

MILLENNIUM

BEER INDUSTRIES LIMITED



Annual Report

2007-2008

BOARD OF DIRECTORS

S R Gupte
P Subramani
C L Jain
R N Pillai
N Sunder Rajan
Rakeshchandra Gupta - Wholetime Director

COMPANY SECRETARY

Nitesh Bakshi

AUDITORS

Price Waterhouse
5th Floor, Tower D,
The Millennia,
1 & 2 Murphy Road, Ulsoor,
Bangalore - 560 008.

REGISTERED OFFICE

203, 2nd Floor, 2, Community Centre,
Naraina Phase - I,
New Delhi - 110 028.

BREWERIES

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 Limited,
A-40, 2nd Floor, Naraina Industrial Area Phase - II,
New Delhi - 110 028

AUDIT COMMITTEE

S R Gupte
C L Jain
R N Pillai
N Sunder Rajan

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

S R Gupte
P Subramani
R N Pillai

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NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Members of **MILLENNIUM BEER INDUSTRIES LIMITED** will be held on Friday, September 26, 2008 at Ashok Country Resort, Rajokri Road, Kapashera, New Delhi – 110 037 at 9.30 a.m. to transact the following business:

ORDINARY BUSINESS

- 1) To receive and consider the Accounts for the year ended March 31, 2008, and the Reports of the Auditors' and Directors' 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. C L Jain, 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 **SPECIAL RESOLUTION**.

RESOLVED that consent be and is hereby accorded for voluntary de-listing of the Equity Shares of the Company from Ahmedabad Stock Exchange Limited, The Calcutta Stock Exchange Association Limited, Delhi Stock Exchange Limited and Jaipur Stock Exchange Limited, in accordance with applicable provisions contained in the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the "Delisting Guidelines"), the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956 and the Rules framed thereunder, Listing Agreements and all other Applicable Rules, Regulations and Guidelines (including any Statutory modification(s) or re-enactment(s) thereof from time to time) and subject to the approval of the Stock Exchanges where the shares of the Company are listed and any other appropriate Authority, Institution or Regulators as may be necessary and in compliance with such conditions and modifications as may be necessary for this purpose and without giving an exit option in terms of the Delisting Guidelines.

Further **RESOLVED** that the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any Committee(s) thereof formed for the time being to exercise the powers conferred by the Board) be and is hereby authorized to seek voluntary de-listing, take all necessary steps in this regard and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and settle any question, difficulty, doubt that may arise in regard to voluntary de-listing of the Equity Shares from the aforesaid four Stock Exchanges and to execute all such deeds, documents, writings as may be necessary, desirable or expedient as it may deem fit and for this purpose, delegate the authority duly vested in it by virtue hereof to the Wholetime Director and Company Secretary or to any other person whom the Board may consider suitable to do the various acts, deeds and things required to be done to give effect to this Resolution.

- 6) To confirm the following **SPECIAL RESOLUTION** sought to be passed in terms of Section 192 A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 by means of Postal Ballot for the purpose of shifting of Registered Office from Delhi to Bangalore in the State of Karnataka.

RESOLVED that pursuant to the provisions of Sections 17 and 146 of the Companies Act, 1956 and

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other applicable statutory regulations and subject to the approval of the Company Law Board, the Registrars of Companies of respective states and such other authorities as may be required, the Registered Office of the Company be shifted from Delhi to Bangalore in the State of Karnataka.

Further **RESOLVED** that Clause II of the Memorandum of Association be deleted and be replaced by the following Clause:

“The Registered Office of the Company will be situated in the State of Karnataka.”

