

70th
ANNUAL REPORT
2003-2004

McIntosh & Co. 1855

Trial	Control (n=10)	MCI (n=10)	AD (n=10)
1	85	75	65
2	80	70	60
3	75	65	55
4	70	60	50
5	75	65	55

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Annual General Meeting on Monday, the 27th September, 2004,
at Solan Brewery (H.P.) at 11:00 A.M.

As a measure of economy, copies of the Annual Report will not be
distributed at the Annual General Meeting, Shareholders are
requested to kindly bring their copies to the meeting.

BOARD OF DIRECTORS:

Managing Director

Brig.(Dr.) Kapil Mohan,
VSM(Retd.) Ph.D.

Deputy Managing Director

Shri Hemant Mohan

Executive Director

Shri Rakesh Mohan

Financial Director

Shri P.D.Goswami, F.C.A., F.C.S.

Secretary

Shri H.N. Handa,
B.Com., F.C.A., F.C.S., A.M.C.I.A.(London)

Directors

Shri Vinay Mohan

Shri L.K. Malhotra

Shri J.K. Jain

Shri Swaraj Suri

Shri D.S.Yadava

Statutory Auditors

A.F. Ferguson & Co.,
Chartered Accountants,
New Delhi.

Bankers:

Punjab National Bank

Advocates & Barristers

Koura & Company
New Delhi

Registered Office:

Solan Brewery P.O.
(Shimla Hills)
Himachal Pradesh.
Pin-173214.

Registrar & Transfer Agents:

M/s.Beetal Financial & Computer
Services (P) Ltd.,
321-S, Chirag Delhi,
(Near Shaheed Bhagat Singh College)
New Delhi-110017.

DIRECTORS' REPORT :**TO THE MEMBERS :**

The Directors present their 70th Annual Report on the business and operations of the Company with the Audited Statement of Accounts for the year ended 31st March 2004, together with the report of Auditors, Messrs A.F. Ferguson & Co.

FINANCIAL RESULTS:

	2004 Rs.	2003 Rs.
Total Income	<u>3,63,63,13,410</u>	<u>3,51,17,21,825</u>
Profit before depreciation	<u>8,56,80,874</u>	<u>8,17,34,959</u>
Less depreciation	<u>3,18,89,114</u>	<u>3,15,95,180</u>
Profit	<u>5,37,91,760</u>	<u>5,01,39,779</u>
Provision for Income Tax -Current Tax	<u>(2,15,25,000)</u>	<u>(1,97,00,000)</u>
-Deferred Tax	<u>14,69,522</u>	<u>16,92,833</u>
	<u>3,37,36,282</u>	<u>3,21,32,612</u>
Taxation adjustments relating to earlier years (Net)	<u>40,74,231</u>	<u>67,35,942</u>
	<u>3,78,10,513</u>	<u>3,88,68,554</u>
Balance brought forward from previous year	<u>17,14,80,222</u>	<u>13,74,10,983</u>
	<u>20,92,90,735</u>	<u>17,62,79,537</u>
<u>APPROPRIATIONS:</u>		
1. Proposed Dividend	<u>42,54,240</u>	<u>42,54,240</u>
2. Tax on proposed Dividend	<u>5,55,976</u>	<u>5,45,075</u>
3. Balance carried to Balance Sheet	<u>20,44,80,519</u>	<u>17,14,80,222</u>
	<u>20,92,90,735</u>	<u>17,62,79,537</u>

RESULTS :

The turn-over of the Company registered an increase from Rs.3,43,43,17,017 to Rs.3,56,61,40,582 during the year under review which is quite encouraging in the face of stiff competition.

the rate of 10% on the paid up share capital.

DIVIDEND:

We recommend for your consideration and approval the payment of dividend amounting to Rs.42,54,240 at

DIRECTORS:

In accordance with provisions of the Companies Act, 1956 and the Company's Articles of Association Shri J.K.Jain and Shri P.D.Goswami Directors of the Company retire by rotation and being eligible offer themselves for re-election. We recommend their

re-appointments as their advice from time to time has proved beneficial in the interest of the Company.

Shri Swaraj Suri and Shri D.S. Yadava were appointed as Additional Directors w.e.f. 30.04.2004 and hold office upto the date of forthcoming Annual General Meeting of the Company. Their appointment will be in the interest of the Company. Appropriate Resolutions seeking your approval for their appointment are appearing in the Notice convening the Annual General Meeting of the Company.

