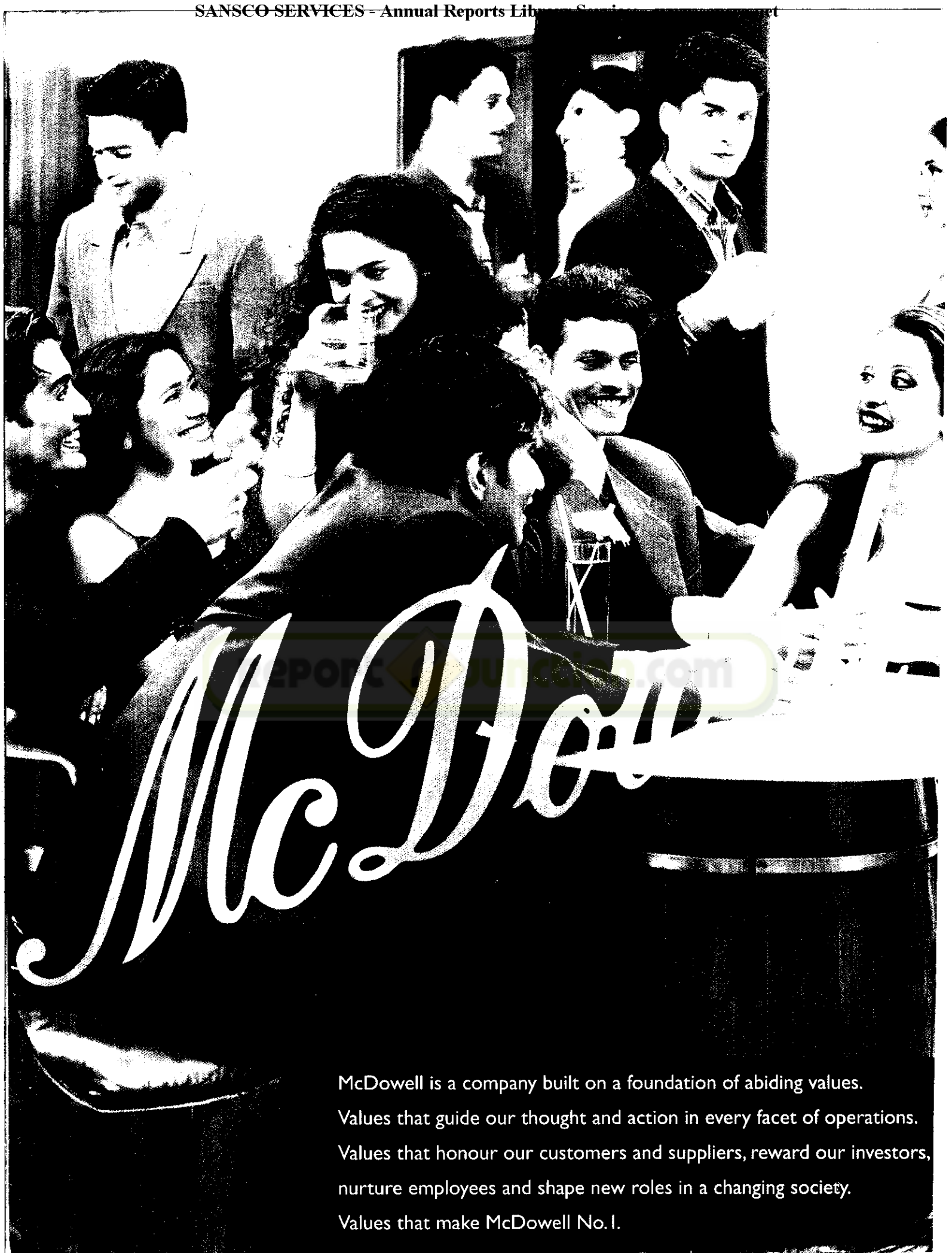


ReportJunction.com



McDowell & Co. Ltd.
ANNUAL REPORT 1999-2000



McDowell is a company built on a foundation of abiding values.
Values that guide our thought and action in every facet of operations.
Values that honour our customers and suppliers, reward our investors,
nurture employees and shape new roles in a changing society.
Values that make McDowell No.1.

