

70th

Annual Report

2004 - 05

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TILAKNAGAR INDUSTRIES LTD.

ISO 9001-2000 CERTIFIED



In our pursuit to upgrade and modernise the plant, the company has recently setup the following :

- A fully automatic bottling plant.
- A modern laboratory as per international standards.
- Landscaping at the factory.



TILAKNAGAR
INDUSTRIES LTD.

BOARD OF DIRECTORS

A. A. Dahanukar – *Chairman & Wholetime Director*

S. V. Muzumdar
V.B. Haribhakti
S. H. Junnarkar
Mrs. Pallavi S. Jha
Dr. V. K. Kanhere

Directors

P. M. Salaskar – *Managing Director*

COMPANY SECRETARY

G. C. Shah

AUDITORS

Batliboi & Purohit, *Chartered Accountants*

SOLICITORS

Kanga & Co.
Junnarkar & Associates

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

CONTENTS

PAGE

Notice	2 - 4
Directors' Report	5 - 7
Report on Corporate Governance & Management Discussion and Analysis Report	8 - 14
Auditors' Report	15 - 17
Balance Sheet	18
Profit and Loss Account	19
Schedules	20 - 32
Cash Flow Statement	33
Balance Sheet Abstract and General Business Profile	34



TILAKNAGAR
INDUSTRIES LTD.

NOTICE

NOTICE is hereby given that SEVENTIETH ANNUAL GENERAL MEETING of the Members of TILAKNAGAR INDUSTRIES LIMITED will be held on Wednesday, the 28th September, 2005 at 3.30 p.m. at the Walchand Hirachand Hall, LNM IMC Bldg., Churchgate, Mumbai-400 020 to transact the following business:

ORDINARY BUSINESS :

- 1} To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 2005 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 S.V. Muzumdar 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.

SPECIAL BUSINESS :

- 5} To consider and if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION :-

“RESOLVED that in accordance with the provisions of Section 257 and other applicable provisions of the Companies Act, 1956, Mrs. P. S. Jha who was appointed as an Additional Director by the Board of Directors of the Company and who holds office upto the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member signifying his intention to propose Mrs. P. S. Jha for the Office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation”.

- 6} To consider and if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION :-

“ RESOLVED that in accordance with the provisions of Section 257 and other applicable provisions of the Companies Act, 1956, Dr. V. K. Kanhere who was appointed as an Additional Director by the Board of Directors of the Company and who holds office upto the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and in respect

of whom the Company has received a notice in writing from a member signifying his intention to propose Dr. V. K. Kanhere for the Office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation”.

- 7} 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 16th September, 2003, authority be and is hereby accorded to 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 twenty 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 : 4th August, 2005

G. C. SHAH
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 ON A POLL INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. Proxies in order to be effective, must be deposited with the Company not less than 48 hours before the time fixed for holding the meeting.
3. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.

SEVENTIETH ANNUAL REPORT 2004-2005

4. The Register of Members and the Share Transfer books of the Company will remain closed from Monday, the 19th September 2005 to Wednesday, the 28th September 2005 (both days inclusive).
5. Dividend on equity shares, as recommended by the Board of Directors for the year ending 31st March, 2005, if declared at the Annual General Meeting will be paid to those members whose names appear on the Register of Members of the Company as on 28th September, 2005. Dividend in respect of shares held in electronic form will be paid to the beneficial owners of the shares as per the beneficiary list as on 28th September, 2005 furnished by depositories for the purpose.
6. 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 (R & T 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 dematerialized form are requested to intimate the required details to their Depository Participants.
7. 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.
8. The Company has appointed M/s. Bigshare Services Pvt. Ltd., E/2 Ansa Industrial Estate, Saki Vihar Road, Sakinaka, Andheri - East, Mumbai - 400 072, as its R & T Agents to handle the share registry work and dematerialization of shares. Members are requested to send all their documents and communication pertaining to shares to them.
9. Members who have either not received or have not encashed their dividend warrants for the financial years 2002-2003 and 2003-2004 are requested to write to the Company's R & T Agents for obtaining the duplicate dividend warrant.

Explanatory Statement as required pursuant to section 173 (2) of the Companies Act, 1956.

Items 5 & 6.

The Board of Directors of the Company had appointed Mrs. P. S. Jha and Dr. V.K. Kanhere, as additional directors on the Board of the Company on 22nd September, 2004 and 28th October, 2004 respectively. In terms of section 260 of the Companies Act, 1956, they hold office upto the date of this Annual General Meeting. Notices under Section 257 of the Companies Act, 1956, alongwith requisite deposit, have been received from members proposing the appointments of Mrs. P. S. Jha and Dr. V. K. Kanhere as Directors of the Company, liable to retire by rotation.

