

WINSOME BREWERIES LIMITED

7th ANNUAL REPORT
1998-99

**BOARD OF DIRECTORS**

SH. R.K. BAGRODIA	CHAIRMAN-CUM-MANAGING DIRECTOR
LT. GEN. V.K. SOOD (RETD.)	DIRECTOR
SH. J.P. GUPTA	DIRECTOR
SH. A.N. BANERJEE	DIRECTOR
SH. RAM MOHAN. I.A.S. (RETD.)	DIRECTOR
SH. KIRIT SHAH	DIRECTOR
SH. B.M. KHANNA	ALTERNATE DIRECTOR
SMT. SNEH BAGRODIA	DIRECTOR

COMPANY SECRETARY

PABITRA MOHAN

ASSTT. COMPANY SECRETARY

PRATAP ROUT

STATUTORY AUDITORS

LODHA & CO.,
CHARTERED ACCOUNTANTS
NEW DELHI.

BANKERS

THE BANK OF RAJASTHAN LTD.

COLLABORATOR

HENNINGER-BRÄU AG, GERMANY

REGISTERED OFFICE

VILL. : SAREHKHURD, TEHSIL TIJARA
DISTT. ALWAR, RAJASTHAN

CORPORATE OFFICE

S - 521, GREATER KAILASH, PART - II,
NEW DELHI - 110 048

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CHAIRMAN'S LETTER

Dear Shareholders,

The year 1998 marked another year of trade depression, exhibiting the growth rate of Indian economy nosediving from 7.8% in 1996-97 to 5.8%. Being arrested with global economic recession, investment sentiments have reached at a low ebb. Due to various inhibitive domestic fiscal policies and uncertain political climate, we fall in line, to the grip of market depression and economic slowdown of the country, which have been reflected more or less in each segments of industry. However the second quarter of 1999 is evidencing a market resilience, with an all-time low inflation rate of 1.30%, that keeps us buoyant with optimistic vision for sound recovery of industry, from the quagmire of recession.

The restricted licence & permit-raj, though have been a matter of past, one of the most daunting problem faced by breweries industry, is a discriminatory tax regime in the country. The government levies vary from state to state. In addition to the basic excise duty, there are a large number of other taxes and fees. As a result, the Govt. levies account for about 50% to 70% of the final cost to the consumer. The Beer produced in one state and sold in another state attracts an export fee and an import fee in addition to the basic excise duty. Such tariff structure compels the brewery companies to spread their units in various states which goes against the interest of small breweries units. For this reason, we are not able to expand our market base, in the states of Andhra Pradesh, Tamilnadu, Karnataka & Maharashtra, which are potential markets for alcoholic beverages. So I would make a strong plea, that ramifications of this serious issue be examined by various arms of the government for moderation and harmonisation of tariff structure.

The past formative years were a period of considerable re-organisation and re-engineering of our efforts and strategies to consolidate our position in the highly competitive Beer market. Hence competitiveness continues to be a compelling agenda in coming days. The challenge of attaining international quality parameter is at once humble, exciting & inspiring. Our strength & prowess lies with the international quality of our products which is the result of our advanced state-of-art technology collaborated with world's renowned Henninger Brau of Germany. It has made our products distinct and exclusive. When viewed with national context, ours is a tiny enterprise, where major breweries control 73% of the total market share. Despite of all odds, in these turbulent years we are determined with unequivocal aim of forging ahead in the country, gradually clicking a sizeable portion of market share with our unparalleled quality.

So far the shareholders interest is concerned, I am to say that the Management is acutely aware of the need to improve the present profitability on an on going basis, that will make high returns on their hard-earned money in future days.

In line with such reasoning, my vision for posterity, is for a low leveraged, high growth oriented, and consistent profitable Company.

Sincerely yours,

R.K. BAGRODIA
CHAIRMAN

NOTICE

NOTICE is hereby given that the Seventh Annual General Meeting of the Members of WINSOME BREWERIES LIMITED will be held on Thursday, the 30th day of September, 1999 at 11:00 a.m. at its Registered Office at Vill Sarekhurd, Tehsil Tijara, Dist.: Alwar, Rajasthan to transact the following business :

ORDINARY BUSINESS :

- 1) To receive, consider and adopt the Directors' Report and the Audited Statement of Accounts together with Auditors' Report thereon for the Financial Year ended 31st March, 1999.
- 2) To appoint a Director in place of Mr. J.P. Gupta, who retires by rotation and being eligible offers himself for re-appointment.
- 3) To appoint a Director in place of Mr. Kirit Shah, who retires by rotation and being eligible offers himself for re-appointment.
- 4) To appoint Statutory Auditors and fix their remuneration. The retiring Auditors Lodha & Company, Chartered Accountants are eligible for re-appointment.

SPECIAL BUSINESS :

- 5) To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.
RESOLVED THAT Pursuant to the Provisions of Section 257 of the Companies Act, 1956, Mrs. Sneh Bagrodia be and is hereby elected and appointed as a Director of the Company liable to retire by rotation".

