

Focussed on a singular goal
- Profitable Growth



Shaw Wallace & Company Limited
ANNUAL REPORT 2006 -2007

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SHAW WALLACE & COMPANY LIMITED



Board of Directors

Dr. Vijay Mallya	-	Chairman
Mr. S D Lalla	-	Managing Director
Mr. S R Gupte	-	Director
Mr. A K Ravi Nedungadi	-	Director
Mr. C L Jain	-	Director
Mr. S G Ruparel	-	Director

Company Secretary

Mr. K. Krishnamoorthy

Auditors

M/s. Lodha & Co.
Chartered Accountants,
Kolkata

Registered Office

Wallace House,
4, Bankshall Street
Kolkata – 700 001

Corporate Office

Bank of Baroda Building, 2nd Floor
3, Walchand Hirachand Marg
Ballard Estate, Mumbai -400 038

Registrar & Transfer Agents

Kolkata Office:

Intime Spectrum Registry Limited
59C, Chowringhee Road, 3rd floor,
Kolkata - 700 020

Mumbai Office:

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
L B S Marg, Bhandup (W), Mumbai –400 078

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DIRECTORS' REPORT

Your Directors have pleasure in presenting herewith their Report and the Statement of Accounts for the Financial Year ended March 31, 2007 together with the Auditors' Report thereon for the said financial year. In compliance with the requirements of Accounting Standard 21 issued by the Institute of Chartered Accountants of India, the consolidated financial statements of your Company are also presented herewith.

FINANCIAL RESULTS

The working of your Company for the year under review resulted in:

(Rs. in Lacs)

	2006 - 07	2005 - 06
Net Turnover	13885	11552
Add: Other Income	9330	17786
Total Income	23215	29338
Profit for the year before Depreciation, Interest, Contingency and Taxation	8974	11897
Less : Depreciation	119	140
Less : Interest	677	394
Add / (Less) Contingencies	3302	(2500)
Profit before Taxation	11480	8863
Taxation (including Fringe Benefit Tax & deferred tax)	3273	4177
Profit after Taxation	8207	4686
Profit / (Loss) brought forward from previous year	24	(4115)
Appropriations:		
General Reserve	420	-
Interim / Final Dividend	720	480
Corporate tax on Interim / Final dividend	122	67
Balance carried to the Balance Sheet	6969	24
EPS - Basic (Rs.)	17.10	9.76

Dividend

Your Directors have recommended a dividend of Rs.1.50 per share to the equity shareholders of the Company for the financial year ended March 31, 2007, subject to the approval of the shareholders at the ensuing Annual General Meeting.

Operations

Your Company has registered a Turnover of Rs.13885 lacs for the financial year ended March 31, 2007. There has been an increase in Turnover of Rs.2333 lacs compared to the Rs.11552 lacs of the previous financial year. The Profit after tax of your Company during the financial year amounted to Rs.8207 lacs compared to the profit of Rs.4686 lacs of the previous year.



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During the year, the Company continued to focus on premium products while taking a conscious decision to weed out the cheap brands thereby enabling a healthy product mix. This, coupled with the impressive rise in the sales volume helped in improving bottom line.

Keeping in view the robust growth of the IMFL Industry in India and worldwide, your Directors are confident of improving the profitability of your Company and enhancing shareholders' worth in the years to follow:

Acquisition of Whyte & Mackay Group

Subsequent to the Balance Sheet date, on May 16, 2007 United Spirits Limited, the Holding Company of your Company, through its overseas wholly owned subsidiary viz., United Spirits (Great Britain) Limited, United Kingdom, has acquired the entire share capital of Whyte & Mackay Group Limited, which in turn holds the entire share capital of Whyte & Mackay Limited, a Scotch Whisky Manufacturing Company based at Glasgow, Scotland, United Kingdom. In this connection, *inter alia*, your Company has provided security by way of guarantee, pledge of its entire shareholdings in United Spirits Limited and hypothecation of certain key Brands/Trade Marks in favour of the Security Trustee to secure the repayment of Loan aggregating to US\$618,915,000 together with interests, costs & charges thereon.

