

NOTICE

NOTICE is hereby given that the twenty first Annual General Meeting of the Members of **MILLENNIUM BEER INDUSTRIES LIMITED** will be held on Tuesday, September 28, 2010 at **THE CAPITOL HOTEL, NO. 3, RAJ BHAVAN ROAD, BANGALORE-560 001, at 12.45 p.m.** to transact the following business:

ORDINARY BUSINESS

- 1) To receive and consider the Accounts for the year ended March 31, 2010, and the Reports of the Auditors' and Directors' thereon.
- 2) To appoint a Director in place of Mr. P Subramani, who retires by rotation and, being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Mr. S R Gupte, 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.

By order of the Board,

Place: Bangalore
Date: July 20, 2010

Nitesh Bakshi
Company Secretary

Notice (contd.)

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.
Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 forms part of this Notice.
2. The Register of Members and Share Transfer Books of the Company will remain closed on September 27, 2010 and September 28, 2010.
3. Members are requested to bring their copies of the Annual Report to the meeting together with the attendance slip duly filled in.
4. 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.
5. Members are requested to notify change of address to: (a) their respective Depository Participant, in respect of shares held in electronic form; and (b) Link Intime India Private Limited (Registrar & Transfer Agent) in respect of shares held in physical form.
6. 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.
7. 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.
8. 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.
- 9. MEMBERS MAY PLEASE NOTE THAT NO GIFTS SHALL BE DISTRIBUTED AT THE MEETING.**

DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT AT ANNUAL GENERAL MEETING

PARTICULARS	Mr. P SUBRAMANI	Mr. S R GUPTA
Qualifications	FCS	Chartered Accountant
Expertise in specific functional area	Corporate Legal Affairs	Finance and Corporate Strategy
Date of Appointment	06.10.2000	12.01.2001
Date of Birth	07.07.1937	06.03.1939
Directorships held in other Companies	<ol style="list-style-type: none"> 1. Bangalore Beverages Limited 2. City Properties Maintenance Company Bangalore Limited 3. UB Electronic Instruments Limited 4. UB Distilleries Limited 5. UB International Trading Limited 6. I Q Bridge Limited 7. Ambitious Computech [Mumbai] Private Limited 8. Cine Blitz Productions Private Limited 9. Gold Reef Investments Private Limited 	<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 Breweries Limited 6. UB Electronic Instruments Limited 7. United Spirits Limited 8. United Helicharters Private Limited 9. VJM Media Private Limited
Committee Memberships held in other Companies	Nil	Audit Committee <ol style="list-style-type: none"> 1. Aventis Pharma Limited 2. Kingfisher Airlines Limited 3. Mangalore Chemicals & Fertilizers Limited 4. United Spirits Limited Shareholders'/Investors' Grievance Committee <ol style="list-style-type: none"> 1. Aventis Pharma Limited 2. Kingfisher Airlines Limited

The above details do not include Committee Memberships not prescribed for the purpose of reckoning of limits in terms Clause 49 of the Listing Agreement. Brief Profile of the above Directors also forms part of Corporate Governance report. Neither of the above Directors holds any share in the Company. None of the Directors of the Company are related inter-se.

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, 2010.

FINANCIAL RESULT

Rupees in Millions

Sr. No.	Particulars	Current Year 2009-2010	Previous Year 2008-2009
1	Sales & other Income	2,911	2,386
2	Expenditure	2,984	2,518
3	Profit/(Loss) After depreciation	(73)	(132)
4	Less: Adjustment for taxes / Deferred Taxation	—	(1)
5	Balance carried to Balance Sheet	(73)	(133)
6	Accumulated Losses	(2,140)	(2,067)
7	Net Worth	(235)	(162)

CAPITAL

There has been no change in the share capital of the Company during the year ended March 31, 2010. 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. The issued, subscribed and paid-up share capital as on March 31, 2010 stood at Rs.190.48 crore comprising of 1.85 crore Cumulative Redeemable Preference Shares (CRPS) of Rs.100 each and 5.48 crore equity shares of Re.1 each.

