

Millennium Beer Industries Limited

[Formerly known as Inertia Industries Limited]

16th

Annual Report

2004 - 2005

BOARD OF DIRECTORS

S. R. Gupte
R. K. Jain - Managing Director
P. Subramani
Vasant Narkar
C. L. Jain
R. N. Pillai
Rakeshchandra Gupta
H. K. Sharma - Whole-time Director

AUDIT COMMITTEE

Vasant Narkar
C. L. Jain
R. N. Pillai

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

S. R. Gupte
R. K. Jain
P. Subramani
R. N. Pillai

COMPANY SECRETARY

Vivek Raizada

BANKERS

-HDFC Bank Ltd.
-Citibank N.A.

AUDITORS

Price Waterhouse
252, Vir Savarkar Marg, 2nd Floor,
Assurance Division, Shivaji Park,
Dadar (W), Mumbai - 400 028

REGISTERED OFFICE

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

BREWRIES

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

Plot No.L-10, MIDC,
Waluj Industrial Area,
Aurangabad - 431 136
MAHARASHTRA

REGISTRAR & SHARE TRANSFER AGENT

Intime Spectrum Registry Ltd.,
A-31, 3rd Floor, Naraina Industrial Area Ph-I,
New Delhi -110 028

CONTENTS

Page No.

Notice	1
Directors' Report	5
Corporate Governance	11
Auditors' Certificate on Corporate Governance	20
Auditors' Report	21
Annual Accounts Including Cash Flow Statement, Schedules thereto and Notes to Accounts	24
Balance Sheet Abstract and Company's General Business Profile	39

Millennium Beer Industries Limited*[Formerly known as Inertia Industries Limited]***NOTICE**

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Members of Millennium Beer Industries Ltd. will be held on Friday, 30th September 2005 at Ashok Country Resort, Rajokri Road, Kapashera, New Delhi - 110 037 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31st March 2005, the Profit and Loss Account for the period ended on that date and 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. P. Subramani, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint Auditors and authorize 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 an Ordinary Resolution:**

"RESOLVED THAT Mr. Rakeshchandra Gupta, who was appointed as an Additional Director and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose the candidature of Mr. Rakeshchandra Gupta for appointment as a Director of the Company, be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT subject to the provisions of Schedule XIII and other applicable provisions of the Companies Act, 1956, or any statutory modification or re-enactment thereof, Mr. Rakeshchandra Gupta's appointment as Whole-time Director of the Company, effective from July 30, 2005, for a period of Five Years up to July 29, 2010, be approved on the following terms and conditions:

- | | |
|-----------------------------------|--|
| 1. Salary | : Rs.45,525/-per month with such increments as may be determined by the Board of Directors of the Company, from time to time as per the Rules of the Company. |
| 2. Performance Evaluation Payment | : Of such percentage of Basic Salary per annum as may be evaluated by the Management, based on performance, in accordance with the Rules of the Company, in this regard. |
| 3. Perquisites | |
| a. Housing | : Furnished / Unfurnished residential accommodation as per policy or House Rent Allowance of 50 per cent of Basic Salary in lieu thereof. |
| b. Medical Reimbursement | : Expenditure incurred by Mr. Rakeshchandra Gupta and his family, in accordance with the Rules of the Company. |
| c. Leave Travel allowance | : Rs.40,000/- for Mr. Rakeshchandra Gupta and his family, once in a year incurred in accordance with the Rules of the Company. |
| d. Soft Furnishing Allowance | : Rs.7,000/- per month with such increases as may be determined by the Management of the Company from time to time. |

Millennium Beer Industries Limited*[Formerly known as Inertia Industries Limited]*

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|---|---|
| e. Club Fee | : Rs.25,000/- towards fee of Club subject to a maximum of one Club. This will include admission and life membership fees. |
| f. Personal Accident Insurance | : Policy amount of Rs.6,50,000/- Premium as per the Rules of the Company. |
| g. Encashment of Leave not availed of | : As per the Rules of the Company. |
| h. Provision of a Car and telephone at the residence of Mr. Rakeshchandra Gupta | : As per the Rules of the Company. Driver's Salary Reimbursement of Rs.4,000/- per month. |

Such other benefits, amenities, facilities and perquisites as per the Rules of the Company as applicable to senior executives and as may be permitted by the Board of Directors, to the Whole-time Director."