DIRECTORS

VIJAY MALLYA,
Chairman

S.R.GUPTA,
Vice Chairman

V.K.REKHI,
Managing Director

D. BASAPPA

M.R. DORAISWAMY IYENGAR

P.K. KAKODKAR

B.M. LABROO

L. MALLYA

P. MALLYA

R. MALLYA

S. RAMANATHAN

CHIEF FINANCIAL OFFICER
RAVI NEDUNGADI

COMPANY SECRETARY
P.B. MADHAVAN

AUDITORS
FRASER & ROSS, CHARTERED ACCOUNTANTS, BANGALORE

REGISTERED OFFICE
"McDOWELL HOUSE"
3, SECOND LINE BEACH, CHENNAI 600 001

CORPORATE OFFICE
"LE PARC RICHEMONDE"
51, RICHMOND ROAD, BANGALORE 560 025



*McDowell & Co. Ltd.***CONTENTS**

Directors' Report	3-9
Auditors' Report	10-12
Balance Sheet	13
Profit & Loss Account	14
Schedules forming part of Accounts	15-32
Business Profile and Cash Flow Statement	33-35
Statement of Subsidiary	36
McDowell Properties Ltd.	M1 to M7
Vitari Distilleries Ltd.	V1 to V9



REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting the Annual Report of your company and the audited accounts for the year ended 31st March 2000.

FINANCIAL RESULTS

Rupees in Millions
1999-00 1998-99

The working of your company for the year under review resulted in

• Profit from operations	494.804	380.462
• Extra-ordinary items	6.133	(53.100)
Less:		
• Depreciation	(93.096)	(78.950)
• Taxation	(162.000)	(60.000)
Profit after tax	245.841	188.412
Surplus from previous year	141.909	77.908
Transfer from Debenture Redemption Reserve	48.700	-
Transfer from Investment Allowance Reserve utilised	37.775	-
Excess Income Tax provision relating to earlier years written back	-	5.524
Profit available for appropriation	474.225	271.844
Your Directors have made the following appropriations:		
• To Contingency Reserve	(110.000)	-
• To General Reserve	(27.500)	(15.000)
• Proposed Dividend	(129.431)	(103.545)
• Corporate Tax on Proposed Dividend	(28.475)	(11.390)
Balance carried to the Balance Sheet	178.819	141.909
Your Directors propose a Dividend on equity shares @ 25%		

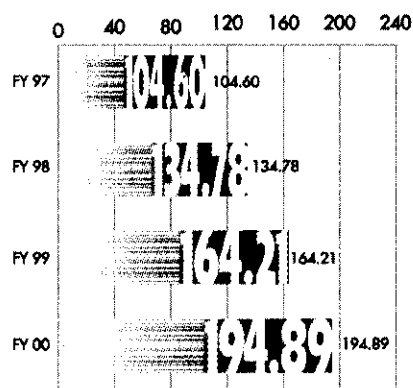
PERFORMANCE OF THE COMPANY

Your company has entered the new millennium with a record performance for the third consecutive year. A 19% growth in volumes has enabled your company to further increase its market share to 26% in an aggressively competitive environment.

Continued focus in delivering value to the customers through BETTER PRODUCTS, BETTER PACKAGING, BETTER COMMUNICATION and at BETTER PRICES has enabled your company to record a cumulative growth of 86% over the last three years. Profit before Tax grew by 64% over the previous year on a sales value growth of about 16%. This has been made possible through control over input costs and greater efficiency in the use of your company's assets.

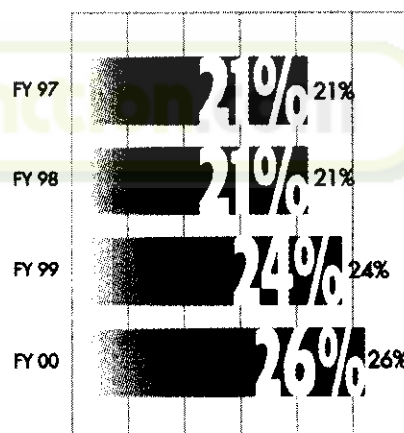
Your company's Kerala Malted Whisky and No.1 McDowell's Celebration Rum were ranked No.1 and No.3 respectively, in the list of the world's fastest growing liquor brands during the calendar year 1999.

