

VARUN BEVERAGES LTD.



ANNUAL REPORT & ACCOUNTS FOR THE
YEAR ENDING 31ST DECEMBER, 2005

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VARUN BEVERAGES LIMITED

ANNUAL REPORT FOR THE YEAR ENDED ON 31ST DECEMBER 2005

BOARD OF DIRECTORS

Mr. Ravi Kant Jaipuria
Ms. Devyani Jaipuria
Mr. Raj P. Gandhi
Mr. K. Shankar

COMPANY SECRETARY

Mr. Ravi Batra

AUDITORS

M/s. O. P. Bagla & Co.,
Chartered Accountants, New Delhi

REGISTERED OFFICE

F-2/7, Okhla Industrial Area,
Phase -I, New Delhi - 110020

HEAD OFFICE

F-34, Sector VI,
Noida -201301(U.P.)

WORKS

- i) Plot no.2, Surajpur Bypass, Greater Noida - 201 306 (U.P.)
- ii) Khasra no.282, Balmukandpura, Near Bagru, Ajmer Road, Tehsil Sanganer, Distt. Jaipur, Rajasthan.
- iii) Plot no. 477 to 479, Village Dautana, 107, Kilometer Distance Stone, Agra-Delhi Highway, N.H. No.II, Near Kosi Kalan, Distt. Mathura - 282 401 (U.P.)
- iv) Plot No.SP-646 & F-647- 653, Approach Road no.2, (Nr. Engg. College), Matsya Industrial Area Extn. (North), RIICO Industrial Estate, Alwar-301030
- v) Plot No. Special 159, RIICO Indl. Area, Ph-III, Boranada, Jodhpur-342001
- vi) Plot no.290-292, RIICO Industrial Area, Phase-VII, Chopanki, Bhiwadi, Distt. Alwar - 301019 (Rajasthan)

BANKERS

HDFC Bank Ltd.
IDBI Ltd.
Punjab National Bank
Standard Chartered Bank
UTI Bank Ltd.
HSBC Ltd.

CONTENTS :	PAGE NO.
<u>Company Information</u>	
Notice	1
Directors' Report	2
Auditors' Report	5
Balance Sheet	9
Profit & Loss Account	10
Schedules forming part of Balance Sheet	11
Schedules forming part of Profit & Loss Account	17
Accounting Policies and Notes to the Accounts	20
Balance Sheet Abstract & Company's General Business Profile	27
Cash Flow Statement	28

VARUN BEVERAGES LIMITED

▶▶▶▶▶▶ NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of Varun Beverages Limited will be held on Monday, the 10th day of April 2006 at F-2/7, Okhla Industrial Area, Phase – I, New Delhi - 110020 at 10.30 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st December 2005 and the Profit & Loss account for the year ended on that date alongwith the Directors' and Auditors' Report thereon.
2. To consider and appoint a Director in place of Mr. K. Shankar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and appoint auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration. M/s O.P.Bagla & Co., Chartered Accountants, the retiring auditors, being eligible, offer themselves for re-appointment.

 BY ORDER OF THE BOARD
FOR VARUN BEVERAGES LIMITED

COMPANY SECRETARY

PLACE : NEW DELHI
DATE : 16th MARCH 2006

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED AND SIGNED SHOULD REACH THE COMPANY'S REGISTERED OFFICE NOT LATER THAN 24 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

VARUN BEVERAGES LIMITED

►►►►► DIRECTORS' REPORT

Dear Shareholders,

The Directors have immense pleasure in presenting the 11th Annual Report on the business and operations of the Company together with the Audited Accounts for the year ending 31st December 2005:

FINANCIAL RESULTS:

PARTICULARS	(AMOUNT IN RS.)	
	FOR THE YEAR ENDED 31ST DECEMBER 2005	FOR THE YEAR ENDED 31ST DECEMBER 2004
Net Sales & other Income	2,958,221,289	2,473,850,289
Net Profit before Tax	200,476,820	313,775,818
Provision for Tax	17,000,000	25,000,000
Provision for Fringe Benefit Tax	4,000,000	-
Provision for Deferred Tax	70,863,785	107,068,337
Net Profit after Tax	108,613,035	181,707,481
Balance as per last year	596,971,157	277,382,105
Balance Transferred on Amalgamation	-	140,016,254
Tax Adjustments	5,223,697	(2,134,683)
Balance Carried to Balance Sheet	710,807,889	596,971,157

