

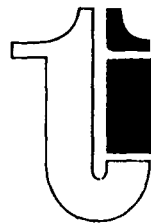
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SIXTYTHIRD

ANNUAL

REPORT

for 18 Months from
1st April 1996 to 30th
September 1997



TILAKNAGAR INDUSTRIES LIMITED



TILAKNAGAR
INDUSTRIES LTD.

D. M. DAHANUKAR
Chairman Emeritus

BOARD OF DIRECTORS

A. D. DAHANUKAR
Chairman & Managing Director

S. V. MUZUMDAR

V. B. HARIBHAKTI

M. R. PAI

Y. C. AMIN

P. M. DANDEKAR

G. B. DOSHI

A. D. HAROLIKAR
(Sicom Nominee)

AUDITORS

Batliboi & Purohit
Chartered Accountants

SOLICITORS

Kanga & Co.

BANKERS

Indian Bank
Syndicate Bank
Canara Bank
Shree Suvarna Sahakari Bank Ltd.
Corporation Bank
State Bank of India

REGISTERED OFFICE

Industrial Assurance Building
Churchgate, Mumbai 400 020.
Grams : CUBESUGAR, Mumbai

WORKS

Tilaknagar
Station Belapur (C. Rly)
Dist. Ahmednagar, Maharashtra.
PIN 413 720
Grams : CUBESUGAR, Tilaknagar

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NOTICE

NOTICE is hereby given that SIXTYTHIRD ANNUAL GENERAL MEETING of TILAKNAGAR INDUSTRIES LIMITED will be held on WEDNESDAY, the 24th DECEMBER, 1997, at 3.30 P.M. at the Walchand Hirachand Hall, Indian Merchants' Chamber Building, 76, Veer Nariman Road, Churchgate, Mumbai-400 020, to transact the following business:-

1. To receive, consider and adopt the audited Profit & Loss Account for the 18-months period ended 30th September, 1997, and the Balance Sheet as at that date and the Report of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri V. B. Haribhakti, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri M. R. Pai, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956, and subject to such other approvals as may be necessary, the consent of the Company be and it is hereby accorded to the Board of Directors of the Company to transfer as a going concern, the business of the Company's Country Liquor Plant and liabilities attributable thereto to a subsidiary company to be formed on such terms and conditions as the Board of Directors of the Company

may deem fit and proper.

RESOLVED FURTHER THAT the Board of Directors of the Company be and they are hereby authorised to do all such acts, deeds, matters and things as they may in their absolute discretion, deem necessary or desirable, to give effect to this Resolution."

NOTES:

1. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Item No. 5 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 16th December, 1997 to 30th December, 1997 (both days inclusive).
4. Members/Proxies should bring the attendance slip duly filled in for attending the Meeting.
5. The amount of unclaimed dividend for the financial year 1993-94 has been transferred to the General Revenue Account of the Central Government on 10th November, 1997, in terms of the provisions of Section 205-A of the Companies Act, 1956. Those who have not claimed their dividend for the said financial year may claim their dividend by submitting an application in Form No. II to the Registrar of Companies, Maharashtra, Mumbai.

By Order of the Board of Directors.
P M SALASKAR

Vice President & Company Secretary

Mumbai

Dated:12th November 1997

ANNEXURE TO NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT 1956.**

Item No. 5

Country Liquor business is restricted to Maharashtra State only and having such restriction on sale, turnover that could be achieved is negligible as compared to the sales turnover of IMFL. Profit margin too has been low as margin in country liquor is rigidly controlled by the State Government while there is no such control on margin on IMFL. It is, therefore, thought prudent, to focus more on core business and optimise the growth of IMFL business which records higher turnover and better profit margin. With this end in view, it is proposed to spin off Company's country liquor unit and transfer its assets together with liabilities attributable thereto to a 100 per cent subsidiary of the Company to be formed as also the licences, quotas, permits etc. at a value to be arrived at based on the valuation of the approved valuers.

Your Directors commend this Resolution to your acceptance.

None of the Directors is in any way concerned or interested in this Resolution.

