



ANNUAL REPORT
2003-04

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TILAKNAGAR INDUSTRIES LTD.

ISO 9001-2000 Certified



Vision

Report Junction

To become one of the leading players in spirits and alcoholic beverages with diversified business interests aiming to provide quality products to the satisfaction of consumers with an ultimate objective to maximize profits and enhance stakeholders' value.



An ISO 9001-2000
Certified
Company

Mission

To achieve the vision by continually improving quality and output by:

- Creating a modern, state of the art distillation plants and fully automated manufacturing facilities.
- Increasing customer-base through focused marketing in domestic and international markets.
- Diversifying into other business activities for best utilization of core competencies, resources and synergy.
- Enhancing customer satisfaction by making available quality products of international standards.
- Keeping in mind social responsibilities and environmental standards.



**TILAKNAGAR
INDUSTRIES LTD.**

BOARD OF DIRECTORS

A.A. DAHANUKAR
Chairman & Wholetime 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.
e-mail: tiliquor@eth.net
Website: www.tilind.com

WORKS

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

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**TILAKNAGAR
INDUSTRIES LTD.**

NOTICE

NOTICE is hereby given that SIXTY-NINTH ANNUAL GENERAL MEETING of the Members of TILAKNAGAR INDUSTRIES LIMITED will be held on Wednesday, the 15th September, 2004 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 Profit & Loss Account for the year ended 31st March, 2004 and the Balance Sheet as at that date and the Reports of the Board of Directors and Auditors thereon.
- 2) To declare dividend.
- 3) To appoint a Director in place of Shri V.B.Haribhakti who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint Auditors and to authorise the Board to fix their remuneration.

By order of the Board of Directors

Place : Mumbai,

G.C. SHAH

Date : 26th July, 2004

Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. 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.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 7th September, 2004 to Wednesday, the 15th September, 2004 (both days inclusive).

4. Dividend on shares as recommended by the Board when declared, will be paid to those members whose names appear on the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the company on or before 6th September, 2004, and in respect of shares held in Electronic form, to the beneficial holders as per the beneficiary list as on 6th September, 2004 provided by NSDL & CDSL.
5. Members holding shares in physical form are requested to furnish the details of their bank account number and name of the bank and branch to the Company's Registrar & Transfer Agents in order to enable the Company to print the same on the dividend warrants to avoid fraudulent encashment of warrants. Members holding shares in electronic form are requested to intimate the required details to their Depository Participants.
6. Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be considered for remittance of dividend and the Company will not entertain any direct request from such members for change/deletion in such bank details. Further, instructions, if any already given by them in respect of shares held in physical form, will not be automatically applicable to the dividend paid on shares held in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend to their Depository Participants.
7. As per the directives of Securities and Exchange Board of India (SEBI), to have common agency for the physical/demat shares, the Company has appointed M/s. Bigshare Services Pvt. Ltd., E/2 Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai 400 072 as its Registrar and Transfer Agents, to handle the share registry work and dematerialization of shares. Members are requested to send all their documents and communication pertaining to the Company's shares to them.

SIXTY-NINTH ANNUAL REPORT 2003-2004

REPORT OF THE BOARD OF DIRECTORS

1. Your Directors have pleasure in presenting the Sixty-Ninth Annual Report of the Company together with Audited Statements of Accounts for the year ended 31st March, 2004.

2. FINANCIAL RESULTS

	(Rs. in lacs)	
	2003-2004	2002-2003
Gross Sales	9365.95	6002.15
Profit before Interest, Depreciation and Taxation	439.95	346.90
Less: Interest	183.36	187.61
Depreciation	48.61	47.81
Profit before taxation	207.98	111.48
Taxation – Current	20.00	2.50
Deferred	56.47	27.17
Profit after Taxation	131.51	81.81
Less: Income Tax including interest in respect of earlier Assessment Years	1.30	—
Less : Expenses in respect of earlier years	—	0.39
Net Profit	130.21	81.42
Add: Profit brought forward from previous year	101.94	77.79
	232.15	159.21
Appropriations:		
Proposed Dividend	45.80	33.04
Dividend Tax	5.87	4.23
Transferred to General Reserve	75.00	20.00
Profit carried forward to Balance Sheet	105.48	101.94
	232.15	159.21

Management Discussion and Analysis of financial condition and Results of operation of the Company for the year under review, as stipulated under Clause 49 of the Listing Agreement, is given as a separate annexure in the Annual Report.

