms of the provisions of Section 163 of the Companies Act, 1956 the Register of Members, Index of Members, copies of Annual Returns made u/s 159 of the Companies Act, 1956 together with copies of certificates and documents required to be annexed thereto (the said registers and records) are required to be maintained at the Registered Office of the Company. Accordingly, the said registers and records of the Company are maintained at the Registered Office of the Company at O-14, 1st Floor, Lajpat Nagar - II, New Delhi 110 024 (the said premises).

In compliance with the requirement of SEBI Circular No. D&CC/ FITTC/CIR-15/2002 dated 27th December 2002, the Company has appointed Intime Spectrum Registry Ltd., A-31, 3rd Floor, Naraina Industrial Area, Phase-I, New Delhi 110028 as the Registrar & Transfer Agent (RTA) of the Company. In view of the above, it is necessary to maintain the whole or a part of the said registers and records at the office of the RTA.

Approval of the members is sought for maintaining the said registers and records at the office of the RTA in addition to they being maintained at the Registered Office of the Company at O-14, 1st Floor, Lajpat Nagar - II, New Delhi 110 024. An advance copy of the Special Resolution is being forwarded to the Registrar of Companies, NCT of Delhi and Haryana as required under Section 163 of the Companies Act, 1956.

None of the Directors of the Company is interested in the above resolution.

By order of the Board of Directors

Place : New Delhi
Date : 28th July 2003

Sanjay Sawant
Company Secretary

BRIEF RESUME OF DIRECTORS PROPOSED TO BE REAPPOINTED (IN TERMS OF CLAUSE 49 (VI) (A) OF THE LISTING AGREEMENT)

MR. SUBHASH RAGHUNATH GUPTÉ is a Chartered Accountant. He had worked with Caltex India Ltd. for five and half years in various capacities. Mr. Gupte joined Air India in 1969 and worked in various positions in India and abroad. He was promoted as Director - Finance in May 1988 and also took charge as Director - Human Resources Development in August 1988. He was also entrusted with the functions of Deputy Managing Director at the same time. He took over in the acting capacity as Chairman and Managing Director of Air India from 17th July 1991 and was also the Chairman of Hotel Corporation of India till November 1991. During his tenure with Air India, he was on the Boards of Air Mauritius and Indian Airlines and was Deputy Chairman, and Vice President of Airline Mutual Insurance based in Bermuda. He was a member of International Air Transport Association (IATA) Executive and Financial Committees and Fuels Trade Group. He was also a Director on the Board of Pacific Asia Travel Association.

Mr. Gupte has been a director of the Company since 12th January 2001. Details of Directorships and Committee Memberships held by Mr. Gupte are given below:

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SR. NO.	NAME OF COMPANIES IN WHICH DIRECTOR	AUDIT COMMITTEE	SHAREHOLDERS' GRIEVANCE COMMITTEE	REMUNERATION COMMITTEE
1)	Inertia Industries Ltd.	-	Chairman	-
2)	Asian Age Holdings Ltd.	-	-	-
3)	Associated Breweries & Distilleries Ltd.	-	-	-
4)	Aventis Pharma Ltd.	Chairman	Chairman	-
5)	Bayer Cropscience India Ltd.	Chairman	Chairman	-
6)	BDA Ltd.	-	-	-
7)	Herbertsons Ltd.	-	-	-
8)	Mangalore Chemicals & Fertilizers Ltd.	Member	-	-
9)	McDowell & Company Ltd.	Member	-	Member*
10)	McDowell Alcobev Ltd. (Alternate Director)	-	-	-
11)	Rifa Publications P. Ltd.	-	-	-
12)	UB Electronic Instruments Ltd.	-	-	-
13)	UB Engineering Ltd.	-	-	-
14)	UB General Investments Ltd.	-	-	-
15)	UB Global Corporation Ltd.	-	-	-
16)	UB Resorts (South Africa) Pty. Ltd.	-	-	-
17)	United Breweries Ltd.	-	Member	Member
18)	United Breweries Nepal P. Ltd.	-	-	-
19)	United National Breweries (SA) Ltd.	-	-	-

* Committee known as Compensation Committee

MR. A. K. R. NEDUNGADI is a Chartered Accountant and a Cost Accountant. Mr. Nedungadi started his career with McNeill & Magor Ltd., as Regional Accounts Manager and was involved in overall designing of the Company's MIS. After a six year stint with McNeill & Magor Ltd., he joined Pentagon Fasteners Ltd. as Assistant Vice President. His appointment there was at the behest of the Financial Institutions to conceive and manage financial rehabilitation which was successfully implemented. After a brief association with Computer Point Ltd. as Head of Finance and Accounting, he joined the UB Group in Bangalore in 1990 as Corporate Treasurer. He was subsequently promoted as Group Finance Director of UB International Ltd. where he worked for five years. Mr. Nedungadi is presently President & Chief Financial Officer of the UB Group and oversees the finance function of the Group.