Volume Growth (Lakh Cases)

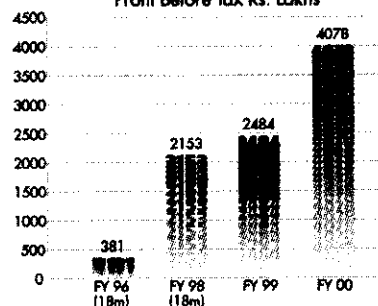


Market Share

0% 5% 10% 15% 20% 25% 30%



Profit Before Tax Rs. Lakhs



DIRECTORS' REPORT (Contd.)**MARKETING AND SALES**

In each of the last three years, your company has consistently outperformed the industry. During the year 1999-00, McDowell's growth was nearly twice that of the industry overall.

This was made possible through focus on increasing both the width and depth across all product categories in the market, including setting up of a new sales channel focused on distribution to institutional customers and the armed forces. This channel has been given a target of bringing your company's market share in the defence sector up to the levels that it enjoys in the civilian market.

MANUFACTURING

The ongoing programmes for de-bottlenecking and modernisation of your company's various distilleries has enabled new records to be established.

Total production in company owned distilleries increased to 8.75 million cases representing growth of 19% over the previous year. Through unrelenting efforts to control and cut manufacturing costs, your company has been able to garner additional manufacturing efficiencies, leading to higher contributions.

FINANCE

Your company has continued to manage growth through more efficient utilisation of resources. Higher asset turns has enabled McDowell to stretch each rupee of capital employed during the year in continuation of a process that was initiated two years ago.

Simultaneously, your company was able to achieve sharper pricing on borrowed funds from lenders through a proactive programme of banking relationships.

Consequent to the foregoing, your company has been able to reduce its interest costs by 20% over the previous year despite financing a 16% growth in turnover.

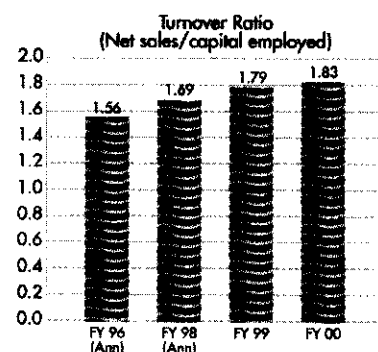
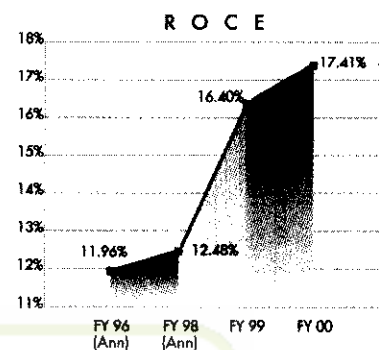
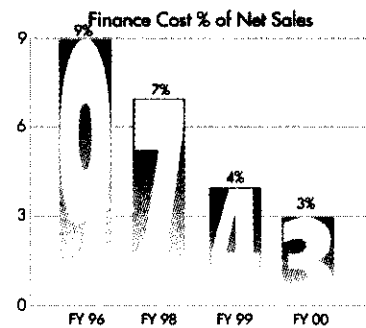
MANAGING FOR VALUE

Your company is committed to providing greater value to all stakeholders through its dealings and aims to provide better products and better services in an environment of transparency and regulatory compliance.

On the one hand, managing for value focuses on enhancing value of shareholders and on the other, to give equal importance to other stakeholders such as customers, suppliers, employees and the Government.

During the year under review, your company initiated a process of educating its employees on the various facets of commitment to value subsequent to which McDowell has designed changes to its compensation and incentive packages so as to reward value enhancing performance across all levels of management.

Perceptible improvement to efficiency in the use of assets and improvements to the ROCE of your company are already



DIRECTORS' REPORT (Contd.)

visible in the performance for the year. Continued emphasis on these aspects is intended to foster a value based culture to encompass all aspects of your company's functioning.

INFORMATION TECHNOLOGY

Your company is alive to emerging world trends in the use of information technology as a driving force to the way in which business will be conducted in the future.

In consultation with experts in the field, your company will focus on methodologies which will enable it to use the Internet and other emerging information technology options to optimize business processes in the future.

Your company was entirely successful in its efforts to avoid the Year 2000 problem and the rollover on 31st December 1999 to 1st January 2000 occurred without incident.

