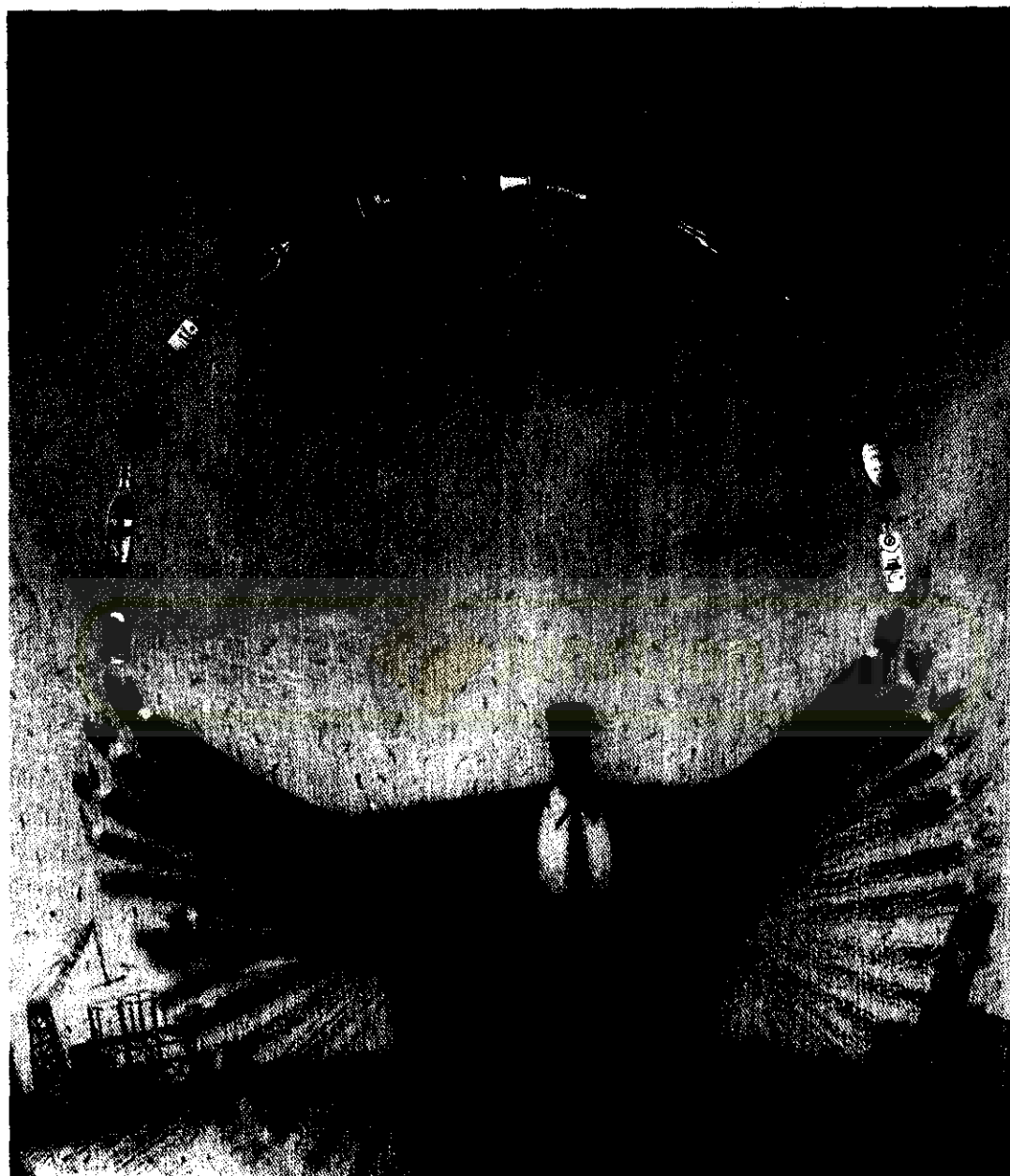




Shaw Wallace & Company Limited

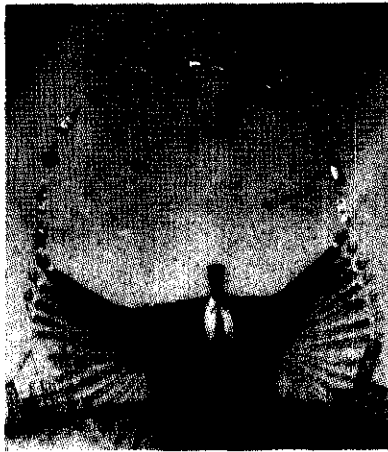


ANNUAL REPORT  
1998-1999

**Volume 1**

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People and Brands - Our best assets.

Since its inception in 1886, Shaw Wallace is one of the rare organisations to have successfully struck a balance between its corporate image and that of its brands. Today, 113 years later, as the Cheer Leaders in India, Shaw Wallace is just as well known as its brands. But there is no doubt as to what its principal assets are. They are not visible in the balance sheets of the company. Yet you'll find them in the hearts of the consumers. You'll find them dominating the market with a presence that is formidable.

Yes, our real assets are our people and the brands that we have given birth to, over the years. Both nurtured with immense care. Both now bearing the fruit of this loving labour.

We're today a Rs. 2500 crore mega conglomerate, with a team of 1000 professionals. Whose indefatigable spirit has seen the Shaw Wallace juggernaut roll on despite all odds. It is this wealth that will continue to be our strength in the new millennium. Because it is our belief that only in our people lies the key to achieving our goals and optimising our potential.

As we zoom into the year 2000, we'd like to create a culture based on trust and openness, which is the perfect formula to face the challenges that lie ahead.

This inspired ability of our workforce is amply reflected in the brands they have helped build over the years. This year itself our liquor and beer divisions have recorded a promising 24% and 26% growth respectively. While your favourite brands like Royal Challenge, Director's Special, Old Tavern and Haywards 5000 continue to retain their leadership positions in the market, the others, like Antiquity Rare Premium Whisky, White Mischief Vodka, John Exshaw Brandy, Golconda Ruby Wine and VSOP Exshaw Brandy are all headed only in one direction—the top.