AUDITORS :

Messrs A.F. Ferguson & Co., Chartered Accountants, will retire at the conclusion of the forthcoming Annual General Meeting. They being eligible, offer themselves for re-appointment.

Messrs Mohan & Co., Chartered Accountants, for the audit of accounts of the Company's Lucknow Branch will also retire at the conclusion of the forthcoming Annual General Meeting. They being eligible, offer themselves for re-appointment.

ANNEXURE TO THE AUDITORS' REPORT :

The observations made by the Auditors, have already been fully explained in the notes attached to the Accounts and therefore do not call for any further comments under Section 217(3) of the Companies Act, 1956 except para (IX) (a) & (b) of the Auditors' Report.

Our clarification/explanation on these points are as under :

(IX) (a)

The auditors have observed that there have been delay in a few instances in depositing Income Tax and Sales Tax dues with the concerned Authorities. In this connection, it is explained that tax collection at source on sales of liquor was introduced for the first time in September, 2003. It took sometime for our various depots to gear up the new collection system resulting in delay between 2-15 days in deposits of tax collections at source by way of income tax and late deposit of amount of tax deducted at source plus surcharge is quite nominal which is Rs. 2,463/-.

Sales Tax is deposited directly by the depots in the states concerned. In some cases, delays in recovery of sales tax by the depots has resulted in delays in the deposit of the sales tax by the depots.

However, all concerned persons have been issued strict instructions to comply with the law and deposit the sales tax in time.

(IX) (b)

As regards para (IX) (b) of the Auditors' Report regarding unclaimed dividend aggregating to Rs. 3,082/- payable in the form of shares and which is outstanding in the Company's Books of Accounts for more than 7 years, we do not agree to the views of the auditors to deposit Rs. 3,082/- in the form of shares in the Education & Protection Fund since there is no provision in the Companies Act where unclaimed dividend can be paid in the above mentioned fund in the form of shares. Since this amount pertains right from the year 1948 when another company i.e. National Cereals Products Limited was formed by Mohan Meakin Limited by issuing shares in that new Company by way of dividend. We are seeking legal advise in the matter and the board will take final decision in the matter on receipt of such advise.

COST AUDIT :

The Government of India has approved the appointment of M/s. K.S. Bhatnagar & Associates as Cost Auditor, who have been entrusted to carry out the cost audit of the accounts of Industrial alcohol maintained at Lucknow Distillery for the year ended 31st March, 2004.

FIXED DEPOSITS :

As on March 31, 2004 the total number of Fixed Deposit Accounts numbering 285 amounting to Rs.49,85,500/- have become due for payment but the depositors have not claimed or sent instructions for renewal.

TRANSACTIONS WITH NATIONAL CEREALS PRODUCTS LIMITED :

The purchases made by the Company during the year included purchases aggregating to Rs.2,35,70,915/- made from National Cereals Products Ltd., which has been manufacturing the bulk requirements of barley malt for the last more than five decades. The Company holds 341352 shares (approx.26%), while the Mohan Family holds 366310 shares (approx. 28%) of the total shares of National Cereals Products Ltd., Mrs. Comilla Mohan, Sister-in-Law of Brig.(Dr.) Kapil Mohan, VSM (Retd.) Ph.D., is the Managing Director of National Cereals Products Limited.

INSURANCE :

The Company's assets have been adequately insured.

**ENERGY CONSERVATION TECHNOLOGY
ABSORPTION & FOREIGN EXCHANGE :**

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure forming part of this Report.

DIRECTORS RESPONSIBILITY STATEMENT :

As required under Section 217(2AA) of the Companies Act, 1956, it is hereby stated that :

- a) In the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) The Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period ;
- c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) The Directors had prepared the Annual Accounts on a going concern basis.

CORPORATE GOVERNANCE :

As required by Clause 49 of the Listing agreement, separate report on the Corporate Governance and Management Discussion and Analysis is attached as a part of this Annual Report. Certificate of Auditors regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges is also attached and forms a part of the Annual Report.

CURRENT TREND :

The sales of Company's products for the first quarter of the current year are marginally higher as compared to

the corresponding period of the year under review. The Company is taking all necessary steps to increase the sales despite stiff competition in the market.

INDUSTRIAL RELATIONS:

Management employees relations throughout the year have been very cordial as has been the case for the last many years. Except one, all the Units of the Company functioned smoothly and without interruption. The continuous healthy relationship is due to far-sighted policy of your Managing Director, Brig. (Dr.) Kapil Mohan, VSM (Retd.) Ph.D.