This transaction has lead to increase in the market price of the shares of your Company as well as that of United Spirits Limited, where your Company holds 10282553 equity shares.

Directors

Dr. Vijay Mallya was appointed as a Director on June 14, 2005 in terms of Section 262 of the Companies Act, 1956 in the casual vacancy caused by the resignation of Mr. S Dadlani, who would have held office till the date of the Annual General Meeting for the year 2007. Accordingly, Dr. Vijay Mallya vacates office on the date of this Annual General Meeting and being eligible offers himself for re-appointment. A Notice under Section 257 of the Companies Act, 1956 together with requisite deposit has been received from a Member of the Company signifying his intension to propose the appointment of Dr. Vijay Mallya at this Annual General Meeting as a Director, liable to retire by rotation.

Mr. C L Jain, Director retires by rotation at this Annual General Meeting and being eligible offers himself for re-appointment as Director, liable to retire by rotation.

In compliance with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges, the details of the Directors being re-appointed at this Annual General Meeting, are given in the Corporate Governance Report, attached to this Annual Report.

In terms of the disclosures under Section 274(1)(g) of the Companies Act, 1956 received from the Directors of your Company, none of the Directors is disqualified to be appointed / re-appointed as Director of any Public Limited Company.

Auditors

M/s. Lodha & Co., Chartered Accountants, who hold office up to the conclusion of this Annual General Meeting, vide their letter dated August 31, 2007 have signified their willingness to be re-appointed as the 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.

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Subsidiaries

Subsequent to the financial year ended March 31, 2007, in terms of the Order of the Hon'ble Calcutta High Court, Shaw Wallace Financial Services Limited, a wholly owned subsidiary of your Company (which had already been merged with Shaw Wallace Breweries Limited, another wholly owned subsidiary of your Company), was declared dissolved without winding up with effect from May 29, 2007.

Shaw Wallace Breweries Limited, Ramanreti Trading & Investment Company Limited and Shaw Wallace Overseas Limited continue to be the Subsidiaries of your Company.

In compliance with the provisions of Section 212 of the Companies Act, 1956, copies of the Balance Sheets, Profit & Loss Accounts, Reports of the Directors and Auditors and other relevant Statements in respect of the aforesaid Subsidiaries of your Company, are attached to the Balance Sheet of your Company as on March 31, 2007.

Income Tax

The Company's application for Settlement for the Block period, Assessment Year 1996 – 1997 and Assessment Years 1998 – 1999 to 2003 – 2004 has been disposed by the Hon'ble Settlement Commission (the Commission). The demand arising pursuant to the Commission's order has been paid. The Company has received the refunds for Assessment Years 1994-95 and 1995-96. As on date there is no tax demand pending on the company.

The Income Tax department had issued a Declaration on the Company under section 281(1) of the Income Tax Act, 1961 (the Act) declaring certain transactions made by the Company as void and had also issued an Order of Dstraint under Section 226(5) of the Act. In its order, the Commission has directed the Income Tax Department to revoke the Declaration and the Dstraint order, on the payment of demand pursuant to the Commission's order. The demand having been paid, the Company is pursuing the Income Tax Department for revoking the Declaration and the Dstraint order. Shaw Wallace Breweries Ltd., a subsidiary of the Company, which had filed a Writ in the High Court of Bombay against the Declaration under Section 281(1) and the Dstraint Order under Section 226(5), has withdrawn the Writ.

The Company's application for Settlement for the Assessment Years 2004–2005 to 2006–2007 before the Commission, has been admitted and the consequential tax has been paid. The application is awaiting final disposal.

Your Directors have taken necessary steps including resolving the issues with the Revenue Authorities in a comprehensive manner to protect the interest of the Company as well as its stakeholders.

Public Deposits

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



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Shifting of Registered Office

Your Directors have decided not to pursue the Application for shifting of Registered Office of the Company from Kolkata to Mumbai filed before the Company Law Board, Eastern Region Bench, Kolkata pending evaluation of the proposal for restructuring of spirits business.