DIVIDEND

In view of loss incurred during the year, your Directors express their inability to recommend any Dividend for the year 2009-2010.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The per capita consumption of beer in India continues to be very low as compared to other countries. There has been a steady growth in the Indian Beer Industry of about 15% per year over the last five years, with Industry volumes crossing 200 million cases in financial year 2009-2010 from about 100 million cases in financial year 2003-2004. Considering the Indian demographics, with around 70% of the population below the age of 30 years, growing income and increasing international influence, the industry is expected to maintain if not exceed, its growth at present rate.

The Indian market infrastructure is a barrier to higher growth. In India, alcohol is available in around 65,000 outlets including shops, bars and restaurants which translates to roughly one outlet for every 18,000 residents, whereas the global average for the same is one outlet per 250 residents and the corresponding figure for China is one outlet for every 300 residents. For instance, in urban conglomeration like Greater Mumbai, there are around 2,500 outlets while in Shanghai, which has similar population base, the number of outlets selling alcohol is 18,000. An encouraging development is that in some cities, like Mumbai, the government has started to issue licenses for outlets to sell beer and wine only, delinking it from the sale of Spirits.

Taxation is another major factor which adversely affects the India brewing industry. In India, all the alcoholic beverages are taxed uniformly irrespective of their alcohol content. Consequently, same rate of taxation is applied for spirits, lager beer, strong beer and other alcoholic beverages, resulting in higher price for beer relative to high alcohol beverages. Across the globe, levies on beer are typically at half the rate applicable to spirits, providing an incentive for consumers towards lower alcohol beverages.

Due to the prevalent excise taxation structure, the majority of Indians who consume alcohol prefer to purchase spirits over beer as it contains higher alcohol at a similar price. Therefore in India, unlike most other countries, consumption

of spirits is higher than beer. Some states have recently started to delink beer taxation from spirits, thereby promoting a logical growth in the future.

Taxation & Regulation of alcohol being a State subject under the Constitution of India, each State has separate set of regulations, restrictions and taxation structure for the alcoholic beverages. Some States also impose high export duties and restrictions on the export of beer outside the State. Even the sales & distribution structure varies from State to State as some markets are open while in most States primary sale is canalized through State controlled corporations.

Over last 5 years, a plethora of foreign brands have entered the Country as 100% Foreign Direct Investment is permitted thereby increasing the choice of brands and competition. All major global brewers are now present in India.

OUTLOOK

While multinational companies are expected to increase competition in the premium beer segment, established domestic brands have the advantage of having an established brand equity. Several international brewers have currently built brand associations and are marketing their brands aggressively through various point-of-sale promotions throughout their distribution networks. Your Company has the benefit of a strong route to market combined with India's leading brands.

A double digit growth rate is expected for the coming years, resulting from the increase in disposable income and the growth of consumers entering the legal drinking age.

On-trade sales are expected to grow considerably with growing affluence among young consumers together with the culture of frequenting pubs and clubs that is now spreading to second-tier cities. Off-trade sales are meanwhile expected to be boosted by the gradual deregulation of beer retail, through supermarkets/hypermarkets and beer & wine licenses.

OPERATIONS

SALES

During the year under report your Company sold 1,022,910 HL of beer as against 823,596 HL in the previous year representing a growth of 24.2%. The industry, grew by 10% during the same period. Net sales for the year 2009-2010 stood at Rs. 2,855 million as compared to Rs. 2,342 million in the previous financial year reflecting an increase of 22%. The growth was driven mainly by improved product mix and higher realization.

MANUFACTURING AND OTHER OPERATING EXPENSES

Manufacturing expenses for the year under review stood at Rs.2,027 million constituting 71% of total expenses as compared to Rs.1,679 million in the previous year constituting 66.8% of the total expenses. Your Company has undertaken market focused initiatives and internal measures to contain costs and improve margins.

A significant increase in price of the second hand bottles on account of hoarding by bottle traders has adversely affected manufacturing costs. The units of have installed solid fuel boilers which has resulted in a reduction of fuel cost. The units are continuously improving efficiencies in the brewing process as well as packing thereby reducing the manufacturing costs.

