

against the odds



ANNUAL REPORT 2011-12



# Corporate Information

## Board of Directors

### Executive Directors

Mr. Amit Dahanukar,  
*Chairman & Managing Director*

Mrs. Shivani Amit Dahanukar,  
*Executive Director*

### Non - Executive Directors

Mr. V. B. Haribhakti

Dr. Vishnu Kanhere

Dr. Ravindra Bapat

Mr. C.V. Bijlani

Mr. Madan Goyal

## Company Secretary

Mr. Gaurav Thakur

## Statutory Auditors

Batliboi & Purohit,  
*Chartered Accountants*

## Internal Auditors

Devdhar Joglekar & Srinivasan,  
*Chartered Accountants*

## Solicitors

W. S. Kane & Co.

Holla & Holla

L. J. Law & Co.

Parekh & Co.

Deepak Sabarwal & Associates

Tatva Legal

## Bankers

Punjab National Bank

Bank of India

State Bank of India

Axis Bank Ltd.

HDFC Bank Limited

Standard Chartered Bank

Punjab & Sind Bank

Karur Vysya Bank Limited

## Shares Listed At

BSE Limited (BSE)

National Stock Exchange of India Limited (NSE)

## Registered Office & Works

P. O. Tilaknagar, Tal. Shirampur,

Dist. Ahmednagar, Maharashtra- 413 720

Tel.: (02422) 265123 / 265032, Fax.: (02422) 265135

## Corporate Office

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Churchgate, Mumbai- 400 020

Tel.: (022) 22831716 /18, Fax.: (022) 22046904

e-mail: investor@tilind.com

website: www.tilind.com

## Registrar & Share Transfer Agents

Bigshare Services Pvt. Ltd.

E-2/3, Ansa Industrial Estate, Sakivihar Road,

Sakinaka, Andheri (E), Mumbai – 400 072

Tel.: (022) 2856 0652/53

Fax: (022) 4043 0200

e-mail: info@bigshareonline.com

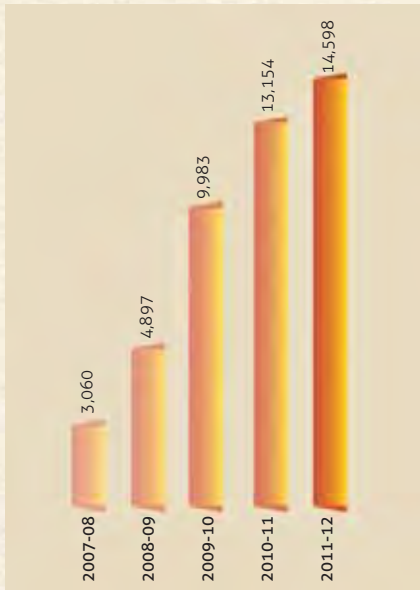
website: www.bigshareonline.com



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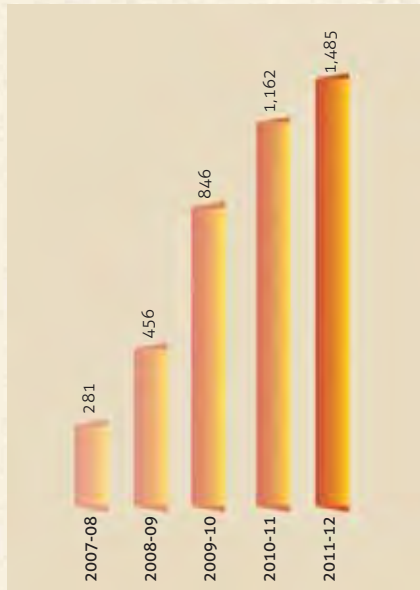
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**TI's surging turnover (₹ million)**



Five-year CAGR of 48% led by bagging new projects and completing existing ones

**... led to a surge in EBDITA (₹ million)**

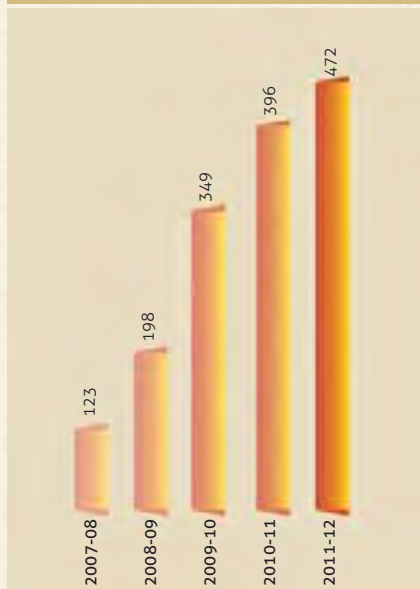


Led by a deep commitment to lean manufacturing, optimum resource utilisation and effective waste recycling

**... which resulted in a higher PBT (₹ million)**



**... and robust growth in PAT (₹ million)**



The year 2011-12 was one of the most challenging in the history of our existence marked by inflation, depressed economy, cost increases and operational bottlenecks.

At Tilaknagar Industries Ltd. (TI), we fought the odds, climbing a steeper slope, embarking on innovative practices, launching new brands and variants, driving cost optimisation and penetrating new geographies.

The result was that we grew our topline by 18% against an overall Indian market growth of only 8%.





## Happy hours

TI is in the league of India's largest liquor companies with a market share of about 5%; Mansion House is the second-largest selling brandy in India.

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## High spirits

TI owns more than 40 popular brands across the whisky, brandy, gin, rum and vodka categories.

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## Raising the bar

TI possesses 15 (owned and leased) manufacturing units across India, reinforced by 15 tie-ups for its manufacturing and bottling operations.

## On a high

TI commanded realisations in excess of ₹ 700 per case across almost 60% of its volumes.

## Ready for more

TI will continue to maintain its fast-paced growth trajectory through an expansion in geographies, the introduction of new brands and acquisitions. TI aims to create a robust brand bouquet that will be cherished by customers.





# Brand showcase



TI unveiled the striking new super-premium **Seven Islands Vintage Single Malt Scotch Whisky** in London in April 2012. It will be subsequently launched in Mumbai, Milan and Paris.

Seven Islands Vintage Single Malt Scotch Whisky has been carefully crafted for the connoisseur and this super-premium whisky has a rich golden colour with notes of butterscotch, honey





and vanilla, mingled with a delicate hint of spices and a faint trace of apples and pears. It is a unique spirit that fuses Indian values and culture and the Scottish art of making whisky. The

launch of Seven Islands Vintage Single Malt Scotch Whisky endorses the Company's premiumisation focus and promises strong growth prospects both in India and internationally.



Mansion House Brandy is the Flagship brand of Tilaknagar Industries Ltd. Mansion House Brandy comes with the credentials of highly experienced and qualified French technique. Made in the Pot Stills of France, Mansion House Brandy is an original and a rare blend.





## MANSION HOUSE<sup>®</sup> SILK

One of the latest entrants from TI is our Mansion House Silk Brandy. A rare blend created by experts using traditional matured grape brandies obtained from special Cognac pot stills to gain a vibrant Aroma and bold characteristic with a bright golden tint.

# 40 strategic brands

Marketing and innovation is at the heart of TI's growth strategy. Investing in compelling, targeted campaigns across our marketing mix achieves deep consumer connections.



Courier Napoleon  
French Brandy - Blue



Courier Napoleon  
French Brandy - Green



BLACPOWER Grain  
Whisky



MH VSOP Brandy



Crown Prince  
Brandy



Duchess V.S.O.P.  
Brandy



Black Colt Rum





Courier Napoleon  
French Brandy



Mansion House  
Premium Whisky

Complemented with a strong and balanced portfolio, our brands allow us to move quickly to target new consumer needs and occasions, making us one of the fastest growing IMFL companies in India today.



TI White House  
XXX Matured Rum



TI's Madiraa Premium  
Dark XXX Rum



Savoy Club Gin  
& Fresh Lime



Castle Club Vodka



Classic Whisky

# Corporate identity

TI means different things to different people:

**A friend who makes people happy.**

Translated into an offtake of 13.24 million cases, making it one of India's largest alco-bev companies.

**A popular brand that can be trusted.**

Reflected in the ownership of 40 growing IMFL brands and the second-largest brandy (Mansion House Brandy) in India.

**A credible value-creator that inspires respect.**

Reflected in the rising EBIDTA growth of 28% in 2011-12.

**The result:**

The Company grew its market capitalisation from ₹ 6,149 million in 2010-11 to ₹ 6,720 million in 2011-12, even as the BSE Sensex declined 10.5% during the same period.

## Business

One of India's leading players in the IMFL (Indian Made Foreign Liquor) space, enjoying an all-India market share of 40% in its operating segments and 10% of the national consumption of rum and brandy.

## Brands

A robust portfolio of over 40 IMFL brands (whisky, brandy, rum, gin and vodka) straddling across various price points to suit diverse pockets. Key brands comprise Mansion House, Courier Napoleon, Madira, BLACPOWER, White House, MH VSOP and Castle Club, among others.

## Presence

Deep presence in Karnataka, Tamil Nadu, Kerala, Andhra Pradesh and Puducherry, which cumulatively represents the largest liquor consuming geography in India. Enjoys strong presence in the Canteen Stores Department (CSD) and an increasing presence in East and West India.

## Exports

The Company's brands are being increasingly preferred overseas. Nearly 1% of the 2011-12 revenues was derived from exports to Africa, the Middle East, Far East and the Caribbean.





A robust portfolio of over 40 IMFL brands (whisky, brandy, rum, gin and vodka) straddling across various price points to suit diverse pockets. Key brands comprise Mansion House, Courier Napoleon, Madira, BLACPOWER, White House, MH VSOP and Castle Club, among others



### Manufacturing facilities

The flagship manufacturing facility is located in Shirampur (Maharashtra) comprising 100 KLPD molasses-based and 100 KLPD grain-based distillation plants and one lac cases per month (on a single shift basis) IMFL bottling plant. The manufacturing facilities comprise 1 owned facility, 4 operating subsidiaries with an additional 5 subsidiaries for allied activities, 10 lease arrangements and 15 tie-up units strategically located across 13 Indian States.

### Distribution infrastructure

#### Distribution through government

**corporations:** Andhra Pradesh, Kerala, Odisha, Karnataka, Delhi, Tamil Nadu, Rajasthan and Chhattisgarh.

#### Distribution through dedicated distributors:

Maharashtra, Goa, Daman, Puducherry, West Bengal, Sikkim, Assam and Meghalaya.

**Direct sales:** Canteen Stores Department (CSD), Border Security Force, Central Reserve Police Force, Indo-Tibetan Border Police and National Security Guard.

### Listing

Equity shares listed on BSE (*scrip code – 507205*) and NSE (*scrip code – TI*); market capitalisation was ₹ 6,720 million as on March 31, 2012.

## Key financial highlights 2011-12

Revenue growth		EBIDTA growth		Profit after tax growth	
<b>18%</b>		<b>28%</b>		<b>19%</b>	
2010-11	2011-12	2010-11	2011-12	2010-11	2011-12
₹ 4,710 million	₹ 5,555 million	₹ 1,162 million	₹ 1,485 million	₹ 396 million	₹ 472 million

### Promoters

The Dahanukar family owns 56.38% of the Company's equity share capital as on March 31, 2012.

### Operational highlights 2011-12

- Recorded an impressive 22% growth in sales volume from 10.86 million cases in 2010-11 to 13.24 million cases
- Achieved a robust 37% growth in sales to the Canteen Stores Department (CSD)
- Mansion House Brandy emerged as the second-largest brandy brand in India, selling 5.5 million cases
- Madira Rum emerged with sales of 1.74 million cases, a 40% growth over last year
- Acquired 100% stake in Punjab Expo, which will augment the manufacturing facilities and give strategic foothold in North India
- Acquired 100% stake in Studd Projects and Mykingdom Ventures, which will fortify in-house competence in plant erection and construction
- Acquired 100% stake in Srirampur Grains, which will address the grain requirements for the 100 KPLD grain-based ENA plant cost-effectively
- Acquired 100% stake in P.P. Caps, which will make us self reliant for our cap requirements and optimise packing material costs
- Acquired 90% stake in Shivprabha Sugars as part of backward integration initiative, which will augment the uninterrupted supply of molasses following implementation of the project
- Received 'Mega Project' status from the Government of Maharashtra for our new facilities at Shirampur, which entitles TI to a subsidy equivalent to 100% of the eligible investment across seven years by way of set-off/credit for tax liability under the Maharashtra Value Added Tax and Central Sales Tax Act along with an electricity duty exemption and 100% exemption of stamp duty
- In a major development, Bombay High Court by its landmark judgment passed on December 22, 2011, dismissed the notice of motion filed by UTO Nederland B.V. seeking to restrain your Company from using the trademarks 'Mansion House' and 'Savoy Club'. The impact of the said judgment on your Company's growth is of great significance. The judgment has settled the disputes relating to the ownership and use of the concerned



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Madira Rum emerged with sales of 1.74 million cases, a 40% growth over last year

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trademarks by your Company in India at the interim stage. This clears the path for your Company to aggressively promote the brands pan India and your Company plans to expand markets of 'Mansion House' across India

### Boardroom highlights 2011-12

- The Board allotted 4,284,236 equity shares against the conversion of warrants held by the promoters and 460,832 equity shares to eligible employees pursuant to the exercise of vested stock options by them
- Proposed final dividend of ₹ 0.80 per share (8%) on equity shares having face value of ₹ 10 each for 2011-12

### Post-balance sheet developments

- The Company unveiled a new super-premium Seven Islands Vintage Single Malt Scotch Whisky in London in April, 2012 in partnership with the BenRiach distillery, priced at 135 pounds sterling per bottle (to be followed by launches in Paris, Milan and India)





# Our business model

Eight things that our stakeholders need to know about how we have evolved our business model and emerged as one of the most exciting liquor manufacturing and marketing companies in India today.



## 1 Objective

- At TI, we define our core purpose to be the most profitable Company

## 2 Positioning

- At TI, we see ourselves as a leading player in India's large and growing liquor industry which is characterised by voluminous business

- While protecting our presence in the mid-sized segment, we will progressively migrate to the premium segment

- The Company believes that each of the segments contributes differently to the success of the Company. The mass segment provides attractive economies of distribution and visibility, protecting the offtake of core premium brands through mass market flanks.

