



Shaw Wallace & Company Limited
Annual Report 2000 - 2001



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Naturally...

The depth of inspiration



At Shaw Wallace, reaching optimum level is an innate part of our structure - in whatever we might undertake. Consequently, success is a foregone conclusion. Reaching highs is what we do best. And it shows.

Our performance for the current year is evidence of our endeavour to achieve triumphs that outdo each other, year after year - that too taking into account the current situation of our economy. We aim to take on the challenge to rise, no matter the conditions that surround us. Our perseverance in the direction of positive growth is what makes the difference, and it is this ideal that has helped us come a long way - a way that clearly speaks for itself.

That is what is a turnaround.

Naturally.



...a prosperous turnaround



C o n t e n t s



Board of Directors	3
Chairman's Review	4
Key Financial Highlights	9
Reports & Accounts	
Directors' Report	10
General Shareholder Information	19
Auditors' Report	21
Balance Sheet	24
Profit & Loss Account	25
Schedules to Accounts	26
Balance Sheet Abstract and Company's General Business Profile	46
Cash Flow Statement	48
Statement u/s 212(3) of the Companies Act, 1956	49

Board of Directors

(As on 27th August, 2001)

Mr. M R Chhabria	Chairman
Ms. Komal Chhabria Wazir	Executive Director
Mr. Niranjana M Thakur	Executive Director
Mr. T S Shettigar	Director
Mr. Y C Lumba	Director
Mr. Satish G Pillai	Director
Mr. Suresh Dadlani	Director
Mr. J A Kershaw	Director (Alternate to Mr. M R Chhabria)

Auditors

Lodha & Co., Chartered Accountants

Bankers

Allahabad Bank

Andhra Bank

Federal Bank Ltd

ICICI Bank Ltd

Standard Chartered Bank

Standard Chartered Grindlays Bank

State Bank of India

State Bank of Travancore

Union Bank of India

Registered Office

Wallace House,

4, Bankshall Street, Kolkata 700 001

Corporate Office

Dunlop House,

132A, Dr. Annie Besant Road,

Worli, Mumbai 400 018

Registrar & Transfer Agents

MCS Limited,

Sri Venkatesh Bhavan,

Plot No. 27, Road No. 11,

MIDC Area, Andheri (E),

Mumbai 400 093

Chairman's Review 2000-2001



It has been a year of turnaround for Shaw Wallace.

On the financial front, your company created a history of sorts. The company repaid unsecured loans of over Rs. 140 crores at one time, perhaps a record in India's

Corporate History. The borrowing of these sums had helped set up a large production base so crucial for survival and growth of the company at a time when the country's economy was opening up.

It is heartening that a turnaround is taking place also in the structure of operations. First phase of the restructuring exercise and the consequent merger of large number of investment subsidiaries is complete. The manufacturing subsidiaries are now held through just two operating subsidiaries, one each for liquor and beer. This would enable focused attention to core business.

Phase two of the restructuring exercise whereunder all the liquor and beer manufacturing units would merge into two separate companies, giving economies of scale and quicker response in the market place is in an advanced stage of completion. This would enable proper access to funds from the banking sector.

Yet another exercise that can be termed as turnaround is the final cleaning up of the balance sheet, which would result in a marked improvement in the company's financial health in the coming years. Involvement of world - renowned consultants McKinsey & Company will help your company formulate the practices best in the industry for enhancement of profitability through cost cutting initiatives as also designing globalisation strategy.

I am happy to share with you that your company's profit before tax for the nine months period ended on 31st March 2001 was higher by 47% from the profit before tax of the 12 months period of last year. The same stood at Rs 6.5 crores during the financial year of nine month period as compared to Rs 4.42 crores during the 12 months last year.

Liquor Business

I am happy to inform you that your company was able to sustain competitive advantage over the multinational and domestic companies through sustained quality products and focus on consumers for its various well – accepted brands. The discerning Indian consumer has clearly expressed his verdict on the quality and acceptability of Indian brands to the heavily advertised foreign brands. This is further exemplified by the recent approaches by foreign players for a strategic alliance with established players like us.

Shaw Wallace Liquor business has grown by 12% during the period July 2000 to March 2001. We are growing at a faster pace than the industry.

This year saw Haywards Fine Whisky become a two million case brand. Yet another achievement was the emergence of another brand of ours entering the millionaire club. This was John Exshaw Brandy. What is noteworthy is that John Exshaw attained this achievement in Tamil Nadu. We now plan to launch this brand in other states immediately where consumption of brandy is high.

Shaw Wallace has registered impressive growth in all categories in which we are present. In Whisky we have grown by 9%, Brandy by 10%, Rum by 39%, Gin by 17%, Vodka by 37% and Wine by 8%. It is heartening to note that in Rum, Vodka & Gin, we have registered growth better than the category growth.

White Mischief Vodka is the fastest growing vodka brand in the country.

Haywards Fine Whisky also achieved distinction of being the brand, which registered a sale of over one million cases both in primary & secondary in the state of Maharashtra.

With great satisfaction do I inform you that Pampasar Distillery Limited has been awarded the ISO 14001 certification for its environment management systems.