3. DIVIDEND

Your Directors have pleasure in recommending a dividend @ 12% on 3816712 Equity shares of the Company for the year ended 31st March, 2004, for approval of members. Total amount of dividend to be paid to the shareholders will be Rs. 51.67 lacs inclusive of Corporate Tax on dividend as against Rs. 37.27 lacs paid in the previous year.

4. A REVIEW

The Company has posted impressive results during the year under review. The sales turnover scaled up by about 56% at Rs. 9365.95 lacs, as compared to Rs.6002.15 lacs during the previous year. The operations have resulted in a gross profit of Rs.207.98 lacs and net profit of Rs.130.21 lacs after providing for current year's tax and deferred tax. The net profit for the year under review is higher by 60% over the previous year. There has been significant improvement in the working of the Company which can be attributable mainly to the various measures taken by the Company viz. focusing on premium and semi-premium products where margins are better, upgradation of product quality and reduction in costs.

5. INDIAN MADE FOREIGN LIQUOR (IMFL)

IMFL division, the Company's core business has done extremely well during the year under review. There has been quantum jump in the sales both in terms of quantity and value, despite intense competition. Sale in terms of quantity rose by 49% at 811600 cases as against 545000 cases during the previous year. Sale in terms of value was recorded at Rs.8053.12 lacs as compared to Rs.4959.48 lacs during the previous year, an increase of 62%. This is highest ever production and sale of IMFL by the Company.

The Company is gradually strengthening its position to enhance its market share, by introducing new products, appointing new distributors, extensive geographical



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coverage, strategic bottling tie-ups, supplies to canteen stores department (CSD), para military forces and export.

6. EXPORT

The Company has made a major breakthrough in export market. It has been able to make inroads into South African and Middle East countries. The Company's product "SENATE Whisky" is doing well in these countries.

7. CURRENT YEAR'S OUTLOOK

During the first quarter of the current year, the Company has achieved the sales turnover of Rs.2392 lacs as against Rs. 1661 lacs during the corresponding period of the previous year, an increase of 44%.

An all-round performance has given the Company a new sense of confidence. With the enlistment of the Company's products with the CSD, increased local and export sale, the Company is now poised for robust growth.

Plans are afoot to launch new product in the regular range, enter into strategic bottling tie-ups, enlist more products with the CSD and modernise/upgrade manufacturing facilities.

8. DISTILLERY

The distillery continues to do well. It produced 71.54 lacs Bulk Litres (BL) of spirit as against 45.13 lacs BL during the previous year, an increase of 59%. Out of the above, a quantity of 36.52 lacs BL was used for captive consumption and balance quantity was sold in the open market.

9. CHEMICAL DIVISION

Working of this division was kept on a low key. It has attained a sales turnover of Rs. 216.67 lacs as compared to Rs. 160.06 lacs during the previous year, an increase of 35%.

10. CLOSURE OF GLASS BOTTLE MANUFACTURING UNDERTAKING

The members may be aware that the Company's glass bottle manufacturing unit which was given on a long term lease to Ramnath Glass Containers Pvt. Ltd. (RGCP) remained closed after the lease period was over as the said Lessee was not willing to continue the

lease and no other party was willing to either take it on outright basis or on lease. Since the unit was unviable, the Board decided to close down the same and sought the Government approval. Upon permission granted by the Government, closure was declared. Workers numbering about 310 out of 428 have voluntarily approached the Management and accepted their dues including closure compensation and surrendered the Company's quarters. A few aggrieved workers have challenged the closure order before the Industrial Tribunal at Ahmednagar. The matter is pending for hearing.