So we enter another financial year, brimming with confidence and hope. After all, with our people and our brands to power us, we can move ahead like a force possessed. Yes, with assets like these, nothing's going to stop us now.

Report

**Shaw Wallace & Company Limited**

**Board of Directors**  
**(as on 27th February, 2000)**

Mr. M. R. Chhabria	<i>Chairman</i>
Mr. P. L. Narasimhan	<i>Executive Director</i>
Ms. Komal Chhabria Wazir	<i>Executive Director</i>
Mr. T. S. Shettigar	<i>Director</i>
Mr. M. H. Godhwani	<i>Additional Director</i>
Mr. R. W. Hollands	<i>Additional Director</i>
Mr. Y. C. Lumba	<i>Additional Director</i>
Mr. S. Bhattacharya	<i>Additional Director</i>
Mr. J. A. Kershaw	<i>Alternate Director to Mr. M. R. Chhabria</i>

**Company Secretary**

Mr. Sanjay Jagtap

**Auditors**

M/s Lodha & Co.

**Bankers**

Allahabad Bank  
The Hong Kong & Shanghai Banking Corporation Ltd.  
Standard Chartered Bank  
ANZ Grindlays Bank  
State Bank of India  
State Bank of Travancore  
Union Bank of India  
Andhra Bank  
Bank of Madura  
Federal Bank

**Registered Office**

"Wallace House",  
4, Bankshall Street,  
Calcutta 700 001

**Share Transfer Agents**

MCS Ltd.,  
Sri Venkatesh Bhavan,  
Plot No. 27, Road No. 11,  
MIDC Area, Andheri (E),  
Mumbai 400 069

## Chairman's Review



Indian economic scenario during the financial year 1998-99 has witnessed some signs of recovery. One could call this an encouraging situation, considering the fact that the Indian economy had been sluggish in the past few years.