Brig.(Dr.) Kapil Mohan
VSM (Retd.)Ph .D.

Managing Director

Shri Hemant Mohan

Dy. Managing Director

P.D. Goswami

Financial Director

Vinay Mohan

Director

L.K. Malhotra

Director

J.K. Jain

Director

Swaraj Suri

Director

D.S. Yadava

Director

Mohan Nagar;
July 31, 2004.

ANNEXURE 'A' FORMING PART OF THE DIRECTORS' REPORT**PARTICULARS UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988, FOR THE YEAR ENDED MARCH 31st, 2004.****A. CONSERVATION OF ENERGY:**

The Company has been continuously making efforts through its dedicated team to achieve high productivity and steam efficiency.

(a) Energy conservation measures taken:

1. Installation of F.R.P. Bottle shape cooling tower against spray pond type cooling tower will save energy.
2. Electrical as well as heat energy has been saved with the use of Compressed Natural Gas in glass furnace and at Boilers, as against furnace oil which was heated before use whereas C.N.G. is used directly.
3. Installation of Inhouse generator has controlled erratic supply from State Electricity Board, this streamlined the consumption of electricity unit and resulted in energy savings.

(b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy:

Additional equipments proposed last year for reducing the refrigeration, electrical load modification of coal fired boilers for steam distribution with steam reducing station, heating and boiling insulation to avoid steam loss are under active study and shall be installed after energy reduction results are obtained.

(c) Impact of (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of finished goods.

1. Impact of (a) and (b) will result in reduction of energy consumption and consequent impact on the cost of production of finished goods.
2. There will be saving in the energy on the completion of above measures which will result in the reduction of cost of production.

(d) Total energy consumption and energy consumption per unit of production as per prescribed Form 'A'.

FORM 'A'

Form for disclosure of particulars with respect to consumption of energy

(A) POWER AND FUEL CONSUMPTION:

	Glass Bottles	Juice & Canned Products	Maize Rice, Corn Flakes & Wheat Porridge	Cold Storage Total (Two Units)
1. Electricity:				
a) Purchased :				
Units (KWH)	5,30,680	4,596	61,722	2,72,295
	(17,28,100)	(13,395)	(2,03,705)	(4,95,349)
Total amount (Rs.)	47,96,036	27,162	3,64,777	11,50,333
	(1,07,81,833)	(77,021)	(11,71,304)	(22,85,849)
Rate/unit (Rs.)	+ 9.04	5.91	5.91	4.22
	(6.24)	(5.75)	(5.75)	(4.61)
b) Own generation:				
Through Generator(H.S.D./L.D.O./F.O.)				
Units (KWH)	83,34,526	41,869	7,21,898	2,74,293
	(73,11,498)	(36,787)	(5,31,075)	(1,22,467)
Units per litre of Oil	3.34	3.54	3.54	3.49
	(3.39)	(3.55)	(3.55)	(3.16)
Cost/unit (Rs.)	3.90	4.05	4.05	4.16
	(3.05)	(4.55)	(4.55)	(5.25)
2. Furnace Oil/ R.F.O./H.S.D./L.D.O.				
Qty. (k.ltrs.)	4,328	-	-	-
	(3,372)	(-)	(-)	(-)
Total cost (Rs.)	5,05,66,314	-	-	-
	(4,29,16,212)	(-)	(-)	(-)
Average rate per k.ltrs (Rs.)	11,682	-	-	-
	(12,728)	(-)	(-)	(-)
3. L.P.G:				
Qty. (Tonnes)	838	-	327	-
	(662)	(-)	(263)	(-)
Total cost (Rs.)	1,69,94,482	-	66,63,713	-
	(1,42,38,952)	(-)	(69,14,723)	(-)
Average rate per tonne (Rs.)	20,286	-	20,372	-
	(21,514)	(-)	(26,340)	(-)
4. Natural Gas:				
Qty. (Cubic Meters)	2,24,000	-	28,600	-
	(12,00,959)	(-)	(-)	(-)
Total cost (Rs.)	22,44,450	-	2,86,568	-
	(67,67,535)	(-)	(-)	(-)
Average rate per cubic meter (Rs.)	10	-	10	-
	(6)	(-)	(-)	(-)
5. Steam Used from the Main Boiler House ++				
Total Cost (Rs.)	-	15,63,802	67,36,441	-
	(-)	(10,95,726)	(82,47,752)	(-)