CORPORATE GOVERNANCE

The composition of your company's Board represents a mix of independent and qualified Directors from different professions. Independent Directors include one practicing Chartered Accountant, three members with widespread experience at the helm of affairs in the private sector and one erstwhile Secretary to the Government of India.

At the Board meeting of the company held on 27th April 2000, the following Committees of the Board have been constituted to deal with matters which need monitoring and timely decisions:

1. Audit Committee
2. Compensation Committee
3. Investors Relations Committee

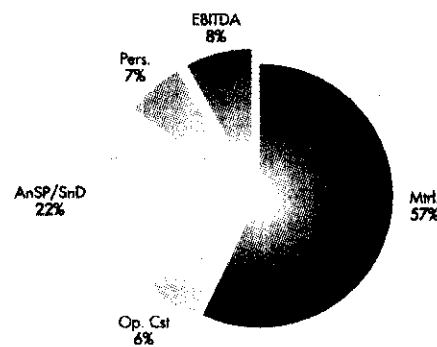
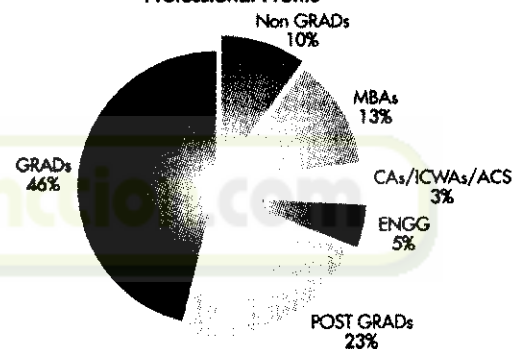
Each of these Committees is headed by an independent non-executive director and will be fully functional during the fiscal year 2000-01.

DEPOSITORY SYSTEM

With effect from 17th January, 2000 equity shares of your company have been compulsorily traded in dematerialised form as mandated by the Securities and Exchange Board of India. Your company has signed agreements with both the National Securities Depositors Ltd., and the Central Depository Services (India) Ltd., for dematerialisation of its equity shares. As of date, equity shares representing about 45% of the share capital have been dematerialised. Registrars for Share and Fixed deposits have been changed to Alpha Systems Pvt. Ltd., Bangalore.

PROPOSED AMALGAMATION

On 27th April 2000, your Board approved the proposed amalgamation of McDowell & Co. Ltd., with McDowell Spirits Limited, a company incorporated under the Companies Act, 1956, and having its registered office at Bangalore. The effective date of the proposed amalgamation is 1st April 2000.

Cost Components**Professional Profile**

No of Shares held	No of Share Holders	
	No.	%
1-500	90,555	96.6%
501-1000	1,809	1.93%
1001-2000	808	0.86%
2001-5000	299	0.32%
5001-10000	102	0.11%
10001-50000	80	0.09%
50001-100000	14	0.01%
> 100000	32	0.03%
Total		100.00



DIRECTORS' REPORT (Contd.)

This proposed amalgamation is part of a larger consolidation of various distillery companies of the UB Group with McDowell Spirits Ltd. The proposed new company formed by the amalgamation will change its name to McDowell & Co. Ltd., after receipt of all approvals from the High Courts, and will have an equity capital, which mirrors that of McDowell & Co. Ltd. The shares of the new company are proposed to be listed on all Stock Exchanges on which McDowell & Co. Ltd. are currently listed. Necessary petitions have been filed before the respective High Courts. All shareholders of McDowell & Co. Ltd. will be shareholders in the new company without any dilution whatsoever.

HUMAN RESOURCES

Employee relations remained cordial at all company's locations. Your Directors take this opportunity to record their appreciation for the outstanding contribution of all employees of your company during the year.

Particulars of employees drawing an aggregate remuneration of Rs 6,00,000 or above per annum, as required under Section 217 (2-A) of the Companies Act, 1956 are annexed.

SUBSIDIARIES

The Accounts and Directors' report of Vitari Distilleries Ltd., and McDowell Properties Ltd., (formerly known as Shilton Hotels Ltd.) along with the statement pursuant to Section 212 of the Companies Act, 1956 are appended.

During the year your company increased its shareholding in Vitari Distilleries Ltd., from 51% to 100%.

On 27th April 2000, the Board approved the acquisition of the entire share capital of Udaipur Distillery Co. Ltd. Effective that date, Udaipur Distillery Co. Ltd., has become a 100% subsidiary of your company.