Mumbai

Dated:12th November 1997

Registered Office: Industrial Assurance Building,
3rd floor, Churchgate, Mumbai-400 020

By Order of the Board of Directors.
P M SALASKAR

Vice President & Company Secretary



**TILAKNAGAR
INDUSTRIES LTD.**

REPORT OF THE BOARD OF DIRECTORS

To
The Members of
Tilaknagar Industries Ltd.,

1. Your Directors hereby present, the Sixtythird Annual Report of the Company together with Audited Statements of Accounts for the 18 months period from 1st April 1996 to 30th September 1997.

2. CHANGE OF ACCOUNTING YEAR

The accounting year of the company has been changed from April/March to October/September with necessary approval thereto obtained from the Registrar of Companies. Consequently, the accounting year ended on 31st March, 1997 has been extended upto 30th September 1997, and as such Accounts hereby presented relate to the period of 18 months from 1st April 1996 to 30th September 1997.

3. FINANCIAL RESULTS

	(Rs. in lacs)	
	1996-97	1995-96
	(18 months)	
Gross Sales	<u>3887.48</u>	<u>2695.28</u>
Gross Profit before Interest, Depreciation and Taxation	285.42	314.07
Less: Interest	275.23	251.92
Depreciation	68.99	47.07
Taxation	—	—
Net (Loss)/Profit	(58.80)	15.08
Add:		
Investment allowance (utilised) written back.	5.25	—
Balance brought forward from previous year.	27.86	12.78
(Loss)/Surplus for the year	<u>(25.69)</u>	<u>27.86</u>
(Loss)/ Surplus carried to Balance Sheet	(25.69)	27.86

4. A REVIEW

The year, under review, was a difficult one from business point of view. During the year, the State of Haryana also imposed total prohibition. Maharashtra State, a large liquor market, announced a new Excise Policy under which Excise duty would be charged on an ad-valorem basis instead of a specific duty and the same has been fixed at 200 per cent of the manufacturing cost. Every manufacturer has to declare and print the maximum retail

price (MRP) which is statutorily fixed at four times of the manufacturing cost. Few other States have also changed the duty structure. Overseas Scotch manufacturers have started launching their ad-mix products in the Indian market.

The above factors severely hit your Company's IMFL sales. Your Company, however, has managed to achieve a sales turnover both of IMFL and CL at Rs. 3489.81 lacs. The operations have, however, resulted in a loss of Rs. 58.80 lacs. After write back of investment allowance and balance in Profit & Loss Account, the net Loss is placed at Rs. 25.69 lacs.

A steep escalation in all in-put costs, high interest charges and hike in excise duty affected the profitability.

In view of the adverse performance during the period under review, your Directors regret their inability to recommend any dividend.

5. CURRENT YEAR'S OUTLOOK

Revival of the business seems to be imminent after lifting of prohibition in Andhra Pradesh and rationalising of duty structure by a few other States. Your Company has started receiving sizeable orders. IMFL products in our price range will always make good strides in the market despite competition. Nevertheless the Company has taken various stringent measures to cut down costs, improve the quality of products and strengthen the marketing net work. The Company has entered into an Agreement with Clan Morgan & Co. Ltd. for setting up a Joint Venture Company to undertake sale and marketing of Company's products and Scotch Whisky brands "TEACHERS" and "OLD SMUGGLER" owned by Allied Domecq Spirits and Wines Ltd. Directors hope that, barring unforeseen circumstances, the working for the current year will improve.

6. CHEMICAL DIVISION

As strategic restructuring of activities, your company aims to lay a major thrust on Chemical manufacturing. New products have been identified and the plant has been re-modified so as to have optimum utilisation of capacity.

7. COUNTRY LIQUOR

To focus more on its core business and optimise growth of IMFL which normally records a higher turnover and better profit margins, the company thought it prudent to spin off Country Liquor activities by transferring the same to a subsidiary company which is being formed. A Resolution under item 5 of Notice is placed for your acceptance.

8. DISTILLERY

Although the company has already set up a primary

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effluent treatment plant and complied with the directives of Maharashtra Pollution Control Board, the Government, meanwhile, had issued fresh directives to all the distilleries to implement the secondary stage treatment of the distillery effluent. The Company has set up the secondary stage effluent treatment plant by incurring capital expenditure of about Rs. 28 lacs.

