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74th
ANNUAL REPORT
2004-2005

Mohammedan Insurance Co. Ltd. Estd. 1855

For Members only

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Annual General Meeting on Friday, the 30th September, 2005,
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

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)

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

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

Directors
Shri Vinay Mohan

Shri Rakesh Mohan

Shri J.K. Jain

Shri Swaraj Suri

Shri D.S.Yadava

Shri M. Nandagopal

Shri L.K. Malhotra

Bankers:
Punjab National Bank

Advocates & Barristers
Koura & Company
New Delhi

Registrar & Transfer Agents:
M/s.Beetal Financial & Computer
Services (P) Ltd.,
Beetal House, 3rd floor, 99, Madangir,
Behind Local Shopping Centre,
Near Dada Harsukhdas Mandir,
New Delhi-110062.

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

The Directors present their 71st Annual Report on the business and operations of the Company with the Audited Statement of Accounts for the year ended 31st March 2005, together with the report of Auditors, Messrs A.F. Ferguson & Co.

FINANCIAL RESULTS:

	March 31, 2005 Rs.	March 31, 2004 Rs.
Total Income	3,70,13,47,498	3,63,63,13,410
Profit before depreciation and interest	6,58,16,414	8,56,80,874
Less depreciation	2,57,13,899	3,18,89,114
Profit for the year before tax	4,01,02,515	5,37,91,760
Provision for - Current Tax	(1,74,80,000)	(2,15,25,000)
- Deferred Tax	28,52,919	14,69,522
Net Profit for the year	2,54,75,434	3,37,36,282
Taxation adjustments relating to earlier years (Net)	81,84,183	40,74,231
	3,36,59,617	3,78,10,513
Balance brought forward from previous year	20,44,80,519	17,14,80,222
Amount available for appropriation	23,81,40,136	20,92,90,735
<u>APPROPRIATIONS:</u>		
1. Proposed Dividend	42,54,240	42,54,240
2. Tax on proposed Dividend	5,96,657	5,55,976
3. Balance carried to Balance Sheet	23,32,89,239	20,44,80,519
	23,81,40,136	20,92,90,735

RESULTS :

The turn-over of the Company registered an increase from Rs. 3,56,61,40,582 to Rs. 3,70,13,47,498 during the year under review which is quite encouraging in the face of stiff competition. However, the profitability of the Company has been affected because of higher inputs in the marketing of the products on account of rebates and incentives, otherwise the turnover would also have registered a decline and in view of the rising cost of production on all the fronts, the results are satisfactory.

DIVIDEND :

We recommend for your consideration and approval the payment of dividend amounting to Rs. 42,54,240 at the rate of 10% on the paid up share capital and Rs.5,96,657 towards corporate Dividend Tax resulting in a total outflow of Rs. 48,50,897

DIRECTORS :

In accordance with provisions of the Companies Act, 1956 and the Company's Articles of Association, the following Directors of the Company retire by rotation:-

Shri Hemant Mohan
Shri L.K. Malhotra
Shri Rakesh Mohan

Shri Hemant Mohan and Shri L.K. Malhotra being eligible offer themselves for re-election. We recommend their re-appointment as their advice from time to time has proved beneficial in the interest of the Company. Shri Rakesh Mohan, although being eligible did not offer himself for re-election. As such the vacancy being caused by his retirement is not being filled up.

Shri M. Nandgopal was appointed as Additional Director w.e.f. 30.10.2004 and hold office upto the date of forthcoming Annual General Meeting of the Company. The Company has received notice from the shareholder proposing his name for appointment as Director. His appointment will be in the interest of the Company. Resolution seeking approval of the shareholders for his appointment has been incorporated in the Notice of the forthcoming 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) of the Auditors' Report.

Our clarification/explanation on the para referred to above point is as under:

"As far as delay in depositing income-tax is concerned, the delay pertains to the tax collected/deducted at source at a few places and the amount is quite nominal. Since the tax collected at source is applicable on all the invoices raised against various customers by the Company through its depots scattered throughout the country as well as through the manufacturing centers, it takes a lot of time to collect information resulting in delay in depositing the tax. However, all concerned persons have been advised to strictly comply with the requirements of law and ensure that the tax is deposited

with the concerned authorities well in time.

As regards delay in depositing the sales-tax with concerned authorities, the same has taken place at a few places due to non-receipt of sales proceeds from the customers in time in spite of best efforts made by the Company. Here also the Company has advised all concerned persons to ensure that sales tax collected is deposited well in time.

As regards undisputed sales-tax amount of Rs.1, 30,046 relating to the period 1989 to 2004, it is observed that this demand represents collection of entry tax/sales-tax incorrectly made which were held pending decision on their appropriation."

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, 2005. The Cost Auditor has submitted his Report to the Company as well as the Government. There is no observations/qualification in the Cost Audit Report; hence no comment/clarification is required.