By order of the Board,

Place : Mumbai

Date : July 30, 2008

NITESH BAKSHI

Company Secretary

NOTES:

1. 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.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 forms part of this Notice.
3. The Register of Members and Share Transfer Books of the Company will remain closed on September 25, 2008 and September 26, 2008.
4. Members are requested to bring their copies of the Annual Report to the meeting together with the attendance slip duly filled in.
5. 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.
6. Members are requested to notify change of address to: (a) their respective Depository Participant, in respect of shares held in electronic form; and (b) Intime Spectrum Registry Limited (Registrar & Transfer Agent) in respect of shares held in physical form.
7. 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.
8. 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.
9. Profile of Directors retiring by rotation forms part of Corporate Governance Report. Their details are also attached to this Notice for perusal of the Members.
10. During the year, the Company has sought approval of the shareholders by way of Postal Ballot for Special Resolution mentioned in item no. 6 of this Notice for shifting of Registered office from Delhi to Bangalore in the State of Karnataka and consequent amendment of Clause II of the Memorandum of Association. The last date for receipt of Postal Ballot is September 08, 2008 and the Scrutinizer's report shall be received on or before September 12, 2008. Results will be displayed at the Registered Office on September 12, 2008 and shall also be announced at this Annual General Meeting.
11. **MEMBERS MAY PLEASE NOTE THAT NO GIFTS SHALL BE DISTRIBUTED AT THE MEETING.**

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

ITEM NO.5

The trading volumes of the Company's Equity Shares on the Stock Exchanges at Ahmedabad, Kolkata, Jaipur, and New Delhi (hereinafter referred to as "the said Stock Exchanges") are either NIL or negligible due to availability of trading facility from nationwide trading terminals set up by the Bombay Stock Exchange Limited (BSE).

From the information regarding trading volumes received from the Stock Exchanges where listed, out of the total trading volumes on the five Stock Exchanges, the combined trading volume of the Company's scrip on the said Stock Exchanges constituted nil or negligible during the financial year 2007-2008. Consequently the Shareholders in and around these locations cannot have the advantage of trading in Shares of the Company on these Exchanges. In sharp contrast, the listing fees paid to the said Stock Exchanges constituted over 80 % of the total listing fees paid to the Stock Exchanges for each financial year. The annual recurring listing fees paid to the said Stock Exchanges do not now offer commensurate benefits to the Company's investors due to availability of nationwide trading terminals set up by BSE. The continued listing on the said Stock Exchanges is, therefore, not considered necessary. It would further contribute to reduction in cost for the Company and ensure administrative convenience. Therefore, the Board of Directors, at its Meeting held on July 30, 2008 has decided to apply for the voluntary delisting of the Company's Equity Shares from the said Stock Exchanges.

Pursuant to the SEBI (Delisting of Securities) Guidelines, 2003, it is now proposed to seek the Members' approval by way of a Special Resolution for the voluntary delisting of the Company's Equity Shares from the said four Stock Exchanges as set out in the Resolution at item no. 5. The proposed voluntary delisting of the Company's Equity Shares from these Stock Exchanges will not adversely affect any investors including the Members located in the regions where the said Stock Exchanges are situated. In terms of the Delisting Guidelines, as the Company's Equity Shares shall continue to remain listed on a stock exchange having nationwide trading terminal, no Exit Option is required to be offered to the Shareholders.

None of the Directors of the Company is any way concerned or interested in this Resolution at item no. 5.

Your Directors recommend passing of the Resolution as set out in item no.5.

ITEM NO.6

In terms of the provisions contained in Sections 17 & 146 of the Companies Act, 1956 and other applicable provisions if any, the Company may subject to compliance with the provisions contained therein and subject to complying with the Companies (Passing of Resolution by Postal Ballot) Rules 2001 shift the Registered Office from one state to another. Presently the Registered Office of the Company is situated at Delhi.

The Company is a subsidiary of Millennium Alcobev Private Limited which is a Joint Venture between United Breweries Limited (UBL) and Scottish and Newcastle. The Management of operations of the Company presently vests with UBL, a UB Group Company and which is a market leader in the Beer Industry in India. Effective June 2005 it was decided that the operations would be managed and controlled by UBL in order to achieve economies of scale in operation and thereby turn around the Company over a period of time. Pursuant upon such synergies in operations of the Company with UBL effective June 2005, there has been a substantial improvement in the performance and operations of the Company under the guidance of UBL. The Company presently has its Registered Office in Delhi. However, the entire operations and management are being exercised and executed from the Corporate Office located at Bangalore, Karnataka.