PERSONNEL EXPENSES

Personnel expenses during the year under report was Rs.81 million as compared to Rs. 68 million previous year. Personnel expenses during the year under review represented 2.8% of net sales.

SELLING AND BRAND PROMOTION EXPENSES

During the period under review, your Company has spent 26.5% of net realizations from sales on selling and brand promotion exercise as compared to 23.2% of net sales spent in the previous year.

Your Company has been carrying out various promotional activities in major cities across the country in order to enhance visibility of its brands Sandpiper & Zingaro. A new campaign reflecting the rich culture, history and heritage of Rajasthan has been launched for the brand Bullet.

PROFIT BEFORE INTEREST, DEPRECIATION AND TAXATION

The Profit before Interest, Depreciation and Taxation (PBITD) for the year under review stood at Rs.114.3 million as against Rs. 56.9 million previous year reflecting an impressive increase of more than double over the previous year. This increase in PBITD is resulting from strong revenue growth and sustained investment behind your Company's brands.

Directors' Report (contd.)

INTEREST AND DEPRECIATION

Your Company paid Rs.38.3 million as interest during the year in comparison to Rs. 52 million paid during the previous year. Depreciation for the year was Rs.151.0 million as against Rs.136.6 million in the previous year.

POSITION OF PROFITABILITY

The net loss before tax of your Company has been reduced to Rs.72.6 million as compared to a loss of Rs.132.0 million in the previous year reflecting a decrease in loss of 45%. The overall net worth of your Company is still negative and is expected to improve gradually over a period of time.

SCHEME OF REHABILITATION

The Scheme of Rehabilitation of your Company sanctioned by the Board for Industrial and Financial Reconstruction (BIFR) is under implementation.

OPPORTUNITIES & THREATS

With growing demand, the domestic production of beer is on the rise. International brewers have established breweries across India in order to extend their brand presence to more States. With these international brands starting domestic production in India, indigenous brands such as your company's face competition. International premium lager is growing steadily (though on a smaller base) as the companies have expanded their distribution across India, and have launched several new brands during the year under review.

India is predominantly a spirits market and beer is a minority preference for those who consume beverage alcohol. The low penetration in beer consumption in comparison to international levels offers the expectation of substantial and sustainable growth in demand for beer in years to come, particularly given the youthful age of India's populace. It is expected that gradually there will be a deregulation in the Indian beer industry too, giving it a boost.

Foreign brewers have been eyeing the Indian market for some years now as India is widely acknowledged to be the last untapped big growth market.

RISKS AND CONCERNS

The Indian beer industry is plagued with a myriad of taxes & levies that vary from State to State. These along with price regulation, inadequate market infrastructure and restrictions in interstate movement of beer, pose a great challenge for the industry.

Unlike most developed countries where beer is less regulated and available freely, high level of regulation and higher end consumer price hampers beer sales in India.

Uniform tax regime for beer in all States will be a boon for the industry. If implemented, it will help the beer industry by rationalizing end consumer prices in all States, as is in the case of other consumer goods. Globally, the policy of uniform taxation has been a success because of inherent positive implications on Government revenue. In addition to economic contribution, a uniform tax structure will also create increased agro linkages that are beneficial to a country like India.

It is important to realize that the beer sector can contribute immensely to the agricultural sector, as beer is an agro-based product. Barley farmers particularly stand to benefit from the growth of the beer sector.

Additionally, the continuing control on pricing as exercised by a number of State Governments has resulted in our inability to raise prices on most of our sales. This has had a direct bearing upon the Company's profitability. As this challenge continues in the current financial year, it has resulted in a number of key markets becoming unattractive from a financial perspective.

Excessive regulation and further extensions of Government intervention, in the areas of distribution and pricing, is affecting the growth and profitability of the industry as well as restricting Government revenues. In addition, restrictions on advertising and licensing of retail outlets continue to present challenges to the Industry.

Inclusion of alcoholic beverages into Goods and Service Tax (GST) is uncertain. Non-inclusion of alcoholic beverages in purview of GST would be against the fundamental concept of GST and could have a material negative impact. However, even if it is included there may be material negative impact on input cost.

