

*Annual Report 2002-2003*



Report Junction

**UNITED BREWERIES (HOLDINGS) LIMITED**

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# Board of Directors

Dr. Vijay Maliya  
Chairman

P. A. Murali

A. Harish Bhat

N. Srinivasan

Shrikant G. Ruparel

A. K. Ravi Nedungadi  
Chief Financial Officer  
UB Group

P. Subramani  
Wholesale Director &  
Company Secretary

Mani Narayanaswami

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DIRECTORS

Dr. Vijay Mallya, Chairman

Shrikant Gordhandas Ruparel

Mani Narayanaswami

N. Srinivasan

P.A. Murali

A. Harish Bhat

P. Subramani, Wholetime Director  
and Company Secretary

CHIEF FINANCIAL OFFICER

UB GROUP

A.K. Ravi Nedungadi

AUDITORS

Fraser & Ross

Chartered Accountants

Bangalore

REGISTERED OFFICE

No. 1, Vittal Mallya Road,  
Bangalore 560 001





# report of the directors

The Directors of **United Breweries (Holdings) Limited** present their Report with Audited Accounts of your Company for the year ended March 31, 2003.

## FINANCIAL RESULTS

(Figures in millions)

	2002-2003		2001-2002	
	Rupees	Rupees	Rupees	Rupees
The working of the Company for the year under review resulted in a Profit/(Loss) after providing for depreciation and taxation		(1,604,800)	—	(413,953)
Balance of profit/(loss) brought forward from the previous year		(342,744)	—	71,209
		(1,947,544)		(342,744)
Less : Balance in General Reserve		1,002,029		—
Balance carried forward		(945,515)		(342,744)

Due to non-availability of Profit for the year under review, your Directors regret their inability to declare any dividend for the year.

## CAPITAL

The Authorised Capital remained at Rs. 1,000,000,000 and the Issued, Subscribed and Paid up Capital stood at Rs. 226,409,560. McDowell and Company Limited did not exercise the option to convert 2,640,500 Convertible Warrants of Re. 1 each held by them in the Company before the close of March 31, 2003 and consequently, the Warrants stood forfeited on and from April 1, 2003.

## UB ciTy

The Financial Year 2002-03 marks a new beginning for your Company, focused on its properties and financial assets. The Brewery at Bangalore closed operations on June 30, 2002. All the employees of the Brewery accepted a Voluntary Retirement Scheme (VRS).

The development of the land vacated by the Brewery commenced through a joint venture with Prestige Estates Projects (P) Limited. A Joint Development Agreement was executed on April 25, 2003 after receipt of all statutory clearances. The Joint Development envisages that Prestige Estates Projects [P] Limited to develop UB ciTy will build 4,80,000 sq.ft. in Phase I and the Company will be entitled to 55% of the constructed area.

Pursuant to the aforesaid Project, the demolition of the buildings and structures of the Brewery and sale of realisable assets including plant and machinery was completed during the year. Occupation of the constructed premises is expected to start within 30-36 months.

## RESTRUCTURING OF OPERATIONS

The audited accounts for the Financial Year 2002-03 disclosed a loss of Rs. 1604.80 Million after exceptional provisions of Rs. 1027 Million, and payment under the Voluntary Retirement Scheme of Rs. 150 Million. Your Company has historically invested in a variety of diversified companies. In the changed economic environment, your Directors propose to focus only on a few core areas in the future. Consequent to this a thorough review of all assets and liabilities of the Company was carried out and prudential provision made wherever appropriate. These provisions do not detract from the steps initiated to unlock the value in other assets and investments.

Your Directors have taken several steps to strengthen the Company's financial position. Your Company has taken a five year loan upto Rs. 175 crores at competitive terms from United Breweries Limited to repay many of its high cost borrowings. Other debts are in the process of consolidation with servicing and repayment obligations tailored to future cash inflows from the real estate development.



