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*72nd*

ANNUAL REPORT

2005-2006

*Mohan Meakin Limited Estd. 1855*

For Members only

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Annual General Meeting on Saturday, the 30th September, 2006,  
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)**

Directors

**Shri Vinay Mohan**

**Shri L.K. Malhotra**

**Shri J.K. Jain**

**Shri Swaraj Suri**

**Shri D.S.Yadava**

**Shri M. Nandagopal**

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.,**  
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 72nd Annual Report on the business and operations of the Company with the Audited Statement of Accounts for the year ended 31<sup>st</sup> March 2006, together with the report of Auditors, Messrs A.F. Ferguson & Co.

**FINANCIAL RESULTS:**

	Year ended March 31, 2006 Rs.	Year ended March 31, 2005 Rs.
Total sales and other Income	3,71,36,14,188	3,70,13,47,498
Less: Excise duty	1,33,35,28,046	1,30,77,80,544
Net Sales & other income	2,38,00,86,142	2,39,35,66,954
Less: Total Expenditure excluding interest and depreciation	2,31,01,41,256	2,29,36,86,163
Profit for the year before depreciation, Interest and tax:	6,99,44,886	9,98,80,791
Depreciation	2,53,44,355	2,57,13,899
Profit for the year before interest and tax	4,46,00,531	7,41,66,892
Interest	3,43,63,458	3,40,64,377
<b>Profit for the year before tax</b>	<b>1,02,37,073</b>	<b>4,01,02,515</b>
Provision for - Current Tax	5,05,000	1,74,80,000
Minimum Alternate Tax (MAT) credit entitlement	(5,05,000)	-
- Deferred Tax	31,27,112	(28,52,919)
- Fringe Benefit Tax	41,00,000	-
<b>Profit for the year after tax</b>	<b>30,09,961</b>	<b>2,54,75,434</b>
Excess provision for taxation relating to earlier years written back (net)	29,91,640	81,84,183
<b>Profit for the year</b>	<b>60,01,601</b>	<b>3,36,59,617</b>
Balance brought forward from previous year	23,32,89,239	20,44,80,519
Profit available for appropriation	23,92,90,840	23,81,40,136
<b>APPROPRIATIONS:</b>		
1. Proposed Dividend	25,52,544	42,54,240
2. Tax on proposed Dividend	3,57,994	5,96,657
3. Balance carried to Balance Sheet	23,63,80,302	23,32,89,239
	<b>23,92,90,840</b>	<b>23,81,40,136</b>

**RESULTS :**

During the year under report, there is a marginal increase in the total sales and other income of the Company. However, there has been decline in profits as a result of downfall in the income under the head "Royalty & Technical know-how" due to stiff competition being faced by the Company from other Manufacturers and Bottlers. Besides this, the expenditure under the heads "Power and Fuel" and "Freight and Cartage" has gone up due to abnormal increase in prices of petroleum products and Coal etc.

**DIVIDEND :**

We recommend for your consideration and approval the payment of dividend amounting to Rs.25,52,544 at the rate of 6% on the paid up share capital and Rs.3,57,994 towards corporate Dividend Tax resulting in a total outflow of Rs.29,10,538.

**DIRECTORS :**

In accordance with provisions of the Companies Act, 1956 and the Company's Articles of Association, Shri Swaraj Suri and Shri D.S. Yadava Directors of the Company retire by rotation and 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.

**RE-APPOINTMENT OF MANAGING DIRECTOR :**

The term of re-appointment of the Managing Director, Brig.(Dr.) Kapil Mohan, VSM (Retd.)Ph.D. will expire on 1.4.2007. Keeping in view of his long experience in the liquor industry and his contributions towards the progress of the Company, the Board of Directors has recommended his re-appointment for a further period of 3 years with effect from 1st April, 2007 and the proposal for his re-appointment is being placed in the forthcoming Annual General Meeting of the Company, for its approval.

**RE-APPOINTMENT OF DEPUTY MANAGING DIRECTOR:**

The term of re-appointment of Deputy Managing Director, Shri Hemant Mohan, will expire on 1.4.2007. Keeping in view his talent and experience, the Board of Directors has recommended his re-appointment for a further period of 3 years with effect from 1st April, 2007

and the proposal for his re-appointment is being placed in the forthcoming Annual General Meeting of the Company, for its approval.

