

17th
Annual Report
2009-10



Mount Shivalik Industries Limited

MOUNT SHIVALIK INDUSTRIES LIMITED

BOARD OF DIRECTORS

| | |
|--------------------|------------------------------|
| Mr. B D Bali | Chairman & Managing Director |
| Mr. Sanjiv Bali | Managing Director |
| Mr. K.C. Garg | Director Finance |
| Mr. Rajiv Bali | Director |
| Mr. Kamal Dutt | Director |
| Mr. A L Batra | Director |
| Mr. J M Malhotra | Director |
| Mr. Raghubir Singh | Director |
| Mr. S K Chhibber | Director |
| Dr. K S Chugh | Director |

COMPANY SECRETARY

Mr. Rakesh Singh

AUDITORS

M/s K C Khanna & Co
Chartered Accountants
New Delhi

BANKERS

Oriental Bank of Commerce

REGISTERED OFFICE:

140th Milestone, Delhi – Jaipur Highway No.8,
Village Gunti, Tehsil Behror,
Distt. Alwar, Rajasthan

HEAD OFFICE:

C-153/2, Okhla Industrial Area,
Phase – I, New Delhi – 110 020

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MOUNT SHIVALIK INDUSTRIES LIMITED

DIRECTORS' REPORT

The Members,

Your Directors are pleased to present their **Seventeenth Annual Report** along-with the audited statements of account of the Company for the year ended 31st March, 2010.

FINANCIAL RESULTS

Your Company's performance for the Financial year ended March 31st, 2010 is summarized below:-

| | Current year ended 31.03.2010 | (Rs. in Lacs) Previous Year ended 31.03.2009 |
|--|--|---|
| Gross Sales | 17381.38 | 17748.99 |
| Less: Excise Duty | 5995.44 | 7514.61 |
| Net Sales | 11385.94 | 10234.38 |
| Other income | 191.27 | 102.76 |
| Gross Profit (Before interest, depreciation & tax) | 507.57 | 551.33 |
| Less: - Interest | 185.21 | 137.13 |
| Depreciation | 208.84 | 175.13 |
| Profit for the year | 113.51 | 239.07 |
| Less: - Provision for Taxation | | |
| - Current Tax | 19.40 | 92.00 |
| - Fringe Benefit Tax | - | 28.20 |
| - Wealth Tax | 1.33 | 1.28 |
| - Deferred Tax | 20.44 | (0.88) |
| Net Profit after Tax | 72.34 | 118.47 |
| Add/(Less): Excess/(short) Provision of tax in earlier years (Net) | (67.11) | 1.49 |
| Net Profit | 5.23 | 119.96 |

OPERATIONAL REVIEW

The Directors are pleased to report that despite stiff competition, company has been able to improve its net sales revenue over the last year. However, gross profits of the company has declined due to substantial increase in prices of packing material and transportation, which could not be passed on to the market due to competitive conditions. Other reasons for decline in profits are attributed to higher provision of depreciation and increase in interest liability. Directors are, however, hopeful of better working results during the current financial year.

We are also happy to report that our diversification into hospitality sector has started bearing fruits and we have been able to commission both our high profile heritage restaurants at The Amber Fort, Jaipur and The Hanumant Mahal, Umaid Bhawan Hill, Jodhpur during the year. The ambience and decor at both the restaurants is world class and has been widely appreciated by discerning Indian and Foreign tourists which should further boost the image and profitability of your company in due course. Other two restaurants of the company at Jaipur and Midway on Delhi-Jaipur Highway are giving satisfactory results.

FUTURE PROSPECTS

Company is taking effective steps to improve its production and sales during the year under review.

DIVIDEND

The Board has not recommended dividend for the financial year ended on 31st March, 2010, due to decline in the profits of the company.

MOUNT SHIVALIK INDUSTRIES LIMITED

DEPOSITS

During the year under review, Company continued accepting Fixed Deposits from the public under section 58A of The Companies Act, 1956. The Fixed Deposit at the end of year stood at Rs. 214.65 Lakhs. Unclaimed deposits at the end of the year amounted to Rs.5.66 Lakhs.

AUDITORS

M/s K. C. Khanna & Co., Chartered Accountants, the Auditors of the Company holds office till the conclusion of the forthcoming Annual General Meeting and is eligible for re-appointment.

AUDITORS' REPORT

Refer para-7 of annexure to the Auditors Report, the Company has evolved a strong Internal Control System to ensure that the Assets of the Company are safeguarded and transactions are authorized, recorded and correctly reported. The adequacy of the Internal Control System is reviewed by the Audit Committee. In view of above a formal Internal Audit System was not considered essential.