9. DIFFERENTIAL LEVY SUGAR PRICES

The members may be aware that the Company had already received from the Ministry of Food, a sum of Rs. 141.40 lacs towards a differential levy sugar price for the seasons 1974-75 to 1979-80 pursuant to re-fixation of levy sugar prices by the Government consequent upon a common Judgement of the Supreme Court dated 22nd September 1993. While refixing such prices, the Government ignored to include, the element of additional cane prices payable by the producers under Clause 5A of the Sugarcane (Control) Order 1966. 5A price means 50 per cent of the excess realisation that is derived from free-sale sugar to be passed on to the sugarcane growers. Disregarding this basic fact means depressing or reducing the levy sugar price. The Industry, therefore, filed a Civil Application in the Supreme Court, for an appropriate direction to the Union Government to amend the notifications of refixation of levy sugar prices taking into account the liability of producers of sugar under Clause 5A of the Sugarcane (Control) Order, 1966. Supreme Court by its recent Judgement dated 28th January 1997, vindicated the stand and directed the Union Government to issue an additional notification. The Company has filed a claim of Rs. 124 lacs on this account which has been taken credit for in current year's accounts.

10. FIXED DEPOSITS

An aggregate amount of fixed deposits held by the Company as on 30th September 1997, is Rs. 13.34 lacs and unclaimed deposits are Rs. 0.94 lac.

ANNEXURE 'A' TO THE DIRECTORS' REPORT.

A. CONSERVATION OF ENERGY

- a) Measures taken
 - High HP Electric Motors have been replaced by low HP high efficiency pumps.
 - Pipe-lines in Distillery have been modified.
 - Bio-gas generated from ETP is fed to boiler to save coal consumption,
 - Modification in the steam pipe line of the boiler

11. BOARD OF DIRECTORS

Shri V. B. Haribhakti and Shri M. R. Pai retire by rotation and being eligible, offer themselves for re-appointment.

12. PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION ETC.

Information pursuant to Section 217(1) (e) of the Companies Act, 1956, is given in Annexure 'A' to the Report.

13. PARTICULARS OF EMPLOYEES

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, is given in Annexure 'B' to this Report.

14. COST AUDITORS

Subject to the approval of the Central Government, M/s P. D. Phadke & Associates, Cost Accountants, have been appointed to conduct the audit of the cost accounts maintained by the Company in respect of Industrial Alcohol for the year 1997-98, on a remuneration of Rs. 9,000/- per annum plus out of pocket expenses.

15. AUDITORS

Messrs, Batliboi & Purohit, Auditors of the Company, retire and offer themselves for re-appointment. The requisite Certificate under Section 224 (1) of the Companies Act, 1956, has been obtained.

16. ACKNOWLEDGMENTS

Your Directors acknowledge with gratitude the co-operation and assistance extended by the Banks and Financial Institutions and record their high appreciation for the devoted services rendered by the Company's employees at all levels.

For and on behalf of the Board of Directors
A. D. DAHANUKAR

Mumbai

Dated: 12th November 1997

Chairman &
Managing Director

helps to provide steam to Chemical plant at controlled rate.

- b) Impact of the above measures
 - The steps taken as above would result in reducing consumption of steam, coal, electrical power, water, etc.

B. TECHNOLOGY ABSORPTION

- i) Technology from Foreign Liquor manufacturers for manufacture of different brands of liquor is being examined.



**TILAKNAGAR
INDUSTRIES LTD.**

- ii) R&D Work
- a) Organic esters are standardised using our own alcohol. Process of manufacturing DEO has been streamlined to make it competitive in the market and that of Diethyl Phthalate, Butyl Acetate etc. has been standardised.
- b) To explore a new range of products, work was undertaken for extraction of herbal medicines at the laboratory. From leaves of Alluvera plants cultivated in our own land juice is extracted the samples of which sent to customers have been approved. Larger operations in this area are planned to offer to Ayurvedic preparations commercially.
- iii) Expenditure on R&D
The expenditure on R&D has been shown under respective heads of expenditure in the Profit & Loss Account and no separate account is maintained thereof.

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

1. Feasibility of adoption of various technical innovations in the industry are being studied continuously with the specific purpose of adoption under present conditions.
2. Technology either indigenous or foreign relating to our range of operations is being watched carefully to examine its feasibility for adoption.

C. FOREIGN EXCHANGE EARNING AND OUTGO.

Particulars with regard to foreign exchange earning and outgo are given in Schedule 'L' forming part of Annual Report and Accounts.