DIRECTORS

Mr B M Labroo, Mr M R Doraiswamy Iyengar and Ms P Mallya are retiring from the Board and being eligible, offer themselves for re-appointment.

AUDITORS

Your company proposes to appoint Deloitte Haskins and Sells, one of the International "Big 5" Accounting firms, as Auditors of your company from the conclusion of the forthcoming Annual General Meeting.

LISTING REQUIREMENT

As required by the Amended Listing Agreement with Stock Exchanges, a cash flow statement is appended.

Category	No of Shares	% of equity
Promoters	22018208	42.5%
Resident Individuals	7539371	14.6%
Resident Body Corporate	7786760	15.0%
Banks/FI/FII/MF/Trust	12624126	24.4%
NRI/OCB	1804022	3.5%
Total		100.00

Your company's equity shares are listed on the Stock Exchanges at Chennai, Ahmedabad, Bangalore, Calcutta, Delhi, Mumbai and National Stock Exchange.

FIXED DEPOSITS

Fixed Deposits from the public and shareholders stood at Rs 489.65 million as at 31st March 2000. The amount included Rs 5.77 Million representing matured deposits for which disposal instructions had not been received from concerned depositors. Of this a sum of Rs 0.92 Million has been since paid or renewed as per instructions received after the year end.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION ETC.

In accordance with the provision of Section 217(1) (e) of the Companies Act, 1956, the required information relating to Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo is annexed.

THANK YOU

Your Directors place on record their sincere appreciation for the continued support from shareholders, customers, suppliers, banks and financial institutions and other business associates. A particular note of thanks to all employees of your company, without whose contribution, your company could not have achieved the year's performance.

By Authority of the Board

Bangalore
June 19, 2000

VUJAY MALLYA
Chairman



DIRECTORS' REPORT (Contd.)**ANNEXURE TO DIRECTORS' REPORT**

(Additional Information given pursuant to requirement of Section 217(1)(e) of the Companies Act, 1956, issued by the Department of Company Affairs).

CONSERVATION OF ENERGY

Energy Consumption & Cost Reduction

Steps taken to reduce energy consumption & reduce cost of production :

- Utilisation of methane gas, generated in Anaerobic digester, in Boiler alongwith furnace oil.
- Installation of automatic blowdown system and oxymiser in Boiler.
- Installation of steam turbine to produce electricity.

TECHNOLOGY ABSORPTION

Technology imported during the last 5 years:

Technology Imported	Year of Import	Status
None	—	—

FOREIGN EXCHANGE EARNINGS/OUTGO

	1999-00	1998-99
1. Exports & Foreign Exchange earnings	5,052	2,904
2. Imports/expenditure in foreign currency	28,628	72,465

(Rs. '000)



DIRECTORS' REPORT (Contd.)

ANNEXURE TO DIRECTORS' REPORT

STATEMENT OF PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217 (2-A)
OF THE COMPANIES ACT, 1956 AND COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

