



Shaw Wallace & Company Limited
Annual Report 2003-2004



Growth to fulfil dreams



MEMBER JUMBO GROUP

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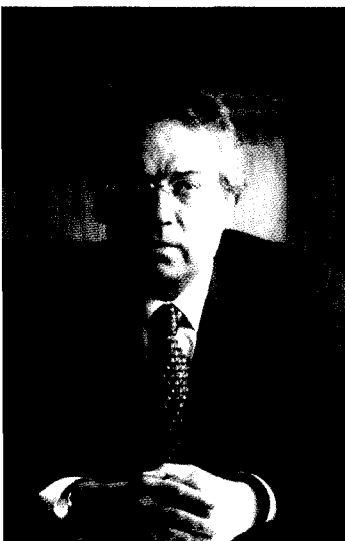
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*To accomplish great things we must not only act
but also dream, not only plan but also believe*



Mr. M. R. Chhabria
Founder, Jumbo Group
(1st March 1946 - 6th April 2002)

REMEMBERING OUR FOUNDER

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He had the courage:

To translate his focussed vision.

And seize fleeting opportunities.

He had the commitment:

To grapple with challenges.

And face adversity undaunted.

He has gifted us a legacy:

To accelerate with enthusiasm.

And capture victory relentlessly.



BOARD OF DIRECTORS

(As on 30th June 2004)

Mrs. V. M. Chhabria
Chairperson

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

Auditors

M/s. Lodha & Co., Chartered Accountants

Corporate Office

Shaw Wallace & Company Limited
132A, Dr. Annie Besant Road,
Worli, Mumbai - 400 018

Registered Office

Shaw Wallace & Company Limited
Wallace House,
4, Bankshall Street, Kolkata - 700 001

Registrar & Transfer Agents

Kolkata Office

- (i) MCS Limited,
77/ 2A, Hazra Road
Kolkata 700 026

Mumbai Office

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



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 2004 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 presented herewith.

1. Operations

For the Financial Year under review, the consolidated Turnover of the Company was Rs.1464 Crores, of which, the turnover of the parent Company was Rs. 164 Crores. The balance turnover of Rs. 1300 Crores is reflected in the Accounts of the subsidiary Companies.

The financial results during the aforesaid period reveal an operational profit of Rs. 27 Crores for the Company as compared to Rs. 24 Crores earned during the previous year.

With the continuing growth in Turnover, 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

During the year under review, your Company alongwith its subsidiaries entered into a 50:50 Joint Venture Agreement with Mysore Breweries Group, in respect of its beer business in order to combine the businesses of both the parties. Your Directors are confident that the Joint Venture would result in synergies and benefits to the beer business of each other, create long-term profitability and enhance shareholders' value.

3. Dividend

The profits available are required to be conserved for payment of various income tax demands and liquidating certain other creditors' liabilities. As such, your Directors express their inability to recommend payment of any dividend for the Financial Year ended on 31st March 2004.

4. Auditors' Report

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

5. Directors

In terms of the Board Resolution dated 29th March 2004, Ms. K C Wazir, Executive Director and a Director, not liable to retire by rotation continues to exercise the powers and authorities of a Whole Time Director and also continues to be designated as Executive Director (Whole Time Director) of the Company for a further period of five years, i.e. from 5th April 2004 to 4th April 2009 (both days inclusive). Approval of the Members of the Company in this regard is also being sought at the ensuing Annual General Meeting.

Mr. N M Thakur and Mr. S S Dadlani retire by rotation and being eligible, offer themselves for re-appointment. Necessary formalities in this regard have been complied with.

6. Auditors

M/s. Lodha & Co., Chartered Accountants, who hold office up to the conclusion of this Annual General Meeting, have vide a letter dated 23rd June 2004 signified their willingness to be re-appointed as Statutory Auditors of the Company 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

As stated in the last Annual Report, to further streamline and restructure the businesses of the Company, amalgamation/merger of 19 Subsidiaries/Associate Companies of the Group was under progress. The Hon'ble Calcutta High Court has sanctioned the Scheme of Amalgamation/ Merger of these Companies with Koel Manufacturing & Investments Private Limited and necessary formalities pertaining to accomplishment of merger have been complied with.

Consequent to the aforesaid Merger, during the year under review Global Hospitality Services India Ltd., Golconda Stud Agricultural Farm India Ltd., Fast Track Sports Ltd., Obadation Industrial Finance Ltd., Peninsular Techno Industries Ltd., Peninsular Chemicals Ltd., Rajnagar Tea Co. Ltd. Shawpol International Ltd., Shawlace Industrial Finance Ltd., Shaw Wallace Geophysical Services (India) Ltd., Shaw Wallace Geophysical Industries Ltd. and Shaw Wallace Drilling Co. Ltd. ceased to be subsidiaries of your Company.

Further, during the year under review Shaw Wallace Spirits Ltd. (formerly CDBL Breweries Ltd.), Mukherjee Consultants Pvt. Ltd, The New Samanbagh Tea Co. Ltd. and Rajasthan Phosphorus & Chemicals Ltd. ceased to be subsidiaries of your Company.