Registrar & Transfer Agents

As reported in the last Annual Report, Intime Spectrum Registry Limited (Intime) has been appointed as the Registrar & Transfer Agents of your Company with effect from September 15, 2006 in place of MCS Limited, the erstwhile Registrar & Transfer Agents of the Company. In terms of the approval obtained from the shareholders at the last Annual General Meeting held on December 27, 2006 under Section 163 of the Companies Act, 1956, the Registrar of Members/ Beneficial Owners, Copies of Annual Returns and other relevant documents are kept at the office premises of Intime Spectrum Registry Limited at 59C, Chowringhee Road, 3rd Floor, Kolkata-700 020. Shareholders may also forward their requests to Intime Spectrum Registry Limited at their Mumbai Office at C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai - 400 078.

Dematerialisation

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

As on August 31, 2007, 96.43% of the total paid up equity shares of the Company was held by shareholders in electronic form.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo

(a) Conservation of Energy and Technology Absorption

During the Financial Year 2006-07, the old Boiler at the sole Unit of the Company at Andhra Winery & Distilleries at Hyderabad, was replaced with a New Coal Fired Boiler having latest technology (under bed feeding of coal) to increase the efficiency of the Boiler. The replacement of the Boiler has helped your Company to operate the re-distillation plant at installed capacity, to increase the Extra Neutral Alcohol recovery from Rectified Spirit and also to reduce alcohol losses during the distillation process.

Your company has replaced a 240 BPM bottling line with a new line and also has constantly upgraded the equipments in order to enhance productivity and production, while reducing the operational wastes.

Necessary action has been initiated to conserve the electricity by installing a 175KVA bank pressure Turbine and replacement of Condensate Recycling Pump with Pressure Powered Pumping unit.

To ensure zero-defect Product by improving bottle washing quality, the Company has replaced the existing Pumps with High Pressure Pumps for bottle washing exercise.

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(b) Foreign Exchange Earnings and Outgo

The details relating to foreign exchange earnings and outgo during the financial year ended on March 31, 2007 have been mentioned at item Nos. 23 & 24 in Schedule No. 19 to the Notes of Accounts.

(c) Research and Development

Your Company has not incurred any expenditure on Research and Development during the year under review.

Particulars of Employees

Particulars of employees in terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are attached and form an integral part of this Report.

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 of the Company for the financial year ended on March 31, 2007:

- (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 year;
- (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.

Human Resources

The Industrial Relations scenario at the manufacturing unit remained peaceful with no loss of production.

Corporate Governance

The Corporate Governance Report alongwith a Certificate of Compliance received from the Statutory Auditors of your Company is annexed hereto and forms part of this Annual Report.

Necessary requirements of obtaining Certification/ Declaration in terms of Clause 49 of the Listing Agreements with the Stock Exchanges have also been complied with.

Management Discussion & Analysis

A Report on Management Discussion & Analysis is annexed to the Directors' Report and forms part of this Annual Report.



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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: Bangalore
Date: September 03, 2007

A K Ravi Nedungadi
Director

S D Lalla
Managing Director

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Statement of Particulars of Employees As Required Under Section 217(2A) Of The Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975

Sr. No	Name	Qualification	Designation / Nature of Duties	Remuneration	Age in Years	Years of Experience	Date of Commencement	Previous Employment
1	Mr Rajiv Suri	B. Com (H), MBA, ACA	Vice President - Finance	3,051,424	50	29	16.05.1994	Reliance Industries Ltd Senior Manager-Marketing Finance
2	Mr Lalit Gupta	B.Sc, LLB, DLL	Vice President - Legal	3,074,254	47	24	01.06.1998	Shriram Foods & Fertilisers Ltd Joint Manager-Legal

Notes :

- 1 No employee is on contract employment. Other terms and conditions are as per service rules of the Company from time to time.
- 2 None of the above mentioned employees is related to any Director of the Company.
- 3 Remuneration as shown above includes salary, house rent allowances, Company's contribution to P.F and superannuation Fund, value of residential accomodation, bonus, medical and other facilities.

For and on behalf of the Board

Place: Bangalore
Date: September 03, 2007

A K Ravi Nedungadi
Director

S D Lalla
Managing Director

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