Mr. Nedungadi has been a director of the Company since 12th January 2001. Details of Directorships and Committee Memberships held by Mr. Nedungadi are given below:

SR. NO.	NAME OF COMPANIES IN WHICH DIRECTOR	AUDIT COMMITTEE	SHAREHOLDERS' GRIEVANCE COMMITTEE	REMUNERATION COMMITTEE
1)	Inertia Industries Ltd.	Member	Member	-
2)	United Breweries Ltd.	Member	Member	-
3)	Associated Breweries & Distilleries Ltd.	-	-	-
4)	Aventis Pharma Ltd.	Member	Member	-
5)	Bayer Cropscience India Ltd.	Member	Member	-
6)	Galaxy Coatings Ltd.	-	-	-
7)	Galaxy International Ltd., UK	-	-	-
8)	Galaxy Overseas Holdings Ltd., UK	-	-	-
9)	Idea Streamz Consultants P. Ltd.	-	-	-
10)	McDowell Alcobev Ltd.	Member	-	Member
11)	McDowell International Brands Ltd.	-	-	-
12)	Nepal Liquors Ltd.	-	-	-
13)	Triumph Distillers & Vinters P. Ltd.	-	-	-
14)	U B Emirates LLC	-	-	-
15)	UB Gulf FZE	-	-	-
16)	Wotan Pte Ltd.	-	-	-

Inertia Industries Limited

DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting the 14th Annual Report together with the audited accounts of your company for the financial year ended on 31st March 2003.

FINANCIAL RESULTS

	Current Year (2002-03)	Previous Year (2001-2002)
Sales & other Income	6,759.21	5,221.67
Expenditure	11,291.11	6,986.79
Profit/(Loss) After depreciation	(4,531.90)	(1,765.12)
Less: Adjustment for taxes / Deferred Taxation	1,646.37	1,841.67
Balance carried to Balance Sheet	(2,885.53)	76.55
Accumulated Losses	(6,488.98)	(3,603.45)
Net Worth	(982.47)	1,903.06

DIVIDEND

Your Directors regret their inability to recommend payment of any dividend for the year due to the loss incurred during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry

The Indian Beer Business has had a good year, with the industry posting a healthy volume growth in excess of 10% over the previous year, largely driven by an extended summer. Like any cold beverage industry, the beer industry is also subject to seasonal variations with most of the demand emanating during the summer season starting from the end of February to June.

The beer industry has two broad categories of beer - Mild beer having an alcoholic percentage of less than 5% and Strong beer having alcoholic percentage ranging from 5% to 8%. The growth in the Indian beer business has largely depended on the expansion of its strong beer category. While mild beers have been viewed as lifestyle health drinks, their growth has been stunted in the recent past while strong beers have been posting a healthy growth in the past decade.

This industry is also a highly regulated industry with stiff inter state duties and taxes which prevent free movement of beer across states. Since this industry's policies are regulated by individual state governments, policies tend to change year to year increasing the business dynamics for this industry. The distribution chain is also highly regulated with some states taking on the business of performing part of the distribution function by itself.

Of late, certain states have attempted to bring out policies differentiating beer from other forms of alcoholic beverages, which may in times to come, have a positive impact on the industry. Liberalization along with overall improvement in the economy is expected to fuel demand in this industry.

The competitive situation in this industry is also undergoing a change with the process of consolidation sweeping the industry. Your company has captured a significant market share in a short span of time through significant investments in brand building.

Opportunities and Threats

The positive impact of the economy leading to higher disposable incomes in the hands of the consumers is expected to sustain growth in this industry. The Indian beer industry is also witnessing entry of international brewers, which is

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expected to raise, in general, quality of beers in the market place.

While the industry has been witnessing stagnancy in its top line growth, cost-push continues to impact its bottom line.

Segment/product wise performance

Your Company has achieved a volume of 6.61 million cases during the year, reflecting a growth of 33% in volume. This compares favourably with the industry, which grew by 10% during the year under review.

Your Company's flagship brands Sandpiper and Zingaro, regional brand Turbo and licenced brands from the UB Group Kalyani Black Label Strong and Bullet Super Strong Beer continued to grow in volumes. Sales in the Northern and Eastern regions of the country have shown higher growth over the last year. Though the Southern states have shown high growth in volumes, it was significantly below target due to disturbed trade conditions in Tamil Nadu and delayed launch of our brands in Kerala due to delayed commissioning of a contract brewing unit.

Your Company continued to invest into building its brands and is happy to inform that Zingaro, which was introduced in July 2001, has registered sales of 1.5 million cases for the year and is now available all over the country. Your Company has also in its stable brands, which have achieved market leadership status in Rajasthan and parts of Eastern India.

The turnover during the financial year ending 31st March 2003 was Rs.67 crores as against Rs.51 crores for the previous year. On a comparable basis, the sale value has gone up by 31%.

The Company's factories in Dharuhera (Haryana) and Aurangabad (Maharashtra) achieved a combined 38% growth in production as compared to last year. Your Company added two more breweries in Madhya Pradesh and Kerala to its existing list of contract breweries, thereby increasing its production capacity.

Financial performance

Your Company has posted a loss of Rs.45.31 crores for the financial year under review. This was primarily on account of high Advertisement and Sales promotion expenses of Rs.27.68 crores and high interest cost of Rs.10.19 crores.

Your Company has taken an exhaustive review of the assets in its balance sheet and sought to make provisions for such assets which are believed not to reflect their intrinsic value or have substantially been impaired. This has also contributed to the loss.

Outlook

Your Company has registered a nominal growth in volumes for the quarter ended 30th June 2003. The outlook for the beer industry is viewed with some concern with growth in volumes expected to be flat for the first quarter. The industry has been impacted adversely by an early onset of monsoon, which has affected the sales growth. The industry is also beset with a significant cost of push of input prices which may have an adverse impact on its bottomline. The Company has launched a vigorous advertisement campaign in the satellite television media, which is expected to accelerate volume growth in major markets.

Risk and concerns

Flat growth in volumes along with cost-push is expected to put pressure on margins and profitability.

Internal control and their adequacy

The Company maintains an adequate internal control system commensurate with its size and complexity. Such internal control system provides a reasonable assurance that the transactions are recorded in all material respects to permit preparation of financial statements in conformity with established accounting principles. The internal control systems are supplemented with an internal audit programme.