- The Company will enhance its presence in the premium segment with the objective to counter cost increases, enhance profitability and protect business sustainability

## 3 Market share at our own terms

- At TI, we believe in enhancing product quality, providing superior consumer experience, branding our products differently and pricing our products at a premium

- We expect to create new market spaces and capture a dominant slice

of the premium segment as opposed to fighting for market share at established price points

#### 4 Strong in-house controls

- At TI, we believe that success in a business marked by a number of variables is derived from the ability to directly control them for enhanced business predictability
- The Company manufactures 62% of its extra neutral alcohol (ENA) in-house as opposed to the industry-wide practice of outsourcing a large part of the production
- The Company owns 80% of its distribution supply chain resulting in high retail visibility, control and feedback access; the Company raised its fleet-on-street from 50 in 2006 to 300 in 2012. Rather than being solely dependent on third party distributors to help promote and market the Company's brands, TI deals directly with the marketplace through its sales force

#### 5 Prudent interplay between volumes and value

- At TI, we believe that sustainable success is derived from the effective integration of ENA manufacturing at one end (often referred to as the *hardware* side of the business) and branding, bottling and distribution capabilities at the other (often referred to as the *software* side of the business). This strategy makes it

possible to combine volume efficiencies at one end and value efficiencies at the other

- The Company believes that the combination of hardware and software components will enhance value far greater than the addition of their respective standalone values

#### 6 Manufacturing strengths

- At TI, we recognise that the business is logistically-sensitive; rather than manufacturing all our products at one location and dispatching them across the country, we expect to be more effective by dispersing our manufacturing locations pan-India and closer to consumer presence
- We invested in a combination of owned, leased and tie-up manufacturing facilities with the objective to aggregate a high manufacturing capacity at a relatively low overall cost coupled with high delivery flexibility
- We believe that our extensive presence – 30 manufacturing facilities across 13 states – enables us to capture every upturn in demand rapidly at the lowest cost

#### 7 Branding associations

- At TI, there is a conscious endeavour to build brands of lasting values. We will continuously invest in innovation in packaging and production to deliver a superior experience to our consumers

- As a conscious initiative, we associate with subjects, events and properties that India will engage with, making it possible for us to buy into attractive spaces (tie-up with the Indian Hockey team this year and Chennai Super Kings for the second successive year as its Official Cheers Partner)

#### 8 Inorganic growth

- At TI, we believe that our brands possess the capacity to shoulder increased volumes
- Given the prevailing industry reality, there is more business value to be generated from accelerated scale that is derived from inorganic growth
- The Company invested ₹ 84.68 million in acquisitions in 2011-12, comprising Punjab Expo, Studd Projects, Mykingdom Ventures, P.P. Caps, Srirampur Grains and Shivprabha Sugars. These acquisitions will enhance market share, product portfolio, brands, bottling capacity and distribution presence

The Company will enhance its presence in the premium segment with the objective to counter cost increases, enhance profitability and protect business sustainability







# Big talking points

**8** The percentage growth of the Indian liquor industry in 2011-12 over the previous year

**22** The percentage growth of TI's sales volumes in 2011-12 over the previous year

**3** The percentage growth of the Indian rum segment in 2011-12 over the previous year

**37** The percentage growth of TI's rum segment in 2011-12 over the previous year

**30** Our manufacturing facilities

**13** Number of States in which our manufacturing facilities are present

**33** The percentage CAGR growth of TI's volume over the past five years

Statement from CMD

“TI will capture a larger share of the Indian IMFL market through progressive investments in its brands, capacities and distribution bandwidth.”

Amit Dahanukar, *Chairman & Managing Director*

*Dear Stakeholders,*

We emerged with considerable credit from a challenging 2011-12 as is reflected in our annual report's positioning of 'against the odds'. We focused on innovative launches and took our products deeper and wider. The result is that on a consolidated basis, our revenue growth of 18% was 2.5 times the growth of the IMFL sector and ₹ 472 million bottomline represented a 19% growth over the previous year.

I am also delighted to state that in recognition of our ability to comprehensively cater to the CSD (Canteen Store Department) segment, we were awarded the 'CSD - Best Business Partner for Excellent Performance for 2011-12'. We also won the ICAI Gold Shield for excellence in financial reporting for our 2010-11 Annual Report, which is a recognition of the Company's internal controls and stringent efforts to maintain compliance with the prescribed financial framework.

A number of stakeholders will be inclined to believe that the Company encountered an easy industry environment during the year under review. The reality was quite the contrary for some good reasons:

We were compelled to absorb an increase in the cost of container glass of 8% in February 2012. Glass accounts for a significant portion of our packaging costs. Furthermore, there has been a delay in the government permitting us to increase prices in some of our major consumption pockets of Tamil Nadu and Andhra Pradesh. In another major state Karnataka, the increase was allowed only towards later part of the year and we expect the full result of this impact to be visible this year.

There was a decline in the quantum of volumes we could sell in government-controlled Tamil Nadu in 2011-12 which is a major market

for your Company. We awaited regulatory approvals to commence operations from our bottling partners, which only came in between March and April 2012, the effect of which will be visible only in 2012-13, when we expect to grow our presence in that state.

#### **Value over market share**

In the IMFL industry, it would have been relatively simple to increase our revenues by a significant percentage while compromising our profitability. This is precisely what we did not do in 2011-12. Over the last few years, we consciously resolved to not just emerge as a larger IMFL company but a stronger one as well. This meant that while our largeness would be measured by the number of cases that we sold and the corresponding revenues we generated, our strength would be measured by our operating margins, return on employed capital and our corresponding market capitalisation.





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We did well on all these counts; while the number of cases sold increased 22% during the year under review, we added 28% to our EBIDTA and enhanced market capitalisation to ₹ 6,720 million in what was a challenging year on the capital markets. This represented a successful volume-value proposition for our Company during the year under review.

At TI, we have always been convinced of a growing tier of Indian consumers seeking better product quality for which they are willing to pay a higher price, quite in contrast to the general perception that much of the Indian market is severely price-conscious. Over the last few years, TI began to produce better IMFL varieties, branded these correspondingly, marketed them

differently and in doing so, reached out to an increasing community of discerning consumers. The result is that the Company increased the proportion of premium liquor in its overall portfolio and strengthened its margins.

A key development reinforcing the Company's belief in the evolution of the premium and luxury category is the launch of our very own single

malt whisky – Seven Islands Vintage Single Malt Whisky. This brand was unveiled in London on April 24, 2012 and will be introduced in India in the near future.

Your Company is also in the process of launching further premium brands in the brandy category in the coming months. This will reinforce our position as a leading player in the brandy category with a presence across multiple price points thus catering to a wide diaspora of discerning customers.

### **Business sustainability**

In the liquor industry, success is derived from an ability to explore elasticity - the evolving relationship between price increases and offtake. There is a specific reason for this; the country is becoming increasingly affluent and this consumer segment is demanding superior liquor quality. At TI, we are focused on creating premium varieties to enhance brand perception and, in turn, segment realisations.

At TI, we are satisfied that we branded more effectively and undertook price increases wherever possible. We effected a 7-10% price increase across most of our major consumption centers (CSD,

At TI, we have always been convinced of a growing tier of Indian consumers seeking better product quality for which they are willing to pay a higher price, quite in contrast to the general perception that much of the Indian market is severely price-conscious.

Karnataka, Odisha, Sikkim, Assam, Goa and Puducherry).

It is a measure of the Company's branding competence that volumes continued to grow, the increase in price notwithstanding.

### **Strategic blueprint**

We are passionate in investing in TI's future and know that with us in this endeavour is our team of around 700 employees and over 23,000 shareholders and other stakeholders. Our passion, strategic insight into marketing, branding, acquisition and distribution will propel our Company to greater heights. We propose a dividend of ₹ 0.80 per share (FV of ₹ 10) with a view to rewarding shareholders and conserving resources that will in turn enhance profits and shareholder value.

I take this opportunity to place on record my sincere thanks to all the well wishers of our Company for their continued support and blessings.

We look forward to a resounding performance in the next year.

With my very best regards,

*Amit Dahanukar.*  
Chairman & Managing Director



## Brands

# Every second, 18 bottles of TI are uncorked in India!

We are not in the markets to push our products but to create a consumer pull

At TI, we possess one of India's largest collections of IMFL (whisky, brandy, rum, gin and vodka) brands that span across tastes, budgets, regions and countries.

- TI's brands comprise some of the most popular and fastest-growing labels like Mansion House, Madira, Courier Napoleon, BLACPOWER, White House, MH VSOP. TI's brands reported a growth in excess of 22% on an average in 2011-12
- TI is among selective companies to possess two Millionaire brands (Mansion House Brandy and Madira Rum); Mansion House Brandy is the India's second-largest brandy

- Mansion House brandy's sales have grown at a significant 40.29% CAGR over the past five years; Madira brand's sales have surged at 70.67% CAGR over the same period
- A premiumisation focus helped the Company command realisations in excess of ₹ 700 per case across almost 60% of its volume
- Volumes grew 22% in 2011-12 to 13.24 million cases despite a 7-10% price increase

The Company invested around ₹ 30 million in 2011-12 towards advertising, marketing, brand-building activities and brand spends in India



- TI associated with leading players of the Indian National Hockey team – Sandeep Singh, Sardar Singh, Shivendra Singh and SV Sunil – to endorse the Mansion House brand
- This tie-up between hockey players and Mansion House marks a shift in the attitude of corporates towards sports, which has traditionally supported only cricketing stars in India
- The Company's Mansion House brand is based on the theme – 'Have Courage' – and this spirit is strongly emphasised by the Indian hockey players we have associated with. They demonstrated courage in their qualifying matches leading to the London Olympics, indicating a natural synergy
- The Company is the proud sponsor of Chennai Super Kings' cheerleaders at the Indian Premier League (IPL), through its position as the Official Cheers Partner









## Distribution

TI brands are available in 90% of the outlets across South India, a region across which the Company's Mansion House Brandy enjoys an undisputed 42% market share in its segment.

We don't just place products on the shelf, we put them high on consumers' minds

At TI, our products are available just where consumers need them.

- TI's brands are available in 19 Indian states through more than 30 distributors (government and private) and in over 35,000 points of sale, one of the country's largest liquor distribution networks
- This distribution strength was built around 30 dispersed manufacturing facilities (owned, leased or tie-ups) that covered large segments of the Indian market with a focus on South India; besides, optimal capacities in each manufacturing facility reinforced the Company's ability to

seize supply opportunities and consolidate market share

- The Company strengthened its presence in North India by acquiring Punjab Expo, a 50,000-unit per month bottling plant in 2011-12
- Its market share in Andhra Pradesh, Tamil Nadu and Kerala – three of the largest IMFL consuming states in the country – was 6%, 4% and 7% respectively in 2011-12
- The Company reported growth in each of the states of its presence; the highest growth was in Kerala at 77% as compared with the previous year



# Review of our sales and marketing activities

Laxmi Narasimhan, Deputy Managing Director



*Dear Stakeholders,*

EBIDTA growth at 28% was ahead of volume growth of 22%. Our net sales realisations at ₹ 640 per case for TI is the highest among domestic players and next only to MNCs. Around 60% of our revenues came from the premium segment.

Our business continues to be anchored in the high-priced brandy category in South India where we consolidated market share and earnings. We extended our footprints across the non-traditional markets of the East, West and CSD in financial year 2011-12.

Region	FY 2011-12 growth
East	65%
West	47%
CSD	37%

We launched Mansion House Whisky at a semi-premium price point in

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Our business continues to be anchored in the high-priced brandy segment in South India where we consolidated market share and earnings

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Andhra Pradesh, Maharashtra, Karnataka, Odisha, Assam, Goa and Madhya Pradesh. Our campaign revolves around the 'Have courage' theme based on the belief that when it comes to good whisky, the customer will always prefer quality. Our campaign will focus on the customer making his choice and having the courage to stay with it. We believe the theme will continue to resonate with consumers.

White House Rum was a runaway success in the largest rum market of Kerala. BLACPOWER Whisky (grain-based whisky in the regular segment) established a robust presence in West and East India.

We partnered with the Chennai Super Kings in the IPL as the Official Cheers Partner and engaged the top four Indian hockey stars. We introduced several visibility campaigns as we expanded our footprint.

### Pricing and critical mass

We increased prices in markets where our brand was lower than our corresponding brand positioning. We continue to peg prices to national inflation in line with an increase in the input costs of diesel, glass and paper.

Economy brands have a specific role in creating footprints and distribution for the premium brands to ride on. They contribute indirectly in creating profits. We play the volumes game by choice as an institutional imperative. We take care not to expose brands to risks which are inappropriate to their resources or earning potential.

### Industry and regulatory outlook and response

The sudden and significant increases in government levies (on manufacturers) and taxes (on consumers) can affect the industry, slowing velocity and profitability. If

we find ourselves involved in a low-margin game, these can destroy hitherto accumulated earnings. We nevertheless continue to represent before the state governments the need for de-controls.

Several national companies faced regulatory and other headwinds in Tamil Nadu and West Bengal, including us. We realised the premium category's capability to withstand these surprises from the consumer's point of view and the Company's financial health. Hence, our single-minded focus to graduate the Company into premium categories.

Warm regards,

*Laxmi Narasimhan*  
Deputy Managing Director



# Our competencies

At TI, a mix of competencies helped us emerge as one of the most exciting alco-bev companies in India.



## Status

With sales volume of 13.24 million cases (corresponding to 119.16 million litres of liquor) in 2011-12, TI is the one of the largest liquor companies in the second most populous country of the world. The Company operates in the premium alco-bev space and possesses India's second-largest brandy brand of Mansion House.

## Brand management

TI possesses the capability to create, nurture and grow brands for long-term. TI's Mansion House grew volumes at a CAGR of 40.29% for the last five years. Madira, a key rum brand, grew sales volumes at a CAGR of 70.67% during the same period.

## Portfolio

The Company is one of the largest alco-bev brand owners in India across the IMFL space (whisky, rum, vodka, gin and brandy) with two Millionaire brands – Mansion House Brandy and Madira Rum.

## Premiumisation

TI is focused on driving premium category sales. Average realisations increased 4% during 2011-12. It

achieved realisations in excess of ₹ 700 per case across almost 60% of its volume.

