

ANNUAL REPORT 2002-2003



TILAKNAGAR INDUSTRIES LIMITED



The past 5 decades have been an exciting journey for Tilaknagar Industries. Since the time it put up its first distillery to manufacture alcohol in 1947, the company has grown in both size and accomplishments. Today it has emerged as a modern and a dynamic organisation that is poised for growth.



Award presented by
ALCO BEV 2002

The company's distillery produces excellent quality of Extra Neutral Alcohol (ENA) which has been used for captive consumption to produce premium products and is also supplied to meet the increasing demand from

other liquor producing companies.

Tilaknagar's strength lies in the wide range of quality products which are favourites with connoisseurs. The company's constant brand building activities have paid off rich dividends.

The company is driven in its pursuit of excellence by the confidence that its stakeholders, banks, financial institutions and consumers have placed in it.





**TILAKNAGAR
INDUSTRIES LTD.**

NOTICE

NOTICE is hereby given that SIXTY-EIGHTH ANNUAL GENERAL MEETING of the Members of TILAKNAGAR INDUSTRIES LIMITED will be held on Tuesday, the 16th September, 2003 at 3.00 p.m. at the M.C. Ghia Hall at Bhogilal Hargovindas Building, 18/20, K. Dubhash Marg, Mumbai - 400 001 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited accounts of the Company for the year ended 31st March, 2003 together with the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend
3. To appoint a Director in place of Shri S. H. Junnarkar who retires by rotation and being eligible, offers himself for re- appointment.
4. To appoint Auditors and 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 the provisions of Sections 198, 269, 309, 311 and other applicable provisions, if any, read with schedule XIII of the Companies Act, 1956, including any modification thereof, and subject to all further sanctions, if necessary, consent of the Company be and is hereby accorded to the re-appointment of Shri P. M. Salaskar as Managing Director of the Company for a further period of three years with effect from 9th August, 2003 on the terms and conditions including remuneration as set out in the agreement to be entered into between the Company and Shri P. M. Salaskar, a draft whereof is placed before this meeting which agreement is specifically sanctioned with liberty to the Board of Directors (hereinafter referred to as 'the Board' which term shall be deemed to include the committee if any constituted by the Board for this purpose) to alter and vary the terms and conditions of the said appointment and/or Agreement in such manner as may be agreed to between the Board of Directors and Shri P. M. Salaskar, subject to the same not exceeding the limits specified in schedule XIII of the Companies Act, 1956, including any statutory modification or re-enactment thereof for the time being in force or as may hereafter be made by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Shri P. M. Salaskar .

RESOLVED FURTHER THAT the Board be and is hereby authorised to do and act in this regard as they may deem fit and proper."

6. To consider, and if thought fit, to pass with or without modification(s) the following resolution as an ORDINARY RESOLUTION.

"RESOLVED that in modification of the resolution passed at the Annual General Meeting held on 26th November, 1993, authority be and is hereby accorded to the Board of Directors of the Company pursuant to Section 293(1)(d) of the Companies Act, 1956 or any amendment or modification thereof, to borrow and raise such sums of money from time to time as may be required for the purposes of the business of the Company in excess of the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, subject to the proviso that such borrowings shall not exceed Rupees twelve crores over and above the aggregate of the paid up capital of the Company and its free reserves and shall exclude all temporary loans obtained by the Company from its bankers in the ordinary course of its business."

By order of the Board of Directors,

Place: Mumbai,
Date : 1st August, 2003

G. C. SHAH
Company Secretary

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. The Explanatory statement pursuant to section 173 of the Companies Act, 1956 in respect of item Nos. 5 and 6 is annexed hereto.
3. Proxies in order to be effective must be deposited with the Registered Office of the Company not later than 48 hours before the time fixed for holding the meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, the 5th September 2003 to Wednesday, the 17th September 2003 (both days inclusive).
5. The Dividend on equity shares, as recommended by the Board of Directors for the year ending 31st March 2003, if declared at the Annual General Meeting will be payable to those members whose names appear on the Register of Members of the Company as on 17th September 2003. The dividend in respect of shares held in electronic form will be payable to the beneficial owners of the shares as at the end of the business hours on 4th September, 2003 as per details furnished by the depositories for the purpose.
6. Members are requested to furnish to the Company the details of their Bank Account No., Bank and Branch name in order to enable the company to print the same on the dividend warrants to avoid fraudulent encashment of warrants. Members holding shares in demated form are requested to intimate the required details to their Depository Participant.
7. Pursuant to section 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year ended 31st March, 1995 have been transferred to Investor Education and Protection Fund.