SL. NO.	NAME	AGE	DESIGNATION	REMUNERATION Rs.	NATURE OF DUTIES	QUALIFICATION	EXPERIENCE IN YEARS	DATE OF COMMENCEMENT OF EMPLOYMENT	PARTICULARS OF PREVIOUS EMPLOYMENT
1	ACIDWALA Y D *	57	GM	679602	MANUFACTURING	B.COM.	14	1-Oct-99	Baramori Grape Industries Ltd.
2	AINAPUR S R	42	RM - ACCOUNTS	669545	FINANCE / ACCOUNTS	CA	18	1-Dec-87	Accounts Assistant, Kesarwal Beverages Ltd, Goa
3	ALOK GUPTA	34	GM - MARKETING	807229	MARKETING	B.COM, PGDM	12	21-Feb-95	Dy. General Manager - Marketing, Shaw Wallace & Co. Ltd.
4	ALOK KUMAR SEN	45	SR MANAGER - MATERIALS	664918	MANUFACTURING	M.COM	20	19-Apr-82	Manager - Materials Carew Phipson Ltd.
5	ANANDA PRASAD S	47	SR MANAGER - TAXATION	672424	FINANCE / ACCOUNTS	B.COM., LL.B.,	26	1-Jul-84	Assistant Manager - Accounts, Mysore Wine Product Ltd.
6	ANANT IYER	40	DVP - FRANCHISE & MKTG SERVICES	1109969	FRANCHISE & MARKETING SER	M.SC., M.M.S.	16	15-Jun-92	Controller Marketing, Consolidated Distilleries Ltd.
7	ANANTHARADMANABHAN G	46	GM - ACCOUNTS	858551	FINANCE / ACCOUNTS	B.COM, ACWA, ACA	22	8-Jun-95	Manager - Finance, Ashok Leyland Ltd.
8	ASHWIN MAJIK	42	EVP - MARKETING	1423013	MARKETING	B.A. [ECO], MBA	20	1-Nov-88	VP Sales & Mktg, Carew Phipson Ltd.
9	BAGI S A	46	DISTILLERY MANAGER	721536	MANUFACTURING	B.SC., DIFAT, DBM	25	13-Aug-75	First Employment.
10	BALASUBRAMANIAN R	64	GM - ADMINISTRATION	799853	AVIATION	BE	38	23-Nov-89	Chief Aerodrome Manager, HAL
11	BANERJEE A R	43	REGIONAL ACCOUNTS MANAGER (N)	779347	FINANCE / ACCOUNTS	B.COM (HONS.), ACWA	21	1-Oct-85	Cost Accountant, Bengal Waterproof Ltd.
12	BANERJEE J K	55	DVP - MANUFACTURING (WEST)	1268547	MANUFACTURING	BE(MECH), PGDBM	33	12-Feb-96	Chief Engineer-System, Trng. Tech., Sales Metal Box Ltd.
13	BHARATHAN A	52	REGIONAL MANAGER	720216	SALES	BA	27	6-Dec-78	Branch Manager, Non banking Institution
14	BINOD K MARTIN Dr.	51	DVP - TECHNICAL CENTRE	1080943	TECHNICAL CENT	M.SC., PH.D.,	28	14-Dec-88	Sr Research Officer & Head Anal Rese, Shrirom Institute for Industrial Research
15	BISHWAL S K	53	EVP - MANUFACTURING	1840396	MANUFACTURING	B.SC ENGG (HONS), M.TECH	28	1-Jan-90	Chief Industrial Engineer, Union Carbide India Ltd.
16	CHANDRA SHEKAR K	45	SR MANAGER - ADMIN	624631	CORPORATE	B.COM., LL.B., CS(JNT)	26	6-May-81	Union Bank of India
17	CHANDRASHEKAR C	45	GM - MATERIALS	1008480	MANUFACTURING	MBA	24	25-Apr-83	Buyer, Hindusthan Motors Ltd.
18	DEBASISH DAS	43	CONTROLLER - TECH	774275	MANUFACTURING	BSC, B.TECH	16	20-Aug-84	Graduate Trainee, Britannia Industries Ltd.
19	DEVANATHAN G	44	SR MANAGER - SYSTEMS	647140	INFORMATION TECH	B.SC.	22	3-May-95	Amco Batteries, General System Manager
20	DUTTA M L	54	DVP - MANUFACTURING (NORTH)	1255144	MANUFACTURING	B.SC	30	2-Jan-84	General Manager - Distillery, Carew Phipson Limited
21	GAHLAWAT J S	54	SR EXECUTIVE - PILOT	894247	AVIATION	GRAD - PILOT	3	1-Sep-97	Pilot, India International Airways
22	GERALD G D'SOUZA	51	DVP - PERS & ADMIN	1397203	PERSONNEL / ADMIN	MA, PERS	26	16-Aug-90	General Manager Personnel & Administration, Herbetsons Ltd.