(All perquisites and allowances shall be valued as per Income-Tax Rules, 1962 as amended from time to time).

"RESOLVED FURTHER THAT the remuneration payable to Mr. Rakeshchandra Gupta (including salary, special allowance performance evaluation payment, perquisites, benefits, amenities and facilities) shall be subject to the provisions laid down in Sections 198 and 309 and Schedule XIII of the Companies Act, 1956 or any other statutory provision, modification or re-enactment thereof and shall be subject to the approval of the Central Government as may be required in terms of the relevant provisions."

"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year, the remuneration by way of salary, special allowance, performance evaluation payment, perquisites, benefits, amenities and facilities payable to Mr. Rakeshchandra Gupta shall be subject to the provisions prescribed under the Companies Act, 1956 and the Rules made there-under or any statutory modification or re-enactment thereof."

"RESOLVED FURTHER THAT as a Whole-time Director Mr. Rakeshchandra Gupta is entrusted with such powers of management as the Board may from time to time determine and delegate and will be responsible for the general conduct and management of general business of the Company subject to superintendence, control and supervision of the Board of Directors of the Company. During his tenure as Whole-time Director, Mr. Gupta shall not be liable to retire by rotation."

- 7) **To take on record the following resolution passed by the Members through Postal Ballot and to confirm the result of Postal Ballot.**

"RESOLVED THAT pursuant to Section 21 and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Central Government, the name of the Company be changed from 'Inertia Industries Limited' to 'Millennium Beer Industries Limited' with effect from the date of fresh Certificate of Incorporation to be issued by the Registrar of Companies, Delhi and accordingly the name 'Inertia Industries Limited' wherever it appears in the Memorandum and Articles of Association of the Company be substituted by the name 'Millennium Beer Industries Limited'."

By order of the Board of Directors

Place : Mumbai
Date : July 29, 2005

VIVEK RAIZADA
COMPANY SECRETARY

Millennium Beer Industries Limited*[Formerly known as Inertia Industries Limited]***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 of the Company will remain closed on 29th September 2005 and 30th September 2005 (both days inclusive).
4. All documents referred to in the Notice and the Explanatory Statement are open to 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.
5. M/s Price Waterhouse, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and have expressed their willingness to be reappointed. They have submitted a certificate to the effect that their reappointment, if made, shall be within the limits stipulated under Section 224(1B) of the Companies Act, 1956.
6. Members are requested to bring their copies of the Annual Report to the meeting together with the attendance slip duly filled in.
7. 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.
8. Members are requested to notify change of address (a) to their respective Depository Participant, in respect of shares held in electronic form and (b) to M/s Intime Spectrum Registry Ltd. (Registrar & Transfer Agent) A-31, 3rd Floor, Near PVR Cinema, Naraina Industrial Area, Phase-I, New Delhi 110028 in respect of shares held in physical form.
9. Members holding shares in identical order of names in more than one folio are requested to write to the Registrar & Transfer Agent of the Company to enable the Company to consolidate their holdings under one folio.
10. The trading in the Company's Shares has been made compulsory in dematerialized form for all class of investors. In view of the numerous advantages offered by the Depository System, Members are requested to avail of the facility of dematerialization of the Company's Shares.
11. None of the Non-Executive / Independent Directors hold any Shares in the Company. Profile of Directors retiring by rotation and new Directors form part of Corporate Governance Report for perusal of the Members.
12. **MEMBERS MAY PLEASE NOTE THAT NO GIFT SHALL BE DISTRIBUTED AT THE MEETING.**

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**ITEM NO. 5 & 6**

Mr. Rakeshchandra Gupta was appointed as an Additional Director by the Board of Directors at its meeting held on 29th July 2005 in terms of Article 80 of the Company's Articles of Association read with Section 260 of the Companies Act, 1956. Mr. Gupta holds office upto the date of the ensuing Annual General Meeting. The Company has received notice from a member in terms of Section 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Mr. Gupta for appointment as a Director of the Company.