DIRECTORS

Mr. Ragbir Singh, Dr. K.S. Chugh, and Mr. S.K. Chhibber Directors of the Company are liable to retire by rotation at this Annual General Meeting and being eligible, offer themselves for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with section 217(2AA) of The Companies Act, 1956 the Board of Directors of the company report that:

- (a) in the preparation of Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (b) the directors have selected such accounting policies 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 year;
- (c) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of The Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the Directors have prepared the Annual Accounts on a going concern basis.

DISCLOSURE OF SPECIAL PARTICULARS

Information pursuant to clause (e) of sub section (1) of section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1998 for the year ended 31st March, 2010 is given below:

a) Conservation of Energy

The manufacturing operations of the company are conducted in the manner whereby optimum utilization and maximum saving of energy is achieved.

The Company is making use of treated effluents for gardening of the factory campus by drain system. Use of UF & RO Technology to recycle treated effluent water at strategic sites.

There are several other measures taken by the company for conservation and optimum utilization of energy which are not quantitative and their impact on cost cannot be stated accurately.

b) Technology Absorption, Research and Development

It has always been endeavor of the Company to adopt latest developments in technology in order to minimize our environmental impact. Trying various new types of brewing aids to improve our quality is an ongoing and continuous process.

The Company has its own laboratory at the Brewery Plant, wherein regular research and development activities are carried out for the improvement and maintenance of the quality of its products. No specific capital expenditure on research and development was incurred during the year.

MOUNT SHIVALIK INDUSTRIES LIMITED

c) Foreign Exchange Earnings and Outgo

Information on Foreign Exchange earning and outgo is contained in schedule 12 under note No. 5.6 and 5.7 of the notes to accounts forming part of the Profit and Loss Account for the year ended 31st March, 2010 and Balance Sheet as on date.

Foreign exchange earning of the company from exports during the year was nil. So far Company has not made any 'tie-up' for exports of its Brands.

PARTICULARS OF EMPLOYEES

Information regarding employees in accordance with Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in Annexure-A and forms part of this report.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with Stock Exchange, report on Corporate Governance and Management Discussions and Analysis Report is appended along with a certificate of compliance from Company Secretary in practice.

LISTING OF SHARES OF THE COMPANY

Presently the Company Shares are listed at **Bombay Stock Exchange Limited**, which has nation wide trading terminals. The Listing fee for the year 2010-2011 has been paid.

DEPOSITORY SYSTEM

The trading in shares of your Company is under compulsory dematerialized mode. As on year ended 31st March, 2010 shares representing 71.92% of share capital were in dematerialized form. As depository system offers numerous advantages, shareholders are requested to take advantages of the same and avail the facility of dematerialization of the Company's shares.

CASH FLOW STATEMENT

As required by clause 32 of Listing Agreement with Stock Exchange Cash Flow Statement is appended.

ACKNOWLEDGEMENTS

The Board places on record its sincere gratitude to the Shareholders, Bankers, Depositors and Clients for their continued support. The Board also wholeheartedly acknowledges with thanks the dedicated efforts & contributions of all the employees of Mount Shivalik Family.

For and on behalf of the Board of Directors

Date: 3rd September 2010
Place: New Delhi

B D Bali
Chairman & Managing Director

MOUNT SHIVALIK INDUSTRIES LIMITED

Annexure-A

Information pursuant to section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the aforesaid Directors' Report:

| Name of Employee | Age (Years) | Qualification | Experience (Years) | Designation | Date of Joining | Remuneration Rs. | Particulars of last Employment |
|------------------|-------------|------------------------|--------------------|--------------------------------|-----------------|------------------|--|
| Mr. Sanjiv Bali | 47 | B.Com (H) MBA (London) | 22 years | Managing Director | 19/01/1993 | 32,62,800 | Executive Director, Mount Shivalik Packaging Pvt. Ltd. |
| Mr. Monish Bali* | 43 | B.Com (H) | 21 years | Executive Director (Marketing) | 19/05/1997 | 16,06,800 | Managing Director, Mount Shivalik Packaging Pvt. Ltd. |
| Mr. K.C. Garg** | 64 | B.Com LLB, ACA | 42 years | Director Finance | 01/10/2009 | 16,22,400 | Director Finance, Mount Shivalik Breweries Ltd. |

* Mr. Monish Bali resigned from Directorship w.e.f. 30th September, 2009.

** Mr. K C Garg appointed as Director Finance w.e.f 1st October, 2009.

Notes:

- 1) Designation of the employee indicates the nature of duties.
- 2) The nature of above employment is contractual.
- 3) Remuneration includes salary, bonus, furnished residential accommodation or house rent allowance, reimbursement of medical expenses, personal accident insurance, perquisites valued as per Income Tax Act, 1961.
- 4) Mr. Sanjiv Bali & Mr. Monish Bali are relative of Chairman & Managing Director of the Company.