In order to have better administrative control, accrue further synergized benefits, effective handling of operations and for other directional convenience, it is felt prudent and in the interest of the Company to shift the Registered Office from Delhi to Bangalore in the State of Karnataka. This will augment further administrative and cost benefits for the Company if the Registered Office is shifted to Bangalore.

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In addition, this move will assist the Management in carrying on its business more effectively and efficiently by adopting improved means of operations.

None of the Directors of the Company is in any way concerned or interested in the Resolution proposed to be passed by Postal Ballot and as reproduced at item no. 6.

Your Directors recommend confirmation of the business set out in item no. 6.

By order of the Board,

Place : Mumbai

NITESH BAKSHI

Date : July 30, 2008

Company Secretary

DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING

PARTICULARS	DIRECTORS SEEKING RE-APPOINTMENT	
	MR. S R GUPTA	MR. C L JAIN
Qualifications	Chartered Accountant	Chartered Accountant & Company Secretary
Expertise in specific functional area	Finance and Corporate Strategy	Finance and Corporate Strategy
Date of Appointment	12.01.2001	30.04.2002
Date of Birth	06.03.1939	15.11.1933
Directorships held in other Companies in India	<ol style="list-style-type: none"> 1. Associated Breweries & Distilleries Limited 2. Aventis Pharma Limited 3. Kingfisher Airlines Limited 4. Mangalore Chemicals & Fertilizers Limited 5. Shaw Wallace & Company Limited 6. Shaw Wallace Breweries Limited 7. UB Electronic Instruments Limited 8. United Spirits Limited 9. United Helicharters Private Limited 10. VJM Media Private Limited 	<ol style="list-style-type: none"> 1. Shasun Chemicals and Drugs Limited 2. RPG Life Sciences Limited 3. Brescon Corporate Advisors Limited 4. Practical Financial Services Private Limited 5. United Breweries Limited 6. Asit C. Mehta Investment Intermediaries Limited 7. Shaw Wallace & Company Limited 8. Shaw Wallace Breweries Limited 9. NOCIL Limited
Committee Memberships held in other Companies	Audit Committee <ol style="list-style-type: none"> 1. Aventis Pharma Limited (Chairman) 2. Kingfisher Airlines Limited (Chairman) 3. Mangalore Chemicals & Fertilizers Limited 4. Shaw Wallace & Company Limited 5. United Spirits Limited Shareholders'/Investors' Grievance Committee <ol style="list-style-type: none"> 1. Aventis Pharma Limited (Chairman) 2. Shaw Wallace & Company Limited 	Audit Committee <ol style="list-style-type: none"> 1. RPG Life Sciences Limited (Chairman) 2. Shaw Wallace & Company Limited (Chairman) 3. Brescon Corporate Advisors Limited 4. Shasun Chemicals and Drugs Limited (Chairman) 5. United Breweries Limited 6. NOCIL Limited Shareholders'/Investors' Grievance Committee <ol style="list-style-type: none"> 1. United Breweries Limited 2. Shasun Chemicals and Drugs Limited

The above details do not include Committee Memberships not prescribed for the purpose of reckoning of limits in terms of Clause 49 of the Listing Agreement. Brief Profile of the above Directors also forms part of Corporate Governance report. None of the above Directors hold any share in the Company.

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DIRECTORS' REPORT

To
The Members,

MILLENNIUM BEER 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 March 31, 2008.

