



MEMBER JUMBO GROUP



Shaw Wallace & Company Limited
Annual Report 2002-2003



Where the competition goes green with envy

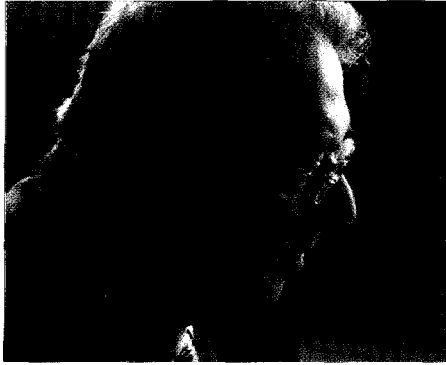
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The cool sensation of triumph
only heats up the fire of competition





REMEMBERING OUR FOUNDER

M R Chhabria

(1st March, 1946 - 6th April, 2002)

Founder, Jumbo Group

The past remains, but a cherished memory,

The present consumes all our dedication,

But in all, it is the future that counts.

That urges us on, raising our aspirations.

Taking us beyond the last step.

It is the promise it bestows,

That makes today brighter,

And a leap forward from yesterday.



BOARD OF DIRECTORS

(As on 23rd July, 2003)

Mrs. V M Chhabria	Chairperson
Mr. R A Shah	Alternate Director to the Chairperson
Ms. K C Wazir	Executive Director
Mr. N M Thakur	Executive Director
Mr. C K Hazari	Director
Mr. A Adil	Director
Mr. H N Nanani	Director
Mr. P M Nene	Director
Mr. S S Dadlani	Director



Mrs. V. M. Chhabria
Chairperson

Auditors

M/s. Lodha & Co., Chartered Accountants

Bankers

Allahabad Bank
Union Bank of India
Andhra Bank
Federal Bank Ltd.

Registered Office

Wallace House,
4, Bankshall Street, Kolkata - 700 001

Corporate Office

132A, Dr. Annie Besant Road,
Worli, Mumbai - 400 018.

Registrar & Transfer Agents

Kolkata Office

MCS Limited
77/ 2A, Hazra Road,
Kolkata 700 001

Mumbai Office

MCS Limited,
Sri Venkatesh Bhavan,
Plot No.27, Road No.11,
MIDC Area, Andheri (E),
Mumbai 400 093

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Shaw Wallace & Company Limited

DIRECTORS' REPORT

Your Directors present herewith their Report and the Statement of Accounts for the Financial Year ended on 31st March, 2003 together with the Auditors' Report thereon for the said period. In compliance with the provisions of Accounting Standard 21 issued by the Institute of Chartered Accountants of India, the Consolidated Accounts of the Group Companies is also being attached to this Annual Report.

1. Operations

For the Financial Year under review, the consolidated Turnover of the Company is Rs. 1,404 Crores, of which, the turnover of the parent Company is Rs. 215 Crores and the balance turnover of Rs. 1,189 Crores is reflected in the Accounts of the subsidiary Companies.

The financial results during the aforesaid period reveal a profit of Rs. 26.50 lacs earned by your parent Company.

With the continuing growth in Turnover of IMFL and Beer business, your Directors are confident of maintaining and improving the profitability of the Company on the Consolidated business in subsequent years.

2. Joint Venture in respect of Beer business

Your Directors take pleasure in informing you that pursuant to the restructuring exercise, your Company along with its Subsidiaries has entered into a Joint Venture Agreement in May 2003 with Mysore Breweries Limited (Strategic Partner), a Company of SAB Miller Group, the second largest brewers in the world to run and operate Shaw Wallace Breweries Limited as a 50 : 50 Joint Venture.

The Joint Venture with Strategic Partner creates a powerful competitive unit with an opportunity to achieve substantial competitive advantage in the beer market with larger brewing capacities and a multi location presence in India.

While the Strategic Partner shall provide its global competencies in marketing, logistics, quality and manufacturing process, Shaw Wallace Group shall provide its local understanding of sales and distribution and bring to the Joint Venture a portfolio of strong brands. The Joint Venture with a combined strong portfolio of brands like Haywards 2000, Haywards 5000, Royal Challenge and Knock Out, shall bring synergies, which can create leadership in the beer industry in near future.

