


ANNUAL REPORT

2000-2002

(18 months)




TILAKNAGAR INDUSTRIES LIMITED




Senate
W H I S K Y

Fully aromatic, well rounded in character, smooth mellow finish Senate whisky was recently launched by Tilaknagar Industries. It has been welcomed and highly appreciated by connoisseurs who truly savour quality and taste.

*A Blend of
Imported Scotch Whisky
&
Indian Neutral Alcohol*

Manufactured by

TILAKNAGAR INDUSTRIES
At Tilaknagar, Off. Industrial Area, Ahmedabad
Manufacturing Reg. No. 413720
Regd. Office, Industrial Area, Ahmedabad
3rd Floor, Chhatrapati, Mumbai - 400 025



Tilaknagar Industries is the proud recipient of Ambrosia Award for the best presentation of products at the exhibition 'Drinks 2001'



**TILAKNAGAR
INDUSTRIES LTD.**

BOARD OF DIRECTORS

Dr. (Mrs.) S.A. DAHANUKAR
Chairperson

S.V. MUZUMDAR

V.B. HARIBHAKTI

Y.C. AMIN (*up to 10th January, 2002*)

P.M. DANDEKAR (*up to 4th July, 2001*)

A.A. DAHANUKAR
(Wholtime Director)

S.H. JUNNARKAR (*w.e.f. 23rd October, 2001*)

P.M. SALASKAR
Managing Director

COMPANY SECRETARY

G.C. SHAH

AUDITORS

BATLIBOI & PUROHIT
Chartered Accountants

SOLICITORS

Kanga & Co.

BANKERS

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

REGISTERED OFFICE

Industrial Assurance Building,
Churchgate, Mumbai 400 020.
Grams : CUBESUGAR, Mumbai
e-mail: tiliquor@bom.8.vsnl.net.in

WORKS

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

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**TILAKNAGAR
INDUSTRIES LTD.**

REPORT OF THE BOARD OF DIRECTORS

1. Your Directors hereby present the Sixty-Seventh Annual Report of the Company together with Audited Statements of Accounts for the eighteen months period ended 31st March, 2002.

2. ACCOUNTING YEAR

In order to synchronise the accounting year of the Company, both under the Companies Act, 1956 and the Income Tax Act, 1961, the financial year of the Company has been changed from October-September to April/March and accordingly the current Financial Year has been extended upto March, 2002. Accounts presented hereunder, are for 18 months period and figures for previous year therefore, are not comparable.

	(Rs. in Lakhs)	
	2000-2002 (18 months)	1999-2000
Gross Sales	7,945.35	3,720.74
Profit before interest, Depreciation and Taxation	418.34	190.40
Less: Interest	199.00	110.30
Profit before Depreciation	219.34	80.10
Less: Depreciation	65.70	30.72
Taxation	17.00	—
Taxation for earlier years	8.23	—
Net Profit	128.41	49.38
Add: Profit brought forward from previous year	24.38	—
	152.79	49.38

APPROPRIATIONS

Transferred to General Reserve	75.00	25.00
Profit carried forward to Balance Sheet	77.79	24.38
	152.79	49.38

3. DIVIDEND

In order to conserve the resources for the working capital requirements and also to meet the liability, if any, that may arise as referred to under item 12 of the notes of Schedule 'M', your Directors regret their inability to recommend any dividend.

4. A REVIEW

There has been significant improvement in the performance of the Company during the period under review. The working operations have resulted in a gross profit of Rs. 219.34 lakhs and after providing for depreciation of Rs. 65.70 lakhs and taxation of Rs. 17.00 lakhs, the net profit is placed at Rs. 128.41 lakhs as against Rs. 49.38 lakhs during the previous year. The turnover of the Company rose to Rs. 79.45 crores for the 18 months period as compared to Rs. 37.21 crores in the previous year for 12 months, registering an increase of 42.35% on an annualized basis. However, the margins are under great pressure due to higher interest charges and input cost. Efforts are underway to control these costs.

5. IMFL DIVISION

The division has done very well during the period under review. It has sold around 870000 cases valued at Rs. 71.02 crores as against 349482 cases valued at Rs. 33.35 crores in the previous year. There has been steady growth in production and sales.