FIXED DEPOSITS :

As on March 31, 2005 the total number of Fixed Deposit Accounts numbering 266 amounting to Rs.44,71,500 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.3,17,09,908 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%) (including 48,563 shares(3.69%) held by Brig.(Dr.) Kapil Mohan, VSM (Retd.) Ph.D., Managing Director) 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.

PARTICULARS OF EMPLOYEES :

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, are given in the Annexure forming part of this report.

**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 :

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, (the Act) and based on the representations received from the operating management, the Directors hereby confirm that:

- a) in the preparation of the Annual Accounts for the year 2004-05, the applicable Accounting Standards have been followed and there are no material departures;
- b) They have selected such accounting policies in consultation with the statutory auditors and applied them consistently and made judgments 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 of the Company for the financial year.
- c) They have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956. They confirm that there are adequate systems and controls for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) They have 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 Practising Company Secretary 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 the Company's products for the first quarter of the current year are slightly down as compared to the corresponding period of the year under review. The Company is taking all necessary steps to achieve higher sales and it is expected that the measures being taken will bring the desired results barring unforeseen circumstances

INDUSTRIAL RELATIONS :

The Company continues to enjoy excellent Industrial relations as usual. Smooth, harmonious management-employee relationship is the result of dynamic leadership of our Managing Director, Brig. (Dr.) Kapil Mohan, VSM (Retd.) Ph.D., who considers the Company's manpower as its precious asset. Your directors wish to place on record their deep sense of appreciation for the devoted services of the Executives, Staff and Workers of the Company for its success.

Brig.(Dr.) Kapil Mohan VSM (Retd.) Ph.D.	<i>Managing Director</i>
Shri Hemant Mohan	<i>Dy. Managing Director</i>
Shri P.D. Goswami	<i>Financial Director</i>
Shri Vinay Mohan	<i>Director</i>
Shri L.K. Malhotra	<i>Director</i>
Shri J.K. Jain	<i>Director</i>
Shri Swaraj Suri	<i>Director</i>
Shri D.S. Yadava	<i>Director</i>
Shri M. Nandgopal	<i>Director</i>

Mohan Nagar;
July 30, 2005.

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, 2005.****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. Modification of vacuum in Malt Extract has resulted in reduced steam consumption in manufacturing of Malt Extract.
2. Addition of float type steam trap has stopped flash steam going waste in atmosphere thereby increasing condensate for Boiler feed water.
3. Replacement of old diffusers in fermentation hall of Brewery, have maintained 0° temperature with low cost of refrigeration.

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

New Lauter Tun under construction, steam reducing station & new design plate heat exchange for cooling wort planned to install will result in reduction of energy consumption.

(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 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 Wheat Porridge	Juice & Canned Products (Two Units)	Maize Rice, Corn Flakes &	Cold Storage Total
1. Electricity: +				
a) Purchased :				
Units (KWH)	-	-	-	2,25,794
	(5,30,680)	(4,596)	(61,722)	(2,72,295)
Total amount (Rs.)	-	-	-	8,78,057
	(47,96,036)	(27,162)	(3,64,777)	(11,50,333)
Rate/unit (Rs.)	-	-	-	3.89
	(9.04)	(5.91)	(5.91)	(4.22)
b) Own generation:				
Through Generator(H.S.D./L.D.O./F.O.)				
Units (KWH)	86,33,968	46,665	8,07,118	1,44,616
	(83,34,526)	(41,869)	(7,21,898)	(2,74,293)
Units per litre of Oil	3.28	3.46	3.46	3.37
	(3.34)	(3.54)	(3.54)	(3.49)
Cost/unit (Rs.)	4.03	4.46	4.46	4.73
	(3.90)	(4.05)	(4.05)	(4.16)

	Glass Bottles Wheat Porridge	Juice & Canned Products (Two Units)	Maize Rice, Corn Flakes & Wheat Porridge	Cold Storage Total
2. Furnace Oil/ R.F.O./H.S.D./L.D.O.				
Qty. (k.ltrs.)	6	-	-	-
	(4,328)	(-)	(-)	(-)
Total cost (Rs.)	1,23,756	-	-	-
	(5,05,66,314)	(-)	(-)	(-)
Average rate per k.ltrs (Rs.)	19,416	-	-	-
	(11,682)	(-)	(-)	(-)
3. L.P.G:				
Qty. (Tonnes)	2	-	-	-
	(838)	(-)	(327)	(-)
Total cost (Rs.)	38,795	-	-	-
	(1,69,94,482)	(-)	(66,63,713)	(-)
Average rate per tonne (Rs.)	22,168	-	-	-
	(20,286)	(-)	(20,372)	(-)
4. Natural Gas:				
Qty. (Cubic Meters)	55,23,592	-	8,61,900	-
	(2,24,000)	(-)	(28,600)	(-)
Total cost (Rs.)	5,35,48,537	-	83,46,124	-
	(22,44,450)	(-)	(2,86,568)	(-)
Average rate per cubic meter (Rs.)	9.69	-	9.68	-
	(10.02)	(-)	(10.02)	(-)
5. Steam Used from the Main Boiler House ++				
Total Cost (Rs.)	-	14,38,699	40,88,169	-
	(-)	(15,63,802)	(67,36,441)	(-)