## Assets

The Company has bottling capacities spread over 30 units across the country. It also possesses a 200 KLPD distillation capacity.

## Scale

The Company's mother plant at Shirampur (Maharashtra) enjoys a large operational scale of 200 KLPD (100 KLPD molasses based distillation and 100 KLPD newly commissioned multi-feed distillation capacity) that has translated into superior economies of scale.

## Manufacturing flexibility

The Company manufactures superior quality extra neutral alcohol (ENA), a key resource for onward blending into various IMFL products. The Company possesses the flexibility to consume molasses and grain.

## Fiscal efficiency

The Company received the 'Mega Project' status from the Government of Maharashtra for its new facilities at Shirampur, which entitles it to a

subsidy equivalent to 100% of the eligible investment across seven years by way of set-off/credit for tax liability under Maharashtra Value Added Tax and Central Sales Tax Act along with an electricity duty exemption and 100% exemption from stamp duty.

### **Bottling capacity**

Through timely acquisitions, the Company enjoys a cumulative bottling capacity of over 3 million units per annum, which services 25% of the Company's liquor output. The strategic acquisition of Punjab Expo with a bottling capacity of 50,000 cases per month in 2011-12, will give the Company a strategic foothold in North India.

### **Market share**

The Company is a leading player in South India, the country's largest liquor-consuming geography, with Mansion House brandy accounting for a robust 42% market share in its segment. This makes the Company one of the largest players in Andhra Pradesh, Karnataka, Tamil Nadu and Kerala.

### **Distribution**

In 2011-12, nearly 80% of the Company's sales were made through the government corporations of Andhra Pradesh, Kerala, Odisha, Karnataka, Delhi, Tamil Nadu, Rajasthan and Chhattisgarh. Nearly 14% were derived from direct sales to CSD, BSF, CRPF, Indo-Tibetan Border Police and National Security Guard. The rest was derived through distributors in Maharashtra, Goa, Daman, Puducherry, Mahe, Karaikal, Yanam, West Bengal, Sikkim, Assam, Meghalaya and exports. The Company enjoys a presence in over 35,000 point of sales across India. Overseas sales are made through consignment agents and large distributors. Nearly 80% of the Company's overall retail presence – right down to the shop – is directly controlled by it, with its ground force expanding from 50 individuals in 2006 to 300 today.

### **CSD sales**

The Company is among few IMFL players to enjoy a robust presence through pan-Indian Canteen Stores Departments, leading to CSD volumes increasing by 37% in 2011-12.

### **Alliances**

The Company entered into lease arrangements with 10 pan-Indian liquor manufacturing units and tie-ups with 15 units across India. The Company also owns 5 units, widening its reach and flexibility to 30 units in 2011-12. The partner units manufacture liquor as per the Company's specifications, supervision and raw material supply.

### **Exports**

The Company exports to Africa, the Middle East, the Far East and the Caribbean Islands.

### **Financial strength**

The Company's EBIDTA increased 28% in 2011-12, reflecting its premiumisation strategy. Besides, a modest debt-equity ratio of 1.28 provides room to mobilise low-cost funds to fund acquisitions and strategic opportunities.



# Review of our operational and CSR activities

Shivani Amit Dahanukar, Executive Director



*Dear Stakeholders,*

At TI, philanthropic activities were need-based and largely scattered across the organisation. With a view to consolidate and bring all the activities under one umbrella and strengthen our resolve to help the weaker sections of society, we institutionalised the CSR Center, which now has an independent executive, advisory councils and dedicated resources.



Our CSR intent is to spread the largest good to the widest number. Also, we have chosen to intervene in those areas where we can strengthen the base, enable people to lead healthier and happier lives and spread cheer across communities. Therefore, we chose child education, senior citizen welfare, environment and healthcare as our core areas of concern.

We want to embed our presence in our chosen fields and diversify into other activities. We are currently addressing the Millennium Development Goals in over 25,000 households in 51 adopted wadis near the factory at Tilaknagar, Shrirampur, benefitting more than 1 lakh people. We intend to scale these activities and run multiple arms to make a meaningful difference.

As a recognition of our CSR activities, we have been awarded the "Mother Teresa Excellence Award" by the Integrated Council for

Socio-Economic Progress, Thrissur, Kerala in recognition of outstanding achievements, excellent performance and noble contribution in the field of social welfare, particularly in achieving Millennium Development Goals.

We are also focused on driving operational excellence across our plants, and to this effect, we have not only optimised our cost structure but also reinforced our scale and product quality, leading to enhanced realisations with a growing contribution to the bottomline.

As consumers move up the value chain and with new consumers constantly added to an ever-growing pie, India represents one of the most attractive liquor markets, despite stringent government controls on pricing and distribution fronts. The country's per capita liquor consumption is abysmally low at 4 litres. Besides, the social stigma attached to drinking is getting slowly erased, especially in urban

India, strengthening the case for higher Indian alcohol per capita consumption.

At TI, we are not in the race as much to become the largest but certainly the finest alco-bev Company in India. We expect to grow our sales from 13.24 million cases in 2011-12 to 15 million cases in 2012-13 (through organic and inorganic growth) and become a larger alco-bev Company. With the present bottlenecks being sorted out in Tamil Nadu, we expect this market to contribute 20-25% to our revenues in 2012-13.

We expect to outperform our industry growth in the next few years through the introduction of brands, stronger marketing and wider distribution.

With my very best regards,

*Shivani Amit Dahanukar*  
Executive Director

# Corporate Social Responsibility

## Introduction

TI embraced the Millennium Development Goals a couple of years ago, representing the basis for the Company's inclusive agenda across 51 adopted villages. Besides, in line with the United Nations focus on a green economy in 2012, the Company addresses the triple bottomline approach of people, planet and profits. The Company invests in green energy, transportation, architecture and amenities on the one hand and provides for the weakest sections of society on the other.

## CSR at TI

At TI, a green economy has been a way of life. So even as your Company invested in a 100 Kwh rooftop solar system at its bottling plant in Rajahmundry (Andhra Pradesh), it also commissioned solar street lamps in villages.

As an extension of this commitment, your Company commissioned women's self-help groups for the production of vermi-compost in and around Shrirampur, the location of its flagship unit. It also assisted cattle rearing in Umarkhed, offering a buyback arrangement to the villagers.

Your Company believes that development is possible by marrying tradition with innovation. Towards this extent, your Company has sponsored micro-irrigation equipments to enable tribal farmers in the Nilgiri Biosphere Reserve Forest of Coimbatore to undertake the natural farming of local banana strains. Through organic vegetable cultivation in the Shrirampur campus for supply to community annakshetras and Pune households, your Company is advocating greener farming and farm waste management.



## Goal 1: Eradicate extreme poverty and hunger

TI's Maa Ananteshwaridevi annakshetra, running at various locations since last five years, is an initiative to provide the starving with free wholesome meals. This initiative now covers more than a million people annually. At the Shrirampur annakshetra, over 25 tons of organic

vegetables grown within the Company's premises, are used in cooking the meals.

### Total people served (lacs)

2007-08	1.64
2008-09	6.53
2009-10	7.43
2010-11	8.99
2011-12	10.08



## Goal 2: Achieve universal primary education

TI runs an English-medium school and supports a Marathi-medium school in Shrirampur. The former (DVEM School) has 807 students and 37 faculty members, successfully operating for 37 years. The Marathi-medium school (1945) has about 554 students and 19 staff members. Education is duly supported by extra-curricular

activities for holistic student development.

### Educational sponsorship for school children (Numbers)

2007-08	-
2008-09	9
2009-10	17
2010-11	14
2011-12	27







### 3 Goal 3: Promote gender equality and empower women

Your Company is an equal opportunity employer and promotes the inclusion of women in all technical and non-technical jobs. Various programs for capacity building and skill development are conducted on an ongoing basis. Your Company initiated a vermi-compost business model for women self-help groups in adjoining villages with buyback agreements to promote entrepreneurship.



### 4 Goal 4: Reduce child mortality

Your Company identified malnourished children in the adopted wadis followed by intensive nourishment camps. These children are put through an intensive health and nutrition program in the annakshetra area, specifically assessed on health deficiency and supplemented through diet, hygienic and nutritious food. Regular follow-ups ensure that progress is continuously monitored.

Children treated for malnourishment  
(Numbers)

2007-08	–
2008-09	29
2009-10	–
2010-11	–
2011-12	32



### 5 Goal 5: Improve maternal health

Your Company organizes specialized camps for pregnancy diagnosis by UPT tests followed by health and nutrition guidance to pregnant

women. Medical staff at Company dispensaries not only guide women in ante-natal care but also provide health supplements, multivitamin tablets as well as iron and calcium supplements for healthy foetal growth.



**Goal 6:  
Combat HIV/AIDS,  
malaria and other  
diseases**

Your Company supports Swayaprerit Vikas Sansthan Trust in Sangamner district (Maharashtra) through medicines and basic needs. The Trust looks after 17 children suffering from AIDS. The Company's medical staff conducts and supports awareness camps in schools and adjoining wadis on AIDS, hepatitis and malaria. Eye check-up camps have been

conducted since June 2009; 360 patients have been funded for cataract surgery; free medical check-ups and aid has been provided to the needy; medical sponsorships were provided to 113 patients in 2011-12.

**Villagers benefitted from medical camp**

2007-08	12095
2008-09	17740
2009-10	23960
2010-11	29308
2011-12	30400



**Goal 7:  
Ensure environmental  
sustainability**

During World Environment Day 2011, Your Company undertook its largest tree plantation and distribution drive across five Indian states in line with UNEP's theme of 'Forests: Nature at your service'. More than 50,000 saplings were planted. Environmental awareness and afforestation was conducted in Andhra Pradesh, Karnataka, Goa, Punjab and Maharashtra, benefiting over

2,000 villagers and students.

A 100 KW rooftop solar installation was undertaken at the Company's bottling unit in Andhra Pradesh, resulting in 70% energy cost reduction and reduced dependence on grid electricity. Some 40 employees took up cycling as a green mode of transport. A 300-km cycle rally from the Mumbai head office to Shrirampur is scheduled on World Environment Day. Your Company supports tribal villagers in the Nilgiri

Biosphere Reserve Forest, a one-of-a-kind pilot project to achieve sustainable farming through micro-irrigation and marketing.

**Tree plantation and distribution  
(Numbers)**

2007-08	-
2008-09	-
2009-10	47242
2010-11	41463
2011-12	53003







# Profile of the Board of Directors

Mr. Amit Dahanukar



Mr. Amit Dahanukar is a graduate in Electrical Engineering with a Masters degree in Engineering Management from Stanford University, U.S.A. He provides strategic direction for TI's future initiatives and is also responsible for its various alliances and collaborations.

Mrs. Shivani Amit Dahanukar



Mrs. Shivani Amit Dahanukar has a Masters in Business Administration from the University of San Francisco. She is also a graduate in Law from the Government Law College, University of Mumbai. She oversees TI's daily operations and spearheads the welfare activities of the Group in the fields of nutrition, primary education and healthcare.

Mr. V.B. Haribhakti



Mr. V.B. Haribhakti is a Chartered Accountant and in practice for the past several years. A gold medalist in the final Chartered Accountants Examination, he was President of the Institute of Chartered Accountants of India in 1967-68. He was also the President of Indian Merchants' Chamber in 1978-79 and of the Council for Fair Business Practices in the year 2004-05. He is having considerable experience in the field of accountancy and management and is associated with the Company since March, 1977.



**Dr. Vishnu Kanhere**

Dr. Vishnu Kanhere is a practicing Chartered Accountant and a qualified Cost & Management Accountant. He is a Certified Fraud Examiner (Association of Certified Fraud Examiners, U.S.A) and a Certified Information System Auditor (Information Systems Audit and Control Association, U.S.A). He is an I.R.C.A. (U.K.)- accredited auditor for ISO 9001:2008 Quality Management Systems. His financial, commercial and information technology background helps him provide valuable inputs to the Company.

**Dr. Ravindra Bapat**

Dr. Ravindra Bapat is Emeritus Professor, Department of Surgical Gastroenterology at the Seth G. S. Medical College and K.E.M Hospital, Parel, Mumbai. He is a member of the Governing Council of Tata Memorial Centre. He is also the Chairman of Haffkine Bio-Pharmaceutical Corporation Ltd.

**Mr. C.V. Bijlani**

Mr. C.V. Bijlani started his career as a lecturer in Economics. He possesses a five-decade experience in banking and finance (project finance, capital structuring, merchant banking, investment banking, forex, mergers and acquisitions, industrial rehabilitation, joint ventures, external commercial borrowings, leasing, hire purchase, HRD, accounts, taxation, legal and general administration, among others. He has held senior positions with public and private sector banks.

**Mr. Madan Goyal**

Mr. Madan Goyal is a management graduate (Faculty of Management Studies, Delhi), the Fellow of Chartered Institute of Bankers, United Kingdom and Lord Aldington Research Fellow, United Kingdom and C.A.I.I.B., with an experience of more than 46 years in commercial banking, investment banking and human resource management. He was associated with the State Bank of India, SBI Capital Markets and SBI Mutual Fund for 25 years, holding senior positions. Currently, he is the Chairman & Managing Director of Primeview (India) Infin Pvt. Ltd.

# Profile of our senior management



**1 Mr. Laxmi Narasimhan**

*Deputy Managing Director*

Mr. Laxmi Narasimhan is an alumni of IIM Calcutta and has a B.E. degree in Industrial Engineering from Anna University. He has over 16 years of experience in the FMCG sector in various capacities at different locations.

**2 Dr. Keshab Nandy**

*Director (Legal, HR, IT, IR, Vigilance & Safety)*

Dr. Keshab Nandy is a multiple graduate and postgraduate degree holder with distinctions in English, HRD, Law and Management, and a Ph.D. in Human Resources. He has expertise in several areas of management with more than 27 years of industry experience. He is actively associated with management research and is a recipient of several awards.

**3 Dr. Sukhbir Puri**

*Sr. Vice President – Operations*

Dr. Sukhbir Puri is an MSc, PhD in Chemistry and has 39 years of extensive experience -- five years in marketing and more than 34 years in manufacturing/ operations/supply chain. He is associated with Bhartiya Yuva Sakti Trust, an NGO that trains the youth to become entrepreneurs.