To enhance the brand portfolio and to cater to the large, medium or semi premium segments, the Company has launched a new brand under the name "Senate Whisky", a unique blend of the finest selected scotch malt and Indian spirit. The brand has been well accepted in the market by consumers despite severe competition from other major players and multinationals. This brand has won Award for best presentation in an Exhibition 'DRINKS 2001'.

The Company's other popular brands like Mansion House Whisky, Brandy, Napoleon Courier Brandy, Savoy Club Gin & Fresh Lime, Classic Whisky are showing steady growth.

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6. CURRENT YEAR'S OUTLOOK

In view of the favourable market scenario, prospects for liquor industry are very promising. Because of the quality, innovative packaging and strong distribution network, your IMFL products will have great potential.

Although the Central Government has reduced import duty on 'Bottle in Original' (BIO) Scotch Whiskies, due to countervailing duties imposed and other taxes, imported liquor will be expensive. However, your Company's products which are in semi premium and medium segments will have a better market.

7. DISTILLERY

The Distillation plant of the Company has been working smoothly and has produced 57.92 lakhs B.L. of Spirit of which the quantity of 33.34 lakhs B.L. was used for captive consumption and balance was sold in the open market.

8. CHEMICAL DIVISION

The working of the division was satisfactory. Sale of DEO was encouraging and was registered at 784745 kgs. valued at Rs. 341.10 lakhs. The R&D division has developed two new products namely Turkey Red Oil and ISO Amyl Alcohol.

9. SUGAR CUBE DIVISION

The sugar cube division continues to perform well. During the period under review 15538 cases of sugar cubes were sold for a value of Rs. 53.13 lakhs as compared to Rs. 23.81 lakhs in the previous year.

10. DEMATERIALISATION

In keeping with the requirements of Stock Exchange, the Company has opted for dematerialisation of its equity shares and has entered into tripartite agreement with the depositories viz. NSDL & CDSL and with the R&T Agents Bigshare Services Pvt. Ltd. Consequent upon this, shareholders are permitted to hold the shares in electronic form.

11. SUBSIDIARY

A statement under section 212 of the Companies Act, 1956 in respect of Subsidiary Company viz. Veekay Distilleries Ltd. is annexed to this Report.

12. FIXED DEPOSITS

An aggregate amount of fixed deposits held by the

Company as on 31st March, 2002 was Rs. 11.55 lakhs and unclaimed deposits were of Rs. 1.12 lakhs. The Company does not have any overdue deposits as on 31.03.2002.

13. BOARD OF DIRECTORS

During the year, Mr. P.M. Dandekar and Mr. Y.C. Amin, two of your Directors resigned due to advanced age. The Board has placed on record its high appreciation of valuable guidance and sagacious advice given by the outgoing Directors. Mr. Sandip H. Junnarkar was appointed as a Director of the Company in the casual vacancy caused by the resignation of Mr. P.M. Dandekar. Mr. Junnarkar is a renowned solicitor and advocate and is partner in Kanga & Co. Mr. Junnarkar shall hold office upto the date on which Mr. P.M. Dandekar would have held the office.

Mr. Amit A. Dahanukar has been appointed as Whole Time Director of the Company designated as "Director - Business Development" effective from 07.11.2001 for a period of 5 years subject to approval of members. The resolution seeking members' approval for his appointment, is placed at serial No. 4 of accompanying Notice.

In accordance with the requirements of the Companies Act, 1956 and Articles of Association, Mr. S.V. Muzumdar, a Director of your Company retires by rotation at the Annual General Meeting and offers himself for reappointment.

14. 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.

15. PARTICULARS OF EMPLOYEES

The Company as at present does not have any employee drawing salary in excess of the limits specified under section 217 (2-A) of the Companies Act, 1956 read with rules thereunder.

16. COST AUDITORS

M/s. P.D. Phadke & Associates, Cost Accountants have been appointed as Cost Auditors to conduct the audit of the cost accounts maintained by the Company in respect of Industrial Alcohol for the period ended 31.03.2002 on a remuneration of Rs.13,500/- plus out of pocket expenses.



**TILAKNAGAR
INDUSTRIES LTD.**

17. AUDITORS

The shareholders are requested to re-appoint M/s. Batliboi & Purohit, Chartered Accounts as the Auditors of the Company for the current year and authorise the Board of Directors to fix their remuneration.