Mrs. P. S. Jha is MBA from Syracuse University, New York and is the Chairperson & Managing Director of Walchand Capital Ltd. She has wide knowledge and experience in corporate management and strategic planning.

Dr. V. K. Kanhere is a Chartered Accountant and Cost Accountant. He is also a Certified Fraud Examiner approved by Association of Fraud Examiners, U.S.A., and Certified Quality Systems Auditor for ISO 9000:2000 (I.C.R.A. UK). He has been awarded Ph.D in Management Studies by Mumbai University. He has wide knowledge and experience in the field of project planning, financial management, taxation and I.T. systems.

Mrs. P. S. Jha and Dr. V. K. Kanhere have filed their consent pursuant to the provisions of section 264(1) of the Companies Act, 1956, to act as Director, if appointed.

The Company would be immensely benefited with the knowledge and experience of these persons and therefore the Board recommends for approval the Resolutions set out in item Nos. 5 and 6 of the accompanying Notice.

Mrs. P. S. Jha and Dr. V. K. Kanhere are deemed to be interested in these resolutions.

Item 7.

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 of the Company held on 16th September, 2003, the Board was authorized to borrow up to rupees twelve crores over and above the



TILAKNAGAR
INDUSTRIES LTD.

Company's paid up capital and its free reserves. The business of the Company has grown manifold over the years and the Company has drawn an ambitious plan for growth. It has already undertaken implementation of its CAPEX Plan of installing an additional re-distillation plant, a fully automatic bottling line and setting up of a full fledged effluent treatment plant. The Company has also undertaken aggressive marketing and brand building activities for its products. Apart from this, the Company envisages acquiring of bottling units at strategic locations to strengthen its position. All these would require huge funds. The Board, therefore, considers it necessary to increase the borrowing power of the Company up to rupees twenty crores over and above the aggregate of the paid up capital and the free

reserves of the Company, apart from the temporary loans obtained from the Company's bankers in the ordinary course of business, to enable the Company to raise the required resources.

None of the Directors is interested in this resolution.

The board recommends this resolution for your approval.

By order of the Board of Directors

Place: Mumbai
Date: 4th August, 2005

G.C. SHAH
Company Secretary

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SEVENTIETH ANNUAL REPORT 2004-2005

REPORT OF THE BOARD OF DIRECTORS

Your Directors have pleasure in presenting the Seventieth Annual Report of the Company together with Audited Statement of Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

	(Rs. in lakhs)	
	2004-2005	2003-2004
Gross Sales	10945.27	9365.95
Profit before Interest, Depreciation and Taxation	526.47	439.95
Less: Interest	229.79	183.36
Profit before Depreciation and Taxation	296.68	256.59
Less:		
i.) Depreciation	71.34	48.61
ii) Taxation – Current	29.65	20.00
iii) Taxation – Deferred	55.49	56.47
iv) Income Tax including interest in respect of earlier A/Years	1.65	1.30
Net Profit	138.55	130.21
Add: Profit brought forward from previous year	105.48	101.94
	244.03	232.15
Appropriations		
Proposed Dividend	45.80	45.80
Dividend Tax	5.98	5.87
Transferred to General Reserve	100.00	75.00
Profit carried forward to Balance Sheet	92.25	105.48
	244.03	232.15

DIVIDEND

Your Board recommends a dividend at Rs.1.20 (12 %) per equity share on 3816712 Equity Shares of Rs.10/- each for the year ended 31st March, 2005, for approval of members. The dividend pay out would be Rs.45.80 lacs and dividend tax would be Rs.5.98 lacs. The dividend will be free of tax in the hands of the shareholders.

A REVIEW

The year under review was rather difficult for liquor industry, in general and your Company in particular. Unprecedented rise in molasses cost and hike in almost all inputs of production impacted severe pressure on business volumes and margins. Molasses prices were ruling at the beginning of the year at Rs.3000/- to Rs.3500/- per M.T. which rose to as high as Rs.7000/- to Rs.8000/- per M.T. rendering ENA prices at Rs.36 to Rs.38/- per B.L. Prices were never so high in the history of the spirit business.

Despite this, your Company maintained a steady growth. Sales turnover was up by 17% at Rs.109.45 crores as against Rs.93.66 crores during the previous year, generating a gross profit of Rs. 297 lacs as against Rs.257 lacs, in the previous year. After providing for higher depreciation charges and taxation, the net profit was placed at Rs.139 lacs as against Rs. 130 lacs, in the previous year.