It may be heartening to note that in the face of stiff competition from multinational companies in the alcoholic beverages, your company, not only retained its market share, but also improved upon the previous year's levels.

Shaw Wallace experienced an upward trend in its key business areas. The turnover improved and also the profitability and productivity. Your company witnessed growth both in value and volumes of its business.

### Financial Performance

SWC registered a turnover of Rs. 829 crores as against Rs. 792 crores in the corresponding period last year. This shows a marginal increase of Rs. 37 crores i.e. 5% over the previous year's turnover. The turnover of Rs. 829 crores includes only six months' turnover of consumer products business as this business was divested during January, 1999.

### Liquor Division

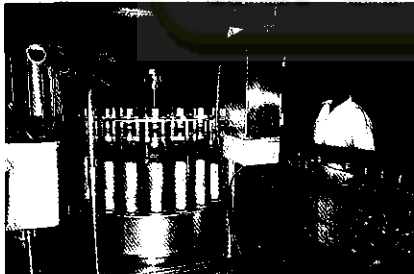
It was yet another year of impressive growth for the Liquor Division of your company. Despite fierce competition from domestic and international majors, your company's Liquor Division consolidated its market position and registered a growth of 22% in sales volumes from 9 million cases in 1997-98 to 11 million cases in 1998-99.

Crossing all segments and territories, our IMFL brands further consolidated their market position. Haywards Fine Whisky joined the bandwagon of millionaire's club registering a significant growth of 115% over last year's sales. Old Adventurer Rum showed a growth of 70% and Golconda Brandy 44% over the previous year. White Mischief Vodka, Moghul Monarch Whisky were among the other brands that recorded impressive growth during the year.

Response to Director's Special Black Whisky, which was launched during the previous year in the deluxe whisky segment, has been overwhelmingly good. Our leading brands—Director's Special and Royal Challenge Whisky showed an enviable performance during the year.

Focus on quality was a key performance area. One more manufacturing unit – Pampasar Distilleries in Karnataka was awarded the ISO 9002 certification in recognition of its international quality standards.

Financial status of a company marks its sound health. Your company's major production units – Maharashtra Distilleries, Pampasar Distilleries and Central Distilleries have recorded impressive profits and declared dividend of 12%, 15% and 20% respectively for their financial year 1998-99 (April – March).





### Beer Division

The Beer Division continues its march towards dominance of the industry. It's leading brands have helped Shaw Wallace become the market leader in all the six States where the company has its own manufacturing units. The company will continue to pursue its policy of acquiring more units in various parts of the country for strategic growth.

The performance of Beer Division has shown a remarkable growth in volumes and value. The Division has recorded an appreciable growth of 22%, outperforming the industry growth of 3.5%. Selling 16.1 million dozens in the financial year has been a matter of pride. This unprecedented increase in volumes has resulted in the company achieving a market share of 23% as against the pre-acquisition-drive market share of a meagre 8% in 1992-93. Our state of the art technology and untiring performance by the workforce has helped the company achieve a capacity utilisation in excess of 95%.



Star performer was Haywards 5000, which recorded a remarkable growth of 40% leaving all rivals behind, and touched a 10.4 million dozens sales mark. This is a significant growth from the previous year's level of 7.5 million dozens. This brand already enjoys the position of the second largest selling beer brand in the country and is poised to become India's number one brand in the near future. Haywards 2000 Extra Strong Beer and Royal Challenge Premium Lager Beer continue to maintain their prominent positions in the market place.