**4 Mr. Gaurav Thakur**

*Company Secretary*

Mr. Gaurav Thakur is a postgraduate in Commerce, a qualified Cost & Management Accountant and Company Secretary having over 12 years of experience in secretarial and legal functions across various sectors.



**5 Mr. G. S. Krishnan**  
*DGM – Finance*

Mr. G. S. Krishnan is a graduate in Science and C.A.I.I.B. (Indian Institute of Bankers) and has over 30 years of experience with nationalised and private sector banks in the area of financial services.

**6 Mr. Purushottam L. Gupta**  
*DGM – Finance*

Mr. Purushottam L. Gupta is a postgraduate in Economics, Personnel Management and a certified associate of Indian Institute of Bankers and has over 38 years of experience in banking.

**7 Mr. Ajit Sirsat**  
*DGM – Finance & Accounts.*

Mr. Ajit Sirsat is a Chartered Accountant and Cost & Management Accountant having 18 years of experience in finance and

accounts.

**8 Mr. C. D. Nageshwar Rao**  
*Vice President – Sales (Deccan)*

Mr. C. D. Nageshwar Rao, a high-performing marketing professional, is a graduate in Commerce with a diploma in Business Management. He possesses 30 years of experience in sales, of which 28 years is in the liquor industry.

**9 Mr. Pinaki Sengupta**  
*Vice President – Sales (East)*

Mr. Pinaki Sengupta has a PG Diploma in Marketing & Sales Management with 20 years of hands-on experience in the liquor industry.

**10 Mr. Ashish Choudhury**  
*General Manager – Sales (Karnataka)*

Mr. Ashish Choudhury is a graduate in Humanities from Bengaluru University and has 32 years experience in sales

in different locations with leading IMFL companies.

**11 Mr. S. S. Balaje**  
*DGM – Sales (Tamil Nadu & Puducherry)*

Mr. S. S. Balaje is a graduate in Corporate Secretaryship and has over 28 years of experience in the areas of consumer research/ innovations, sales and marketing of liquor, packages and tinned food.

**12 Mr. Rajesh Agrawal**  
*DGM – Sales (Maharashtra & Daman)*

Mr. Rajesh Agrawal is a graduate in Humanities and has over 28 years of experience in the IMFL industry. He possesses an in-depth knowledge of sales and distribution in the liquor industry.





**13 Mr. Siv Sankar Chanda**  
AGM – Sales (Odisha and Sikkim)

Mr. Siv Sankar Chanda is a graduate in Humanities from Utkal University, Odisha and has over 20 years experience in sales and marketing of alcohol across different locations.

**14 Mr. Maxy George Poovattil**  
Sr. Manager – Sales (Kerala)

Mr. Maxy George Poovattil is a graduate in Arts from Manonmaniam Sundaranar University, Tamil Nadu and has over 17 years of experience in sales and FMCG in Kerala and UAE markets.

**15 Mr. Naresh Agnihotri**  
Vice President – Works

Mr. Naresh Agnihotri is a graduate in Chemistry and has over 40 years of experience, of which 23 years

is in the liquor industry.

**16 Mr. K. S. Prasad**  
Vice President – Projects

Mr. K. S. Prasad is a B.Tech and has more than 25 years of experience in alcohol and alcohol-based chemical projects.

**17 Mr. M. R. K. Nair**  
General Manager – HR/ IR and Legal

Mr. M. R. K. Nair is an Intermediate in Commerce with varied experience extending 43 years in different industries. He has handled IR, industrial administration, and legal issues.

**18 Mr. C. R. Ramesh**  
General Manager – Liquor

Mr. C. R. Ramesh is a graduate in Chemistry and has more than 29 years of extensive experience in liquor

manufacturing operations.

**19 Mr. Santosh Thakur**  
General Manager – Purchase

Mr. Santosh Thakur is a graduate in Science from Mumbai University and a postgraduate in Materials Management from L. N. Welingkar Institute of Management having 19 years of cross-functional experience across various sectors.

**20 Mr. Anand Kadam**  
DGM – Purchase

Mr. Anand Kadam is a graduate in Engineering (B.E. Production – Hons.) from Mumbai University and a postgraduate in Materials Management having more than 20 years of experience in material management.



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**21 Mr. K. Kumarsamy**  
*General Manager – Manufacturing*

Mr. K. Kumarsamy is a graduate in Chemistry and has over 22 years of experience, of which 19 years is in the liquor industry in the areas of blending and quality assurance, production of IMFL, spirit & wine and commercials.

**22 Mr. Bhaskar Ray Chowdhury**  
*General Manager – Production (East & Northeast)*

Mr. Bhaskar Ray Chowdhury is a B.Tech in Chemical Engineering from Jadavpur University and has over 16 years of experience with leading liquor companies.

**23 Mr. Shaibal Mukherjee**  
*General Manager*

Mr. Shaibal Mukherjee is a

Chemical Engineer from Jadavpur University and a postgraduate in Business Management. He has vast experience of more than 29 years with leading liquor companies and is fully conversant with all aspects of liquor manufacturing.

**24 Mr. R C Vashisht**  
*General Manager – (North)*

Mr. R C Vashisht is B.Sc with distinction in Chemistry. He has total 34 years of rich experience in reputed liquor companies.

**25 Mr. A. G. Nagarajan**  
*General Manager – (South)*

Mr. A. G. Nagarajan, is a B. Tech from NIT Warangal and post-graduate from AIMA, New Delhi. He has over 29 years of rich experience across various sectors in various capacities at different locations out of which 14

years is in the liquor industry.

**26 Mr. Shankar Pawar**  
*AGM – Accounts & Finance*

Mr. Shankar Pawar is a Chartered Accountant and has 8 years of experience in the areas of accounts, finance and taxation across various sectors.

**27 Mr. Bhavin Desai**  
*AGM – Cost and Accounts*

Mr. Bhavin Desai is a qualified Cost & Management Accountant and is an MBA (Finance) from ICAI having more than 15 years of experience across various sectors.

**28 Ms. Saviana Phulsunghe**  
*AGM – HR*

Ms. Saviana Phulsunghe is a postgraduate in Human Resource and has a rich

experience of over 16 years, in the areas of human resource, handling a generalist profile.

**29 Ms. Hemangi Joshi Naik**  
*AGM – Legal*

Ms. Hemangi Joshi Naik is a B.A., L.L.B. and having more than 7 years of experience in corporate laws across various sectors.

**30 Mr. Ankush Sushil Vengurlekar**  
*Sr. Manager – Agribusiness*

Mr. Ankush Sushil Vengurlekar is a graduate in Agriculture and has 8 years experience in organic farming, environmental sustainability and supply chain management.

# Brand initiations

## Tilaknagar Industries Ltd. launches Mansion House Whisky

TI unveiled Mansion House Whisky (MHW) in the premium category positioned with the tag line, 'Have Courage' in January 2012. Mansion House Premium Whisky is made from the purest Scotch malts, aged to perfection, in



oak casks and blended with the finest Indian grain spirit. The striking copper and gold packaging adds sparkle to the identity of MHW.

As part of the product rollout plans of TI, MHW launch marks a new phase of growth. The goodwill and dominance of the Mansion House brand in South India will now be leveraged to capture market share across geographies and product portfolios.

The campaign of Mansion House Whisky revolves around the 'Have courage' theme. To be counted in any field, one has to have courage to do what he thinks and stay with what he thinks is right. TI believes that when it comes to spirits, the consumer comes for the hype but wants to stay for quality. The campaign will focus on the customer making his choice and having the courage to stay with it. This is a strong positioning which stands out from the typical entertainment and sports. TI believes the theme will resonate with the polity.







## BLACPOWER Batting Challenge

BLACPOWER is a whisky targeted at the working class, an audience that works hard and drinks hard. The category is dominated by well-established brands that sell 12-18 million cases a year. BLACPOWER on the other hand, is barely a year old in the market. The challenge was to make it the brand of choice.

We decided to connect with them by celebrating their favourite sport – *galli* cricket – and giving recognition to their talent through a tournament called BLACPOWER



Batting Challenge. The tournament's format was a 4-member team, 2-over contest, with regular box cricket rules.

Messages came up on bus shelters, buses, wine-shops and radio, inviting teams to participate and win ₹ 25,000. Over 700 teams registered and 96 were selected through a draw.

BLACPOWER Batting Challenge was held at 6 venues across Mumbai and created tremendous buzz for the brand among the audience.

## TI selects hockey stars as Mansion House brand ambassadors

TI enlisted the cream of the Indian Hockey National team as brand ambassadors. Star players Sandeep Singh, Sardar Singh, Shivendra Singh and SV Sunil now endorse TI's Mansion House Whisky brand



The tie-up between the hockey players and Mansion House marks a shift in the attitude of corporates towards sport, which traditionally favoured cricket stars.

The brand Mansion House is based on the theme of 'Have Courage' and this spirit is emphasised by Indian hockey and the players we have associated with. They have shown incredible courage in their qualifying matches leading to London Olympics. There is a natural synergy between the players and the brand.

This is the first time that we selected sporting celebrities to endorse our brands. The move marks the beginning of a phase of aggressive marketing for the Company that has witnessed robust growth in the last seven years.

This kind of support will help the growth of the national game. Sports persons are dependent on corporate sponsorships. As more money starts flowing into the game, more youngsters will be encouraged to take up hockey full time.



# Management Discussion and Analysis

## GLOBAL ECONOMIC OVERVIEW

The global economy grew 5.2 percent in 2010-11 and declined to 3.8 percent in 2011-12, largely owing to the Euro zone crisis, inflation, economic slowdown and currency volatility. The global economic environment continues to remain cautious.

(percent)

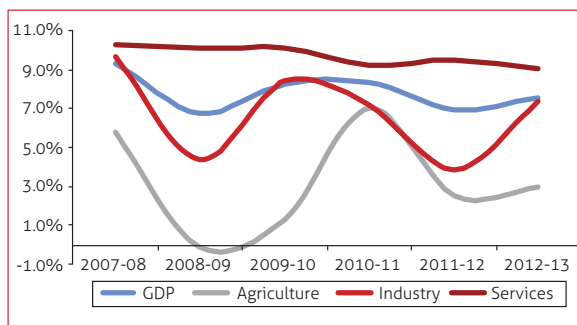
	2010	2011	2012 (E)	2013(E)
World output	5.2	3.8	3.3	3.9
Advanced economies	3.2	1.6	1.2	1.9
Emerging and developing economies	7.3	6.2	5.4	5.9

Source: World economic outlook, January 24, 2012; E – Estimated



## INDIAN ECONOMIC OVERVIEW

The Indian economy is projected to grow 6.5 percent in 2011-12, relatively one of the faster-growing economies. The services sector is estimated to have grown 9.4 percent, agricultural and allied sectors 2.5 percent and the industrial sector 3.9 percent. Demographics, disposal incomes and robust consumption, peaking interest rates and large investments lined up for the 12<sup>th</sup> Five Year Plan (2012-17) augur well for domestic economic growth, going forward.



## GLOBAL ALCOHOL INDUSTRY

Alcoholic beverages include beer, cider, ale, wine (including sparkling barley and rice wine) and spirits such as rum, whisky, brandy, vodka and gin. Almost 40 percent of the world's alcoholic beverage consumption involves branded drinks that are usually owned by large multinationals investing substantially in marketing and brand management.

### Category-wise breakdown of global alcoholic beverages

Category	Volume (bn litre)	Percentage of total
Beer	185	78.4
Wine	27	11.2
Spirits	19	8.1
RTD's/ high strength premixes	4	1.7
Cider/ Perry	1.5	0.6
<b>Total</b>	<b>236</b>	<b>100.0</b>

Source: Euromonitor, HSBC



While growth determined from developing economies provides volume expansion, the mature markets provide enhanced value.

The transformation in consumption patterns arising from demographic changes is redefining product development and marketing in the global alcohol beverages sector. One of the key prevailing trends is premiumisation in developing economies, marked by a growing consumption of superior alcohol beverages.

The premium spirits industry however reported a decline in offtake during the global economic crisis owing to slowdown in developed economies. To counter the consumption of cheap variants, manufacturers launched quality products in Africa, Asia, Europe and Latin America. Manufacturers were also required to address challenges which included promoting responsible drinking, high ingredient costs and preference for low-cost and high-quality brands.

The European Union represented almost 57 percent of the world spirits market. The global alcohol industry is expected to exceed USD 1 trillion by 2014 (Source: MarketLine). Market volume is predicted to grow 10 percent to 210 billion litres in 2014. Beer, cider and flavoured alcoholic

beverages represent the leading market segment, accounting for over half the market value.

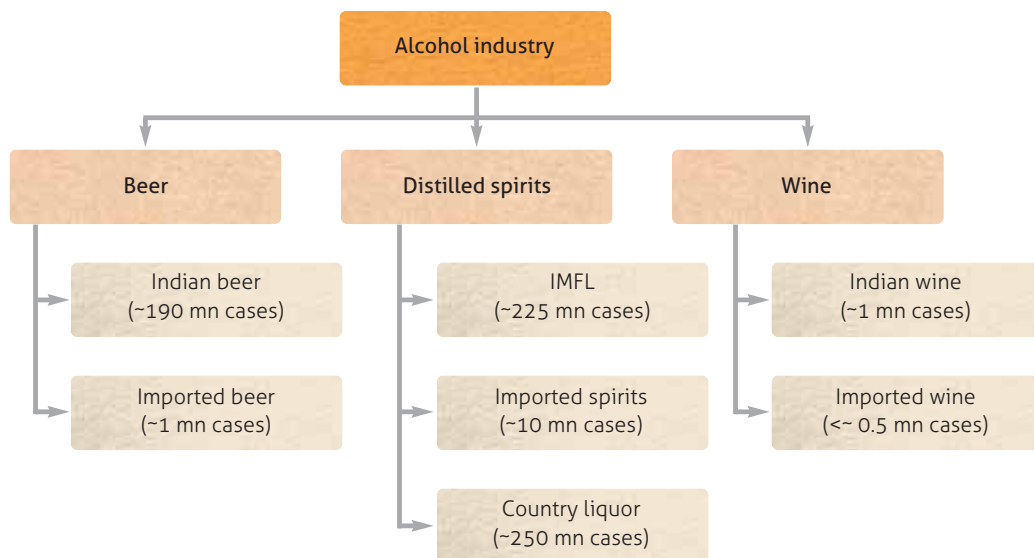
### INDIAN ALCOHOL INDUSTRY

The Indian alcohol market is estimated at around USD 15 billion. Nearly 75 percent of this market comprises spirits; the balance is accounted by beer, wines and flavoured beverages. Whisky, brandy, rum, vodka and gin manufactured in India, are referred to as 'Indian made foreign liquor' (IMFL). The branded spirits IMFL market is estimated at nearly 225 million cases (nine bulk litres each). Brown spirits (whisky, brandy and rum) account for around 96 percent of the Indian industry.