Mr. Gupta was also appointed as Whole-time Director of the Company for a period of five years i.e. from 30th July 2005 till 29th July 2010, pursuant to the provisions of Section 269, 198 & 309 of the Companies Act, 1956 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, or any statutory modification(s) or re-enactment thereof, for the time being in force, and subject to approval of the Shareholders in General Meeting.

The maximum remuneration payable to Mr. Gupta is determined pursuant to Section II of Part-II of Schedule XIII to the Companies Act, 1956, as amended by Notification No. GSR 36(E) dated 16th January 2002 issued by the

Millennium Beer Industries Limited

[Formerly known as Inertia Industries Limited]

Department of Company Affairs. The remuneration proposed to be paid and the perquisites proposed to be provided to Mr. Gupta form part of the proposed resolution.

Brief resume of Mr. Gupta forms part of the Corporate Governance Report in terms of the requirement of Clause 49 (VI) (A) of the Listing Agreement with Stock Exchanges.

Mr. Gupta brings with him expertise in the field of Mechanical Engineering and has more than 14 years experience. The Board considers that the appointment of Mr. Gupta will be beneficial to the Company and accordingly recommends the Resolutions set out at Item No. 5 & 6 of the notice convening the Annual General Meeting.

The terms of appointment of Mr. Gupta mentioned in the resolution and the explanatory statement may be treated as notice under Section 302 of the Companies Act, 1956.

None of the Directors except Mr. Gupta is concerned or interested in this resolution.

ITEM NO. 7

In the year 2004 the Company had proposed a Special Resolution seeking members' approval through Postal Ballot for change of name of the Company from 'Inertia Industries Limited' to 'Millennium Beer Industries Limited'. The resolution was carried with majority and the result of the Postal Ballot was declared at last Annual General Meeting. However at the time of filing of application for change of name with The Registrar of Companies, Delhi (the ROC), it was observed that the word 'Millennium' was spelled wrongly as 'Millenium' and accordingly the Company applied for change of name to 'Millennium Beer Industries Limited'. However, the ROC advised the Company to submit fresh shareholders approval for change of name 'Millennium Beer Industries Limited.' In view of that the Company again sought members' approval through Postal Ballot to change the name of the Company from 'Inertia Industries Limited' to 'Millennium Beer Industries Limited' under section 21 of the Companies Act, 1956. The Postal Ballot notice, dated 25th January 2005 along with Ballot Form and self addressed envelop, was dispatched to all members with instructions to submit response on or before 3rd March 2005. Mr. Rakesh Sahai Chawla, a Chartered Accountant was appointed Scrutinizer to conduct the Postal Ballot in terms of Section 192A of the Companies Act, 1956 and Companies (Passing of Resolutions by Postal Ballot) Rules, 2001. The Postal Ballot was concluded on 3rd March 2005 at 5.30 p.m. and the Scrutinizer submitted his report and result of the Postal Ballot. The result of the postal ballot is as under:

No. of Ballots received	Invalid Ballots	Valid Ballots	No. of votes cast (under valid Ballots)		
			Assent	Dissent	Abstained
465	28	437	48775564	3400	—

As advised by the ROC, the copy of the result of Postal Ballot was submitted to the ROC. Thereafter the ROC issued fresh Certificate of Incorporation dated 16th March 2005 confirming the change of name of the Company from 'Inertia Industries Limited' to 'Millennium Beer Industries Limited'.

The result of Postal Ballot, as stated above, is submitted herewith for confirmation.

None of the Directors were interested in the resolution.

By order of the Board of Directors

Place : Mumbai
Date : July 29, 2005

VIVEK RAIZADA
COMPANY SECRETARY

Millennium Beer Industries Limited*[Formerly known as Inertia Industries Limited]***DIRECTORS' REPORT**

To

The Members,

MILLENNIUM BEER INDUSTRIES LIMITED*[Formerly Inertia Industries Limited]*

Your Directors have pleasure in presenting their Annual Report together with the audited accounts of your company for the financial year ended on 31st March 2005.