INTERNAL CONTROL SYSTEM

Your Company has established a robust system of internal controls to ensure that assets are safeguarded and transactions are appropriately authorized, recorded and 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 and 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 systems. These have been updated during the year under review.

The internal control system evaluates adequacy of segregation of duties and 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 and opportunities for bridging gaps with best practices along with formalization of action plans to minimize risks.

Your Company believes that the overall internal control system is dynamic, and reflects the current requirements at all times, hence ensuring 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

Corporate Social Responsibility has become an integral part of the organizational philosophy in the company. Primary Health, Primary Education and Water continue to be the areas of focus. In Dharuhera, your Company had adopted the Government Primary School and its long term engagement continues with them. During the year, your Company supported the school by not only providing educational aids and supplementing mid day meals but also enhanced the quality of education imparted by deploying more teachers. It is because of your Company's initiatives that the enrolment figures have increased from 33 in 2007 to 73 in 2010. The Aurangabad unit of your Company has planted about 150 trees around the boundary wall to develop a green belt around the plant. Also, the unit is in the process of setting up a Primary Health Centre and drinking water facility for the nearby village.

HUMAN RESOURCES

People continue to be the focal point of the organization's development. The Human Resource agenda for the year was to strengthen its people capability and thus enhancing its people productivity. During the year, your Company invested significant time and effort in evaluating the job requirements and identifying individual developmental needs based on the same. The organization also completed the succession planning exercise that has enabled us to fill critical positions internally.

Your Company continued to significantly improve the performance in the areas of productivity and safety by means of focused initiatives. Your Company maintained harmonious employee relations during the year.

As on March 31, 2010, the total employee strength of your Company stands at 212. Your Directors place on record their sincere appreciation to all employees for their contribution towards the continuous success of the organization.

DIRECTORS

Mr. P Subramani and Mr. S R Gupte retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for reappointment.

Brief resume of Mr. Subramani and Mr. Gupte form part of the Corporate Governance Report annexed herewith in terms of Clause 49 of the Listing Agreement with the Stock Exchanges.

SUBSIDIARY

Millennium Alcobev Private Limited [MAPL] holds 88.95% of the Equity Share Capital and hence your Company is a subsidiary of MAPL.

Your Company does not have any subsidiary.

Directors' Report (contd.)**PARTICULARS OF EMPLOYEES**

None of the employees of your Company draw remuneration exceeding the limited prescribed under Sub-section (2A) of Section 217 of the Companies Act, 1956.

LISTING REQUIREMENTS

The Equity Shares of your Company are listed on Stock Exchanges at Mumbai and Delhi. The listing fees have been paid to all the Stock Exchanges for the year 2010-2011. Your Company has made an application with the Delhi Stock Exchange Limited for voluntary delisting of its equity shares which is pending approval.

CORPORATE GOVERNANCE

In terms of Clause 49 of the Listing Agreement, a separate section on Corporate Governance is attached to this report and forms part thereof. A certificate from the Company Secretary in Practice as to the compliance of the provisions of the said Clause 49 is attached to the Corporate Governance Report.

CASH FLOW STATEMENT

A Cash Flow Statement for the year ended March 31, 2010 is appended.

FIXED DEPOSIT

Your Company has not taken, solicited/received any deposit from public.

AUDITORS

M/s Price Waterhouse, Statutory Auditors hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

AUDITORS' REPORT

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

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo as required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are furnished as Annexure to this Report and forms part of it.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(AA) of the Companies Act, 1956, your Board of Directors report that:

1. in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. accounting policies have been selected and applied consistently and that the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the loss of your Company for that period;
3. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
4. the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation for the continued support received from shareholders, banks and financial institutions. Your Directors are also grateful to the Company's business partners and customers for their continued support and patronage. Finally, your Directors wish to acknowledge the support and contribution on the part of all employees who constitute our most valuable asset.

By order of the Board,

Place : Bangalore
Date : July 20, 2010

P Subramani
Director

Anup Kumar Das
Whole-time Director

Particulars pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report.