Whisky is the largest-selling alcoholic beverage in India with a 56 percent share of the IMFL market while brandy (23 percent) and rum (14 percent) represent the other large segments. The Indian spirits industry grew 8 percent in 2011-12.

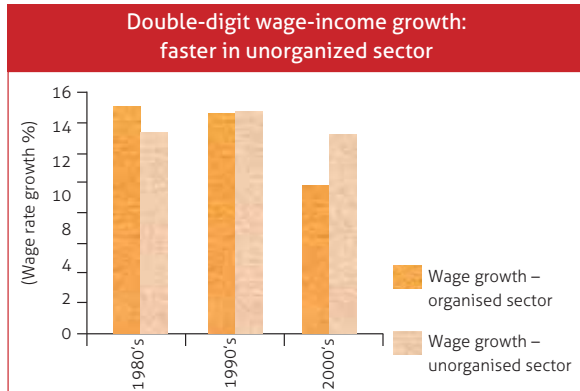
The Indian IMFL industry is regulated, marked by duties, fees, customs, taxes and restrictions by state and central governments. Intelligent marketing and innovative packaging techniques by some companies have portrayed alcohol as a lifestyle product and an integral part of most social events.

Overview of the Indian alcoholic industry



Source: Crisil Research, 2011

India is a lucrative destination for multinational alcoholic beverage brands, being under-penetrated compared with the mature markets of Europe and the US. Country liquor enjoys a commanding presence in North Indian states. However, its share is expected to decline by FY15, replaced by IMFL on the back of rising incomes and awareness.

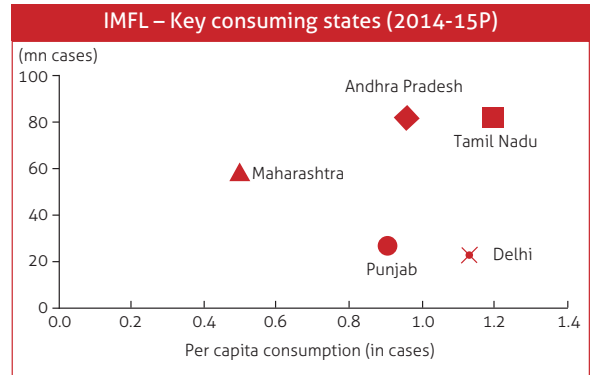


Source : Government of India, Anand Rathi Research

South Indian States, specifically Tamil Nadu and Andhra Pradesh, are the key IMFL consumption centres, accounting around 35 percent of the total IMFL volumes consumed in India. IMFL consumption in the Southern States is higher than North India because of a ban on country liquor in the South.

The Indian brandy market is the second-largest segment of the IMFL industry. Over five years, the brandy market grew at a 13.8 percent CAGR. The per capita brandy consumption was pegged at 0.3 litres in FY10, which has grown in five years at a CAGR of 12.2 percent (Source: Mindpower Solutions). Growth is propelled by an increasing consumption in South India where brandy is very popular.

Vodka is the fastest-growing IMFL segment in India, catalysed by increased consumption in pubs, hotels, restaurants as well as an evolving nightlife and consumer preferences. Vodka consumption grew 44 percent CAGR over the past five years.



P: Projected

Source: Industry, CRISIL research estimates

Category-wise breakdown of Indian alcoholic beverages

Category	Volume (mn litre)	Percentage of total
Beer	1,510	46.1
Spirits	1,750	53.4
Wine	10	0.3
RTD's / high strength premixes	6	0.2
Cider / Perry	0	0.00
<b>Total</b>	<b>3,277</b>	<b>100.0</b>

Source: Euromonitor, HSBC





## KEY GROWTH DRIVERS

**Product launches:** New product launches (comprising flavored alcoholic beverages, ready-to-drink options and low alcoholic beverages) are expected to drive the long-term growth of the Indian alcohol beverage market.

**Favourable demographics and consumption:** Around 700 mn individuals in India are in the drinking age group ( $\geq 21$  years of age), representing one of the largest consumption pools in the world. There are about 370 million people below 21 (legal drinking age), which is expected to add 15-18 million people annually to the drinking age group over 10-12 years. These significant numbers, coupled with rising per capita incomes, should help drive volumes for IMFL companies.

**Social gatherings:** The consumption of alcoholic beverages at parties, marriages and business conferences is gaining social acceptance.

**Exchequer:** The production and sale of alcohol generates substantial taxes. Duties on alcohol constitute nearly one fourth of the budget of some states.

**Streamlining distribution channels:** India's distribution channels have widened following a rise in liquor retail stores, bars, pubs, hotels and supermarkets.

**Job creation:** The government indicates that the alcohol beverages industry generates about a million jobs across the supply chain – from farming to distribution, to pubs, bars and restaurants.

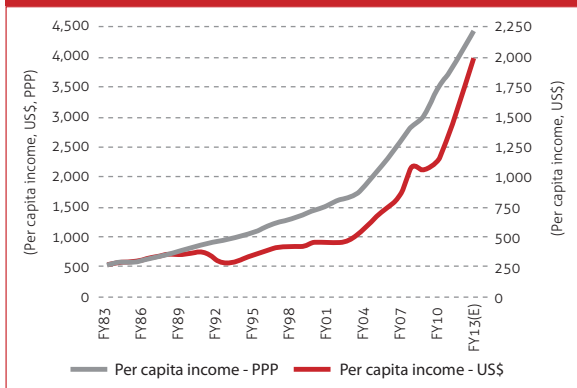
**Tourism:** Tourism promotes alcohol consumption, especially among foreign tourists visiting India.

**Women consumers:** Women participation in the total Indian workforce will only strengthen from the current levels of 30-35%. Women are expected to influence more than two-thirds of consumption expenditure in India covering the consumption of alcohol as well.

**Shift to IMFL:** With an increase in disposable incomes and the growing brand perception of IMFL, consumers are likely to shift their preference from country liquor to IMFL.



### Major acceleration in income since the mid-'90s



Source : Government of India, Anand Rathi Research; E – Estimated.

## CORPORATE OVERVIEW

The Company is one of India's fastest-growing IMFL players with an industry leading presence in South India and CSD stores. The Company owns over 40 IMFL brands catering to a diverse range of tastes and budgets. The Company's core competence lies in its diversified portfolio (Mansion House, the India's second-largest selling brandy brand), dispersed manufacturing facilities and wide distribution network. Your Company is having strong presence in South India, which constitutes 60% of the entire Indian IMFL industry.

### Surging sales volumes at TI (million cases)

2007-08	2008-09	2009-10	2010-11	2011-12
4.2	5.5	8.0	10.9	13.2

Some of the Company's fastest-selling brands comprise Mansion House Brandy, Mansion House Whisky, Courier Napoleon Brandy, Senate Royale Whisky, Madira Rum and Castle Club Vodka, among others.

## OPERATIONAL REVIEW

### Operational Highlights 2011-12

- The Company recorded a 22 percent growth in sales volume from 10.86 million cases in 2010-11 to 13.24 million cases.
- Achieved a robust 37 percent growth in the Canteen Stores Department (CSD).
- Mansion House Brandy emerged as the second-largest brandy brand in India, selling 5.5 million cases in 2011-12.
- Madira Rum emerged with a sales of 1.74 million cases which is 40 percent growth compared to last year.

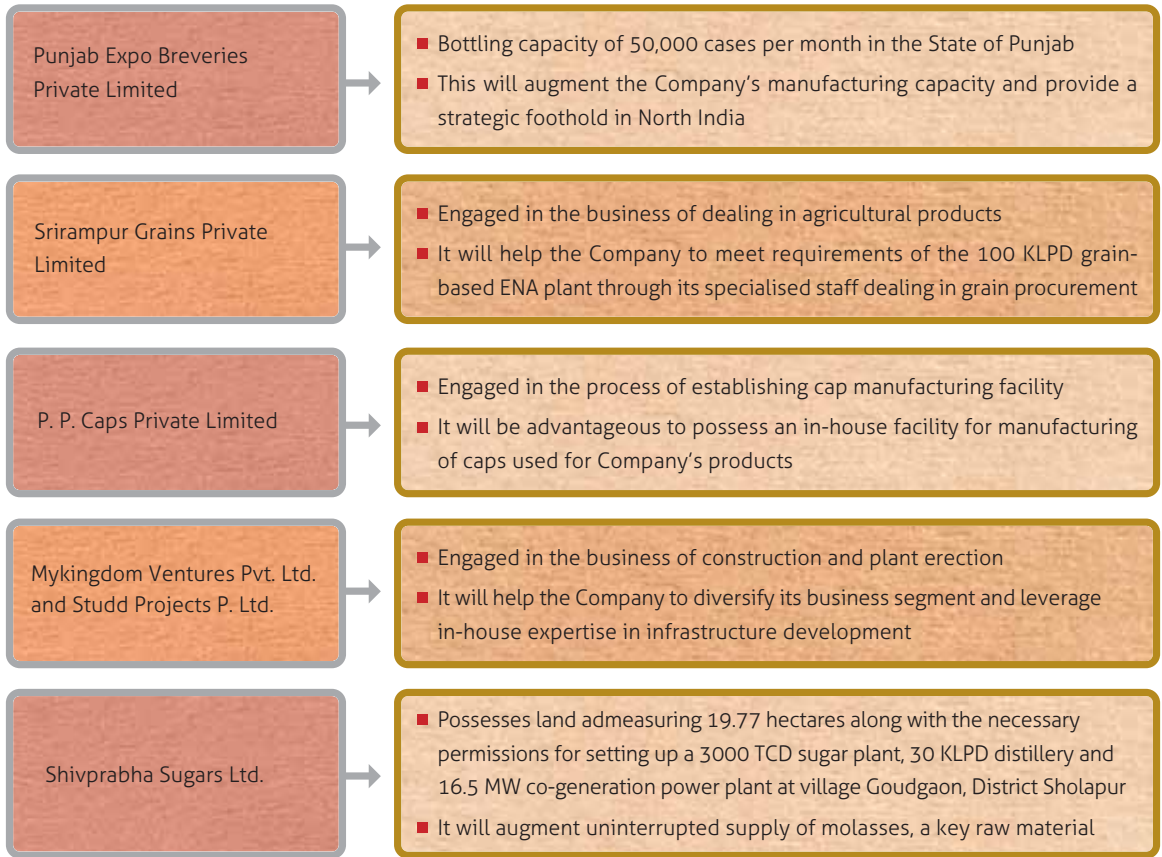
### Manufacturing Review

The Company's manufacturing facilities comprise 1 owned facility, 4 operating subsidiaries with additional 5 subsidiaries for allied activities, 10 lease arrangements and 15 tie-up units. The primary distillation facility is located in Shirampur (Maharashtra) comprising of 100 KLPD molasses based and 100 KLPD grain based distillation plants and 1 lac cases per month (on single shift basis) IMFL bottling plant.

### Acquisitions

During the year under review, the Company acquired following companies to augment its manufacturing capacity and to integrate both forward and backward:





### Marketing and distribution

The Company launched TI's VSOP Brandy and White House Rum in Tamil Nadu and Kerala respectively. TI's VSOP Brandy was positioned in the semi-premium segment and White House Rum was positioned in the regular segment.

The Company has successfully launched Mansion House Whisky in Maharashtra followed by Andhra Pradesh, Karnataka, Goa, Puducherry, Madhya Pradesh, Odisha and Assam with the aim to benefit from the cult identity and loyal brand following of the flagship brand Mansion House Brandy.

In May 2012, the Company announced top Indian Hockey players as its brand ambassadors to endorse the Mansion House brand. The association with star players like Sardar Singh, Sandeep Singh, Shivendra Singh and SV Sunil will strengthen the positioning of the brand, 'Have Courage' and will strongly emphasise the spirit of the Indian National Hockey team as they demonstrated deep courage in the qualifying matches leading to the London Olympics, 2012.

BLACPOWER Whisky was positioned as a mass product through an association with galli cricket and a tournament titled BLACPOWER Batting Challenge (four-member team, two-over contest with regular box cricket rules). Messages were put up on bus shelters, buses, wine-shops and radio,

inviting teams to participate and win ₹ 25,000. Over 700 teams registered and 96 were selected. BLACPOWER Batting Challenge was held at six venues in Mumbai.

Mansion House was enlisted as the Official Cheers partner of Chennai Super Kings (CSK) for the second successive year. The Mansion House Cheerleaders graduated to trendier choli and harem pants. Besides donning the Mansion House logo on the uniforms, it enhanced visibility through a branded podium where cheerleaders were stationed during IPL matches. This engagement has enabled the Company to leverage the brand 'Mansion House'.

### ENVIRONMENTALLY SUSTAINABLE PRACTICES

The Company was certified for ISO 9001:2008 and 14001:2004, demonstrating a commitment to consistency and compliance with demanding environmental standards. Standard operating practices were strengthened and implemented.

#### Towards zero discharges

The Company sustained its stronger zero discharge commitment; trials were conducted for its 50 KLPD molasses-based ENA plant at Shrirampur. The production of the Company's Distillers Wet Grain Spent (DWGS) of 100 KLPD capacity was well received and was used as cattle feed for its protein value. The trials to convert it into value-added distillers dried grain spent continued.

#### Grow Green project

The Company is committed to the Grow Green initiative and introduced a massive tree plantation drive across India on the occasion of the World Environment Day (i.e. June 11, 2011). The project was flagged off with an environmental awareness session at Shrirampur, where a symbolic 251 saplings were planted by factory heads and dignitaries. The Company was successful in planting its targeted 1 lac saplings in five states of the country.