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Explanatory Statement as required pursuant to section 173 (2) of the Companies Act, 1956.Item No. 5

The present term of office of Managing Director Shri P. M. Salaskar expires on 8th August, 2003. He was assigned and vested with onerous responsibility of managing and conducting the business affairs of the Company at a crucial time when the Company was passing through critical phase of operation. Shri P. M. Salaskar managed the Company with great skill and ability and set the company on revival path. An overall improvement of the Company, as reflected in the accounts, is ample testimony of his thoughtful planning and relentless efforts put in by him. In order to make the company more strong and accelerate the pace of growth, the Board of Directors of your Company at their meeting held on 1st August 2003 have, subject to the approval of shareholders, re-appointed Shri P. M. Salaskar as Managing Director of the Company for a further period of three years from the expiry of his term.

The terms and conditions including remuneration and perquisites payable to him are set out in the draft agreement to be entered into by the Company and Shri. P.M. Salaskar. The remuneration and perquisites are in conformity with the requirement of Schedule XIII of the Companies Act, 1956. The material provisions of the said draft agreement are set out hereunder:-

A. Salary:

Rs. 50,000 p.m. in the scale of Rs. 50,000-70,000/- per month.

B. Perquisites and Allowances:

In addition to salary, the Managing Director shall also be entitled to following perquisites and allowances subject to a maximum of 100% of his salary.

a) Accommodation:

Furnished or otherwise shall be provided by the Company the expenditure on which shall be subject to a limit of sixty per cent of the salary over and above ten per cent payable by him.

OR

House Rent Allowance in lieu thereof subject to a limit of sixty per cent of annual salary.

b) Medical Reimbursement:

For self and family in accordance with the rules of the Company and scheme applicable to other senior Executives.

c) Leave Travel Assistance:

For self and family every year incurred in accordance with the rules of the Company and scheme applicable to other senior executives.

d) Personal Accident Insurance:

Premium not to exceed Rs. 4,000/- per annum.

e) Leave:

Leave on full pay as per the rules of the Company subject to maximum of one month's leave for every eleven months service.

f) Encashment of Leave:

Encashment of leave at the end of tenure will not be included in the computation of the ceiling on perquisites.

g) Benefits under the Provident Fund Scheme of the Company in accordance with the Company's Rules and Regulations in force from time to time.**h) Benefits under the Company's Pension & Superannuation Fund Scheme in accordance with the Company's Rules and Regulations and Schemes in force from time to time, to the**

extent these two are not taxable under the Income Tax Act, 1961.

i) Gratuity payable in accordance with the rules and approved scheme of the Company which does not exceed one-half month's salary for each completed year of service, subject to a ceiling laid down thereunder from time to time.**j) Car:**

Free use of Company's Car including maintenance and operation together with driver, the monetary value of which may be evaluated as per Income Tax Rules, 1962.

k) Telephone:

Free telephone facility at residence.

Provision for use of car for official duties and telephone facility at residence shall not be included in computation of perquisites for the purpose of calculating the said ceiling.

Minimum remuneration:

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified in Section II of part II of schedule XIII to the Companies Act, 1956, as may be amended from time to time.

The terms and conditions of the said appointment and/or agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit, within the maximum amount payable to Managing Director in accordance with Schedule XIII of the Companies Act, 1956 or any amendments made hereafter in this regard.

The draft agreement entered into with Shri P. M. Salaskar is available for inspection at the Registered Office of the Company from 11.00 a.m. to 12.00 noon on all working days except Saturdays, Sundays and public holidays.

The Directors recommend the resolution for approval by members.

None of the Directors except Shri P. M. Salaskar is deemed to be concerned or interested in the said resolution.

The above may be treated as an abstract under section 302 of the Companies Act, 1956.

Item No. 6

Section 293 (1) (d) of the Companies Act, 1956, requires the Board of Directors of the Company to obtain Members' approval to borrow moneys in excess of the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, excluding temporary loans obtained from the Company's bankers in the ordinary course of business.

At the Annual General Meeting held on 26th November, 1993, authority was accorded to the Board of Directors of your Company to borrow for the purpose of business of the Company upto Rupees seven crores. In view of substantial increase in the Company's operations and considering future growth plans of the Company, your Board considers it necessary to increase such borrowing power up to Rupees twelve crores over and above the aggregate of the paid up capital of your Company and its free reserves apart from temporary loans obtained from the Company's bankers in the ordinary course of business.

None of the Directors of your Company is interested in this resolution.

The Board of Directors of your Company recommend this resolution for your approval.