FINANCIAL RESULT

Rupees in Millions

Sr. No.	Particulars	Current Year 2007 – 08	Previous Year 2006 – 07
1	Sales & other Income	1,922	1,438
2	Expenditure	1,959	1,548
3	Profit/(Loss) after Depreciation	(37)	(110)
4	Less: Adjustment for Taxes / Deferred Taxation	1	(3)
5	Balance carried to Balance Sheet	(36)	(113)
6	Accumulated Losses	(1,934)	(2,560)
7	Net Worth	(29)	(153)

SCHEME OF REHABILITATION

The Scheme of Rehabilitation filed by your Company with the Board for Industrial and Financial Reconstruction (BIFR) consequent upon your Company having been declared as a Sick Industrial Unit has been sanctioned. The BIFR has granted all the reliefs and concessions sought by your Company. Your Company has started accruing the benefits arising out of the Scheme.

CAPITAL

The authorized share capital of your Company stands at Rs.196 crore comprising of 1.9 crore Preference Shares of Rs.100 each and 6 crore Equity Shares of Re.1/- each. In terms of the Scheme of Rehabilitation, the Equity Share Capital of the Company has been restructured by reducing the face value of equity shares from Rs.10 to Re.1. Millennium Alcobev Private Limited, Promoter and United Millennium Breweries Limited have been allotted 1.5 crore and 0.35 crore Cumulative Redeemable Preference Shares (CRPS) of Rs.100 each respectively on March 29, 2008. Consequently, the issued, subscribed and paid-up share capital as on March 31, 2008 stood at Rs.190.48 crore comprising of 1.85 crore CRPS of Rs.100 each and 5.48 crore equity shares of Re.1 each. Your Company has made an application to the Registrar of Companies NCT. of Delhi & Haryana for change in the Master Data of the Company so as to accept and incorporate the above change with respect to the share capital which is still pending.

DIVIDEND

In view of loss incurred during the year, your Directors express their inability to recommend any Dividend for the year 2007-08.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The Indian Beer Industry is estimated to be around 155 million cases this year growing at a Compound Annual Growth Rate (CAGR) of 19% (3 Year CAGR). Exceptionally, in 2006-2007 the Beer industry witnessed an unprecedented growth of 30%. During the year under review, the industry grew 12% on account of some policy reversals and increase in end consumer prices. The Strong Beer segment continues to dominate the market with a salience of 70%.

The growth of the Industry is driven by a progressive economy with favourable demographics, higher disposable incomes, increasing exposure to Western lifestyles and higher consumer spends. The social habits among people in India are undergoing a transformation with a relaxed attitude towards consumption of alcohol, especially beer. Canned Beer in social gatherings is becoming more popular. Also, liberalization in some States, including deregulation and increased retailing opportunities through supermarkets, malls, etc. has

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increased access to beer and resulted in higher sales volumes. Despite impressive growth over past few years, the per capita consumption of Beer in India remains much lower when compared to other countries and provides a huge opportunity in coming years.

Each State has its own excise & tax structures, levies, rules & regulations regarding licensing fees and labeling requirements. This restricts the manufacturers from free inter State trade with consequential higher cost of production and transportation. For instance, Tamil Nadu does not allow sale of alcoholic beverages manufactured in other states, while there is prohibition in various other States like Gujarat, Mizoram and Nagaland. Further, restrictions on advertising of alcoholic products, manufacturing capacities, distribution, retail and pricing make it a complex operating environment and a challenge to the industry.

Encouraged by high growth potential in the market and liberalization of policies by the Government of India, allowing 100% FDI in the activities relating to manufacturing of alcoholic beverages, a number of International Brewers have made substantial investments in the Indian Beer industry.

OUTLOOK

The industry having crossed the 155 Million Cases mark, it is expected that the growth for 2008-2009 will be in line with the growth of the preceding years. The current dominance of Strong beer segment is expected to continue.

With the Global markets experiencing stagnation, the focus on Global majors is now on India which has attractive demographic landscape, sound economic growth with a consequent rise in GDP, and a young population with more liberal views towards alcohol. The demand for premium Beer is expected to increase on the back of further deregulation in terms of retailing and growth of super market where Beer is allowed to be sold.

Harmonization of tax structure across States and change in the present system of taxation wherein tax incidence is based on alcohol content rather than on the advalorem basis will go a long way in improving the Beer market.