**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:

- I) As regards delay in depositing income-tax, the same pertains to the tax collected/deducted at source at a very few places. This pertains to the tax collected at source from the invoices raised against various customers by the Company through its depots scattered throughout the country. In spite of the best efforts made by the Company, it takes lot of time to collect the information from each customer resulting in delay in depositing the tax. However, the Company is trying its best to ensure that the requirements of Law is duly complied with and the tax is deposited with the appropriate authorities well in time.
- II) As far as delay in depositing the sales-tax with the concerned authorities is concerned, the same has taken place at 2 places which delay is due to non-receipt of sales proceeds from the respective customers in time. However, necessary permission for depositing the sales-tax late was duly obtained from the respective Sales-tax authorities and the tax has been deposited within the time allowed by the said authorities. Here also, the Company is trying to ensure that all the concerned persons

deposit the sales-tax with the appropriate authorities well in time irrespective of the timely recovery from the customers.

- III) As regards Service-tax, the same is on account of possible liability on receipt of royalty. The Company was under the bonafide impression that the receipt of royalty does not attract service-tax and in any case it is entitled to set off against service-tax paid by the Company. However, there were conflicting legal advices and immediately out of abundant caution, the Company decided to deposit the Service-tax late to avoid any violation of Service Tax Rules.

#### **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 31<sup>st</sup> March, 2006. 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, 2006 the total number of Fixed Deposit Accounts numbering 278 amounting to Rs.54,68,500 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.2,49,81,693 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 48,536 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.

**The Cash flow statement for the year 2005-2006 is attached to the Balance Sheet.**

#### **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:

- in the preparation of the Annual Accounts for the year 2005-06, the applicable Accounting Standards have been followed and there are no material departures;
- 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.
- 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 higher 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 :**

It is a matter of pride to report that the management-employees relations in your Company during the year under review continue to be cordial as in the previous years. This is all due to the progressive social outlook of Brig. (Dr.) Kapil Mohan, VSM (Retd.) Ph.D. your Managing Director. All units of your Company functioned without interruption during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services of the workers, staff and officers of the Company.

**Brig.(Dr.) Kapil Mohan** *Managing Director*  
VSM (Retd.) Ph .D.

**Shri P.D. Goswami** *Financial Director*

**Shri L.K. Malhotra** *Director*

**Shri J.K. Jain** *Director*

**Shri Swaraj Suri** *Director*

**Shri D.S. Yadava** *Director*

**Shri M. Nandagopal** *Director*

Mohan Nagar;  
July 31, 2006.

**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, 2006.****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 Steam Pressure reducing station has resulted in reduced steam consumption and wastage of steam has been reduced at wort Boiling Kettel.
2. Special type of Cold insulation, has reduced energy consumption for refrigerations.

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

Modification at effluent treatment plant which is in progress will result in increased production of Bio-Gas, also efforts are on to extract heat from the exhaust gases of Generators and toasting oven.

**(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	Juice & Canned Products	Maize Rice, Corn Flakes & Wheat Porridge	Cold Storage
<b>1. Electricity: +</b>				
a) Purchased :				
Units (KWH)	-	-	-	3,79,502
	(-)	(-)	(-)	(2,25,794)
Total amount (Rs.)	-	-	-	16,50,527
	(-)	(-)	(-)	(8,78,057)
Rate/unit (Rs.)	-	-	-	4.35
	(-)	(-)	(-)	(3.89)
b) Own generation:				
Through Generator (H.S.D./L.D.O./F.O.)				
Units (KWH)	74,53,082	53,360	7,79,775	1,78,315
	(86,33,968)	(46,665)	(8,07,118)	(1,44,616)
Units per litre of Oil	3.09	3.31	3.31	3.29
	(3.28)	(3.46)	(3.46)	(3.37)
Cost/unit (Rs.)	5.97	6.17	6.17	6.26
	(4.03)	(4.46)	(4.46)	(4.73)