By order of the Board of Directors,

G. C. SHAH
Company Secretary

Place : Mumbai,

Dated: 1st August, 2003

Tilaknagar Industries Limited

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

FORM OF PROXY

D.P. Id*	
Client Id*	

Master Folio No.	
------------------	--

I/we _____
 of _____ being a member(s) of TILAKNAGAR INDUSTRIES
 LIMITED, hereby appoint _____ of _____ or failing
 him/her _____ of _____

as my / our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held at M.C. Ghia Hall, Bhogilal Hargovindas Bldg., K. Dubhash Road, Mumbai 400 001, on Tuesday, the 16th September, 2003 at 3.00 p.m. and at any adjournment/s thereof.

Signed this _____ day _____ 2003

* Applicable for investors holding shares in electronic form.

Affix
Rs. 1/-
Revenue
Stamp

NOTES:

The proxy in order to be valid must be deposited with the Company at its Registered Office duly completed in all respects not less than forty-eight hours before the time fixed of holding the above meeting.

Tilaknagar Industries Limited

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

ATTENDANCE SLIP

D.P. Id*	
Client Id*	

Master Folio No.	
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PLEASE RECORD YOUR PRESENCE AT THE MEETING BY HANDING OVER THIS SLIP, DULY COMPLETED, AT THE ENTRANCE OF THE MEETING HALL

NAME AND ADDRESS OF THE MEMBER
 ATTENDING THE MEETING

I/We hereby record my/our presence at the 68th Annual General Meeting of the Company at M.C. Ghia Hall, Bhogilal Hargovindas Bldg., K. Dubhash Road, Mumbai 400 001, on Tuesday, the 16th September, 2003 at 3.00 p.m.

* Applicable for investors holding shares in electronic form.

Mumbai,
 Dated:

Signature of the Member or Proxy
 (as the case may be) attending the meeting.



**TILAKNAGAR
INDUSTRIES LTD.**

BOARD OF DIRECTORS

Dr. (Mrs.) S.A. DAHANUKAR
Chairperson (up to 3rd August, 2002)

A.A. DAHANUKAR
Chairman & Wholtime Director

S.V. MUZUMDAR

V.B. HARIBHAKTI

S.H. JUNNARKAR

P.M. SALASKAR
Managing Director

COMPANY SECRETARY

G.C. SHAH

AUDITORS

BATLIBOI & PUROHIT
Chartered Accountants

SOLICITORS

Kanga & Co.

BANKERS

Canara Bank
Indian Overseas Bank

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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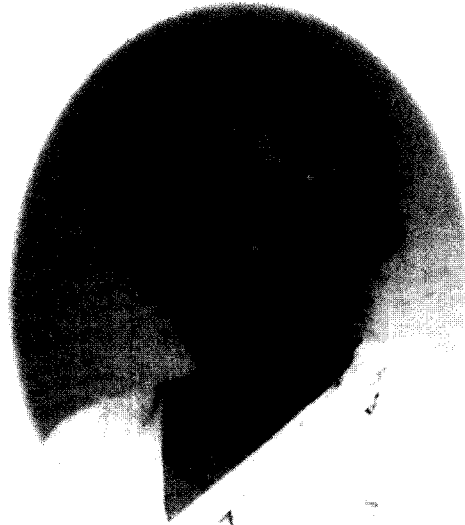
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A humble homage to
Dr. (Smt.) Sharadini A. Dahanukar,
Chairperson



Report

17.10.1945 - 04.08.2002

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“The Board of Directors and the members of Tilaknagar Industries Limited expressed their profound anguish and grief at the passing away of Dr. (Smt.) Sharadini A. Dahanukar the former Chairperson of the Company on Sunday 4th August, 2002. She was appointed on the Board on 7th June, 2000 in the vacancy caused by the sudden demise of her husband Shri. Arun D. Dahanukar. After taking over the charge as Chairperson she took considerable amount of pains and efforts in discharging her onerous responsibility. Dr. (Smt.) Sharadini A. Dahanukar had a brilliant academic career and was M.B.B.S. from G. S. Medical College, M.D. in Pharmacology.

She was given ‘Dr. Fellow Gold Medal’ by the Institute of Indian Medicine for her extensive research and contribution in medicine profession and was also awarded the title of ‘Women of the Year 1999’ from Brihan Mumbai Mahanagar Palika. She last held the position as a Dean of Nair Hospital. Even after discharging the duties and responsibilities as a Dean of Nair Hospital she devoted her precious time in business affairs of the Company unmindful of her health. Her contribution in bringing about the improvement in Company’s working was commendable.”

We pay our respectful homage to late Dr. (Smt.) Sharadini A Dahanukar.