Having regard to the need for increased capacity commensurate with growth, your Company has enhanced its production capacity at both of its Units.

OPERATIONS

SALES

During the year under review your Company posted net sales of Rs.1,873 million as compared to Rs.1,390 million in the previous financial year registering an increase of 34.75 % over the last year. The sales volume during the year ended was 13 million cases as compared to 12 million cases in the previous year resulting in a volume growth of 8.3%. In value terms, the growth was mainly driven by product mix and higher realization.

MANUFACTURING EXPENSES

Manufacturing expenses for the year under review stood at Rs. 1,087 million constituting 55.49% of total expenses as compared to Rs.749 million constituting 48.39% of total expenses previous year. The increase in prices of key input materials, in particular malt, which is the key raw material and bottles, which is predominant packaging material have been contributing to the increase in manufacturing cost and have adversely affected the profit margin of your Company. The shortage of hops is affecting Beer manufacturers worldwide. The impact of such increases in raw material cost is expected to continue in the short term, due to high barley and furnace oil costs. The endeavour of your Company is to minimize the manufacturing expenses thereby increasing the profitability. Increased input cost has been neutralized through improved manufacturing efficiencies and technology up-gradation.

PERSONNEL AND OTHER OPERATION EXPENSES

Personnel expenses during the year under report was Rs.51 million as compared to Rs.39 million previous year. Personnel and other operating expenses during the year under review represented 2.72 % and 2.81% of net sales respectively.

ADVERTISEMENT AND BRAND PROMOTION

Your Company spent Rs.490 million on advertisement and brand promotion activities constituting 25% of total

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expenditure during the year under review as compared to Rs. 439 million which constituted 28.4% of the total expenditure during previous year.

Your Company has been carrying out various promotional activities in major cities across the country in order to enhance visibility of your Company's nationally established brands Sandpiper and Zingaro. Exciting promotional methods have been adopted targeting the niche segment in particular for revamping its brand 'Sandpiper'. As an innovative promotion, your Company has also tied up with a folk dance group in Maharashtra for conducting cultural performances comprising of traditional folk dances for promotion of 'Zingaro' brand.

PROFIT BEFORE INTEREST, DEPRECIATION AND TAXATION

The Profit before Interest, Depreciation and Taxation (PBITD) for the year under review stood at Rs.149 million as against Rs. 53 million previous year reflecting an increase of 181% over the previous year. Improved efficiencies in manufacturing, higher volumes, higher realization on account of product mix, reduced overheads & other variable cost have resulted in higher retention of margins during the year under report.

INTEREST AND DEPRECIATION

Your Company paid Rs.70 million as interest during the year in comparison to interest of Rs.81 million paid during the previous year. Depreciation for the year was Rs.116 million as against Rs.81 million in the previous year. Regular repayment of outstanding term loan has consequently reduced interest cost. The Company has been investing on capacity expansion resulting in addition to fixed assets over the last two years and as a consequence Depreciation charge over the coming years would rise.

POSITION OF PROFITABILITY

The net loss before tax of your Company stood at Rs.37 million as compared to a loss of Rs.110 million in previous year reflecting a decrease of 66% in the loss after tax as against 65% decrease in loss previous year. This reduction in loss was achieved on account of higher sales volume, better realization, reduction in interest and other costs. The overall networth is still negative and is expected to improve gradually.

OPPORTUNITIES & THREATS

The demographic opportunity in India having in excess of over 1.2 billion people with a high proportion of youth provides a major attraction to Beer manufacturers. The Indian Beer market is very small with an annual per capita consumption of only 1 litre and is one of the most promising growth markets in the World.

Whilst the entry of new players and the subsequent investment in the Beer industry will help to sustain the growth of the Industry, and provide the consumer with more choice, their entry presents itself as a challenge to the indigenous players. Entry of internationally acclaimed Beer brands may pose a challenge before your Company to maintain its market share and also to increase its market share.