A. CONSERVATION OF ENERGY

- By synchronizing operation of brewing and bottling considerable amount of energy has been saved.
- Monitoring of work in progress during off season has saved considerable amount of energy.
- On account of removal of bottleneck in the brew house, the average number of brews per day has increased from 7.75 to 8, this has also helped in energy conservation.
- The line efficiency of bottling line has been increased by 3%, consequently, improving energy conservation.
- Variable Frequency Drive for Boiler fans installed reducing electric energy.

Water and Effluent Discharge

- Due to removal of bottleneck and monitoring of section wise water consumption, the consumption of water has reduced, consequently reducing the quantity of effluent discharge.
- The Effluent Treatment Plant has been upgraded to take the additional loads to comply with the statutory requirements.
- Alternate Fuel Boilers installed at both the units leading to reduction in energy cost.
- Coil cooler has replaced the conventional radiators on the diesel generator set at Dharuhera unit for better efficiency.
- Soft starters installed on Refrigeration compressors to prevent starting surge and reduce maximum demand of electricity in Aurangabad unit.

B. TECHNOLOGY ABSORPTION

- Your Company continues to use latest Quality control equipments in process thereby ensuring improvement in Quality.
- Periodic guidance is being sought from the centralized R & D Department of United Breweries Limited to understand and implement the latest technological advances in brewing.
- New Automated Mash Kettle with improved agitator design installed at Aurangabad unit.

Health, Safety and Environment

- Waste Minimization program has been initiated.
- Medical check up of all employees done.

C. FOREIGN EXCHANGE EARNINGS & OUTGO

Foreign Exchange earned : Nil

Foreign Exchange used : Nil

By order of the Board,

Place : Bangalore
Date : July 20, 2010

P Subramani
Director

Anup Kumar Das
Whole-time Director

REPORT ON CORPORATE GOVERNANCE

A. MANDATORY REQUIREMENTS

1. Company's philosophy on Corporate Governance

The objective of the Company on Corporate Governance is to build and adhere to the culture and high standards of Corporate Governance. The management endeavours to benchmark its adherence to a corporate culture of conscience and consciousness, integrity, transparency and accountability for efficient and ethical conduct of business to fulfil its obligation towards shareholders and other stakeholders.

The policies on Corporate Governance adopted by the company are in line with various statutory requirements and listing agreement with Stock Exchanges.

2. Board of Directors

The composition of Board of Directors is in line with requirements of Clause 49 of the listing agreement with stock exchanges. The Board of Directors comprises of 6 Directors, of which 5 are non-executive Directors (including 3 independent Directors) and 1 Whole-time Director. The Board does not have a permanent Chairman. At every meeting, the Directors present elect one of them to chair the meeting.

During financial year 2009-2010, five Board Meetings were held on April 29, 2009, July 27, 2009, September 30, 2009, October 29, 2009 and January 29, 2010:

ATTENDANCE AT BOARD MEETINGS AND ANNUAL GENERAL MEETING

Name of the Director	Category	Number of Board Meetings		Attendance at AGM held on 30.09.2009
		Held	Attended	
Mr. S R Gupte	Independent	5	5	Yes
Mr. P Subramani	Non-Executive	5	5	Yes
Mr. C L Jain	Independent	5	4	No
Mr. R N Pillai	Non-Executive	5	5	Yes
Mr. N Sunder Rajan	Independent	5	5	Yes
Mr. A K Das	Whole time	5	5	Yes

MEMBERSHIP IN BOARD AND BOARD COMMITTEES (OTHER THAN MILLENNIUM BEER INDUSTRIES LIMITED)

Name of the Director	Other Companies	
	Directorships	Committee Memberships
Mr. S R Gupte	9	6 (Chairman of 2 Committees)
Mr. P Subramani	9	Nil
Mr. C L Jain	7	5 (Chairman of 1 Committee)
Mr. R N Pillai	10	1
Mr. N Sunder Rajan	1	1
Mr. A K Das	1	Nil

The above position is as on date of this Report and includes Directorships in Indian Companies only. Also, the details of Committee Memberships include only those Committees, reckoned for the purpose of calculating the limits in terms of Clause 49 of the Listing Agreement.