#### Roof top solar installation

A 100 KW roof top solar installation was undertaken at the Company's bottling unit in Andhra Pradesh, resulting in 70% energy cost reduction and reduced dependence on grid electricity. 100 solar street lamps were distributed to 51 adopted *wadis* for street lighting.

#### Natural farming

The Company sponsored micro-irrigation equipment to tribal farmers in the Nilgiri Biosphere reserve of Coimbatore, to enable them to undertake natural farming of local banana strains.





## RISKS, CONCERNS, OPPORTUNITIES AND THREATS

The IMFL industry fortunes are linked with the economic growth. The Indian economy continues to remain one of the fastest growing countries of the world with an estimated GDP growth of 6.9% for 2011-12. The liquor industry shares an elasticity of 1.1-1.5 times the country's economic growth resulting in an annual growth of 10-12 percent. TI is attractively placed to capitalize on the sector's opportunities with a portfolio of 40 brands. The IMFL industry is at the cusp of substantial growth, reflected in the Company's 18 percent double-digit growth during the year under review.

Liquor consumption is considered as a social taboo in many parts and communities of India, but gradually it is emerging as a fashion statement. Rising incomes, growing aspirations and higher national share of a younger earning population is removing the social stigma of the past. This is driving the growth of this sector at 8 percent per annum.

India's IMFL industry is regulated by central and state governments through a control on the sales quantum, excise and tax policies. However, the government is recognizing the importance of this sector as it contributes to the national exchequer. Nearly, 80 percent of the Company's sales are derived through government corporations, an adequate de-risking.



A large percentage of the Company's turnover was derived from Southern India, where any unfavourable regulatory policy could impact business.

The Company enhanced its sales volumes from 4.22 million cases in 2007-08 to 13.24 million cases in 2011-12 with a corresponding increase in average realizations by 4 percent. A high acceptance of the Company's brands enabled it to pass on increase in key input prices (molasses, glass, etc.) during the year under review and thus eroded the commoditisation risks.

The cost of molasses, IMFL's key raw material resource, continued to be linked to the sugar industry's cyclicity, varying season to season and year on year. The Company strategically ventured into grain-based production, an adequate insurance against high molasses costs.

The Company possesses strong relationships with private distributors in large consuming states and an entrenched presence across 3,500 CSD stores across the country. This will evade the risks of product unavailability.

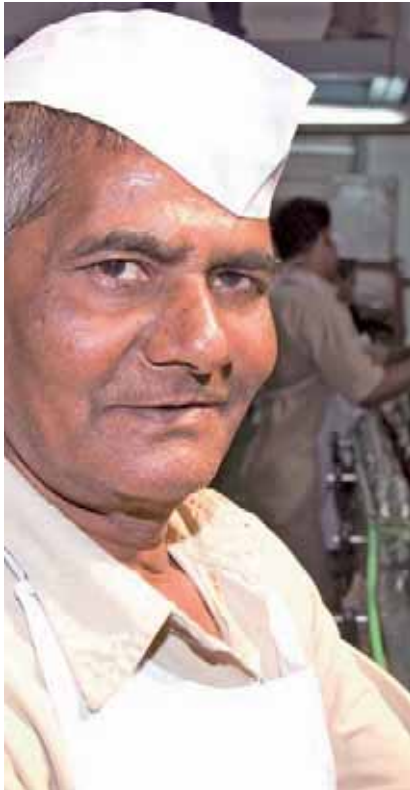




Given the importance of brand recognition to its business, the Company has invested considerable effort in protecting its intellectual property rights, including trademark registrations and domain names. Its patents cover some of its process technology and some aspects of its bottle marking technology as well. The Company also uses security measures and agreements to protect its confidential information. Besides, in a significant outcome, the Company won a landmark judgment from Bombay High Court ruling of December 22, 2011, settling at interim stage that 'Mansion House' and 'Savoy Club' brand trademarks have been transferred to the Company by the UTO Nederland BV. This will enable the Company to extend into other IMFL products using the Mansion House brand, which is already reflected in Mansion House Whisky being launched in Maharashtra, Andhra Pradesh, Karnataka, Odhisha and slowly spreading across the country.







## HUMAN RESOURCES

At TI, we believe that human resources represent one of the most important organizational assets and it takes pride in its open non-bureaucratic culture marked by high access to decision makers. HR has successfully inculcated a strong family value system among the employees, nurturing the "WE" feeling and a strong sense of belonging among all.

The Company introduced a Performance Linked Variable Pay Scheme (PLVP) two years ago, which was progressively established leading to attractive results. The Company also introduced quarterly payouts of PLVP among field staff to enhance cash flow per employee leading to enhanced motivation.

Stringent recruitment norms are followed to ensure quality of hire.

The Company has invested a large amount of capital in strengthening the IT related aspects of HR by revamping the SAP HR module.

The Company has strengthened its employee orientation by the following initiatives:

- Conducted Occupational Health Hazards Program;
- Disbursed employee loans at interest-free or subsidized rate in selective cases;

- Improved overall employee services to enhance the right work-life balance;
- Conducted Training Programs on 'Motivation';
- Conducted 'Ashram Visit' to Dehradun for carrying out social service and spiritual synergy among the employees.

To create a sense of participation in the growth of the Company, it has successfully introduced and implemented various ESOP Schemes.

The total employee strength was 681, during the year ended March 31, 2012.

## INFORMATION TECHNOLOGY

The Company is in the process of implementing Druva backup software for User data and Symantec backup software for SAP data for EMC<sup>2</sup> storage box. This important initiative implementation will result in ensuring attendant benefits to the Company by reducing the business downtime, ensuring unified data protection, ensuring advanced encryption technologies to prevent illegal access, optimization of network bandwidth, backup time and storage, being advanced file-fingerprinting technology to save single copy of content and by providing advanced data backup for mobile workforce. Further, the above software will be ultra fast, incredibly scalable and light





weight by occupying less space and being global source based data duplication, it will eliminate redundant data.

### INTERNAL CONTROL SYSTEMS

The Company has effective and efficient systems of internal control which has been incorporated in the organisation through SAP system which commensurate with the size and nature of the business. This system was designed to ensure that:

- All assets are acquired economically, used efficiently and protected against lost, destruction or unauthorised use;
- All resources - human, materials, machines and money are used efficiently and effectively;
- Financial, accounting and other operational information are accurate, reliable and submitted timely to all concerned;
- All applicable laws and internal policies are complied with in true spirit.

Internal and Statutory Auditors of the Company review the adequacy of the internal control on regular basis and thus helps in mitigating or avoiding fraud or any other discrepancies in the daily operational activities of the Company.

The Audit Committee of the Board of Directors meets periodically to review the findings of Internal and Statutory Auditors' action taken reports and advise the management

with the corrective policies and controls to be adopted by the Company which is consistent with the requirements of the organisation.

### OUTLOOK

The Company is continuously focusing on the existing markets in the South and is intending to strengthen its position in East and Northeast markets. The Company is in continuous process of launching more brands/variants in some of these markets. The initial response from these markets for the brands launched by the Company is quite encouraging.

The Company is planning to have series of rum, whisky and vodka under the 'Mansion House' and 'Savoy Club' brands. The Company will take forward its initiatives towards premiumisation to create high-value brands. While the focus has been to concentrate on brands with better realisation, the Company has also made efforts towards cost rationalisation by introducing the family shape bottles for its flagship brand 'Mansion House' which was one such measure which facilitated an easier re-procurement system for these bottles at a lower price.

The Company believes that it's diversified brand portfolio, focus on premiumisation and ongoing geographic expansion will enable it to fortify its concerted strategy to expand whilst capitalizing new opportunities.

# Directors' Report

*Dear members*

Your Directors are pleased to present the Seventy Seventh Annual Report together with the audited financial statements of the Company for the financial year ended March 31, 2012.

## FINANCIAL RESULTS

The financial performance of the Company for the financial year ended March 31, 2012 is summarized below:

(₹ in million)

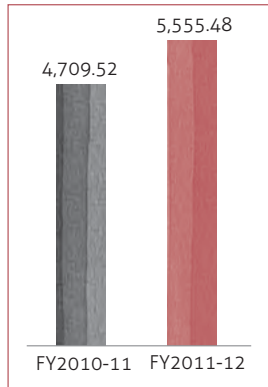
Particulars	Consolidated		Standalone	
	Year ended 31.03.2012	Year ended 31.03.2011	Year ended 31.03.2012	Year ended 31.03.2011
Total Revenue	5,555.48	4,709.52	4,587.27	3,517.77
Profit before interest, depreciation and tax (EBIDTA)	1,484.82	1,161.73	1,334.36	1,036.17
Profit before tax	700.01	643.30	580.64	566.80
Profit after tax	471.61	395.74	387.54	349.01
Surplus brought from last year	472.15	538.93	468.26	581.77
Profit available for appropriations	943.76	934.67	855.80	930.78
Transfer to general reserves	–	355.00	–	355.00
Proposed dividend and tax thereon	111.71	107.52	111.71	107.52
Balance carried to balance sheet	832.05	472.15	744.09	468.26

The performance of your Company during the financial year is consistent with its planned efforts. It is maintaining its upward trajectory in volume growth ahead of the alcobev industry with an equal attention on its financial performance. During the year, the sales volume has increased by 22% and stood at an impressive 13.24 million cases as compared to 10.86 million cases in the financial year 2010-11 on consolidated basis led by an enhanced brand bouquet and penetration in new and existing geographies through mass brands. The Company has franchisee arrangements in some states and in respect of such arrangements, turnover of ₹ 6,896.02 million (₹ 8,308.30 million in the last financial year) has not been treated as sales. However, the surplus

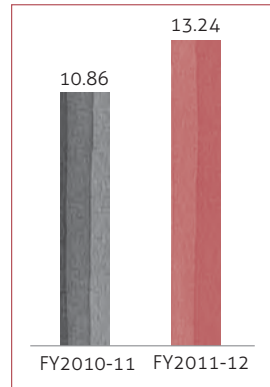
generated out of these arrangements is included in the total revenue. The growth achieved bears witness to the appeal of the TI's brand portfolio catering to wide audience and reaching across various product segments and price points.

While driving volume growth in the IMFL segment has always been the endeavor of the Company, it has simultaneously focused its efforts on margin performance too. Consequently, as a result of the increase in the volumes combined with the premiumisation drive and price increase in the second-half of the financial year, total revenue during the year, on consolidated basis, has increased by impressive 18% and stood at ₹ 5,555.48 million as compared to ₹ 4,709.52 million in the financial year 2010-11.

**Total Revenue**  
(₹ in million)

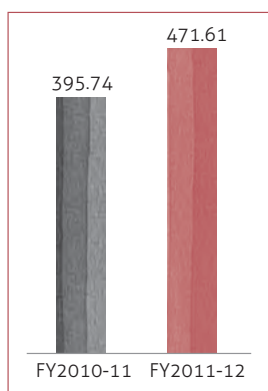


**Sales Volume**  
(million cases)

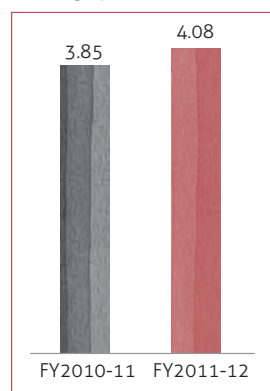


During the year, your Company has achieved a net profit of ₹ 471.61 million on consolidated basis i.e. 19% increase over net profit of ₹ 395.74 million achieved in the last financial year driven by economies of scale, higher price realizations achieved on account of premium products featured in the diversified product portfolio and price increase taken on the flagship brand 'Mansion House Brandy' and other brands in CSD. Significant investments made in family shape bottles during the last financial year also yielded noteworthy contributions to the earnings whilst providing a hedge against increased glass prices.

**Net Profit (₹ in million)**



**Earnings per Share [EPS] (₹)**



The EPS has increased to ₹ 4.08 in the financial year 2011-12 as compared to ₹ 3.85 in the last financial year.

## DIVIDEND

Your Directors are pleased to recommend a final dividend of ₹ 0.80 (eighty paise only) per equity share (8%) for the financial year 2011-12. The dividend, if approved by the Members, will entail a payout of ₹ 111.71 million including dividend distribution tax of ₹ 15.59 million.

The dividend, if approved at the ensuing Annual General Meeting, will be paid on or before September 28, 2012 to:

- i) all Members in respect of shares held in physical form whose names appear on the Company's Register of Members as on September 15, 2012 after giving effect to valid transfers in respect of transfer requests lodged with the Company on or before the close of business hours on September 14, 2012;
- ii) all Beneficial Owners in respect of shares held in dematerialised form whose names appear in the statement of beneficial ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited as at the close of business hours on September 14, 2012.

The dividend is tax free in the hands of the Members.

## OPERATIONAL REVIEW

Your Company is a well established player in the expanding Indian Made Foreign Liquor (IMFL) industry in India and has created a distinct identity for itself in the IMFL segment, with a diversified brand range and a keen focus on premiumisation. Your Company's brand portfolio comprises of over 40 brands featuring two millionaire brands, 'Mansion House Brandy' and 'Madira Rum'. Your Company also enjoys leading position in the Canteen Stores Department (CSD) with 13 brands registered under it.

### Manufacturing Facilities

Your Company has constantly enhanced its core strengths to create a robust business model and presently, it has modern manufacturing set up encompassing various manufacturing facilities spread across India.