INDIAN MADE FOREIGN LIQUOR (IMFL)

IMFL business continues to do well during the year under review. Sale in quantity, registered a growth of 18% at 924636 Cases as against 780971 Cases during the previous year, valued at Rs.84.46 Crores as against Rs.80.53 Crores during the previous year. Although the order position was excellent for the Company, non availability of molasses and high cost of ENA, forced the Company to scale down its operations, for some time. Similarly exports were adversely affected on account of high cost of ENA. The Company's products command great demand in African and Middle East Countries.

CURRENT YEAR'S OUTLOOK

Your Company has, on an average, maintained a growth rate of 28% in succession during the last 3 years and current year's outlook is very promising. Molasses / ENA prices are declining and availability of this basic raw material has improved. With the ongoing plans of automation of the plant, thrust on exports, aggressive brand building activities, your Company expects to achieve a significant improvement in performance of the current year.

DISTILLERY

The Distillery operations were scaled down on account of non availability of molasses. During the year under review, it sold 53.49 lacs B.L. of spirit valued at Rs.13.74 crores as against 70.71 lacs B.L. valued at Rs.10.59 crores, during the previous year. The Distillery operations were kept at minimum level for captive consumption only by importing molasses from Iran & Sudan.



TILAKNAGAR
INDUSTRIES LTD.

In view of better monsoon and plenty of sugar-cane crop available in the current year, it is expected that the molasses prices will come down significantly during the current year.

CHEMICAL DIVISION

It recorded an improved performance. Production at 6.02 lacs kgs. was up by 15% over the last year. Sales grew by 55% to Rs. 337.53 lacs as against Rs. 216.67 lacs in the last year.

REPORT ON CORPORATE GOVERNANCE

Pursuant to the Clause 49 of the Listing Agreement, a report on Corporate Governance, a certificate from the Auditors of the Company in regard to compliance of Corporate Governance and Management Discussion and Analysis are separately given in this report.

FIXED DEPOSITS

An aggregate amount of fixed deposits held by the Company as on 31st March, 2005 was Rs. 50.46 lakhs and unclaimed deposits were of Rs. 0.26 lakhs. The Company does not have any overdue deposits as on 31.03.2005.

DIRECTORS

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

Mrs. P. S. Jha was appointed as an Additional Director on 22.09.2004 and holds office up to the date of this Annual General Meeting. A notice has been received from a member proposing her candidature for the office of Director. A brief resume of Mrs. P. S. Jha is given in the section on Corporate Governance elsewhere in the Annual Report.

Dr. V. K. Kanhere was appointed as an Additional Director on 28.10.2004 and holds office up to the date of this Annual General Meeting. A notice has been received from a member proposing his candidature for the office of Director. A brief resume of Dr. V. K. Kanhere is given in the section on Corporate Governance elsewhere in the Annual Report.

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

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

PARTICULARS OF EMPLOYEES

None of the employee is covered within the purview of section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

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 ending 31.03.2006 on a remuneration of Rs. 12,000/- plus out of pocket expenses.

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.

DIRECTORS' RESPONSIBILITY STATEMENT

As stipulated in Section 217 (2AA) of the Companies Act, 1956, the Directors, based on representation received from the operating management and the Statutory Auditors, state that:

1. in preparation of the annual accounts, the applicable Accounting Standards have been followed and there are no material departure.
2. the Company has 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.
3. the Company had taken proper and sufficient care to the best of their knowledge and ability for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safe-guarding the assets of the Company and preventing and detecting fraud and other irregularities.
4. the Company had prepared annual accounts on going concern basis.

ACKNOWLEDGEMENTS

Your Directors place on record their sincere gratitude to the Banks, Financial Institutions, Government Departments, Vendors and Customers for their continued support and co-operation during the year. The Directors also place on record their appreciation of the dedication and commitment of the employees at all levels.

For and on behalf of the Board of Directors,

Mumbai,
Dated: 4th August, 2005.

A. A. DAHANUKAR
Chairman

ANNEXURE 'A' TO THE DIRECTORS' REPORT**A) CONSERVATION OF ENERGY:**

Measures taken:

- a) Installation of Energy Conservation System resulted in saving in fuel consumption.
- b) Modification in process & technology and installation of new bio-gas line has resulted in generation of more gas in Bio-gas plant and thereby saving in coal and fuel.
- c) Conservation of electrical energy:
 1. Reduction in line losses due to new distribution net work.
 2. Installation of new capacitors in distribution system for improving the power generation.
 3. Installation of lower rating pumps and gear boxes for saving in electrical energy.