23	GHOSH T R *	65	DVP - CORPORATE AFFAIRS	384346	PRESIDENTS OFFICE	B.Com, FCA, ACS	41	19-Nov-59	V.P. - Corporate Affairs (East), Carew Phipson Ltd
24	GILL R S	53	SR EXECUTIVE - PILOT	874024	AVIATION	M.SC.,	33	5-Apr-93	Indian Airforce
25	HARISHA BHAT A	46	DVP - FINANCE	1322699	FINANCE / ACCOUNTS	CA	22	22-Nov-90	Manager - Treasury, Digital Equipment (I) Ltd
26	HEMACHANDRA JAYERI	38	DVP - SALES	1070616	SALES	PGDBM	15	1-Apr-93	Regional Manager (West), Wipro Ltd
27	JACOB K J	60	GM - FLAVOURS	807602	TECHNICAL CENT	B.SC.,	36	24-Apr-64	First Employment
28	JAYAKUMAR S R	44	SR MANAGER - FINANCE	641303	FINANCE / ACCOUNTS	M.COM.,	24	20-Jan-84	Accountant, IVR Feeds and Minerals Pvt Ltd.
29	KAGDI I L	48	DISTILLERY MANAGER	788543	MANUFACTURING	B.SC.,	38	1-May-77	Western India Enterprises Ltd.
30	KOKA RAM MOHAN. Cdr.	52	CONTROLLER - PROJECTS	698405	AVIATION	B.E(MECH), AMIE	7	2-Nov-93	Officer in Charge, Naval Liaison Cell, HAL
31	KRISHNAMURTHY P	53	GM - SALES	611650	SALES	B.SC	29	1-Oct-71	Regional Manager - Sales Carew Phipson Ltd.
32	LUTHRA V K	57	EVP - MKTG & SALES	1903078	SALES	B.A.	34	17-Nov-94	Sr. V.P. - Liquor Division, Shaw Wallace & Co Ltd.
33	MADHAVAN P B	59	DVP - LEGAL & COMP SECY	1268133	SECRETARIAL	ACS, LL.B.,	39	22-Apr-85	Co. Secretary, Automotive Axles Ltd.
34	MENON N J *	63	EVP - TECHNICAL	700405	TECHNICAL CENT	M.SC., DO ACS BPHY	41	1-Jun-59	First Employment
35	METRANI S N	57	SR EXECUTIVE - PILOT	805706	AVIATION	Grad. Flying School	2	15-Jul-98	Chief Executive Pilot, Bombay Dying Mfg Ltd.
36	MITTAL N K *	50	DIVISIONAL VICE PRESIDENT-MANUF	711126	MANUFACTURING	B.Tech., Mech Engg	27	20-Dec-90	General Manager - WIMCO Ltd.
37	MOHAN R K Col.	54	GM	640082	MANUFACTURING	B.E.(MECH)&AUTO ENGG	32	28-Feb-92	Indian Army
38	MOHANTY, L N	58	GM - SALES	1023368	SALES	B.A.	37	4-Aug-69	Controller - Sales, Carew Phipson Ltd.
39	MURUGAN C N	52	GM	852852	MANUFACTURING	B.SC, DMIT	21	1-May-82	Branch Manager, M/s Hegde & Golay Ltd, Bangalore.
40	NAIR N R K *	59	GM - WORKS	164489	MANUFACTURING	B.SC.,	36	6-Oct-64	First Employment
41	NAMBUTHIRY MGV	58	GM - PRODUCTION & PROC DEV	798230	TECHNICAL CENT	B.SC.,	37	2-Dec-63	First Employment
42	PALEKAR S G	59	GM - MATERIALS	822152	MANUFACTURING	B.COM., LL.B.,	39	16-Aug-65	Forbes Forbes Campbell Ltd.
43	PARAMESWARAN T K	51	DISTILLERY MANAGER	634552	MANUFACTURING	M.SC.,	28	1-Feb-72	First Employment
44	PILLAI R N	44	GM - FINANCE & ACCOUNTS	758196	FINANCE / ACCOUNTS	ACA	23	1-Mar-86	Manager - Finance, Consolidated Distilleries Ltd, Bangalore
45	PODDAR P N	47	GM - TECHNICAL	969632	MANUFACTURING	M.TECH, DMS	23	1-Jan-88	Production Manager, Union Carbide (I) Ltd.
46	PRASAD S N	42	SR MANAGER - FINANCE	677114	FINANCE / ACCOUNTS	B.COM, ACA	16	7-Mar-91	Executive - Finance Carew & Co Ltd
47	RAJAN K S Wg. Comd.	56	CHIEF PILOT	955356	AVIATION	AMAESI	34	6-Apr-89	Indian Air Force
48	RAJESH DHINGRA	44	CONTROLLER - TECHNICAL	729710	MANUFACTURING	M.TECH	22	1-Oct-90	Deputy Manager - Projects, DCM Shriram Ltd.
49	RAJIV BAU	48	GM - SALES	828468	SALES	B.COM.,	24	9-Mar-92	Area Manager, Shaw Wallace & co. Ltd