Since the last accounting year was extended upto 31st March, 2002, the audited accounts presented herewith are for the period of 18 months and as such the shareholders are requested to approve, confirm and ratify the additional remuneration of Rs. 20,000/- for six months pro-rata.

18. DIRECTORS' RESPONSIBILITY STATEMENT

Directors' Responsibility Statement as required pursuant to Companies (Amendment) Act, 2000, is annexed herewith.

19. CORPORATE GOVERNANCE

The Corporate Governance code prescribed by the Stock Exchange, Mumbai is required to be

implemented by your company in the current accounting year. The necessary steps are being taken to comply with the same.

20. ACKNOWLEDGEMENTS

Your Directors place on record their grateful thanks for the continued support from shareholders, customers, suppliers, banks and financial Institutions and other business associates. The Directors also take this opportunity to place on record their high appreciation for the dedicated and devoted efforts put in by the Company's employees at all levels.

For and on behalf of the Board of Directors,

Mumbai

Dated : 7th May, 2002.

S.A. DAHANUKAR

Chairperson

ANNEXURE 'A' TO THE DIRECTORS' REPORT

A. CONSERVATION OF ENERGY

- PHE and Pumps for the fermentation tanks have been installed to conserve energy.
- Temperature indicators for the said tanks are also installed to reduce Evaporation losses of alcohol during higher atmospheric condition.
- Louvres to avoid the heat losses have been installed.
- Twin lobe blower of higher capacity has been installed in bio-gas plant.
- Gas manifolds installed to the Bio-gas at the bottom to get the uniform distribution of bio-gas.
- New Water Storage pond is constructed to run the distillery throughout the year without any stoppage for want of water.

B. RESEARCH AND DEVELOPMENT

Fermentation

Research has been carried out on consumption of yeast and other chemicals and same has been implemented which will result in reducing yeast and other chemicals.

Yield and quality of spirit & molasses

Constant research is being carried out to get good quality of ENA.

The new chemical products namely Turkey Red Oil and ISO Amyl alcohol have been developed and the same are going to be manufactured on commercial scale in near future.

C. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

Indigenously developed technology for improvement of production was adopted. Close monitoring of the process at each stage of blending and bottling resulted in reduction of wastages. Required modification and innovations are done on ongoing basis.

D. 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 Account.

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FORM 'A'

Total Energy Consumption and energy Consumption per unit of production

A. POWER AND FUEL CONSUMPTION:	Unit	2000-2002	1999-2000
1. Electricity			
Purchased-Units	'000	3031	2167
Total Amount	Rs. in Lakhs	111.23	70.02
Rate per Unit	Rs.	3.66	3.23
2. Steam Coal			
For generation of Steam	Tonne	6859	3002
Total Amount	Rs. in Lakhs	140.81	64.21
Average Rate per M.T.	Rs. M.T.	2053	2138

B. CONSUMPTION PER UNIT OF PRODUCTION:

Electricity (Units)

Name of the Product	Unit		
1. Diethyl Oxalate	K.G.	1.38	0.41

DIRECTORS' RESPONSIBILITY STATEMENT

To:
The Members of
Tilaknagar Industries Ltd.

On the basis of information placed before them by the Management and by the Auditors, your Directors state:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departure;
- (ii) that the Company had selected such accounting policies and applied them consistently and made judgements 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 accounting period and of the profit or loss of the company for that period;

(iii) that the Company had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(iv) that the company had prepared the annual accounts on a going concern basis.

For and on behalf of the Board of Directors,

Mumbai,
Dated : 7th May, 2002.

S.A. DAHANUKAR
Chairperson



**TILAKNAGAR
INDUSTRIES LTD.**

REPORT OF THE AUDITORS

TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of Tilaknagar Industries Limited, as at 31st March, 2002 and also the Profit and Loss Account for the eighteen months period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. The Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Govt. of India 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 report 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 those books.
 - 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 the Balance Sheet and the Profit and Loss Account dealt with by this Report comply with the Accounting Standards referred to in sub section 3(c) of section 211 of the Companies Act, 1956;
 - e. In our opinion and to the best of our information and according to the explanations given to us, the Accounts read with Notes thereon, 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 31st March, 2002.
 - ii. In the case of the Profit & Loss Account, of the Profit for eighteen months period ended 31st March 2002.
3. On the basis of information made available to us none of the Directors is disqualified U/s. 274 (1)(g) of the Companies Act, 1956.