11. REPORT ON CORPORATE GOVERNANCE

A report on the Corporate Governance 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, is annexed herewith.

12. ISO 9001:2000

The Company has been assessed and certified as ISO 9001:2000 Company by SGS United Kingdom Ltd., giving it recognition as a Company producing quality products of international standard and having Quality Management systems. This endorses the Company's policy of continued improvement in quality of its products.

13. FIXED DEPOSITS

An aggregate amount of fixed deposits held by the Company as on 31st March, 2004 is Rs. 47.34 lacs and unclaimed deposits were of Rs. 0.88 lacs. The Company does not have any overdue deposits as on 31.03.2004.

14. BOARD OF DIRECTORS

In accordance with the requirements of the Companies Act, 1956 and Articles of Association, Shri V.B.Haribhakti, a Director of your Company retires by rotation at the Annual General Meeting and offers himself for re-appointment. A brief resume of Shri V.B. Haribhakti is given in the section on Corporate Governance elsewhere in the Annual Report.

15. PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

Information pursuant to Section 217 (1) (e) of the

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Companies Act, 1956 is given in Annexure 'A' to the report.

16. 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.

17. 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 31.03.2004, on a remuneration of Rs. 9,000/- plus out of pocket expenses.

18. AUDITORS

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

19. DIRECTORS' RESPONSIBILITY STATEMENT

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

20. ACKNOWLEDGEMENTS

Your Directors place on record their sincere thanks to the Shareholders, Customers, Suppliers, Banks and Financial Institutions and other business associates for their continued support. The Directors also take this opportunity to place on record their high appreciation for the dedicated and devoted services of the workers and staff of the Company at all levels.

For and on behalf of the Board of Directors,

Mumbai,
Dated : 26th July, 2004

A. A. DAHANUKAR
Chairman

ANNEXURE 'A' TO THE DIRECTORS' REPORT

A) CONSERVATION OF ENERGY

- a) Condensate from RS & ENA plant is collected & fed to boiler feed water tank, where boiler feed water temperature is raised which results in saving of fuel (coal).
- b) Boiler I.D. fan motor of 50 HP is replaced by 40 HP to save in electrical energy.
- c) Installation of new design wash pumps of low rating which resulted in electrical energy saving.
- d) Internal design and process parameters of Bio-gas digester are changed which resulted in additional Bio-gas generation and saving of fuel (coal).

B) RESEARCH & DEVELOPMENT

- a) Developed:
 - 1) Anti-foaming paste

- 2) Alcohol based hanky perfume

- 3) Chemical product - Ethyl Butyrate

- b) Commenced production of:

- 1) Turkey Red Oil

- 2) Liquid Soap

C) TECHNOLOGY ABSORPTION, INNOVATION & ADOPTION

- a) Use of newly developed Enzyme in fermentation process to enhance alcohol yield.
- b) Established IMFL blends for export market by using new blending technology.

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.



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FORM 'A'

Total Energy Consumption and energy Consumption per unit of production

A. POWER AND FUEL CONSUMPTION:	Unit	2003-2004	2002-2003
1. Electricity			
a) Purchased Unit	'000	2350	2010
Total Amount	Rs. in Lacs	84.86	73.28
Rate per Unit	Rs.	3.61	3.64
b) Steam Coal			
For Generation of Seam	Tonnes	6116.81	4393.04
Total Amount	Rs. in Lacs	117.21	86.05
Average rate per MT	Rs. per MT	1916.19	1959.00
B) Electricity consumption per unit of production	Unit	Electricity Unit	Electricity Unit
Diethyl Oxalate	Kg.	Rs. 0.15	Rs. 0.17

DIRECTORS' RESPONSIBILITY STATEMENT

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

- I. that in preparation of the annual accounts, the applicable Accounting standards have been followed along with 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 year and of the profit of the Company for the year;
- III. that the Company had 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 Company had prepared the annual accounts on a going concern basis.