3. Dividend

The profits available are required to be conserved to meet the capital expenditure, payment of income tax and liquidating certain overdue creditors. As such, your Directors express their inability to recommend payment of any dividend for the Financial Year ended on 31st March, 2003.

4. Auditors' Report

In respect of the observations/remarks in the Auditors' Report, the relevant Notes to the Accounts are self-explanatory.

5. Directors

Mr. R A Shah, Sr. Partner, M/s Crawford Bayley & Co., Advocates & Solicitors, was appointed as Alternate Director to the Chairperson on 27th September, 2002.

Mr. C K Hazari and Mr. Asif Adil were appointed as Additional Directors on 27th September, 2002. Mr. H N Nanani and Mr. P M Nene were appointed as Additional Directors on 25th April, 2003. These Directors hold office up to the date of the ensuing Annual General Meeting. The company has received notices along with requisite fees in terms of Section 257 of the Companies Act, 1956, proposing the candidatures of Mr. C K Hazari, Mr. Asif Adil, Mr. H N Nanani and Mr. P M Nene as Directors of the Company, liable to retire by rotation, if appointed at the ensuing Annual General Meeting.

Mr. T S Shettigar, Director, resigned from the Board of Directors with effect from 12th July, 2003. The Directors Place on record their appreciation for the valuable services rendered by Mr. T S Shettigar during his tenure in office as a Director.

Mr. Satish G Pillai, resigned from the Board of Directors of the Company with effect from the close of business on 30th November, 2002.

Mr. Niranjana M Thakur and Mr. Suresh Dadlani retire by rotation and being eligible, offer themselves for re-appointment.

The Department of Company Affairs New Delhi has approved payment of remuneration to Ms. K.C. Wazir and Mr. Niranjana M Thakur, Executive Directors, for the year ended 31st March, 2002, in terms of the Service Agreement entered into between the Company and them.

Both Ms. K C Wazir and Mr. N M Thakur have decided not to draw any remuneration from the Company with effect from 1st October, 2002. However, in view of inadequacy of profits, the Company shall make necessary Applications to the Department of the Company Affairs, New Delhi seeking their approval towards payment of contractual remuneration to Ms. Wazir and Mr. Thakur for the six months period from 1st April, 2002 to 30th September, 2002 (both days inclusive).

6. Auditors

M/s. Lodha & Co., Chartered Accountants, who hold office up to the conclusion of this Annual General Meeting, vide their letter dated 12th July, 2003 have signified their willingness to be re-appointed as Statutory Auditors and have confirmed that their re-appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Companies Act, 1956.

7. Subsidiaries

During the year under review, Skol Breweries Limited the beer manufacturing subsidiary was merged with Morkutir Investments & Trading Company Limited (Morkutir) in terms of the Orders received from the Hon'ble High Court at Mumbai and subsequently the name of Morkutir was changed to Skol Breweries Limited with effect from 22nd May, 2003.

Further, in order to consolidate manufacturing and marketing of Liquor business of the Company, Shaw Wallace Distilleries Limited has been merged with Maharashtra Distilleries Limited (MDL) in terms of the Orders received from the Hon'ble High Court at Mumbai and subsequently, the name of MDL has been changed to Shaw Wallace Distilleries Limited with effect from 12th May, 2003.

During the year under review, Bhankerpur Simbhaoli Beverages Private Limited, and Highland Distilleries Limited have become subsidiaries of the Company and Rixebe Estates & Investments Limited has ceased to be a subsidiary of the Company.

Subsequently, Buckingham Distilleries & Breweries Private Limited, Malabar Breweries Limited, Ramanreti Investment & Trading Company Limited, Sangam Distilleries & Breweries Private Limited, SKOL Breweries Limited and Shaw Wallace Breweries Limited have ceased to be subsidiaries of the Company.

In terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Audited Accounts, Auditors' Report and Directors' Report for the Financial Year ended on 31st March, 2003 in respect of the subsidiaries, except for merged subsidiaries, have been kept at the Registered Office of the Company for inspection by the Members of the Company between 10.30 and 12.30 hrs on any working day, except Saturday and Sunday. Members may write to the Group Secretarial Department at the Registered Office of the Company for a copy thereof.