MOUNT SHIVALIK INDUSTRIES LIMITED

REPORT ON CORPORATE GOVERNANCE

(Forming part of the Annual Report for the year ended 31st March, 2010)

PHILOSOPHY:

Mount Shivalik Industries Ltd. (MSIL) has always endeavored to practice good Corporate Governance and commitment to act as good Corporate Citizen. The spirit of Corporate Governance has prevailed in the country and has influenced its decision and policies. Through highest level of transparency and accountability in all its operations, the Company has consistently been serving for many years satisfactorily to all its stakeholders. The Company has always been following the principles which govern Corporate Governance. The objectives before a Company is to create wealth for the society, maintain and preserve that wealth efficiently and to share the wealth with the stakeholders. Corporate Governance is the method by which the aforesaid objectives are achieved.

BOARD OF DIRECTORS:

Composition:

Your Company has an optimum combination of the Executive and Non Executive Independent directors. The Board consists of ten Directors including three Executive Directors and Seven Non-Executive Directors, of whom five are independent as defined by clause 49 of the Listing agreement.

Board Meetings:

During the year ended March 31, 2010, Seven Board Meetings were held on the following dates. The gap between any two Board Meetings was not more than four months as mandated in clause 49 of the listing agreement.

30th April, 2009;
30th July, 2009;
28th August, 2009;
6th October, 2009;
30th October, 2009,
29th January, 2010;
25th February, 2010

The Table 1 gives the composition, category of Board of Directors, their other directorships and attendance record.

MOUNT SHIVALIK INDUSTRIES LIMITED

Table 1

| Name of the Director | Category | No. of Board Meetings Attended | Last AGM Attended | No of other Directorship | | No. of Other Committee Memberships |
|----------------------|---------------------------------------|--------------------------------|-------------------|--------------------------|------------------|------------------------------------|
| | | | | Public Ltd. Cos | Private Ltd. Cos | |
| Mr B.D.Bali | Promoter/Chairman & Managing Director | 7 | No | 2 | 1 | — |
| Mr Sanjiv Bali | Promoter/Managing Director | 7 | Yes | — | 3 | — |
| Mr Monish Bali* | Promoter/Executive Director | 3 | No | — | 2 | — |
| Mr. K.C. Garg** | Director Finance | 4 | Yes | 1 | — | — |
| Mr A L Batra | Independent/Non-Executive Director | 5 | No | 4 | 11 | — |
| Mr J M Malhotra | Independent/Non-Executive Director | 5 | Yes | — | — | — |
| Mr Rajiv Bali | Promoter/Non-Executive Director | 7 | No | 2 | 2 | — |
| Mr Kamal Dutt | Promoter/Non-Executive Director | Nil | No | — | — | — |
| Mr Raghbir Singh | Independent/Non-Executive Director | Nil | No | 1 | — | — |
| Mr. S.K. Chhibber | Independent/Non-Executive Director | 6 | No | 4 | — | 2 |
| Dr. K.S. Chugh | Independent/Non-Executive Director | 2 | No | 1 | — | — |

* Mr. Monish Bali resigned from Directorship w.e.f. 30th September, 2009.

** Mr. K C Garg appointed as Director Finance w.e.f 1st October, 2009.

Audit Committee

i) Terms of Reference:

Apart from all the matters provided in clause 49 of the listing agreement and Sec. 292A of the companies Act, 1956 the Audit Committee meets statutory auditors as and when required and discusses their findings, suggestions, observations and other related matters. It also reviews major accounting policies followed by the company and ensures that assets are safeguarded and transactions are authorized, recorded and correctly reported.

ii) Composition:

The Audit Committee comprises of three non-executive directors, Mr. J. M. Malhotra, Mr. A.L. Batra and Mr. Rajiv Bali. Mr. J. M. Malhotra is designated as Chairman.

iii) Attendance:

The committee met five times during the year under review i.e., on 30th April, 2009, 30th July, 2009, 28th August, 2009, 30th October, 2009 and 29th January, 2010.

The Table 2 shows the attendance record of the committee members is as follows: -

MOUNT SHIVALIK INDUSTRIES LIMITED

Table 2

| Name of the Members | Status | No of Meetings Attended |
|---------------------|----------|-------------------------|
| Mr. J M Malhotra | Chairman | 5 |
| Mr. A.L. Batra | Member | 5 |
| Mr. Rajiv Bali | Member | 5 |

Remuneration Committee:

i) Terms of reference:

The Company has in place a remuneration committee consisting of three Non-Executive Directors, specifically to determine on behalf of the Board and on behalf of the shareholders the Company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.

ii) Composition:

The Remuneration Committee comprises of three non-executive directors, Mr. A.L. Batra, Mr. S.K. Chhibber and Mr. J.M. Malhotra. Mr. A.L. Batra is designated as chairman of the committee.

iii) Attendance:

The committee met only twice during the year under review i.e., on 30th July, 2009 and 28th August, 2009.