SIXTY-EIGHTH ANNUAL REPORT 2002-2003

REPORT OF THE BOARD OF DIRECTORS

Your Directors hereby present the Sixty-Eighth Annual Report of the Company together with Audited Statements of Accounts for the year ended 31st March, 2003.

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

While presenting the Annual Report, your Directors expressed their profound grief at the sad and sudden demise of former chairperson Smt. S. A. Dahanukar on 4th August, 2002.

She was appointed on the Board on 7th June, 2000 in the vacancy caused by the demise of Shri A. D. Dahanukar. After taking over the charge as chairperson she took considerable amount of pains and efforts in discharging her onerous responsibility. She was M.B.B.S. and M.D. in pharmacology and held the position as a Dean of Nair hospital at the time of her demise. Even after discharging the duties and responsibility as a Dean of Nair Hospital she devoted her precious time in the business affairs of the Company with unmindful of her health. Her contribution in bringing about the improvement in the Company's working was commendable.

In her death the Company has lost a very talented and versatile chairperson. We all pay our respectful homage to late Smt. S. A. Dahanukar.

2. FINANCIAL RESULTS

	Year ended 2002-2003	(Rs. in Lacs) 18 months period ended 2000-2002
Gross Sales	6002.15	7945.35
Profit before interest, Depreciation and Taxation	346.90	418.34
Less: Interest	187.61	199.00
Profit before Depreciation and Taxation	159.29	219.34
Less : Depreciation	47.81	65.70
Less : Taxation :		
Current	2.50	17.00
Deferred (as per the AS 22)	27.17	—
Less : Expenses in respect of earlier years	0.39	8.23
Net Profit/(Loss)	81.42	128.41
Add : Profit brought forward from previous year	77.79	24.38
	159.21	152.79

Appropriations:

Proposed dividend	33.04	—
Dividend Tax	4.23	—
Transferred to General Reserve	20.00	75.00
Transferred to Profit & Loss Account	101.94	77.79
	159.21	152.79

3. DIVIDEND

Your Directors are pleased to recommend a dividend of 9% on 3816712 Equity shares of Rs. 10/- each, for the year ended 31st March, 2003 for approval of members. The dividend if approved, will be paid to those members whose names appear on the Register of Members of the Company as on 17th September, 2003 and in case of shares held in demat form the dividend will be payable to the beneficial owners of the shares as at the end of the business hours on 4th September, 2003 as per the details furnished by the depositories for the purpose.

4. A REVIEW

There has been significant improvement in the overall working of the Company during the year under review in as much as it has recorded a higher turnover of Rs. 6002.15 lacs during the year under review, as against Rs. 7945.35 lacs during the previous period of 18 months, an increase of 14% on an annualized basis. The operations have resulted in a gross profit of Rs. 111.48 lacs and net profit of Rs. 81.42 lacs. The net profit before taxation for the year under review on an annualised basis is higher by 9% over the previous year. After the notional charge of deferred tax liability provided as per Accounting Standard 22 recently introduced, the resultant net profit is placed at Rs. 81.42 lacs. The turnover would have been much higher but for the fact that the liquor trade during the last quarter virtually became non functional on account of controversy over VAT and Transporters' strike.

5. IMFL DIVISION

The division has performed well during the year under review. It has produced and sold IMFL products valued at Rs. 4959.48 lacs as against Rs. 4734.86 lacs on an annualised basis, in the previous year. In order to have volume growth, the Company has been working on two pronged strategy, one by introducing



TILAKNAGAR
INDUSTRIES LTD.

new quality products and the other by upgrading the product quality, packaging and relaunching of the existing brands. The efforts are underway to expand its market share and have wide presence on an all India basis.

Export

The Company has a significant breakthrough on the export front. The trial consignments exported to countries in Asia & Africa, received encouraging response and every month 5/6 container loads are being exported to these countries.

6. CURRENT YEAR'S OUTLOOK

Future for this industry is promising. For the first six months of the current year, the company expects to record impressive growth of 40% by effecting sales volume of Rs. 35 Crores. The tempo of growth is expected to be maintained.

In consonance with WTO obligations, the Central Government has further slashed down basic import duty on imported liquors. However, in order to give local liquor companies a level playing field, the Government has levied additional duties on imported products as a result of which the premium scotch brands will cost less in Indian market while cheaper Scotch brands will cost more. This, however, will not have much impact on your Company's products as they are mainly in semi-premium and medium segment only where the market is large.