This is a rare feat in the liquor industry. This is besides four of our distilleries having received the coveted ISO 9002 Quality Certification. The company's major production units have recorded impressive profits during the year.

The company is planning major investments and capacity expansion at all the distillery units in addition to plans for strategic acquisitions for further improvement in quality, productivity and profitability.





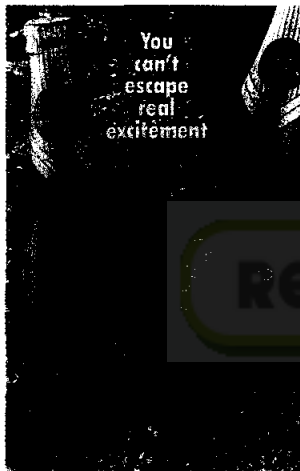
Beer Business

The year 2000-2001 saw a turnaround in the Beer business.

The business progressed by an appreciable 11% far outgrowing an overall industry growth of 8%.

The sales of 17.20 million cases in the financial year 2000-2001 helped us achieve market share of 24%. Capacity utilisation in excess of 95% has contributed greatly to this sterling performance.

Shaw Wallace's star performer Haywards 5000 recorded a remarkable 7% growth leaving all rivals far behind at a volume of 11.36 million cases. The brand has retained its No. one position as super strong brand in India. Haywards 2000 Extra Strong Beer and Royal Challenge Premium Lager Beer continue to maintain their preeminent positions in the market place.



It is turnaround time on the marketplace as well, as beer drinking is fast getting accepted on the social front. Certain State Governments are mulling with the idea of making it available in Supermarkets. This could herald a period of rapid growth.

We have turned around our existing offerings through an overhauling of the packaging systems. Similarly, production units are undergoing a turnaround in processing, systems and quality control to improve yields, consistence and reduction in wastages. This is expected to translate into a doubling of profits in these units within three years.

It is a matter of great pride to inform you that in addition to the ISO 9002 Certification, SICA Breweries Limited and Charminar Breweries Limited have been bestowed with the ISO 14001 Certification during the year. Efforts are on to obtain this Certification for all other manufactories.

The Beer Division continues its march towards dominance of the industry. Shaw Wallace has now become the leader in seven States including the states where it owns breweries and hopes to continue this trend by adhering to its policy of acquisitions as a tool for strategic growth.

International Business

Working towards the goal of globalisation and sharper focus on the development of new markets has been a continuous effort of the Division. Another thrust area for the Division was marketing of beers under Indian ethnic platform, which proved a successful venture and the availability of our premium lagers through the Indian restaurants worldwide is catching up fast in the markets.

The major breakthrough for the Division during the year was the recognition of our spirit brands in the USA, South East Asia, Far East and Latin America thereby expanding the scope of spirits beyond the

Middle East markets. Restrategising the key market of Middle East proved beneficial for the products. Acceptance of our first Scotch Whisky brand by Lebanon led to a repeat order.

I am happy to share with you that your company's spirit brands have achieved a breakthrough not only in developed countries but also in underdeveloped and undeveloped countries.

A stronger thrust on the developmental work during the period added to the visibility and acceptability of our most major markets.

Agrichem Business

Affected by uneven monsoon and severe drought conditions in various parts of the country, the year gone by was a difficult year for Indian Agriculture. Erratic monsoon coupled with declined agricultural production led to oversupply in the market and consequent erosion in margins. For the Agrichem Division of your company, however, it was a year of turnaround in terms of ensuring better credit discipline in the market when compared to the industry.

The flagship brand 'Starthene' retained its market share despite adverse business conditions. The demand for our brands of fertilizers, particularly 'Sterameal' (organic fertilizer) continues to be strong.

The current year season is predicted to be good and the monsoon is progressing on schedule. The crop protection industry is upbeat on business prospects for the ensuing Kharif season. With emphasis on cost cutting and





improved market conditions we hope to improve the turnover and the profitability in the coming year.

In order to give focused attention and to aid future divestment this business has been restructured under a new operating subsidiary viz. Shaw Wallace Agrochemicals Limited.

Shaw Wallace Gelatines Limited

The operations of Shaw Wallace Gelatines Limited, a subsidiary of Shaw Wallace have been satisfactory considering the adverse conditions prevailing in the industry. With eight players operating in the country, gelatine-manufacturing capacity is far in excess of domestic demand. For strategic reasons the company is giving thrust to improve its exports.

The company has had a breakthrough in exports to countries like Indonesia and Japan apart from Europe where exports remained restricted. However, prospects appear to have improved after India being assessed by EU in level II with regard to GBR (geographical BSE risks). The company has also applied to European Directorate for Quality of Medicine (EDQM) for obtaining Certificate of Suitability for gelatine, which will improve its export prospects.



Shaw Wallace & Hedges Limited

Shaw Wallace & Hedges Limited made its second highest profits in the past 10 years at Rs 25.6 million, which is commendable considering the Sri Lankan depressed economy.

Outlook for the current year appears bright by virtue of improved efficiency in our manufacturing units.

Acknowledgements

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

M R CHHABRIA
Chairman