I take pride in informing you that concern for quality has been the utmost important factor in our company. After SICA Breweries receiving the ISO 9002 certification last year, East Coast Breweries & Distilleries Limited in Paradeep and Charminar Breweries Limited in Hyderabad have also been bestowed with the coveted ISO 9002 certification. Efforts are on to excel in all the Breweries so as to obtain this certification in all other manufacturing units as well.

### International Business Division

It was a year of semblance of stability for the International Business Division after a year of inconsistencies in the international market. Export market for the country as a whole had not been encouraging for quite sometime. Last few months of the financial year brought the Division back on rails despite a general lull in the international market. Streamlining of our distribution network gave instant results. It was this strategic decision that resulted into exports of 12/13 containers a month consistently.

The year marked Shaw Wallace as the first Indian house to launch a scotch whisky globally, namely Royal Challenge Scotch Whisky.

### Agrichem Business

It was a disappointing end of the agricultural year after a promising start. Erratic monsoon adversely affected the cotton farmers all over the country



impacting the industry as a whole. Insecticide market got into serious trouble affecting our products. Because of the low demand for insecticides, falling prices, excess capacities and liquidity crunch in the market place, the insecticides market was badly hit. Prices of major insecticides continued to slide down and there was tremendous pressure on our flagship product – Starthene.

Our focus was on crop base expansion for Starthene through aggressive field work. Stiff competition combined with falling prices affected the turnover and profits of the Agrichem Division of your company. Due to cotton crop failure, export orders from the United States for Acephate could not be procured, compounding our inability to achieve the targeted volumes.

Demand, however, for our brand of fertilisers, particularly Superphosphate granules and Stermeal (organic fertiliser) is good. We foresee a tremendous potential for our Stermeal as there is an increased emphasis on organic farming. Export demand for produce from organic farming is rising in international markets and this may improve the business prospects for Stermeal.

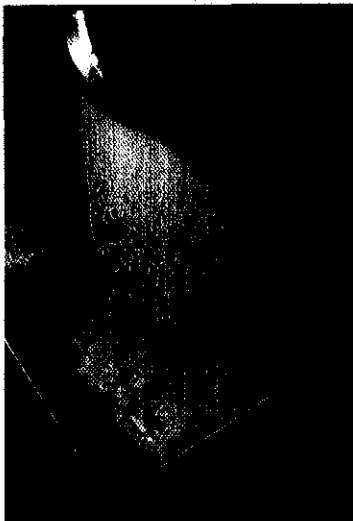
#### **Shaw Wallace Gelatines Limited (SWGL)**

It was yet another year of satisfactory business operations for the subsidiary company, SWGL. Like in the previous years, the company maintained its numero uno position in the Gelatine Industry in the country. The turnover of Rs. 56.50 crores was the highest ever witnessed by the company. Profit after tax also sets a record at Rs. 6.38 crores. Overtaking its dividend projections by 5%, the company declared a dividend of 55%.

It was generally a difficult year for the industry. Shadows of BSE or the 'Mad Cow Disease' were haunting the industry thus affecting the exports. Export of bones and bone products has not been too easy. Severe competition due to excessive production, unprecedented reduction in selling prices and entry of new players in the market has also adversely affected the market scenario.

These adverse conditions have necessitated a major cost cutting drive and improvement in the yields in order to maintain profitability. In spite of all odds, your company has been able to tap the export market in the South East Asian countries and Japan, besides making its presence felt in the USA. As a strategy, the company is making all out efforts to explore further possibilities in the export market. The company is targeting an increase of at least 100% in the export volumes, during the next year.

SWGL had planned for a green field project in Chandigarh in the name of Global Gelatines Limited, a subsidiary company of SWGL. The company was in the process of obtaining major clearances towards setting up of an Ossein Plant. The decision, however, had to be kept in abeyance in view of the glut in the market and lower demand.