By Authority of the Board
for WINSOME BREWERIES LIMITED

Place : New Delhi.
Date : 30th July, 1999.

(PABITRA MOHAN)
COMPANY SECRETARY

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.
- 2) Members are required :
 - i) To notify change of address, if any.
 - ii) To bring their copy of Annual Report to the meeting.
- 3) Members desirous of having any information on Accounts are requested to address their queries to the Company Secretary latest by 20th September, 1999, so that the requisite information is available at the meeting.
- 4) The relative explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item No.5 of the notice is annexed hereto.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No.5

Mrs. Sneh Bagrodia was appointed as an Alternate Director to Mr. George Mathews who ordinarily resides in New Jersey, U.S.A. w.e.f. 27.11.1997 pursuant to Section 313 of the Companies Act, 1956.

Mr. George Mathews was appointed as a Director on 30th September, 1997 at the Fifth Annual General Meeting and his tenure comes to an end, as he is due to retire by rotation at the ensuing Annual General Meeting. Due to his other business pre-occupation, Mr. Mathews has expressed his unwillingness for re-appointment. Hence, the Alternate Director, Mrs. Sneh Bagrodia ceases to hold office at the forthcoming Annual General Meeting.

The Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing the appointment of Mrs. Sneh Bagrodia as a Director of the Company. Mrs. Sneh Bagrodia has been associated with the Company right from its incorporation. It is felt that her vast experience and knowledge in the industry and corporate governance will be an asset for the future plan and interest of the company.

Hence, the proposed resolution is recommended for approval of the Members.

None of the Directors except, Mr. R.K. Bagrodia, spouse of Mrs. Bagrodia is interested in the resolution.

DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors are pleased to present their Seventh Annual Report together with the Audited Financial Statements of your Company for the year ended 31st March, 1999.

FINANCIAL RESULTS :

	1998-99	(Amounts In Rs.) 1997-98
Sales	7,01,37,635.75	4,23,74,394.99
	=====	=====
Profit/(loss) before		
Depreciation & Preliminary Expenses	49,45,796.84	43,20,394.48
Less :		
(a) Depreciation	29,76,645.09	25,89,886.85
(b) Preliminary Expenses written off	12,06,207.30	12,06,207.30
	-----	-----
Net Profit/(loss) before Tax	7,62,944.45	5,24,300.33
Less : Provision for Tax	80,109.00	—
	-----	-----
Net profit/(loss) for the year	6,82,835.45	5,24,300.33
	=====	=====

DIVIDEND :

In view of the above financial results, your Directors express their inability to recommend any dividend for the year under review.

OPERATIONS :

During the year under review, despite difficult trading conditions, your Company has managed to achieve turnover of Rs.701.18 lac as against Rs.423.74 lac during the previous year. The net profit of the Company has marginally increased as compared to last year. It is of immense pleasure that our premium brand "Henninger" has been well received in the market, as the tropical Indian climate favours good quality Lager Beer. In addition to the market leader "Henninger" our other brands "German Thunder", "Tornado", "Winsberg" and "Limo Lemon" have made their distinct presence in the market.

Besides our own brands, the Company is currently brewing & bottling "Haywards 2000", "Haywards 5000", and "Royal Challenge" brands of Shaw Wallace & Co.Ltd. to gainfully utilise our installed capacity.

FUTURE PROSPECTS :

The phenomenon of unplanned "Pricewars" which explodes with regular frequency and discriminatory taxation policy of various State Governments has made the products of the Company uncompetitive in Southern States and Maharashtra, as a result our market-expansion plans are restricted. So the Company is determined to strengthen its foothold and market base in the North Eastern States for the successful business tapestry.

Your Company is aware that the emerging Indian consumers are at the core of businesses' raison d'etre, and to address the increasing western oriented aspiration of our customers, quality has been the watchword and quintessential to popularise our brands in the fiercely competitive Beer market. Hence, it has been the Company's endeavour to adopt the latest development in brewing and introduce various brewing aids to further product quality and flavour stability. The advanced filtration and separation technology adopted by the Company has enhanced the physical stability and shelf life of our products. Besides, introduction of imported keg washing, filling and dispensing units will help in improving the quality of Draught Beer which is to be launched very soon.

Your Company plans to enter into more agreements with other well-established Beer manufacturers for production of their Beer brands. The management is actively considering various innovative promotional activities to give required mileage and publicity to our products. Keeping in mind the amorphous nature of demand, supply matrix, our strategy is to focus upon the Company's core competency to achieve growth and improve profitability to enhance the interest of the shareholders.

AUDITORS' REPORT AND RE-APPOINTMENT :

With reference to observations made by the Auditors in their report, the Directors wish to state that notes forming part of the Company's accounts are statement of facts and require no further clarification.

Your Company's Auditors Lodha & Co. retire at the conclusion of ensuing Annual General Meeting and being eligible offer themselves for the re-appointment.

You are requested to appoint the Auditors and fix their remuneration.