For and on behalf of the Board of Directors

A. D. DAHANUKAR

Chairman &

Managing Director

Mumbai

Dated: 12th November 1997

FORM 'A'

Total Energy Consumption and Energy Consumption per unit of Production

	Unit	1996-97 (18 Months)	1995-96
A. POWER AND FUEL CONSUMPTION :			
1. Electricity			
Purchased-Units	'000	2690	1904
Total amount	Rs.in Lacs	93.31	54.44
Rate Per Unit	Rs.	3.47	2.86
2. Steam Coal			
For generation of Steam	Tonne	6515	5575
Total amount	Rs.in Lacs	117.29	85.46
Average Rate	Rs. M.T.	1800.00	1533.00
3. Furnace Oil - For Boiler (Chemical Div)			
Quantity	K.Ltrs.	—	130
Total amount	Rs.in Lacs	—	9.36
Average Rate	Rs. K.Ltr.	—	7198

B. CONSUMPTION PER UNIT OF PRODUCTION :

Name of the product	Unit	Electricity (Units)		Furnace Oil (K.Ltr.)	
		1996-97 (18 Months)	1995-96	1996-97 (18 Months)	1995-96
1. Diethyl Oxalate / Butyl Acetate	K.G.	0.53	0.64	—	0.77

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ANNEXURE "B" TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) (AMENDMENT) RULES, 1988, AND FORMING PART OF THE REPORT OF THE BOARD OF DIRECTORS DATED 12TH NOVEMBER 1997.

S.No	Name/Age (Years)	Designation Nature of duties	Remuneration Received Rs.	Qualifications/ Experience (Years)	Date of commencement of employment	Last employment held Organisation/ Designation/Period
* 1.	Dahanukar A.D. (52)	Chairman & Managing Director	10,62,329/-	B.Tech,(Hons.)Grad I.T.E., M.S. in Ind.Eng. (Illinois.,U.S.A.) (30)	01.01.1975	Director of the Company since 1967.

Notes:

1. Remuneration is calculated on the value before tax on salary, bonus, Company's contribution to provident fund, superannuation fund, leave travel and medical benefits.
2. In addition to the remuneration, employees are also entitled to gratuity and other general benefits in accordance with the Company's rules.
3. Designation represents the nature of duties of the employee.
4. There was no employee drawing Remuneration of more than Rs. 25,000/- p.m. for part of year.
- *5. The nature of employment is contractual.

Mumbai,

Dated : 12th November, 1997.

For and on behalf of the Board of Directors

A. D. DAHANUKAR
Chairman & Managing Director



**TILAKNAGAR
INDUSTRIES LTD.**

**REPORT OF THE AUDITORS
TO THE SHAREHOLDERS**

We have audited the attached Balance Sheet of Tilaknagar Industries Limited, for the period 1.4.1996 to 30.9.1997 and also the annexed Profit and Loss Account of the Company for the period ended on that date and report that :

- 1) As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we are enclosing as an Annexure a Statement on matters specified in paragraphs 4 & 5 of the said Order.
- 2) Further to our comments in the Annexure referred to in para 1 above, we have to state that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of books of the Company
 - (c) the Balance Sheet and Profit & Loss Account dealt with by this Report are in agreement with the books of account;
 - (d) in our opinion and to the best of our information and according to the explanations given to us, the Accounts read with Notes thereon including Note No.9, give the information required by the Companies Act, 1956, in the manner so required and give respectively a true and fair view :—
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 30th September, 1997.
 - (ii) in the case of the Profit & Loss Account, of the loss for the eighteen months period ended on that date.

For **BATLIBOI & PUROHIT**
Chartered Accountants

(K. K. KSHIRSAGAR)
Partner

Dated: 12th November, 1997.

ANNEXURE TO REPORT OF THE AUDITORS

Annexure referred to in para 1 of our Report of even date.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks of books and records of the Company as we considered appropriate and according to the information and explanations given to us during the course of audit, we further state that:

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management during the period, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification as compared with the book records.
2. None of the fixed assets has been revalued during the period.
3. The stocks of finished goods, stores, spare parts and raw materials except those in transit and with third parties have been physically verified by the management during the period. In our opinion, the frequency of verification is reasonable.
4. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.