DIRECTORS:

Mr. Pramod Agarwala and Mr. K.K.Mudgil resigned from the Board w.e.f. 18th August 2005 and 22nd September 2005 respectively. The Board wishes to place on record its sincere appreciation for the guidance and assistance provided by them during their tenure.

Mr. K.Shankar, Director of the Company, is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed with proper explanation relating to material departures.
- they have, selected such accounting policies, and applied them consistently and made judgments 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 financial year and of the profit or loss of the company for that period.
- they have taken proper and sufficient care, for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- they have prepared the annual accounts on a going concern basis.

VARUN BEVERAGES LIMITED

AUDITORS:

M/s O.P. Bagla & Co., Chartered Accountants, New Delhi, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. The Company has received notice from them stating that if appointed, they are within the limits laid down under (1-B) of Section 224 of the Companies Act, 1956.

NOTES ON ACCOUNTS:

All observations of the Auditors and Notes on Accounts are self explanatory and therefore, do not require any further clarification/explanation.

PARTICULARS REGARDING CONSERVATION OF ENERGY ETC.:

Information in accordance with the provisions of Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Foreign Exchange Earnings and outgo and conservation of energy are annexed hereto and forms part of this report. However, the information regarding technology absorption as contained in Form 'B' of the Annexure attached to aforementioned rules is not applicable to the Company during the year under review.

PARTICULARS OF EMPLOYEES:

As required by Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, there is no employee who is in receipt of a remuneration of Rs.24,00,000/- per year, if employed for the whole year or Rs.2,00,000/- per month if employed for the part of the year.

AUDIT COMMITTEE:

The Company has an Audit Committee, whose composition, role, functions and powers are in accordance with the requirements of the Companies Act, 1956. The present Committee comprises of Mr. R. K. Jaipuria, Chairman, Mr. Raj P. Gandhi and Ms. Devyani Jaipuria, Members.

PUBLIC DEPOSITS:

The Company has not invited or accepted any deposits during the year from the Public under Section 58A of the Companies Act, 1956.

ACKNOWLEDGEMENT:

The Board places on record its appreciation for the valuable support and cooperation of the Company's Bankers, Government Agencies, Customers, Suppliers, Shareholders, Management Team and the entire workforce, for their cooperation and commitment, and looks forward for their continued support in the future. Your Directors also deeply acknowledge the continued trust and confidence that the shareholders have placed in the Company.

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS
FOR VARUN BEVERAGES LIMITED**

PLACE : NEW DELHI
DATE : 16th MARCH 2006

DIRECTOR

DIRECTOR

VARUN BEVERAGES LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

I. CONSERVATION OF ENERGY FOR BEVERAGES, SHELLS AND CROWN :

		YEAR ENDING ON 31.12.2005	YEAR ENDING ON 31.12.2004
A. POWER AND FUEL CONSUMPTION			
1. ELECTRICITY :			
a) PURCHASED :			
Unit		6350162	7019001
Total Amount		33173774.71	33,292,972
Rate / Unit		5.22	4.74
b) OWN GENERATION :			
i. Through Diesel Generator			
Units		5833831	7555640
Units per ltr. of diesel oil		3.33	3.38
Cost / Unit		8.11	6.78
ii. Through Steam Turbine/Generator		N.A.	N.A.
Units			
Units per ltr. of fuel oil/gas			
Cost / Unit			
2. COAL (SPECIFY QUALITY AND WHERE USED)		N.A.	N.A.
3. FURNACE OIL			
Quantity (Ltrs)		2004165	4315499
Total Amount		30359029.01	67,565,079
Average Rate		15.15	15.66
4. OTHERS/INTERNAL GENERATION		N.A.	N.A.
B. CONSUMPTION PER UNIT OF PRODUCTION FOR BEVERAGES, SHELLS AND CROWN :			
	STANDARDS	YEAR ENDING ON 31.12.05	YEAR ENDING ON 31.12.04
Products (in unit) Beverages	C/s	62112801	25886872
Products (in unit) Crown	Gross	7511497	6676666
Products (in unit) Shells	Pcs	271190	495930
Electricity (Beverages)	unit	0.63	0.56
Electricity (Crown)	unit	0.34	0.15
Electricity (Shells)	unit	0.63	0.90
Furnace Oil (Beverages)	c + k	0.31	0.07
Coal		N.A.	N.A.
Others		N.A.	N.A.

II. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(Rs. in Lacs)

	YEAR ENDING ON 31.12.2005	YEAR ENDING ON 31.12.2004
1. Earnings in Foreign Currency	NIL	NIL
2. Outgo in Foreign Currency		
Value of Imports (CIF)		
- Capital Goods	261.10	1187.46
- Stores, Spares & Raw material	1824.70	1391.20
Expenditure in Foreign Currency		
- Traveling & others	70.18	33.77

VARUN BEVERAGES LIMITED

▶▶▶▶▶ AUDITORS' REPORT

The Members of
VARUN BEVERAGES LIMITED
DELHI

We have audited the attached Balance Sheet of **VARUN BEVERAGES LIMITED** as at 31st December, 2005, Profit & Loss Account for the Year Ended 31st December, 2005 and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure, a statement on the matters specified in paragraph 4 & 5 of the said order.
2. Further to our comments in the annexure referred to in paragraph 1 above :-
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.
 - b) Proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
 - c) The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Profit & Loss Account and Balance Sheet comply with the mandatory accounting standards referred to in sub-section (3c) of section 211 of the Companies Act, 1956.
 - e) On the basis of written representations received from the directors as on 31st December, 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31-12-2005 from being appointed as Director u/s 274(1)(g) of the Companies Act, 1956.

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VARUN BEVERAGES LIMITED

3. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting Policies and other Notes thereon in Schedule – 25 give the information as required by the Companies Act, 1956 in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India :-
- i) In the case of the Balance Sheet of the State of affairs of the Company as at 31.12.2005.
 - ii) In the case of the Profit & Loss Account of the **PROFIT** for the Year Ended on that date.
 - iii) In the case of Cash Flow Statement of the Cash Flows for the Year ended on that date.

For O.P. BAGLA & CO.
CHARTERED ACCOUNTANTS

PLACE : NEW DELHI
DATE : 16th MARCH 2006

(ATUL BAGLA)
PARTNER
M. NO. 91885



VARUN BEVERAGES LIMITED

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITORS' REPORT ON ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER, 2005

1. The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets. We are informed that these fixed assets have been physically verified by the management and no material discrepancies were noticed. In our opinion the frequency of verification is reasonable having regard to the size of the Company and nature of its assets.
2. As the Company has disposed off an insignificant part of fixed assets during the year, paragraph 4 (i) (c) of the said order is not applicable.
3.
 - a) As explained to us physical verification has been conducted by the management periodically, in respect of finished goods, stores, spare parts and raw materials.
 - b) The procedure of physical verification conducted by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The discrepancies noticed on such verification between the physical stocks and book records were not significant and the same have been properly dealt with in the books of account.
4. In our opinion and according to the explanations and information given to us, no loans have been taken from Companies, Firms or other parties listed in the registers maintained under Section 301 of the Companies Act, 1956.
5. In our opinion and according to the explanations and information given to us, no loans have been given to Companies, Firms or other parties listed in the registers maintained under Section 301 of the Companies Act, 1956.
6. In our opinion and according to the information and explanations given to us there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and with regard to the sale of goods and services. During the course of audit, no major weaknesses have been noticed in the underlying internal controls.
7. In our opinion and according to the information and explanations given to us the contracts or arrangements referred to in section 301 of the Act have been entered in the register maintained under section 301 of the Companies Act, 1956. Transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the time of such transactions.
8. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of provisions of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
9. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.

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