## ***report of the directors (Contd.)***

### **EMPLOYEE STOCK OPTION SCHEME**

The Company has not offered any stock option to the Employees during the year 2002-03 under the UBHL - Employee Stock Option Scheme-2002.

### **CHANGE OF NAME**

As had been approved by the Members at the last Annual General Meeting held on September 30, 2002, the name of the Company was changed effective October 11, 2002 from Kingfisher Properties and Holdings Limited to **UNITED BREWERIES (HOLDINGS) LIMITED**.

### **SUBSIDIARY COMPANIES**

The Members had been informed at the last Annual General Meeting that the Directors had in principle accepted the proposal for disposal/dilution of interest in UB Holdings S.A. (Proprietary) Ltd. and its subsidiary United National Breweries (South Africa) (Pty.) Ltd. Efforts are on by your Company to identify a willing buyer for the Company's investment in the equity shares of its subsidiary UB Holdings SA (Proprietary) (Pty.) Ltd. which in turn is the holding company of United National Breweries (South Africa) (Pty.) Ltd. Your Company is hopeful of concluding the deal soon and since the control of the Company over these subsidiaries is temporary their financials have been excluded from consolidation.

The Company has made an application to the Central Government seeking exemption from attaching the accounts etc. of its following Subsidiaries :

Cardboard Industries Limited, Kingfisher.Com Limited, MWP Limited, The Asian Age (South) Limited, UB Electronic Instruments Limited, UB Global Corporation Limited, UB Holdings (SA) (Proprietary) Limited, UB Information & Consultancy Services Limited, UB Infrastructure Projects Limited, UB Pharmaceuticals Limited, UB Transit Systems Limited, UB General Investments Limited, United Breweries Nepal Private Limited, UB International Trading Limited, Variegate Trading Limited with Balance Sheet of the parent Company. If, in terms of the approval granted by the Central Government, the Accounts, etc. of the above subsidiaries are not required to be attached with the Balance Sheet of parent company, these documents will be submitted on request to any member wishing to have a copy, on receipt of such requests by the Wholetime Director and Company Secretary at the Registered Office of the Company.

The performance of the aforesaid subsidiaries are covered in the Directors Reports of the respective companies and therefore are not repeated here.

### **DEPOSITORY SYSTEM**

The trading in the shares of your Company are under compulsory dematerialisation mode. As of date, shares representing 60.45% of the share capital are in dematerialised form. As the depository system offers numerous advantages, members are requested to take advantage of the same and avail of the facility of dematerialisation of the Company's shares.

### **DIRECTORATE**

Mr. N Srinivasan and Mr. S G Ruparel, retire by rotation and being eligible offer themselves for re-appointment.

During the year under review, Messrs. P A Murali and Mr. A Harish Bhat were appointed Additional Directors to hold office until the ensuing Annual General Meeting. The Company has received notices under Section 257 of the Companies Act, 1956, from Members proposing their names for appointment as Directors of the Company.

### **AUDITORS**

Messrs. Fraser and Ross, Chartered Accountants, the Company's Auditors, have informed the Company that they do not seek re-appointment as the Company's Auditors at the ensuing Annual General Meeting. Your Directors would like to place on record their appreciation of the services rendered by Messrs. Fraser and Ross during their long association with the Company. The Directors recommend that Messrs. Vishnu Ram & Co., Chartered Accountants, be appointed as the Company's Auditors to hold office till the conclusion of the next Annual General Meeting. Messrs. Vishnu Ram & Co., have furnished a Certificate of their eligibility for appointment under Section 224(1B) of the Companies Act, 1956 and have indicated their acceptance of the appointment subject to confirmation by the shareholders.