The Table 3 shows the attendance record of the committee members is as follows: -

Table 3

| Name of the Members | Status | No of Meetings Attended |
|---------------------|----------|-------------------------|
| Mr. A.L. Batra | Chairman | 2 |
| Mr. J M Malhotra | Member | 2 |
| Mr. S.K. Chhibber | Member | 2 |

Remuneration paid to Directors :

Table 4 below gives the details of remuneration for the financial year ended 31st March, 2010 to the Executive Directors.

Table 4. Details of Remuneration paid to Directors

| Name of Directors | Sitting Fees (Rs.) | Salary (Rs.) | Perquisites & Allowances (Rs.) | Retirement Benefits* (Rs.) | Total (Rs.) |
|--------------------|--------------------|--------------|--------------------------------|----------------------------|-------------|
| Mr. B.D. Bali | - | - | - | - | - |
| Mr. Sanjiv Bali | - | 21,90,000/- | 8,10,000/- | 2,62,800/- | 32,62,800/- |
| Mr. Monish Bali** | - | 8,90,000/- | 6,10,000/- | 1,06,800/- | 16,06,800/- |
| Mr. K.C. Garg*** | - | 10,20,000/- | 4,80,000/- | 1,22,400/- | 16,22,400/- |
| Mr. Rajiv Bali | 14,000/- | - | - | - | 14,000/- |
| Mr. A. L. Batra | 10,000/- | - | - | - | 10,000/- |
| Mr. J. M. Malhotra | 10,000/- | - | - | - | 10,000/- |
| Mr. Raghbir Singh | - | - | - | - | - |
| Mr. S.K. Chhibber | 12,000/- | - | - | - | 12,000/- |
| Mr. Kamal Dutt | - | - | - | - | - |
| Dr. K S Chugh | 4,000/- | - | - | - | 4,000/- |

* Excludes in respect of Gratuity, superannuation and accumulated Leave Encashment.

** Mr. Monish Bali resigned from Directorship w.e.f. 30th September, 2009.

*** Mr. K C Garg appointed as Director Finance w.e.f 1st October, 2009.

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Notes:

- (a) The agreement with each Executive Director is for a period of three years.
- (b) Presently, the Company does not have a scheme for grant of stock options either to the Executive Directors or employees.
- (c) The Company does not pay sitting fee for attending committee meetings.

Details of the Shares held by Non Executive Directors:

Table 5 gives details of the shares held by the non-executive directors as on 31st March, 2010.

Table 5.

| Name of the Director | No of Shares held |
|----------------------|-------------------|
| Mr. Rajiv Bali | 61,656 |
| Mr. A. L. Batra | NIL |
| Mr. J. M. Malhotra | NIL |
| Mr. Raghbir Singh | NIL |
| Mr. S.K. Chhibber | NIL |
| Mr. Kamal Dutt | 3,18,664 |
| Dr. K S Chugh | NIL |

Code of Conduct

The Board of the Company has laid down a code of conduct for all the Board Members and the senior management of the Company. All the Board Members and senior management personnel have affirmed compliance with the code of conduct. A declaration signed by the Chairman and Managing Director to this effect is enclosed at the end of this report.

Shareholders'/Investors' Grievance Committee:

The Company has a Shareholders'/Investors' Grievance Committee, which also acts as share transfer committee. The Committee looks into redressal of shareholders complaints like transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividend etc. It also monitors the performance of Registrar and Share transfer agent.

The committee is headed by Non-Executive Director, Mr. Rajiv Bali. Other members are Mr. Sanjiv Bali and Mr. A.L. Batra. The attendance of the Share Holders Grievance Committee is given below: -

| Name of the Member | Status | No of Meetings held | No of Meetings Attended |
|--------------------|----------|---------------------|-------------------------|
| Mr. Rajiv Bali | Chairman | 12 | 12 |
| Mr. Sanjiv Bali | Member | 12 | 12 |
| Mr. A. L. Batra | Member | 12 | 12 |

During the year, the Company received 8 complaints from shareholders and all the complaints have been solved to the satisfaction of the complainants. No shares were pending for transfer at the end of the year.

SHAREHOLDERS:

Re-appointment/ appointment of Directors

As per the Articles of Association of the Company, One third of its rotational Directors retire every year and if eligible, offer themselves for re-appointment at every Annual General Meeting. Consequently, three Directors viz Mr. Raghbir Singh, Dr. K.S. Chugh and Mr. S.K. Chhibber would retire this year in accordance with the provisions of Companies Act, 1956.

Their brief resumes are given below.