**Mohan Meatin Limited Estd. 1855**

	Glass Bottles	Juice & Canned Products	Maize Rice, Corn Flakes & Wheat Porridge	Cold Storage
<b>2. L.D.O.</b>				
Quantity (k.ltrs.)	5 (6)	- (-)	- (-)	- (-)
Total cost (Rs.)	1,01,286 (1,23,756)	- (-)	- (-)	- (-)
Average rate per k.ltrs (Rs.)	22,226 (19,416)	- (-)	- (-)	- (-)
<b>3. L.P.G.:</b>				
Quantity (Tonnes)	1 (2)	- (-)	2.50 (-)	- (-)
Total cost (Rs.)	27,711 (38,795)	- (-)	55,422 (-)	- (-)
Average rate per tonne (Rs.)	22,168 (22,168)	- (-)	22,169 (-)	- (-)
<b>4. Natural Gas:</b>				
Quantity (Cubic Meters)	43,19,691 (55,23,592)	- (-)	8,03,439 (8,61,900)	- (-)
Total cost (Rs.)	4,26,41,640 (5,35,48,537)	- (-)	82,77,186 (83,46,124)	- (-)
Average rate per cubic meter (Rs.)	10 (10)	- (-)	10 (10)	- (-)
<b>5. Steam Used from the Main Boiler House ++</b>				
Total Cost (Rs.)	- (-)	12,94,367 (14,38,699)	45,48,998 (40,88,169)	- (-)

		Glass Factory	Juice & Canned Products	Maize Rice, Corn Flakes & Wheat Porridge	Cold Storage
(B) CONSUMPTION PER UNIT OF PRODUCTION:					
	Standard (if any)	Per tonne	Per kl	Per tonne	Per tonne
Electricity- units (KWH)	- (-)	449 (395)	55 (47)	267 (319)	- (-)
LDO (KL)	- (-)	0.00027 (0.00029)	- (-)	- (-)	- (-)
L.P.G. (Tonne)	- (-)	0.00008 (0.00008)	- (-)	0.00008 (-)	- (-)
Natural Gas (Cubic Meters)	- (-)	260 (253)	- (-)	275 (341)	- (-)

- Notes:** (i) + There is no electricity units purchased at Mohan Nagar since hydel power was surrendered and load shifted to generated electricity.
- (ii) ++ The unit wise consumption of Coal, HSD and Natural Gas is not available as the steam has been supplied to various production division from main boiler house.
- (iii) The L.D.O. and L.P.G. 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) Consumption of electricity units (KWH) LDO, LPG and Natural Gas in Glass Factory is lower during financial year 2005-06 as compared to last year since glass factory was closed for two and a half months for rebuilding of furnace.
- (v) 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) As stated in our earlier report, new varieties of Maize have been developed by IARI, New Delhi. The samples of these new varieties have been collected and studied. It has been observed that most of the new varieties are flat varieties and therefore, it has been observed in our trial milling that it has not been possible to make maize grits used for Corn Flakes from the flat maize. In order to make maize grits from these varieties, special type of milling machine is required. We are working on developing the special type of dry milling plant with the help of food machinery fabricators.

We are also trying to obtain round and tough varieties which are most suitable for manufacturing Corn Flakes. We were able to obtain one such variety. Search is continuing to obtain these varieties from different States like Rajasthan, Punjab, Haryana, Maharashtra, M.P., Bihar and Andhra Pradesh. The use of this variety will enable us to increase the yield and improve the quality of Corn Flakes.

- (b) Commercial cultivation of Sugar Beet has not been started because the distillery at Hathras is still at the planning stage.
- (c) Efforts have been made to obtain ready to use maize grits from maize millers. We have identified two Maize Milling Companies in Andhra Pradesh. The samples of the grits have been tested. It has been observed that the grits are manufactured from tough and orange coloured varieties. The size grading problems have been observed which are being solved with the help of the Maize millers.
- The grits provided by one Maize Milling Company contain bigger size grits (i.e. 6 mm and 5 mm size) and this will improve the quality.
- (d) Study is being carried out to produce malt extract using different grains for producing malt extract as per the requirements of confectionaries, bakeries and other users.

**1. Technology absorption, adaptation and innovation:**

Efforts being 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) Study of maize varieties for using the same to improve quality and increase yield of corn flakes.
- (c) Study of maize grits of bigger size which has been supplied by Maize Millers to improve Corn Flakes quality.

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

- (a) Quality improvement of corn flakes.
- (b) Reduction of cost of malt extract production.

**3. Foreign exchange earnings and outgo :**

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 markets.

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

- Foreign Exchange earned	4,40,13,228
- Foreign Exchange utilized :	
On Import of Raw material, Store & spares	30,18,418
On Business Travel & Subscription	2,64,409
	32,82,827