FINANCIAL RESULTS

Rs. in Lacs

Particulars	Current Year (2004 -05)	Previous Year (2003- 04)
Sales & other Income	9,874	7,597
Expenditure	15,729	13,085
Profit/(Loss) After depreciation	(5,855)	(5,488)
Less: Adjustment for taxes / Deferred Taxation	NIL	(3,481)
Balance carried to Balance Sheet	(5,855)	(8,969)
Accumulated Losses	(21,314)	(15,458)
Net Worth	(15,807)	(9,951)

DIVIDEND

In view of loss incurred during the year, your Directors express their inability to recommend any dividend for the year 2004-05.

MANAGEMENT DISCUSSION AND ANALYSIS**OVERVIEW**

In the recent years the Indian Beer Industry witnessed several acquisitions with international brewers entering into the Indian beer market. Presently, the production of beer in India annually is around 7 million hectoliters in the 57 breweries around. Beer consumption in India has been increasing on an average 7 to 9 per cent over the last five years and shows good prospects for continued growth in the years to come. However beer consumption in India still remains very low at 0.6 liters per capita as compared with other countries the world over.

The full potential of the Industry has been held back by a variety of regulatory constraints, most significantly, the regulation and taxation of beer which has lower alcohol content is clubbed with that of spirits. High taxes have greatly hampered the growth of Beer Industry in India. The high dependence of State Governments on the revenues from taxation of alcoholic products has caused the levels to be kept unreasonably high.

During the year under review, the Indian beer industry in volume terms has grown at the rate of 8% as compared to a volume growth of around 3% during the previous year.

The strong beer segment leads the industry as against mild beer segment with a market share of around 65%. This is primarily on account of higher alcoholic content in strong beer. Preference of consumers in India largely leans towards strong beer for getting value for money spent.

To cater to the demand of Beer market your company has its nationally established brands viz. 'Sandpiper' & 'Zingaro' and a regional brand viz. 'Turbo' established in Haryana & Delhi. 'Zingaro' and 'Turbo' brands fall in the strong beer segment and 'Sandpiper' in the mild beer segment.

OUTLOOK

Given the demographics of the country which is skewed in favour of youth, whose preference is consumption of beer which is a low alcohol beverage when compared to spirits, it is anticipated that beer industry will witness substantial growth in the years to come. Your Company has emerged as a significant player in the beer industry achieving 29% growth as compared to total market growth of 8% and currently has a market share of 10%. Increasing

Millennium Beer Industries Limited

[Formerly known as Inertia Industries Limited]

entry of foreign competition in the market could be a potential future threat though your Company is taking proactive steps to ensure its continued dominance in the industry.

Your company has invested in quality upgradation at both its Units located at Dharuhera (Haryana) and Aurangabad (Maharashtra) and also expanded capacity of its Dharuhera Unit.

OPERATIONS

SALES

Your company has achieved a sale of 9.7 million cases during the year 2004-05 as compared to 7.5 million cases achieved during the financial year 2003-04, a growth of 29% in volume over the previous year 2003-04.

The net sales during the year under review stood at Rs.63 Crore as compared to a net sale of Rs.51 Crore during previous financial year representing a growth of 24%. Your Company's market share increased by 2%.

During the first quarter ended 30th June 2005, your Company achieved a sales volume of 37.48 lac-cases as compared to 34.30 lac-cases in the corresponding quarter of previous year representing a growth of 9%. In value terms the net sale aggregated to Rs. 4451 lacs as compared to Rs. 3378 lacs in corresponding quarter of the previous year.

MANUFACTURING EXPENSES

The manufacturing expenses during the year under review were about 61% of the net sales as compared to 62% in the previous year. During the year under review the expenditure part including the manufacturing expenses, other expenses, excise duty etc. exceeds the income from sales and other income largely on account of advertisement and sales promotion activities to build brand equity.

FINANCIAL PERFORMANCE

During the year under review, your Company posted a loss of Rs.58.55 Crore as compared to Rs.89.69 Crore in last financial year 2003-04. The accumulated losses of your company for the period under review amounted to Rs.213.14 Crore as compared to Rs.154.58 Crore of the previous year.

During the first quarter ended 30th June 2005, your Company has posted a net profit of Rs.16.78 lacs as compared to a loss of Rs.1584.05 lacs in the respective quarter last year.