Your Company's manufacturing facilities comprise of 1 owned facility, 4 operating subsidiaries with additional 5 subsidiaries for allied activities, 10 lease arrangements and



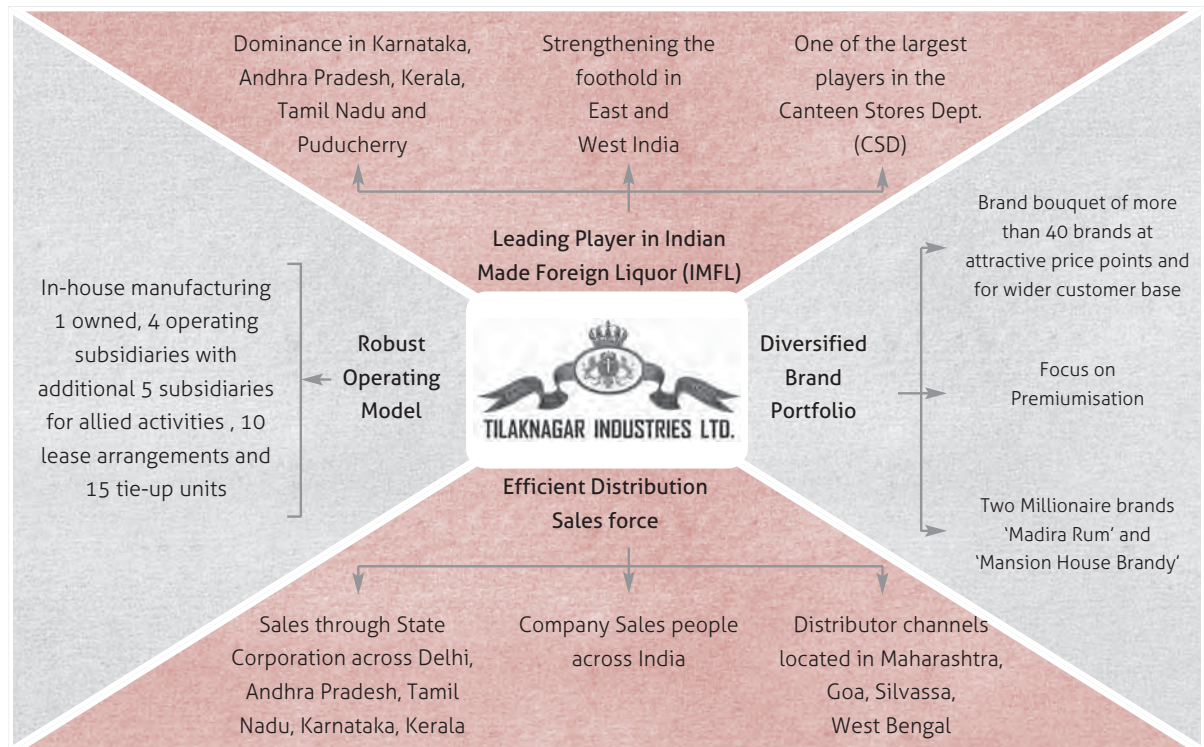
15 tie-up units. The primary manufacturing facility is located in Shrirampur (Maharashtra) comprising of 100 KLPD molasses based and 100 KLPD grain based distillation plants and 1 lac cases per month (on single shift basis) IMFL bottling plant.

The new 100 KLPD grain based facility has enabled your Company to manufacture more premium quality of brands along with better adaptability to safeguard itself against the variations in the prices of molasses and made your Company self sufficient in alcohol requirement. Your Company is

considering conversion of grain based facility into dual mode in order to take advantage of the market price of the two feed stocks, viz. grain and molasses. Presently, both the facilities are in operation and are being used depending upon the feed stock price economies.

Your Company is also considering upgradation of its present IMFL bottling facility to take care of proposed increase in IMFL load for Maharashtra. All the facilities are stringently monitored to ensure product consistency and to produce superior quality alcohol.

## Overview



## Sales and Distribution

Your Company has actualized its growth strategy for the financial year 2011-12 and delivered healthy sales and earnings, which also testifies the vision of the management and the business strategies. Your Company has registered an increase of 22% in sales volume, which is the cumulative result of the investments your Company has made to build its brands along with the benefits of its geographic diversity and distribution network. It also resonates that your Company's high premium brands and differentiated products are

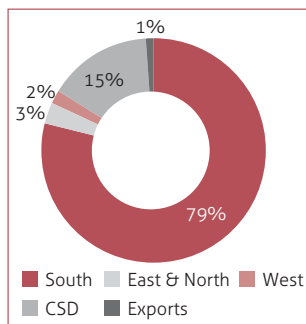
providing the momentum for it to continue penetration in the core markets and simultaneously set footprints in new regions.

Your Company ensures a seamless co-ordination of all functions not just in production, but also in its supply chain management. From tracking market changes and market research to sourcing raw materials, manufacturing and delivering finished goods, it maintains the highest efficiency. The distribution strength of your Company is built around its dispersed manufacturing facilities that covers large swathes of the Indian Market covering all market segments and

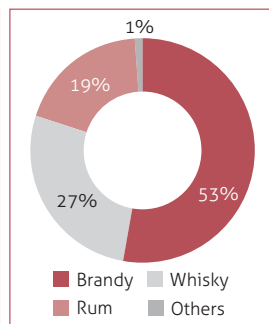
geographies with a focus on South India. Majority of your Company's retail presence is directly controlled by it, with its ground sales force expanding from 50 to nearly 300 highly motivated sales staff.

Your Company is enjoying market share of between 40% to 97% across the Southern Indian States in the brandy segment. Due to its strong market share in South India and its well-established brands, your Company is in a good position to launch other products in liquor industry, leveraging its distribution network in South India. In terms of sales, Andhra Pradesh and Kerala are the leading markets.

**Region wise Sales for  
FY 2011-12**



**Segment wise Sales for  
FY 2011-12**



During the year, your Company achieved sales volume of 10.49 million cases in southern region as compared to 8.82 million cases in the last financial year, witnessing an impressive growth of 19%. The sales in eastern region stood at 0.36 million cases, western region at 0.27 million cases and northern region at 0.01 million cases as compared to 0.22 million cases, 0.19 million cases and 0.06 million cases respectively in the last financial year, demonstrating the strength of your Company's strategy to expand in new geographies.

During the year, the sales volume in brandy segment increased by 4% to 7.07 million cases as compared to 6.80 million cases in the last financial year. The sales volume in whisky segment has increased to 3.58 million cases as compared to 2.17 million cases in the last financial year, registering an impressive growth of 65%. The sales volume in rum segment grew by remarkable 37% to 2.50 million cases as compared to 1.83 million cases in the last financial year. In other segments, 0.09 million cases were sold as compared to 0.05 million cases sold in the last financial year.

Madira Rum, the millionaire brand of your Company witnessed growth of 40% during the year as compared to 19% in the last financial year.

During the year, your Company witnessed subdued volume delivery in Tamil Nadu on account of issues related to bottling. Your Company has taken action and realigned the strategy to handle the situation and as a result, has tied up with new units and also launched various variants at higher price points. The Company has initiated operations in the new units recently and expects to see normalized activity in the said region from the second quarter of the financial year 2012-13.

Your Company has built a strong presence in the South and is now excited to extend its foot prints in other markets pan India.

### Canteen and Stores Department (CSD)

CSD is an important growth driver for your Company. During the year, 2 million cases were sold in the CSD segment as compared to 1.5 million cases sold in the last financial year, an impressive growth of 37%. The flagship brand, Mansion House Brandy leads the brandy segment amongst Armed Forces with 25% market share in CSD, besides becoming the second-largest selling brandy brand in India. Another well appreciated brand of your Company i.e. Madira XXX Rum has replicated a similar success story amongst the Armed Forces and continues to grow at an accelerated pace.

Your Company is excited about its prospects in CSD, as two of its brands, Mansion House Whisky and Classic Whisky, have received enlistment in CSD during the year. Your Company expects to introduce more brands in CSD in the coming years.

### Export

After taking the domestic business to a flourishing note, your Company is now concentrating on expanding its export business. Through investment made in sophisticated microbiology lab and new ENA (Extra Neutral Alcohol) plants combined with implementation of international procedures and high quality standards, your Company ensures meeting global standards of quality required for exports.

During the year, exports stood at 0.11 million cases in the financial year 2011-12 as compared to 0.12 million cases in the financial year 2010-11.

Your Company has responded innovatively to changing customer demands to capture new territories and forayed into uncharted markets. Presently, your Company exports to many overseas countries viz. Angola, Kenya, South Sudan, Nigeria, Uganda, Rwanda, Benin, Ghana, Sierra Leone, Singapore, UAE, Dominican Republic and Haiti.

### Brand Launches

Your Company is increasing its orientation towards premiumisation of products in a sustained and systematic manner to drive profitability.

Your Company unveiled the striking new super-premium Seven Islands Vintage Single Malt Scotch Whisky in London, on April 24, 2012. The Seven Islands Vintage has been meticulously designed and created by Ryan50 Scotland Limited, UK, a multi-faceted company in luxury and lifestyle industry, exclusively for your Company, in strategic association with BenRiach Distillery, Scotland, which is a leading distillery in Scotland producing a variety of scotches. Your Company believes that the super-premium scotch market offers very promising growth prospects both in the domestic and international markets. Your Company sees this as an opportunity to leverage its expertise and introduce this brand to the discerning consumers and look forward to capitalize on the opportunities.

Your Company wants to be present in all the segments and does not want to leave out the premium space, as industry in the lower end segments is growing at a much slower rate than the semi-premium and the premium categories. In fact, the premium and semi-premium categories are growing in double-digit growth, whereas, the regular range products are growing in the single digit growth. Therefore, your Company has launched White House Rum and TI's VSOP Brandy in the last quarter of the financial year 2011-12 in Kerala and Tamil Nadu market respectively. White House Rum was positioned in the regular segment and TI's VSOP Brandy was positioned in the semi-premium segment.

In a major development, Bombay High Court by its landmark judgment passed on December 22, 2011, dismissed the notice of motion filed by UTO Nederland B.V. seeking to restrain your Company from using the trademarks 'Mansion House' and 'Savoy Club'. The impact of the said judgment on your Company's growth is of great significance. The judgment has settled the disputes relating to the ownership and use of the concerned trademarks by your Company in India at the interim stage. This clears the path for your Company to aggressively promote the brands pan India and your Company plans to expand markets of 'Mansion House' across India.

Your Company has taken several initiatives to not only expand its presence in the semi-premium and premium category but also to leverage the strength of its existing brand equity to capture market share across geographies and

product portfolios. Aligned to this thought process, your Company has successfully launched Mansion House Whisky (MHW) in Maharashtra followed by Andhra Pradesh, Karnataka, Goa, Puducherry, Madhya Pradesh, Odisha and Assam with the aim to benefit from the cult identity and loyal brand following of the flagship brand 'Mansion House Brandy'. The goodwill and dominance of the Mansion House brand in Southern India will be now leveraged to capture market share across geographies and product portfolios.

Your Company is encouraged by the customer response received for Mansion House Whisky (MHW) in the market. It brings great pleasure for your Company to highlight that MHW has earned immediate recognition amongst the whisky enthusiasts and is a strong driver of the whisky portfolio in unison with previously launched BLACPOWER Whisky, which is also doing very well. Your Company is aiming at increasing its visibility by focusing on its consumer engagement programs at point of sales.

### Associations

Your Company has recently introduced the cream of Indian Hockey National Team as brand ambassador for Mansion House. The brand 'Mansion House' is based on the theme of 'Have Courage' and this spirit is strongly emphasized by the Indian Hockey and the players your Company has associated with.

Your Company initiated BLACPOWER Batting Challenge to bring out and encourage the batting champions from the nooks and corners of the streets of the city. Such initiative not only helped to promote the hidden talents of the country but also played a vital role in building brand connect with the consumer.

Mansion House, the leading brand of the Company, is continuing as the official 'Cheers' partner of the IPL team Chennai Super Kings (CSK). This engagement has enabled the Company to leverage the brand 'Mansion House' and further consolidate its position as a leading premium brand. The association has helped the Company to strengthen its position in the existing markets and new markets efficiently.

While it has been a year of challenges and opportunities, your Company remained committed to driving growth. Your Company continued to capitalize on the potential in the industry, on the back of a robust model combined with the consumer appeal of its brands.

### FUTURE OUTLOOK

Despite low GDP for the year, Indian Made Foreign Liquor (IMFL) industry continued its growth trajectory at a CAGR of



10% to 12% due to improved demography, increased social acceptance and favourable bias towards spirits, a few of the major positive indicators amongst many.

During the year, your Company focused on not only improving the topline but also towards improving cost efficiency to enhance margins. Your Company is confident of expanding its portfolio to attract and cater to a larger audience. In a systematic and efficient manner, your Company wishes to grow its network to many more regions as well as seek opportunities in the international market.

Your Company is planning to consolidate the manufacturing base in Andhra Pradesh through its wholly owned subsidiary i.e. Prag Distillery (P) Ltd. (PDPL) having manufacturing unit at Andhra Pradesh. PDPL has applied for expansion of the bottling capacity from present 50,000 cases to 300,000 cases per month. Also, PDPL has obtained the letter of intent to set up 100 KLPD Greenfield distillery and a project report is being prepared on the benefits of going through this expansion.

Tamil Nadu, which is a key market for your Company, is expected to witness normalized sales in the near future as your Company has taken measures to tie-up with new units along with the launch of new variants.

Your Company, apart from continued focus on the existing markets in South, intends to strengthen its position in East and Northeast markets. Your Company has already launched new brands in some of these markets and is in the process of launching more brands/variants. Initial response from the market for the brands launched by your Company is quite encouraging.

Your Company has a strong traction in the CSD and a major part of supplies are driven by demands from North India. With a view to serve these requirements and ensure lower costs due to savings on transportation and sourcing, your Company has acquired Punjab Expo Breweries Private Limited (Punjab Expo) during the financial year 2011-12 having its bottling unit in Derabassi, Punjab and bottling capacity of 50,000 cases per month. Modernisation work at Punjab Expo is nearing its completion stage with installation of a unique PET filling auto line specifically designed to cater to CSD market in North. This will increase the capacity of its plant to 100,000 cases per month on single shift basis.

Mansion House Whisky was your Company's step towards premiumisation. It is now looking at targeting the growing end of the whisky consumers and your Company is collaborating

with various agencies, which are helping it to design a high-end product and will take Mansion House Whisky to other regions in the country in a phased manner.

Your Company will take forward its initiatives towards premiumisation to create high-value brands. With further launches of its Seven Islands Vintage Single Malt Scotch Whisky scheduled in Mumbai, Milan and Paris, your Company expects it to be a recognition of its focus on premiumisation in tandem with meticulous efforts to tap opportunities in the overseas and the Indian luxury markets.

While the focus has been to concentrate on brands with better realization, your Company has also made efforts towards cost rationalization. Introduction of the family shape bottles for its flagship brand 'Mansion House' was one such measure which facilitated an easier re-procurement system for these bottles at a lower price.