### **Gandhi Nagar Electronics Limited**

Gandhi Nagar Electronics Limited (formerly known as Shaw Wallace Electronics Limited), a subsidiary of Shaw Wallace & Company Limited was referred to the Board for Industrial & Financial Reconstruction (BIFR) and was declared a sick industrial undertaking under the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). BIFR has now instructed the operating agency – ICICI to prepare a scheme of revival/rehabilitation for the company. The operating agency has also been asked to invite bids through advertisements from companies interested in takeover and revive the company.

### **Shaw Wallace & Hedges Limited**

It was a year of great achievement for Shaw Wallace & Hedges Limited and its subsidiaries. Profit before tax rose to SLR 191 lakhs in 1998-99, representing an increase of 108% over the previous year's profit of SLR 92 lakhs. This increase was registered inspite of the constraints affecting the economy adversely.

The company explored the opportunities in various segments of its operations for further maximising its profits. Strong distribution network for different product categories was put to good advantage in extending availability of the company's products.

*Consumer Division took distribution of AJJNOMOTO, an internationally acclaimed flavour enhancer. It has made significant contribution to the company's turnover.*

The company signed an agreement with Messrs Tropifruit Limited, to undertake distribution of Ultra Heat Treatment (UHT) fresh milk in tetra pack format, under the brand name RICH LIFE. This product category has a good potential in Sri Lanka. The product, along with the CAPTAIN brand canned fish and edible oil, is expected to contribute significantly to the company's turnover and profits in the future.

The company commenced distribution of more wines and spirits products and also a range of wines from France, Italy, South Africa, and Germany. The company proposes to evaluate future prospects of the Liquor Division, as a part of its restructuring exercise.

Automotive Division continues to post good growth, particularly with the LOCKHEED brake fluid. As a part of the business strategy, new products are being introduced.

With the improved results the company recommended dividend @ 15% for the year ended 31<sup>st</sup> March 1999.

### **General**

The company has filed fresh Schemes of Compromise/Arrangement under section 391 of the Companies Act, 1956 for repayment towards ICD/Bill Discounting creditors with the Calcutta High Court. These are much-improved schemes over







the earlier scheme.

An amount of approximately Rs. 106 crores is now available with the Officers appointed by the Court, in an Escrow Account for immediate disbursement to the creditors, after these fresh schemes are sanctioned. A large chunk of this money has come from our internal accruals and the balance from the sale proceeds of the Consumer Products Division.

The company is confident of generating the required funds, as envisaged in the said schemes, within the targeted time frame. I am quite confident that the Hon'ble Court will see merit in the schemes and approve the same expeditiously for implementation.

The disinvestment panel set up by the company is taking effective steps for speedy sale of traditional businesses viz. Gelatines, Agrichem and trading business based in Sri Lanka.

Actions initiated for evaluating and carrying out a need-based Corporate restructuring of business operations are already at an advanced stage of implementation.

I express my sincere thanks to employees, principals, customers, collaborators, financial and other business associates, shareholders and other stakeholders for their continued support and patronage.

M. R. CHHABRIA  
Chairman

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## Shaw Wallace &amp; Company Limited

# Key Financial Highlights

## FIVE YEAR SUMMARY OF SHAW WALLACE & COMPANY LTD.'S FINANCIAL RESULTS

	1998-99	1997-98	1996-97	1995-96	1994-95 (15 months)
Gross Revenue (Rs. Mn)	8562	8177	6830	7623	9851
Profit before Tax (Rs. Mn)	263	114	4	74	700
Profit after Tax (Rs. Mn)	246	104	3	1	700
Dividend cover (times)	N.A.	N.A.	N.A.	N.A.	20.59
Earnings per share (Rs.)	5.17	2.18	Nil	Nil	14.59
Market Capitalisation (Rs. Mn)	2854	1617	1713	2236	3216
Net Worth per share (Rs.) (Without Revaluation)	19.92	19.37	36.35	36.29	36.65
Net Worth per share (Rs.) (With Revaluation)	27.29	27.06	45.52	46.64	47.18


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