ADVERTISEMENT AND BRAND PROMOTION

Your Company spent 28% of the net sales on advertisement and brand promotion as compared to 31% in the previous year. Innovative methods adopted for recall of your company's brands with target customers had a positive impact on retention of brand image. Advertisement and sales promotion were in the form of coverage on TV, Press, Outdoor campaigns, Distribution of point of purchase materials etc. This Multi media campaigns had high reach and has impacted target audience in all segments of the market.

OPPORTUNITIES AND THREATS

The beer market is reeling under excessive taxation and stagnant sales. Small independent breweries are finding the going tough and increasingly becoming soft targets for acquisitions. Acquiring control over these breweries makes business sense for the future. As anticipated, if, the beer industry is delinked from the Indian Made Foreign Liquor (IMFL) business in terms of regulatory restrictions, prices may drop drastically, which will result in a surge of beer sales.

In a growing economy the demand and consumption of wide variety of consumer products including those of your company and lifestyle products are expected to increase especially with higher disposable income in the hands of consumers. However a significant part of the logistics chain to the consumer is influenced or controlled by the government. The ability of the industry to shift any cost push (increase in cost) to its immediate customer is hugely impacted.

Demand for beer is seasonal in nature and maximum sale contribute during the first quarter of summer months. The second and third quarters (July to December) contribute comparatively lower volume due to the monsoon. Your company has been initiating sales and brand promotional activities to encourage the sale even during the monsoon season.

Millennium Beer Industries Limited

[Formerly known as Inertia Industries Limited]

Your company is aiming to expand its market share and is committed towards its endeavor to achieve the same.

RISKS AND CONCERNS

The Beer industry is governed by a high degree of government restrictions and regulations in the form of taxation, restriction in communication, entry of foreign competition and free flow of goods from state to state. Government levies and taxation have a direct bearing on the profitability of the industry.

These factors have a bearing on the development of the industry and consequently would have its impact on the operations of your Company. Your Company expects liberalization in Government policies for Beer Industry in terms of deregulation / taxation and the industry is expected to expand a few more times in the years to come.

INTERNAL CONTROL SYSTEM

Your Company has evolved a system of internal controls to ensure assets are safeguarded and transactions are authorized, recorded and correctly reported.

The scope of internal audit covers a wide variety of operational matters and, as a minimum, ensures compliance with specific standards with regard to availability and suitability of policies and procedures and extent of adherence. It further evaluates adequacy of segregation of duties, reliability of Management Information Systems including controls in the area of authorization procedures including steps for safeguarding assets. Planned periodic reviews are carried out resulting in identification of control deficiencies, opportunities for bridging gaps with best practices and formalization of time bound action plans to minimize risk. The implementation process is further reviewed and reported by the Internal Audit department after an appropriate period.

It is to be understood that the overall internal control system is never static but dynamic, reflecting the current requirements at all times. The Board, however, believes that appropriate procedures and controls are operating and monitoring practices are in place.

HUMAN RESOURCES

Your Company's Management has an objective to build competencies and commitment in the organization in order to enhance performance and move forward to gain a leadership position. Your Company has a constant endeavor to improve the knowledge, skills and attitude of employees. Performance of employees is recognized with an appropriate compensation package.

Your Company's human resources have played a vital role in achieving the improved performance. Relation of your management with all employees has been cordial during the year. Your Directors express their gratitude to the employees for their dedication and hard work. 132 employees form part of the Human Resource of your Company.

DIRECTORS

Mr. Rakeshchandra Gupta has been appointed as Whole-time Director for a period of 5 years with effect from 30th July 2005 in terms of the applicable provisions of the Companies Act, 1956 on such remuneration, subject to approval of the members.