7. DISTILLERY

Due to certain measures taken by the Company in revamping manufacturing facility viz. construction of water reservoir, installation of DG set, PHE systems etc., the distillery working has improved a lot. It produced 45.13 Lac BL of alcohol as against 24.25 Lac BL during the previous year, an increase of 86% on an annualized basis. Besides captive consumption, excess production of alcohol is sold in an open market to many outside parties.

8. CHEMICAL & SUGAR CUBE DIVISION

The working of both the divisions have been kept at a low key because of thin margins and stiff competition. The Company plans to focus more and more on its core business, IMFL which is more remunerative.

9. CLOSURE OF GLASS BOTTLE MANUFACTURING UNDERTAKING

The members may recall that due to its uneconomic working, the glass division of the Company was leased

out in the year 1992 to M/s. Ramnath Glass Containers Pvt. Ltd. After the expiry of lease period, on 19th March, 2003, the lessee was requested to continue the lease or buy the unit on an outright basis. However, due to considerable amount of losses sustained by the lessees in running the said unit, they have regretted to continue the lease or even purchase the said unit on outright basis. The unit is therefore, handed over back to the Company. The Company's efforts to locate other parties for outright sale or lease of the said unit have not been successful. Since the unit was not viable all along since inception, the Company thought it prudent to close down the same and has sought the permission of concerned government authorities for its closure.

10. REPORT ON CORPORATE GOVERNANCE

A report on the Corporate Governance alongwith Management Discussion and Analysis Report and a certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance, in terms of clause 49 of the Listing Agreement, are annexed herewith.

11. SUBSIDIARY

During the year, Veekay Distilleries Ltd. has ceased to be a subsidiary of your Company consequent upon divestment of shares in the said subsidiary by your company and as such its annual accounts have not been annexed to this report and consolidation of Financial Statements is not necessary.

12. FIXED DEPOSITS

An aggregate amount of fixed deposits held by the Company as on 31st March, 2003 was Rs. 12.48 lakhs and unclaimed deposits were of Rs. 1.20 lakhs. The Company does not have any overdue deposits as on 31.03.2003.

13. BOARD OF DIRECTORS

- (a) Dr. (Mrs.) Sharadini A. Dahanukar, Chairperson of your Company passed away on 04.08.2002. The Board of Directors of your company have elected and appointed Mr. Amit A. Dahanukar as a Chairman of your Company, in her place.
- (b) The tenure of Managing Director Mr. P.M. Salaskar expired on 8th August, 2003 and he has been re-appointed by the Board for a further period of three years subject to the approval of members. An Ordinary Resolution is therefore, proposed and recommended for the approval of shareholders as per item No. 5 of the accompanying Notice.

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(c) In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company Shri S. H. Junnarkar, a Director of your Company retires by rotation at the ensuing Annual General Meeting and offers himself for reappointment. A brief resume of Shri S. H. Junnarkar is given in the section on Corporate Governance elsewhere in the Annual Report.

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 year ended 31.03.2003 on a remuneration of Rs. 9,000/- p.a. plus out of pocket expenses.

17. AUDITORS

The Statutory Auditors of the Company, M/s. Batliboi & Purohit, Chartered Accountants hold office upto the date of ensuing Annual General Meeting and are eligible for re-appointment.

18. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, Directors' Responsibility Statement is annexed herewith.

19. 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 executives and employees at all levels.

For and on behalf of the Board of Directors,

A. A. DAHANUKAR
Chairman

Place : Mumbai,
Dated : 1st August, 2003.

ANNEXURE 'A' TO THE DIRECTORS' REPORT

A) CONSERVATION OF ENERGY

- a) Bio-gas generated through Bio Gas Plant is fed to the Boiler through underbed where maximum heat is recovered which generates the steam resulting substantial savings in fuel.
- b) Conservation of electrical energy:
 1. To arrest the line losses, new distribution system is installed by re-cabling.
 2. Additional capacitors are installed in distribution system at various sections to improve power factor and to maintain it above required norms of M.S.E.B. which results in rebate in electricity bill.
 3. New design equipments (viz Pumps, Gear boxes) of lower rating are installed in place of old higher rating equipments.

B) RESEARCH & DEVELOPMENT

1. Alcohol based Hand Sanitizer with Aloe is developed.

2. T.R.O. process is standardized and production on plant scale has been taken.
3. New Chemicals namely Amyl Acetate, Ethyl Benzoate, Ethyl Lactate, Methyl Salicylate are developed on Lab. Scale.

C) TECHNOLOGY ABSORPTION, INNOVATION AND ADOPTION

1. Quality blends of IMFL are developed by using Imported Scotch, imported raw materials by using blending technology.
2. Innovation and adoption of new technology to reduce consumption of process chemicals in distillery division is undertaken.

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 Accounts.