## ***report of the directors (Contd.)***

### **AUDITORS' REPORT**

With regard to the observations made by the Auditors in the Audit Report, your Directors state as under with respect to:

- (i) The possible decline in value of certain long term investment in subsidiary and other companies amounting to Rs. 207 Million, the intrinsic value of the Company's assets including investments has substantially higher values than recorded in the books.
- (ii) The non-consideration of possible diminution in the value of an overseas subsidiary and overdue advances, necessary adjustments, if any, will be made in the year of disposal of the investments in the above overseas subsidiary. With regard to the overdue advances the relevant financial notes are self-explanatory.
- (iii) The management fees of Rs. 164 Million due from an overseas subsidiary, the same is recoverable on the basis of the assurances from the subsidiary in this regard.
- (iv) With regard to the financial viability of the project, this matter has been adequately explained in the relevant financial note.
- (v) The fixed assets of the Company mainly comprise of immovable properties (the title deeds are in possession of leading Institutions and Banks) besides office generators, air conditioners, vehicles, furnitures etc. The main plant and machinery of the Bangalore Brewery has been sold to United Breweries Limited in the early part of the year. The physical verification of the other minor assets have since been carried out.
- (vi) As regarding delays in the maintenance of liquid assets and remittance of income-tax dues it is confirmed that all the amounts have since been deposited/remitted.

### **LISTING REQUIREMENTS**

The Company's equity shares are presently listed at Bangalore, Mumbai, Ahmedabad, New Delhi, Calcutta, Hyderabad, Cochin, Ludhiana and Madras Stock Exchanges. Pursuant to the SEBI (Delisting of Securities) Guidelines, 2003, it is proposed to delist the Company's Equity Shares from all Stock Exchanges except the Stock Exchange, Mumbai (BSE) and the Bangalore Stock Exchange Limited.

### **CORPORATE GOVERNANCE**

The Company has taken adequate steps to ensure that the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchange are complied with. A separate statement on Corporate Governance together with the Auditors' Certificate of its compliance forms part of this Annual Report.

### **FIXED DEPOSITS**

Fixed Deposits from the public and shareholders stood at Rs. 391.199 Million as on March 31, 2003. The amount included Rs. 5.975 Million representing matured deposits, out of which a sum of Rs. 3.035 Million has since been paid.

### **PARTICULARS OF EMPLOYEES**

Information in accordance with Section 217(2A) of the Companies Act, 1956 read with the provisions of the Companies (Particulars of Employees) Rules, 1975, is annexed to and forms part of this Report.

### **PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & OUTGO**

Your Company is not engaged in manufacturing activities and therefore disclosure of information in respect of conservation of energy and technology absorption is not applicable. The expenditure in foreign currency, net of recoveries, during the year amounted to Rs. 1,709,264.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors reports that :

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanations for material departures, if any.



***report of the directors (Contd.)***

- (ii) accounting policies have been selected and applied consistently and the judgements and estimates made 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 financial year and of the Loss of the Company for that period
- (iii) proper and sufficient care have been taken 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 prevention and detection of fraud and other irregularities.
- (iv) the Annual Accounts have been prepared on a going concern basis.

**ACKNOWLEDGEMENT**

Your Directors place on record their appreciation for the support received from Shareholders, Depositors, Banks and Financial Institutions. Your Directors are grateful for the continued support and patronage of the Company's business partners and customers. Your Directors also acknowledge the support and contribution of all employees who constitute the Company's most valuable asset.

By Authority of the Board

Bangalore  
August 25, 2003

**Dr. Vijay Maliya**  
Chairman





# annexure to directors' report

Statement under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2003.