The strong presence that the UB Group has in the industry through its brewing and distribution network and brand equity it enjoys will leverage in containing competition. In order to ensure sustainable growth in line with Industry growth continuous Capital investment is being made in a phased manner to modernize, improve efficiencies and introduce new technologies to ensure our products are of the highest international standard.

RISKS AND CONCERNS

Though some markets are opening up, excessive regulation in licensing, extensions of Government intervention in the areas of distribution, price restriction and stringent rules of advertising remain. A significant change in the Government liberalization and deregulation policies could affect business and economic conditions in India and the business of your company in particular.

Beer continues to be taxed at higher levels than comparable forms of alcohol, which is irrational. In most parts of the World, levy on spirits is higher but the reverse is true in India. Alcohol specific taxes constitute about 50% of the end consumer price which is among the highest in the World. This continues to be a key concern for the industry.

Higher prices of key raw materials Malt, Hops and Barley and short supply of these materials have a significant impact on the profitability. Your Company has been containing this risk of increase in raw material cost by synergized sourcing of these vital inputs through United Breweries Limited (UBL).

Distribution infrastructure is inadequate in India which is another cause of concern.

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With multinational Beer majors introducing their brands in the market, competition is increasing. This coupled with the value eroding posture of new players by way of heavy discounts, etc., have reduced the profitability of the overall industry. Your Company in consultation with UBL has a dynamic marketing strategy to continue to enhance its brand equity.

INTERNAL CONTROL SYSTEM

Your Company has in place an established system of internal controls to ensure that assets are safeguarded and transactions are appropriately authorized, recorded and correctly reported. Internal Audit evaluates the functioning and quality of internal controls and provides assurance of its adequacy and effectiveness through periodic reporting. Your Company's internal control systems are adequate and are routinely tested and certified by statutory, as well as internal auditors. The process adopted provides reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

In order to continuously upgrade the internal control system, to be in line with International best practice and to ensure total corporate governance, your Company has implemented risk assessment, control self assessment and legal compliance management. These have been updated during the year under review.

The internal control system evaluates adequacy of segregation of duties, reliability of management information systems, including controls in the area of authorization procedures and steps for safeguarding assets. Planned periodic reviews are carried out for identification of control deficiencies, if any, opportunities for bridging gaps with best practices and formalization of action plans to minimize risk.

Your Company believes that the overall internal control system is dynamic, reflecting the current requirements at all times and hence it is ensured that appropriate procedures and controls in operating and monitoring practices are in place.

Internal Audit reports to the Audit Committee and recommends control measures from time to time.

CORPORATE SOCIAL RESPONSIBILITY

As a part of its corporate social responsibility, your Company has adopted a Government Primary school in Joniawas Village, Dharuhera located near the Brewery unit of your Company. The school has been supported by providing school uniforms, bags and stationery to the students.

HUMAN RESOURCES

Your Company's Human Resource Strategy is centered on the belief that it is the people who are the core of the organization and provide the competitive strength required to maintain its market leadership. Your Company is committed to build an organization that is proactive, customer centric and market driven and its endeavour has been to attract, develop and retain the best talent available. The human resources systems and processes are aligned to meet this objective. Over the years the organization has been able to build an open, transparent and supportive culture that motivates employees to deliver superior level of performance. Compensation surveys and competency assessment exercises have been undertaken in order to mitigate people-related risks. As a result of these initiatives, the compensation levels have now been benchmarked with comparable organizations in the industry and the competency assessment has enabled us to promote people from within to take on higher responsibilities. Training and Development continues to be an important area of focus for increasing the competency levels in the organization to strengthen its functional and leadership foundations.

Relations between the employees and the management continued to be cordial during the current year. In line with the Company's objective to build competencies, commitment and culture, employees are motivated to bring out the best and performance is recognized with an appropriate compensation package. Smooth and harmonious Industrial Relations were ensured at both the Units of your Company.

Your Company's employee strength stands at 177 employees. Your Directors record their sincere appreciation for their commitment, dedication and efforts.

DIRECTORS

Mr. S R Gupte and Mr. C L Jain retire by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for reappointment.