For and on behalf of the Board of Directors,

Mumbai,
Dated : 26th July, 2004

A. A. DAHANUKAR
Chairman

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company believes in total transparency in its operations and conducting its business in a manner and on ethics that will enhance shareholder value keeping in view interest of other stakeholders. The affairs of the Company are directed towards optimizing performance by continual improvement and utilization of the Company's resources in the best possible manner that meets shareholders' aspirations and enables the Company to fulfill its obligations to other stakeholders.

2. BOARD OF DIRECTORS

The Board has strength of five Directors. The composition and category of Directors is given below along with attendance of each Director at the Board Meetings, the last Annual General Meeting and Number of other Directorships and Chairmanship/ Membership of Committee of each Director in other companies. The number of Independent Directors continues to be more than 50% of the total strength of Board as required under the code.

Name of Director	Category	Other Directorships	Committee Member-ships *	Chairman-ships	Attendance	Particulars
					Board Meetings	Last AGM
Shri A. A. Dahanukar	Chairman & Whole Time Director	2	—	—	7	Present
Shri S. V. Muzumdar	Non-Executive Independent Director	7	7	1	5	Present
Shri V.B.Haribhakti	Non-Executive Independent Director	11	5	4	7	Present
Shri S.H. Junnarkar.	Non-Executive Independent Director	14	9	1	5	Present
Shri P.M. Salaskar	Managing Director	3	—	—	7	Present

* Include Audit, Remuneration & Shareholders'/Investors' Grievance Committees.

3. BOARD MEETINGS, COMMITTEE MEETINGS AND PROCEDURES

In all seven Board Meetings were held during the year 2003-2004 on 8th May, 2003, 1st August, 2003, 16th September, 2003, 1st October, 2003, 29th October, 2003, 8th January, 2004 and 30th January, 2004. All the required information was made available to the Board. The maximum time gap between any two meetings was not more than three calendar months at any time.

Brief resume of Shri V. B. Haribhakti proposed to be re-appointed at the ensuing Annual General Meeting, nature of his experience and other Companies in which he is Director, is furnished below:-

Brief Resume of Shri V.B.Haribhakti:

Shri V.B.Haribhakti is a leading Chartered Accountant and is prominent figure in the trade and industrial circles. He is the founder and senior partner of the firm M/s.Haribhakti & Co., Chartered Accountants, a leading firm having offices spread across the country. He is a member of the Managing Committee of The Associated Chambers of Commerce and Industry of India, New Delhi, and the Indian Merchants Chamber, Mumbai. He was President of the Institute of Chartered Accountants of India, Indian Merchants Chamber and Rotary Club of Bombay Mid-Town. He had been selected as "International Man of the year 2000-2001" by the International Centre, Cambridge, England.

He was earlier appointed by the Government as a Director on the Board of the Central Bank of India and the National Rayon Corporation Ltd, a member of the Sales - Tax Enquiry Committee and Special Executive Magistrate. He has also been a distinguished academician. He has written several articles and given public speeches on varied subjects and has been member of All India Technical Studies in Management, a member of the Faculty of Commerce of the University of Mumbai and of the M.S. University, Baroda.