After the Balance Sheet date, shares held by your Company in Lee Hedges & Company Ltd., BVI and Shaw Wallace International Ltd., BVI, have been transferred with effect from 1st April 2004. Consequently, both Lee Hedges & Company Ltd., BVI and Shaw Wallace International Ltd., BVI along with their subsidiaries viz., Lee Hedges & Company Ltd., Shaw Wallace Distributors Ltd., Viking Fashion Pvt. Ltd., Healthcare Products Ltd., Shaw Lanka Tours Ltd. and Lankatech Management Ltd. have ceased to be subsidiaries of your Company.

During the year under review, the name of Shaw Wallace Agrochemicals Ltd., a subsidiary, has been changed to SWAL Corporation Ltd. Universal Pesto Chem Industries (India) Pvt. Ltd. became a subsidiary of your Company.

Necessary Applications have been filed under Simplified Exit Scheme introduced by the Central Government to declare certain Companies defunct in terms of Section 560 of the Companies Act, 1956, e.g. Global Gelatines Ltd., The New Samanbagh Tea Co. Ltd. and Rajasthan Phosphorus & Chemicals Ltd. along with certain other Associate Companies within the Group. Approval from the Registrar of Companies concerned declaring these Companies defunct, is awaited.

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 2004 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 Department has raised various demands for Assessment Years 1994-1995 up to 2000-2001 which are pending in various stages of Appeals before various Judicial Forums. The Department has kept in abeyance all demands raised against the Company subject to the Company making some payments in installments.

The Income Tax Department has issued Notices to the Company under Section 281 of the Income Tax Act, 1961 declaring certain transfers made by the Company as void and has issued an Order of distraint under Section 226(5) of the Act. In addition, vide a Notice under Section 281B of the Act, certain assets of the Company have been provisionally attached.

Shaw Wallace Breweries Limited, the Joint Venture Company has filed a Writ Petition in Bombay High Court against this Order under Section 281. The Bombay High Court has stayed the operations of the aforesaid Order issued by the Income Tax Department, pending final hearing.

Your Company has taken necessary steps including resolving the issues with the Revenue Authorities in a comprehensive manner under the provisions of the Income Tax Act, 1961 to protect the interests of the Company as well as its stakeholders.

Shaw Wallace & Company Limited**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. Shifting of Registered Office

As reported earlier, pursuant to the consent of the shareholders of the Company, necessary application was filed with the Company Law Board seeking approval for shifting of the Registered Office of the Company from Kolkata to Mumbai. The matter is pending for final hearing before the Company Law Board.

11. Dematerialisation

As mentioned in earlier Annual Reports, the equity shares of the company are being traded compulsorily in dematerialized form since 24th July, 2000. It is advisable for all shareholders to have their physical shareholding converted into demat form and secure the advantages of holding and dealing shares in the Company 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.

As on 30th June 2004, 93.52% of the total paid up equity shares of the Company were held in electronic form.

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

The details relating to Research & Development, Conservation of Energy, Technology Absorption, etc. and foreign exchange earnings and outgo during the financial year ended on 31st March 2004 have been mentioned at item Nos. 26 & 27 in Schedule 20 to the Notes of Accounts.

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.

13. Directors' Responsibility Statement

In terms of the amended Provisions of Section 217(2AA) of the Companies Act, 1956, in respect of the Audited Accounts of the Company for the Financial Year ended on 31st March 2004 your Directors state as under:

- (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.

14. De-listing of shares

Pursuant to the consent of the Members received at the 57th Annual General Meeting held on 16th September 2003 and in terms of the SEBI (De-listing of Securities from Stock Exchanges) Guidelines, 2003, the Equity Shares of the Company have been de-listed from the Stock Exchanges at New Delhi, Chennai, Bangalore and Ahmedabad.

The Equity Shares of the Company continue to be listed on The Calcutta Stock Exchange Association Ltd., the regional Stock Exchange and on The Stock Exchange, Mumbai.

15. Human Resources

During the year under review, to meet the ambitious Vision / strategic plan of the organization for the next three years, the Human Resources Function placed a lot of emphasis on training and development of the Executives and workforce of the Company. Such training programs involved enhancement of selling skills and also training in soft skills to enable the Executives maintain a healthy work life balance and understand the role of constructive team work in the success of the organization.

Industrial Relations remained cordial during the year under review. Productivity linked Wage Agreement and Fringe Benefits Agreements were signed between the Company and its workforce in line with industry benchmarks.

16. Corporate Governance

Your Company has always strived to achieve optimum standards of good Corporate Governance. Adequate steps have been taken to comply with the requirements in terms of the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges dealing in Corporate Governance Code. A Certificate of compliance in respect of the said Code has been submitted to the Stock Exchanges concerned on quarterly basis.

A Report on the Corporate Governance together with the Auditors' Certificate on compliances thereof 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 and its subsidiaries, 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.

For and on behalf of the Board

Place: Mumbai
Date: 30th June 2004

PRAKASH M NENE
Director

NIRANJAN M THAKUR
Executive Director

Shaw Wallace & Company Limited

**Annexure to the Report of the Board of Directors dated 30th June 2004
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 30th June 2004, have referred to various notes included in Schedule - 20 of the Balance Sheet as at 31st March 2004 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: 30th June 2004

PRAKASH M NENE
Director

NIRANJAN M THAKUR
Executive Director