During the year under review, Mr. H. K. Sharma was appointed as an Additional Director and Whole-time Director of your Company w.e.f. 29th October 2004. Mr. Sharma has resigned from the Board w.e.f. 30th July 2005 and in his place Mr. Rakeshchandra Gupta, who was appointed as an Additional Director w.e.f. 29th July 2005, has been appointed as Whole-time Director for a period of five years w.e.f. 30th July 2005 till 29th July 2010. The remuneration payable to Mr. Gupta as determined pursuant to Section II of Part-II of Schedule XIII to the Companies Act, 1956, as amended by Notification No. GSR 36(E) dated 16th January 2002 issued by the Department of Company Affairs (including salary, perquisites and other benefits / facilities) is set out in the notice convening ensuing Annual General Meeting for approval of the members.

Your Company has received notice under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose the name of Mr. Rakeshchandra Gupta for appointment as Director of your Company in the ensuing Annual General Meeting.

In the ensuing Annual General Meeting Mr. S. R. Gupte and Mr. P. Subramani retire by rotation and being eligible have offered themselves for re-appointment.

Millennium Beer Industries Limited

[Formerly known as Inertia Industries Limited]

The brief resume of Mr. Rakeshchandra Gupta, Mr. S. R. Gupte and Mr. P. Subramani forms part of the Corporate Governance Report annexed herewith in terms of Clause 49 of the Listing Agreement with the Stock Exchanges.

CHANGE IN NAME OF YOUR COMPANY FROM 'INERTIA INDUSTRIES LIMITED' TO 'MILLENNIUM BEER INDUSTRIES LIMITED'

In terms of Special Resolution passed by the members through Postal Ballot, the name of your Company has changed from 'INERTIA INDUSTRIES LIMITED' to 'MILLENNIUM BEER INDUSTRIES LIMITED'. The Registrar of Companies, Delhi & Haryana has issued fresh Certificate of Incorporation dated 16th March 2005 consequent upon change of name.

OPEN OFFER IN TERMS OF THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997

During the year McDowell Alcobev Ltd [MAL] (now known as Millennium Alcobev Pvt. Ltd.) made an Open Offer (the Offer) to the shareholders of your Company in terms of the provisions of Regulations 10 and 12 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (the SEBI Regulations) to acquire 1,36,99,985 Equity Shares representing 25% of the issued Equity Share Capital of your Company, for cash at a price of Rs.10/- per fully paid up Equity Share and Rs.5/- per partly paid up Equity Share (Rs.5/- paid up). The Offer was opened on 22nd April 2004. MAL subsequently revised the Offer size in terms of Regulation 26 of the SEBI Regulations to acquire 1,91,79,979 Equity Shares representing 35% of Equity Share Capital of your Company. The Offer closed on 21st May 2004 and all formalities relating to the Offer were completed by 18th June 2004. MAL acquired 1,42,66,960 Equity Shares representing 26.03% of issued Equity Share Capital of your Company.

MAL, who had agreed to acquire 51.753% of issued Equity Share Capital of your company from the Promoters and Associates subject to an undertaking given to SEBI, has also expressed its intentions to raise finances/capital in compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

REFERENCE TO BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION (BIFR)

In view of the net worth of your Company fully eroded with the accumulated losses touching Rs.213.14 Crore as on the financial year ended on 31st March 2005, your Company continues to be a Sick Industrial Unit within the meaning of Section 3 (1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985 [SICA, 1985]

Reference filed by your Company with the Board for Industrial and Financial Reconstruction [BIFR] under Section 15(1) of the SICA, 1985, on the basis of audited and approved accounts for the financial year ended on 31st March 2003, was registered by BIFR as Case No. 104/2004 vide its letter dated 20th February 2004. However no scheme has so far been filed with BIFR.

CORPORATE GOVERNANCE

In terms of Clause 49 of the Listing Agreement with Stock Exchanges, a separate section on Corporate Governance is attached to this report and forms part thereof. A certificate from the Statutory Auditors as to the compliance of the provisions of the said Clause 49 is attached to the section on Corporate Governance.

AUDITORS

M/s Price Waterhouse, Statutory Auditors of your Company, retire at the conclusion of the ensuing Annual General Meeting and have indicated their willingness to be re-appointed. A certificate under Section 224(1B) of the Companies Act, 1956 has been obtained from them. Your Board recommends the appointment of M/s Price Waterhouse as Statutory Auditors of your Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

AUDITORS' REPORT

The Auditors have not made any qualification in their report for the period under review.