He is on the Board of following Companies and Committees:

Company	Position	Committee membership held
Bajaj Electricals Ltd.	Director	Member of Audit Committee
Rohit Pulp & Paper Mills Ltd.	Director	
The Simplex Mills Company Ltd.	Director	Member of Audit Committee
The Anglo-French Drug Co. (Eastern) Ltd.	Director	
Ester Industries Ltd.	Director	Member of Audit Committee
Lakshmi Automatic Loom Works Ltd.	Director	
Prudential ICICI Trust Ltd.	Director	Member of Audit Committee
Hindustan Composites Ltd.	Director	Member of Audit Committee
Mutual Mecaplast Ltd.	Alternate Director	
Haribhakti MRI Corporate Services P. Ltd.	Director	
Moore's Rowland Consulting P. Ltd.	Director	



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INDUSTRIES LTD.**

4. AUDIT COMMITTEE:

The Audit Committee constituted in accordance with the Listing Agreement comprises of Shri V.B. Haribhakti, Shri S.V. Muzumdar and Shri S.H. Junnarkar, all Independent Directors. Shri V.B. Haribhakti is the Chairman of the Committee.

The terms of reference to Committee *inter-alia* include:

- over seeing of Company's financial reporting process;
- recommending appointment and removal of Statutory Auditors and fixation of their fees;
- reviewing quarterly and annual financial statements before submission to the Board;
- reviewing with the management, external and Internal Auditors, the adequacy of internal control systems, operational efficiency and significant findings;
- deciding with the statutory auditors, nature and scope of audit.

In all 4 Audit Committee meetings were held during the year on 8th May, 2003, 1st August, 2003, 29th October, 2003 and 30th January, 2004.

Attendance particulars of Audit Committee meetings

Name	No. of meetings attended
Shri V.B. Haribhakti	4
Shri S.V. Muzumdar	2
Shri S.H. Junnarkar	3

The Company Secretary, Mr. G. C. Shah acts as Secretary to the Committee.

5. REMUNERATION COMMITTEE:

A Remuneration committee comprising of Shri V.B. Haribhakti and Shri S.V. Muzumdar is formed although it is non-mandatory requirement, with Shri S.V. Muzumdar as the Chairman. The Committee is responsible to recommend/review the remuneration package of the Managing/Whole-time Director. During the year the Committee met once on 16.09.2003 and all the members of the Committee were present.

The Managing Director and Whole time Director are paid remuneration as per the terms of contract of their appointment. The Non-Executive Directors do not draw any remuneration except sitting fees for the Board and Audit Committee meetings. Details of sitting fees and remuneration paid to Directors are given below:-

Name of Director	Sitting Fees (Rs.)		Salary, perquisites and allowances (Rs.)
	Board Meetings	Audit Committee Meetings	
Shri V.B. Haribhakti	17000	8000	—
Shri S.V. Muzumdar	13000	4000	—
Shri S.H. Junnarkar	10000	6000	—
Shri A. A. Dahanukar	—	—	3,54,600/-
Shri P.M. Salaskar	—	—	10,56,612/-

6. SHAREHOLDERS/INVESTORS' GRIEVANCES COMMITTEE:

The Shareholders'/Investors' Grievance Committee comprise of Shri S.V. Muzumdar, Shri V.B. Haribhakti and Shri A.A. Dahanukar, with Shri S.V. Muzumdar as the Chairman.

The Committee looks into shareholders'/investors' grievances, if any and approves transfer, transmission of shares, issue of duplicate share certificates. In all 3 committee meetings were held during the year 2003-2004, on 8th May, 2003, 1st August, 2003 & 30th January, 2004.

The Company Secretary Mr. G. C. Shah is designated as Compliance Officer of the Company. The Company has not received any complaints from investors during the year. The share transfers are carried out within the time limit.

7. ANNUAL GENERAL MEETINGS:

Location and time where the last three Annual General Meetings were held:

A.G.M.	Date of AGM	Location	Time
68 th A.G.M.	16.09.2003	M.C. Ghia Hall, Fort, Mumbai - 400 001	3.00 p.m.
67 th A.G.M.	20.06.2002	M.C. Ghia Hall, Fort, Mumbai - 400 001	3.00 p.m.
66 th A.G.M.	22.03.2001	M.C. Ghia Hall, Fort, Mumbai - 400 001	3.30 p.m.

At the 68th AGM one Special Resolution was passed. There were no Special Resolutions put through postal ballot during the year ended 31st March, 2004.