	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
Electricity- units (KWH)	-	395	47	-
	(-)	(412)	(42)	(-)
F.O./R.F.O./H.S.D./LDO (KL) etc.	-	0.00029	-	-
	(-)	(0.201)	(-)	(-)
L.P.G. (Tonne)	-	0.00008	-	-
	(-)	(0.039)	(-)	(0.133)
Natural Gas (Cubic Meters)	-	253	-	-
	(-)	(10)	(-)	(12)

- Notes:** (i) + During this year no electricity purchased at Mohan Nagar, since meters were surrendered & load shifted to generated electricity.
- (ii) ++ The unit wise consumption of coal, H.S.D. and natural gas is not available as the steam has been supplied to various production division from main boiler house.
- (iii) The F.O./R.F.O./H.S.D./L.D.O. and L.P.G. etc. has been used only when the natural gas was available in scarcity. Therefore, consumption per unit of production of oils, L.P.G. 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) New research work has been undertaken to study and evaluate the new varieties of Maize which have been developed by I.A.R.I., New Delhi and these varieties are being cultivated in Punjab, Haryana, Rajasthan, M.P., Uttaranchal, Bihar, Andhra Pradesh-Telangana Region and Karnataka. These are Golden Yellow Round Hard varieties which are very suitable of corn flakes production. This study will help the company to improve the quality characteristics of corn flakes like blister, golden brown colour, toughness, unbreakability and uniformity, etc. It will also help to increase the yield of the flakes because tough & hard varieties will not break into small grit during polishing and milling. It will also help to obtain maize from wide regions of maize producing States like North Western Region (Punjab & Haryana), Western Region (Maharashtra), Central Region (MP), Northern Region (Uttaranchal, Western U.P.), Eastern Region (Bihar).
- (b) Sugar Beet cultivation has been successfully carried out on experimental basis for evaluating suitability of the same for alcohol production. It will be cultivated in commercial scale in Hathras area of UP for alcohol production by using as raw material for our new distillery which is being set up at Salempur, Hathras.

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 process successfully because the company has experienced Scientists and Engineers and also technical facilities for scaling up the processes to commercial scale production.
- (b) Study of maize varieties for using the same to improve quality and increase yield of corn flakes.
- (c) Study of diffused aeration technology to reduce energy consumption in E.T.P.

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

- (a) Quality improvement and increase in yield of corn flakes.
- (b) Adoption of diffused aeration in the ETP will reduce the energy consumption in the treatment of effluent of our Hathras Distillery.

3. Foreign exchange earning and out go :

The Company continues to treat exports as major thrust area. Export business of the Company during the year has a considerable growth over last year. Company has been able to achieve this due to our good quality and product acceptable to International market.

The Company is trying to export its products to several new countries.

Total Foreign Exchange used and earned for current year in Rupees –

- Foreign Exchange earned	4,07,73,367
- Foreign Exchange utilized :	
On Import of Raw material, Store & spares	1,998,460
On Business Travel & Subscription	<u>95,834</u> 20,94,294

Annexure 'B' to the directors' report

Information as per section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rules, 1975, and forming part of the directors' report for the year ended March 31, 2005.

Sl. No	Name	Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous Designation	Employment
Persons employed throughout the financial year and were in receipt of remuneration in aggregate of not less than Rs. 2,00,000/- per month									
1.	Sh. Hemant Mohan	Deputy Managing Director	Bachelors in Business Administration, Degree Majoring in International Business (LONDON)	37	01.08.1990	15	29,33,179	-	-

ANNEXURE TO THE DIRECTOR'S REPORT**CORPORATE GOVERNANCE REPORT:****INTRODUCTION:**

Corporate Governance is the combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the organization. It is crucial to the very existence of a company as it builds confidence and trust which eventually leads to a more stable and sustained resource flows and long term partnership with its investors and other stakeholders. The importance of Corporate Governance lies in the contribution it makes to the overall growth and direction of the business, management accountability and transparency and above all, equitable treatment for its stakeholders.

MANDATORY REQUIREMENTS:

Your Company continues to follow procedures and practices in conformity with the Code of Corporate Governance as enunciated in clause 49 of the Listing Agreement pursuant to SEBI directions. A report on the implementation of the Corporate Governance Code of the Listing Agreement by the Company is furnished below:

(a) Company's Philosophy on Code of Governance:

The Company believes that sound Corporate practices based on openness, credibility and accountability is essential to its long term success. These practices will ensure the Company, having regard to competitive exigencies, conduct its affairs in such a way that would build the confidence of its various stakeholders in it, and its Board's integrity.

(b) Board of Directors:

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