For BATLIBOI & PUROHIT
Chartered Accountants

(K. K. Kshirsagar)
Partner

Dated : 7th May, 2002

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 Central Govt. of India 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 year, 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.

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2. None of the fixed assets has been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials except those in transit have been physically verified by the management during the year. 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.
5. The discrepancies noticed on verification between the physical stocks and book records were not material in relation to the operations of the Company.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has obtained interest free / interest bearing Loans, secured / unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. The rate of interest is not prima facie prejudicial to the Company.
8. a.) The Company has not granted any loans secured/unsecured to the companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
b) In respect of loans and advances in the nature of loans given by the Company, the parties have repaid the principal amounts as stipulated and have also been regular in the payment of interest wherever applicable.
9. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of stores, raw material including components, plant and machinery, equipment and other assets with regard to the sale of goods.
10. No transactions of purchases and sale of goods, materials and services are made with a company in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, aggregating to Rs.50,000/- or more.
11. The Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
12. In our opinion, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
13. In our opinion, the Company has maintained reasonable records for the sale and disposal of realisable scrap. The Company has no realisable by-products.
14. In our opinion, the Company has internal audit system commensurate with the size and nature of its business.
15. On the basis of the records produced, we are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
16. According to the records of the Company, Provident Fund contribution and Employee State Insurance dues are generally deposited in time.
17. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, custom duty were outstanding as at 31st March, 2002 for a period of more than six months from the date they became payable.
18. According to the information and explanations given to us no personal expenses of employees or Directors have been charged to the revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
19. The Company is not a Sick Industrial Company within the meaning of Clause (O) of Sub-Section(1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For BATLIBOI & PUROHIT
Chartered Accountants

(K. K. Kshirsagar)
Partner

Dated : 7th May, 2002



**TILAKNAGAR
INDUSTRIES LTD.**

Balance Sheet As at 31st March, 2002.

	Schedule	Rupees	As at 31st March, 2002 Rupees	As at 30th Sept. 2000 Rupees
I. SOURCES OF FUNDS:				
1. Shareholders' Funds:				
a. SHARE CAPITAL	A		3,15,00,460	3,15,00,460
b. RESERVES & SURPLUS	B		1,82,20,703	53,80,412
2. Loan Funds:				
a. SECURED LOANS	C		6,00,72,673	5,57,95,390
b. UNSECURED LOANS	D		4,32,90,673	3,63,48,686
TOTAL			<u>15,30,84,509</u>	<u>12,90,24,948</u>
II. APPLICATION OF FUNDS:				
1. GOODWILL			38,36,695	38,36,695
2. FIXED ASSETS	E			
a. Gross Block		10,30,83,188		9,54,25,550
b. Less: Depreciation		6,54,73,898		5,89,03,946
c. Net Block		3,76,09,290		3,65,21,604
d. Add: Capital Work in progress		—		4,59,704
			3,76,09,290	3,69,81,308
3. INVESTMENTS (OTHER THAN TRADE)	F		2,63,700	2,38,700
4. CURRENT ASSETS, LOANS & ADVANCES	G	21,97,59,095		19,31,33,147
LESS: CURRENT LIABILITIES & PROVISIONS	H	11,13,63,816		10,51,64,902
NET CURRENT ASSETS			10,83,95,279	8,79,68,245
5. MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)	H1		29,79,545	—
TOTAL			<u>15,30,84,509</u>	<u>12,90,24,948</u>
Notes on Balance Sheet	M			

As per our Report of even date annexed

For BATLIBOI & PUROHIT
Chartered Accountants

K.K. KSHIRSAGAR
Partner

Mumbai, 7th May, 2002.

S.A. DAHANUKAR
Chairperson

P.M. SALASKAR
Managing Director

A.A. DAHANUKAR
Wholetime Director

S.V. MUZUMDAR

V.B. HARIBHAKTI

S.H. JUNNARKAR

G.C. SHAH

Company Secretary

Directors