The statement on subsidiaries in terms of the provisions of Section 212(3) of the Companies Act, 1956, is annexed hereto.

8. Income Tax

The Income Tax Appellate Tribunal has set aside the Income Tax demand for Block Assessment for the period 1986-1987 up to 27th August, 1996 and remanded the matter to the Assessing Officer for *de novo* Assessment.

With respect to other demands raised by the Income Tax Department for Assessment Years 1994-95, 1995-96, 1996-97, 1997-98, 1998-99 and 1999-2000, the tax demands are in various stages of Appeal before the Judicial Forums. The Department has given a stay on all demands raised against the Company subject to the Company making some payments on installment basis. In effect, all demands

Shaw Wallace & Company Limited

raised by the Income Tax Department have been stayed and are not enforceable as on date.

9. Public Deposits

The Company has not accepted any deposits from public during the period under review. All matured deposits in respect of which duly discharged receipts were surrendered to the Company, have been paid in full.

10. Dematerialisation

As mentioned in the earlier Annual Reports, since 24th July, 2000 the equity shares of the company are being compulsorily traded in dematerialized form. It is advisable for all shareholders to expedite having their physical shareholding converted into demat form and seek the advantages of holding shares in electronic form. In the event of any query or difficulty in this regard, the Members are advised to write to the Secretarial Department at the Registered Office of the Company for detailed response.

As on 30th June, 2003, 53.19% of the total paid up equity shares of the Company were held by shareholders in electronic form.

11. Information in terms of Section 217 of the Companies Act, 1956

The details relating to Research & Development, Technology innovation, etc. and foreign exchange earnings and outgo during the financial year ended on 31st March, 2003 have been mentioned at item Nos. 26, 27 & 29 in Schedule 20 to the Notes of Accounts of the Company.

Particulars of employees as required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) (Amendment) Rules, 2002 are attached and form an integral part of this Report.

12. Directors' Responsibility Statement

In terms of the amended Section 217(2AA) of the Companies Act, 1956, your Directors state as under, in respect of the Audited Accounts for the Financial Year ended on 31st March, 2003:

- (i) That in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and proper explanations relating to material departures, where required, have been dealt in the respective Notes on Accounts;
- (ii) That 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 that period;
- (iii) That 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;
- (iv) That the Directors have prepared the Annual Accounts on a going concern basis.

13. Allotment of Shares

In terms of the revised Order of the Board for Industrial & Financial Reconstruction regarding merger of Doburg Lager Breweries Limited (DLBL) with the Company, the Preference shareholders of erstwhile DLBL were allotted 1075 Equity Shares of Rs. 10/- each fully paid up in the Company on 27th September, 2002 in physical form.

14. De-listing of shares

Presently the shares of the Company are listed on the Stock Exchanges situated in Kolkata, Mumbai, Delhi, Chennai, Bangalore and Ahmedabad. Apart from the Stock Exchanges at Mumbai and Kolkata, shares are rarely traded in other Stock Exchanges and a geographical distribution as on 30th June, 2003 reveals that the total shareholders located in Delhi, Chennai, Bangalore and Ahmedabad hold a meager 5.08% of the paid up share capital of the Company. Further, such de-listing of shares will entail reduction of Listing fees and other administrative expenses presently being incurred by the

Company every year. Necessary formalities will be complied with in this regard after obtaining consent of the shareholders at the ensuing Annual General Meeting.

15. Human Resources

Human Resources of the company across all sections/ departments/ units contributed significantly towards better performance. To oversee and supervise the Development of Human Resources, your Directors have also constituted a Committee of the Board of Directors viz., Human Resources Development & Employee Relations Committee.

16. Corporate Governance

Your Company has always strived to achieve optimum standards of good Corporate Governance. Adequate steps have been taken to ensure that the provisions of Corporate Governance as mentioned in Clause 49 of the Listing Agreement with the Stock Exchanges, are complied with. A Report on the Corporate Governance together with the Auditors' Certificate on such compliances by the Company, is annexed hereto.