Employed throughout the year and in receipt of remuneration in aggregate of not less than Rs. 24,00,000 per annum.							
Sl. No.	Name	Age	Total Remuneration Rs.	Designation	Educational Qualifications	Experience In Years	Previous Employment
1.	Anand Deepak	54	8986977	President - UBGCL	B.A. (Eco.) (Hons.), ACA	30	Director, A.F. Ferguson & Co., Mumbai
2.	Gupte S. R.	64	13031608	Executive Vice Chairman	B.Com., ACA	40	Acting Chairman & Managing Director, Air India, Mumbai
3.	Mehta D. P.	52	9213373	President - Fertilisers Dvn.	B.A., FCA	33	Financial Controller, Astra-IDL Ltd., Bangalore
4.	Ramanujam S.	51	2639250	Senior Corporate Vice President - Group Taxation	B.Sc., ACA	26	Manager, Gr. Taxation, Investment Trust of India Ltd., Chennai
5.	Subramani P.	66	3124555	Wholtime Director & Company Secretary	B.Com., FCS	43	Dy. Gen. Manager, Reichold Chemicals Ltd., Chennai
6.	Venugopalan P.N.	62	2914803	President - Life Sciences Division	B.Sc.	42	General Manager - Operations, Herbertsons Ltd., Mumbai
7.	Jain R. K.	56	5063748	President - Millenium Alcobev Ltd.	B.Tech. (IIT, Delhi), Pg.DM (IIM, Ahmedabad)	32	Managing Director - Shaw Wallace & Co. Ltd., Kolkata
8.	Shashikanth V.	42	2937639	Corporate Vice President - Infrastructure Development	B.E., PGDIT	20	Project Director, Bharat Forge Ltd., Pune
9.	Ranganathan L.	49	2914109	Sr. Corp. Vice President & Project Director - UBTSL	B.Tech. (Chem.), MBA	26	Vice President, Herbertsons Ltd., Mumbai
Employed for part of the year and were in receipt of remuneration at the rate/not less than Rs. 2,00,000 per month.							
- Nil -							

**Note :**

1. Remuneration shown above includes Salary, Allowance, Medical Leave, Travel Expenses and monetary value of perquisites as per Income Tax Rules.
2. None of the employees mentioned above is a relative of any Director of the Company.
3. None of the above mentioned employees is holding more than 2% of the paid up Equity Capital of the Company.



# ***report on corporate governance***

## **COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

The Company believes in adopting the best corporate governance practices and envisages the attainment of the highest levels of transparency, accountability and ethics, in all facets of its operations. The Company considers that all its operations and actions must serve the underlying goal of increasing employee and customer satisfaction and enhancing overall Shareholder value together with fair treatment to its stakeholders.

## **CREATION OF SHAREHOLDER VALUE**

The Company recognises the rights and interests of its Shareholders and is committed to protect the same. Towards achieving this objective, the Board of Directors is pleased to announce that an agreement has been entered into with a leading property developer of Bangalore viz., Prestige Estates Projects (P) Limited, to develop "UB ciTy" in the Company's prime property at Vittal Mallya Road, Bangalore.

UB ciTy will be a mixed use development in the truest sense. It will house commercial offices, banks, high-end retail stores, a five star hotel, service apartments, restaurants, food courts, pubs, health clubs and cafes. Multi-level parking areas will offer virtually unlimited parking space.

The Company has initiated the process of developing UB ciTy. All the statutory clearances have been obtained and the first phase of development shall be completed in about 30 to 36 months with revenue streams in place for the Company.

## **BOARD OF DIRECTORS**

### **Composition :**

The Board of Directors comprises a Non-Executive Chairman (Promoter), a Wholetime Director and five Non-Executive Directors of which three are independent as defined by Clause 49 of the Listing Agreement, which ensures a good blend of executive and independent Directors and achieves the desired level of independence of the Board. All Non-Executive Directors are persons of eminence and bring a wide range of expertise and experience to the Board.

### **Board Meetings :**

The Board of the Company, as also the various committees constituted by the Board, held as many as **25** meetings including **6** meetings of the Board during 2002-03. The maximum time gap between any two meetings was not more than three calendar months, compared to the mandated requirement of not more than four months in Clause 49 of the Listing Agreement.

### **Information provided to the Board :**

The Board was provided with all the relevant information on important matters affecting the business of the Company viz.,

- Report on the real estate development,
- Financial performance and statutory announcements
- Secretarial matters including Transfers of Shares, Company Deposits, Insider trading and disclosure Requirements, and
- other matters.

All decisions were arrived at after due deliberations by the members of the Board.