2. Alcohol based hand sanitizer with Aloe is developed.
3. Turkey Red Oil process is standardized and production on plant scale has been taken.
4. New Chemicals namely Amyl Acetate, Ethyl Benzoate, Ethyl Lactate, Methyl Salicylate are developed on Lab. Scale.
5. Process for production of compost by using municipal waste, press mud & sludge developed.

B) RESEARCH & DEVELOPMENT FOR NEW BRANDS:

1. New IMFL blends of International Standard are developed which will be shortly launched in the market.

C) TECHNOLOGY ABSORPTION, INNOVATION AND ADOPTION:

1. Quality blends of IMFL are developed by using Imported Scotch and Imported Raw material and by using high blending technology.
2. Innovation and adoption of new technology to reduce consumption of process chemicals in distillery division.

FORM 'A'

Total Energy Consumption and energy Consumption per unit of production

A. POWER AND FUEL CONSUMPTION:	Unit	2004-2005	2003-2004
1 Electricity			
Purchased-Units	'000	2266	2350
Total Amount	Rs. In Lakhs	92.97	84.86
Rate per Unit	Rs.	4.10	3.61
2. Steam Coal			
For generation of Steam	Tonne	5744.85	6116.81
Total Amount	Rs. In Lakhs	163.15	117.21
Average Rate per M.T.	Rs.	2840.00	1916.19

B. CONSUMPTION PER UNIT OF PRODUCTION:

Name of the product	Unit	Electricity Units	Electricity Units
1 Diethyl Oxalate	KG	0.34	0.15



TILAKNAGAR
INDUSTRIES LTD.

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company believes in total transparency in its operations and conducting its business in a manner and on sound principles that will enhance shareholder and stakeholders value. The affairs of the Company are directed towards :

- Creating most modern manufacturing facilities
- Producing quality products
- Increasing customer base through innovative marketing
- Diversifying into other business activities by utilizing its core competencies & resources.
- Discharging its social responsibilities

2. BOARD OF DIRECTORS

The Board has strength of seven Directors. The composition and category of Directors is given below along with attendance of each Director at the Board Meetings and at the last Annual General Meeting, number of other Directorships and Chairmanships/ Committee Memberships held in other companies. The number of Independent Directors continues to be more than 50% of the total strength of Board.

Name of Director	Category	Other Directorships	Committee Memberships*	Chairmanships**	Attendance	Particulars
					Board Meetings	Last AGM
Shri A. A. Dahanukar	Chairman & Whole Time Director	2	—	—	6	Present
Shri S. V. Muzumdar	Non-Executive Independent Director	7	9	2	2	Present
Shri V. B. Haribhakti	Non-Executive Independent Director	10	11	6	6	Present
Shri S. H. Junnarkar	Non-Executive Independent Director	11	10	1	6	Present
Mrs. P. S. Jha \$	Non-Executive Independent Director	8	1	—	2	—
Dr. V. K. Kanhere \$\$	Non-Executive Independent Director	—	—	—	1	—
Shri P. M. Salaskar	Managing Director	2	—	—	6	Present

* Include Audit, Remuneration & Shareholders'/Investors' Grievance Committees and Committee Memberships held in the Company.

** Include Chairmanship in the Committees of the Company.

\$ Appointed as an Additional Director on 22.09.2004.

\$\$ Appointed as an Additional Director on 28.10.2004.

3. BOARD MEETINGS, COMMITTEE MEETINGS AND PROCEDURES

Six Board Meetings were held during the year 2004-2005 on 29th April, 2004, 26th July, 2004, 27th August, 2004, 22nd Sept, 2004, 28th October, 2004 and 28th January, 2005. All the Board procedures were followed and the required information/reports were 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 Directors proposed to be appointed or re-appointed at the ensuing Annual General Meeting, nature of their experience and other Companies in which they are Directors, are furnished below:-

Shri S. V. Muzumdar is B.A., LL.B. He has a wide knowledge and experience in the corporate taxation and management. He is on the Board of many reputed Companies including Birla Group of Companies and/is associated with the Company for more than three decades.

The details of his other directorships and committee memberships are as under:

Company	Position	Committee membership held
The Oudh Sugar Mills Ltd.	Director	Audit, Investor Grievance, Remuneration.
Industry House Ltd.	Director	—
Indian Link Chain Mfgs Ltd.	Director	—
Phil Corporation Ltd.	Director	Audit, Investor Grievance.
Zuari Industries Ltd.	Director	Audit, Investor Grievance.
Damanganga Processors Ltd.	Director	—
M. L. Dahanukar & Co. Pvt. Ltd.	Director	—

Mrs. P. S. Jha is MBA from Syracuse University, New York and is the Chairperson & Managing Director of Walchand Capital Ltd. She has wide knowledge and experience in corporate Management and strategic planning.