17. Management Discussion and Analysis

In compliance with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges, a detailed review of the operations, performance and future outlook of the Company, is annexed hereto.

18. Acknowledgement

Your Directors wish to acknowledge the co-operation, understanding and support extended by the Central and State Governments, Local Authorities, Employees, Shareholders, Financial Institutions, Bankers, Depositors, Creditors, Customers, Distributors and other stakeholders.

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For and on behalf of the Board

Place: Mumbai
Date: 23rd July, 2003

P. M. Nene
Director

H. N. Nanani
Director

Annexure to the Report of the Board of Directors dated 23rd July, 2003 pursuant to Section 217(3) of the Companies Act, 1956 ("the Act")

As required by Section 217(3) of the Act, the following information/ explanations are given:

The Auditors, in their Report dated 23rd July, 2003, have referred to various notes included in Schedule 20 of the Balance Sheet as at 31st March, 2003 and the Profit & Loss Account for the Financial Year ended on that date and have made certain observations. The relative Notes are self-explanatory and express the views of the Board of Directors thereon.

For and on behalf of the Board

Place: Mumbai
Date: 23rd July, 2003

P. M. Nene
Director

H. N. Nanani
Director

Statement of Particulars of Employees pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) (Amendment) Rules, 2000 forming part of Director's Report for the financial year 1st April 2002 to 31st March 2003

SR. NO.	NAME	QUALIFICATION	DESIGNATION/ NATURE OF DUTIES	YEARS		DATE OF	PREVIOUS	GROSS	NET
				AGE IN	OF EXPE- RIENCE	COMMENCE- MENT OF SERVICE			
EMPLOYED THROUGHOUT THE YEAR									
1	ASHOK KUMAR KAPUR	BE (HONS)	Senior Vice President	56	35	01.04.01	Shaw Wallace Gelatins Ltd.	2760230	1705376
2	ANAND DESAI	B.Com, ACA	Senior Vice President (Group Corp. Dev.)	46	21	20.03.02	SONY Ent. Television	5300016	3368185
3	DEEPAK CHAUDHURI	B.A.	Senior Vice President (Beer)	51	20	18.06.01	Ten Springs Brewing Co., New York	3659326	2278143
EMPLOYED FOR PART OF THE YEAR									
1	ABHIJIT DASGUPTA	B.Com	Vice President (Sales)	51	29	03.12.01	UDV(I) LTD.	1862280	1107490
2	AMAR SINHA	B.Com, PGDM	Senior Vice President (Liquor)	42	21	01.06.01	Radico Khaitan Ltd	2741813	1780933
3	SAT PAL CHAUDHRY	B.Sc., B E(Mech), M.Tech	Executive Vice President	58	33	21.04.93	U. B. Ltd	2728584	1955161
4	K N CHANNA	B.A. (Hons)	President - Corporate Affairs	56	34	15.02.89	Cruickshank & Co. Ltd	4387222	2793856
5	RAJENDRA HALVE	B.Com.,MBA	Vice President (Liquor Mktg.)	40	18	23.08.01	Reliance Webstone	2758769	1888541
6	KOMAL C WAZIR	B.Com	Executive Director	31	7	05.04.99	First employment	1846864	*
7	NIRANJAN M. THAKUR	B.Com	Executive Director	48	26	28.08.00	Primo Distributors Ltd	2131337	*

Notes :

- All appointments are / were contractual and terminable upon notices varying upto 12 months provided in the service agreement.
 - None of the employees named above, except Ms. Komal C Wazir and Mr. Niranjana M. Thakur are relatives of any of the Directors.
 - Gross remuneration received includes Salary, Allowance, Bonus, Leave Travel Allowance, Medical Expenses, Company's contribution to Provident Fund, Superannuation and Gratuity Fund and taxable value of perquisites, where applicable.
 - Net remuneration received means remuneration including value of perquisites as reduced by taxation and retiral benefit contribution.
- * Refer Note No. 14 in schedule 20 of Notes on Accounts.

For and on behalf of the Board

Place : Mumbai
Date : 23rd July, 2003

P. M. Nene
Director

H. N. Nanani
Director