		Glass Factory	Juice & Canned Products	Maize Rice, Corn Flakes & Wheat Porridge	Cold Storage Total (Two Units)
(B) Consumption per Unit of production:	Standard (if any)	Per tonne	Per kl	Per tonne	Per tonne
Electricity- units (KWH)	- (-)	412 (420)	35 (41)	318 (317)	- (-)
F.O./R.F.O./H.S.D./LDO (KL) etc.	- (-)	0.201 (0.157)	- (-)	- (-)	- (-)
L.P.G. (Tonne)	- (-)	0.039 (0.031)	- (-)	0.133 (0.113)	- (-)
Natural Gas (Cubic Meters)	- (-)	10 (56)	- (-)	12 (-)	- (-)

- Notes:** (i) + Due to erratic supply of electricity from UPSEB, company had to use more generated units but minimum guaranteed charges had to be paid without using the electricity units. Hence increase in cost per unit of electricity purchased.
- (ii) ++ The unit wise consumption of coal, H.S.D. and natural gas is not available as the steam has been supplied from main boiler house.
- (iii) The F.O./R.F.O./H.S.D. and L.D.O. etc. has been used only when the natural gas was available in scarcity. Therefore, consumption per unit of production of oils and natural gas are not comparable with previous year's figures.
- (iv) Previous year figures are in brackets and modified wherever necessary.

FORM 'B'

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION AND TECHNOLOGY DEVELOPMENT

B. RESEARCH & DEVELOPMENT:

- (a) The research work carried out on the cooking of grits and drying of cooked grits for the manufacture of corn flakes have been successful. On the basis of the above work, the additional line have been erected and commissioned without installing the grit cooker and cooked grits dryers. The elimination of the use of additional cooker and dryer will result in the saving of steam and also electric power.
- (b) We had successfully cultivated sugar beet in one acre of land at Mohan Nagar on experimental basis. The experimental cultivation has shown that the yield of the crop per acre and sugar content of beet root were satisfactory. On the basis of the results of experimental cultivation of sugar beet, the preparation is under hand for the cultivation of sugar beet at Hathras also where we have been allotted enough land for our new ethanol project.

1. Technology absorption, adaptation and innovation:

Efforts in brief made towards technology absorption, adoption and innovation are:

- (a) It has been possible to adopt technologies and processes successfully because the company has experienced Scientists and Engineers and also technical facilities for scaling up the processes to commercial scale production.
- (b) The study of diffused aeration technology has shown that it is an energy efficient technology. This technology would be adopted in the distillery unit which is coming up at Hathras.
- (c) The use of Double Evacuation-Filling machine has helped in improving the quality of beer by reduction of air in beer. It has also helped to increase the production capacity of the brewery.
- (d) The installation of Horizontal Kiselghur Filter has helped in increasing beer filtration efficiency and also helped in reducing loss of beer in filtration process.

2. Benefit derived as a result of the above efforts:

- (a) The quality improvement process based on Orthogonal Array and Taguchi Method is continuing and it has benefited in the improvement of quality of flakes.
- (b) The introduction of Horizontal Kiselghur Filter has helped in reducing the loss of beer during filtration and thus achieving saving in beer production.
- (c) With the installation of new type of filling machine, the quality of beer has been improved by reducing air in beer. This has helped to increase the filling capacity, which has also improved the productivity.

3. Foreign exchange earning and out go :

The information on foreign exchange earning and outgo is contained in Schedule 13 under Notes 18, 19 and 20 of the balance sheet and the profit & loss account.

Annexure to the Directors' Report**CORPORATE GOVERNANCE:**

The Company pursuant to the code on Corporate Governance introduced by the Securities and Exchange Board of India (SEBI) furnishes its report as under:

(a) Corporate Governance Philosophy:

Your company is committed to good Corporate Governance and endeavours to implement the Code of Corporate Governance in its true spirit.

The philosophy of your Company in relation to Corporate Governance is to ensure transparency in all its operations, make disclosures and enhance shareholder value without compromising in any way in compliance with laws and regulations.

Your Company believes that good governance brings about sustained corporate growth and long term benefits for stakeholders. Your Company continues to follow procedures and practices in conformity with the Code of Corporate Governance as enunciated in the Listing Agreement. Details of the implementation of the Code follow in the paragraphs below :

(b) Board of Directors:

The Board of Directors monitors performance of the Company, approves and Reviews policies / strategies and evaluates management performance. The Board of Directors ensures legal and ethical conduct and accurate financial reporting.