Your Company is planning to have series of rum, whisky and vodka under the Mansion House and Savoy Club brands, as the verdict given by Bombay High Court in your Company's favour now gives an untrammelled path for executing future plans.

Nevertheless, your Company's new lines will be of entirely different formulation, at different price points and altogether different packaging mix, to cater to an entirely different segment of consumers.

Your Company believes that its diversified brand portfolio, focus on premiumisation and ongoing geographic expansion will enable your Company to fortify its concerted strategy to expand whilst capitalizing new opportunities.

### "MEGA PROJECT" STATUS

Your Company has been accorded with the status of "Mega Project" by the Government of Maharashtra for its new facilities, which include the 50 KLPD molasses based ENA distillation plant and 100 KLPD grain based ENA distillation plant along with the captive power plant, under Package Scheme of Incentives (PSI) 2007.

With this status of "Mega Project", your Company is now, eligible for claiming Industrial Promotion Subsidy (IPS) in the form of refund equivalent to 100% of eligible investments made within a period of seven years, by way of set off/credit for tax liability under Maharashtra Value Added Tax Act, 2002 and Central Sales Tax Act, 1956 along with electricity duty exemption and exemption from payment of stamp duty.

Together with the Company's drive to grow its business, the

magnitude of benefits associated with this title will have a direct contribution to the Company's earnings. Moreover, this valued accreditation also demonstrates your Company's commitment towards timely execution and adherence to the recommended guidelines and compliance norms as stipulated by the Government of Maharashtra. The "Mega Project" sanction will continue to inspire your Company to broaden its focus in Maharashtra.

## AWARDS AND RECOGNITIONS

During the year, your Company was conferred with the following prestigious awards in recognition of its performance, achievements and contribution to the society:

### ICAI Award for "Excellence in Financial Reporting"

Your Company is pleased to inform you that the Institute of Chartered Accountants of India (ICAI) has awarded the "Gold Shield for Excellence in Financial Reporting" under the Category VII – Manufacturing Sector to the Annual Report of your Company for the financial year 2010-11.

This award is recognition of your Company's internal controls and stringent efforts to maintain compliance with the prescribed financial framework while maintaining transparency and accountability through communications to its stakeholders. Winning this award is thus, a great testimony to your Company's belief and an endorsement of its commitments towards transparency.

This award motivates your Company to continue engaging with its Members with regards to its business plans through consistent and timely financial communication.

### "Top 10 Power Brands" Award

Your Company's flagship brand 'Mansion House Brandy' was awarded one amongst "Top 10 Power Brands" Award by Ambrosia Magazine at Indspirit, 2012 in the presence of various industry players which shall encourage your Company to achieve greater growth and heights in the coming years.

### "CSD – Best Business Partner for Excellent Performance for 2011-12" Award

Your Company was awarded with the "CSD – Best Business Partner for Excellent Performance for 2011-12" in liquor category for being the fastest growing Company making supplies to CSD. This award is testament to the Company's success in the CSD segment and a direct reflection of consumers' appreciation for the Company's quality blends.

Your Company takes this accolade as industry recognition and acknowledgement of the wide acceptance of its brands and blends amongst the Armed forces.

### "Mother Teresa Excellence" Award

Your Company was awarded "Mother Teresa Excellence Award" by the Integrated Council for Socio-Economic Progress for the outstanding contribution made by your Company in the field of social welfare.

The above awards honor your Company's sincere efforts to consistently increase its presence felt in the industry and designing a strong governance framework and embracing the same to meet its goal of long term sustainable growth.

## QUALITY MANAGEMENT

Your Company is having ISO 9001:2008 and 14001:2004 certification signifying commitment to high levels of consistent quality and compliance of specified environmental standards and providing healthy work environment for its employees.

Your Company has set up Centralised Technical Department, which controls supply of high bouquet spirits and food flavours required for the brands of the Company produced across the country. This helps your Company to keep the formulation of its products guarded. This department now dedicatedly works for the development of new brand formulations and participates in packaging development.

Your Company's emphasis on strengthening Standard Operating Procedures continued during the financial year 2011-12 and its implementation is being strengthened.

Post successful trials with sticker label machines for better pack presentation, your Company is now going ahead with sticker label machines for all fast moving and/or high-end brands. This shall help in better image building of the Company through good brand presentation.

## SUSTAINABILITY – CONTRIBUTION TO THE 'TRIPLE BOTTOM LINE'

Your Company adopts a triple bottom line (TBL) approach of economic sustainability, healthy environment and empowered community. Your Company has taken sustainable initiatives such as energy generation through solar and go-bar gas plants, water harvesting, vermi-composting and soil improvement activities, garbage recycling and most important of all tree plantation.

Your Company has initiated the efforts to establish zero discharge concepts without any environment pollution for its 50 KLPD molasses based ENA Plant at Shrirampur.

Efforts for further improvement in zero discharge continued during the financial year and few trials were conducted for 50 KLPD molasses based ENA plant at Shrirampur. Various options are being evaluated and likely to be finalized in the coming year.

On 100 KLPD grain based ENA Plant, DWGS (Distillers Wet Grain Spent) production continued which is being sold. DWGS is used for cattle feed and is in demand due to its protein value. Trials with dryer to convert DWGS to DDGS

(Distillers Dried Grain Spent) continued.

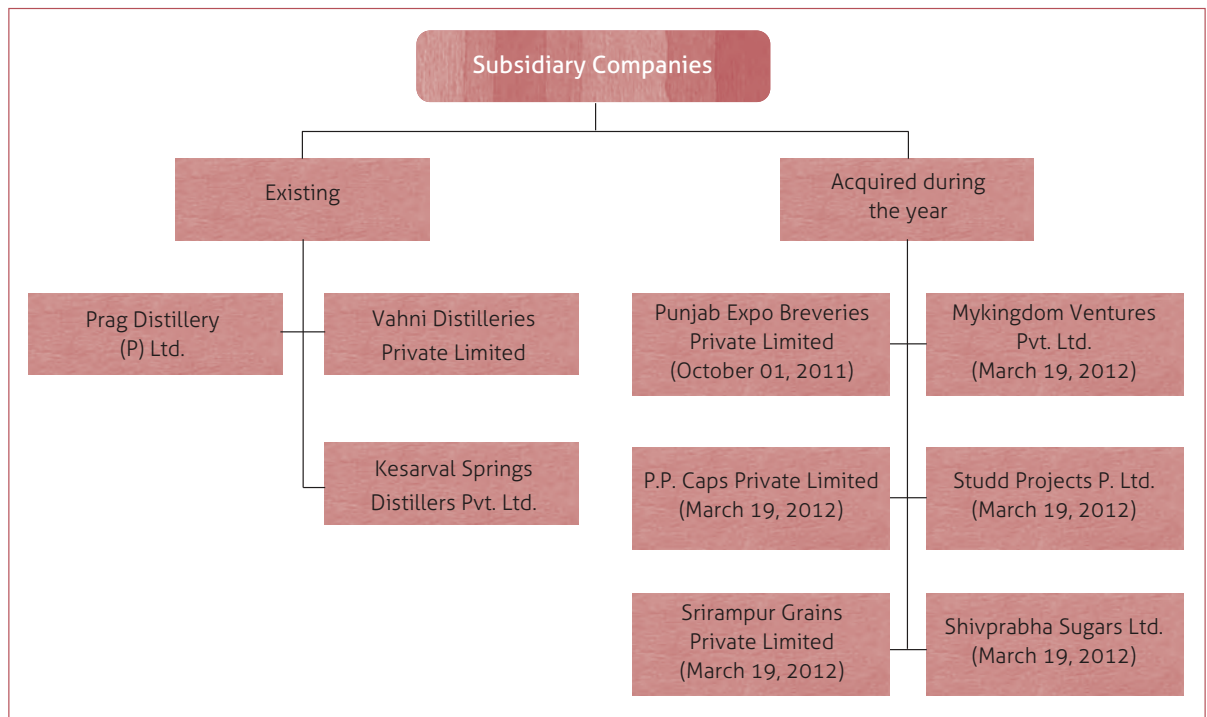
Your Company's main focus is to expand the implementation of sustainable exercises for environmental protection with each passing year.

### CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Company understands that growth of the Company must be inclusive and should benefit the communities involved as much as the stakeholders. A separate section on initiatives taken by the Company to fulfill its Corporate Social Responsibility (CSR) is annexed hereto and forms part of the Annual Report.

### SUBSIDIARY COMPANIES

Your Company followed a two pronged growth strategy during the year. In addition to growing organically, your Company realized that the estimated demand for products would not be fulfilled by the existing bottling facilities available, therefore the Company is exploring acquisitive ways of growing inorganically. Your Company also acquired companies to integrate both forward and backward, besides strengthening in-house processes.





### Existing Subsidiary Companies

- **Prag Distillery (P) Ltd.** has a bottling unit located in the State of Andhra Pradesh and composite license to manufacture all types of Indian Made Foreign Liquor. It also holds letter of intent for 100 KLPD Greenfield distillery.
- **Vahni Distilleries Private Limited** owns a bottling unit along with a distillery license. Its plant is located in the State of Karnataka.
- **Kesarval Springs Distillers Pvt. Ltd.** has its bottling unit located in the State of Goa having capacity of 15,000 cases per month.

### Companies acquired during the year

- **Punjab Expo Breweries Private Limited** has bottling unit located in the State of Punjab having capacity of 50,000 cases per month, augmenting the Company's manufacturing capacity and giving a strategic foothold in North India.
- **Srirampur Grains Private Limited**, through its specialized staff to deal in procurement of grains, shall help your Company in meeting the requirements of the 100 KLPD grain based ENA Plant of the Company.
- **P. P. Caps Private Limited** is in the process of establishing cap manufacturing facility and it will be advantageous for the Company to have an in-house facility for manufacturing of caps used for the products of the Company, which will help the Company to become self-reliant in its caps requirement and to optimize its cost of packing material.
- **Mykingdom Ventures Pvt. Ltd.** and **Studd Projects P. Ltd.** are into construction and plant erection. With the growing business scale and plans to expand market presence, this acquisition will help the Company to diversify its business segment and to leverage the in-house expertise in infrastructure development. This know-how will aid the Company with rapid implementation solutions which would be of significant advantage in terms of cost effectiveness and timely execution of various expansion and new projects.
- **Shivprabha Sugars Ltd.** is having land admeasuring 19.77 hectares alongwith necessary permissions for setting up 3000 TCD Sugar Plant, 30 KLPD Distillery and 16.5 MW Co-gen Power Plant at Village Goudgaon, Tal. Barsi, Distt. Sholapur. This acquisition is part of backward integration initiative, which will augment uninterrupted supply of molasses, a key raw material for the Company and will help the Company to become substantially self-reliant.

Statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary companies is attached to the accounts.

In accordance with the general circular no. 2/2011 dated February 08, 2011 issued by the Ministry of Corporate Affairs, the annual accounts of these subsidiary companies are not being attached with the balance sheet of the Company. The Company will make available the annual accounts of the subsidiary companies and the related detailed information to any Member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the registered office of the Company and that of the respective subsidiary companies. The consolidated financial statements presented by the Company includes the financial results of its subsidiary companies.

### CONSOLIDATED FINANCIAL STATEMENTS

As stipulated under Clause 32 of the Listing Agreement and in accordance with the requirements of Accounting Standard (AS-21) prescribed by the Institute of Chartered Accountants of India, the consolidated financial statements of the Company together with Auditors' Report thereon are annexed to the Annual Report.

### SHARE CAPITAL

During the year, your Company has issued and allotted 4,745,068 equity shares, out of which:

- 4,284,236 equity shares were allotted to the promoter of the Company upon conversion of equivalent number of convertible warrants at an exercise price of ₹ 73/- per share; and
- 455,162 equity shares were allotted under ESOP Scheme – 2008 and 5,670 equity shares were allotted under ESOP Scheme – 2010, upon exercise of vested stock options.

The issued, subscribed and paid-up equity share capital of your Company as on March 31, 2012 stood at ₹ 1200.02 million, comprising of 120,001,772 equity shares of ₹ 10/- each.

### EMPLOYEE STOCK OPTION SCHEMES

Being committed towards building a high performing growth oriented organization, your Company has been taking steps from time to time to reward and retain the qualified and skilled professionals who are high performing, dedicated and committed towards growth of the Company.

In order to enable the Company to achieve this goal on a sustained basis and to give an opportunity to employees to participate in the growth of Company, the Company had introduced and implemented ESOP Scheme – 2012

on May 28, 2012, after the successful implementation of ESOP Scheme – 2008 and ESOP Scheme – 2010, in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('the SEBI Guidelines'). The Compensation Committee, constituted in accordance with the SEBI Guidelines, administers and monitors the said Schemes.

The relevant disclosures in compliance with the Clause 12 of the SEBI Guidelines, as amended, are set out in Annexure 'C' to this report.

The Company has received a certificate from the Statutory Auditors of the Company that the Schemes have been implemented in accordance with the SEBI Guidelines and the resolutions passed by the Members. The Certificate would be placed at the Annual General Meeting for inspection by the Members.

## DIRECTORS

The tenure of the present term of Mr. Amit Dahanukar, Chairman & Managing Director and Mrs. Shivani Amit Dahanukar, Executive Director of the Company expires on November 06, 2012 and September 30, 2012, respectively. The Board of Directors in its Meeting held on May 28, 2012 has on the recommendation of the Remuneration Committee re-appointed Mr. Amit Dahanukar as Chairman & Managing Director and Mrs. Shivani Amit Dahanukar as Executive Director of the Company for a further period of 5 years with effect from November 07, 2012 and October 01, 2012, respectively, subject to the approval of the Members of the Company at the ensuing Annual General Meeting of the Company.

Pursuant to the provisions of Sections 255 and 256 of the Companies Act, 1956 and in terms of the Articles of Association of the Company, Mr. V. B. Haribhakti and Mr. Madan Goyal, Directors of the Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

A brief profile of the Directors seeking re-appointment covering nature of their expertise in specific functional areas, the names of the companies in which they hold directorship and committee membership is furnished as a part of the Corporate Governance Report. Your Board recommends their re-appointment.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to requirements of Section 217 (2AA) of the Companies Act, 1956, and on the basis of the information

furnished to them by the statutory auditors and management, the Directors confirm that:

- a. in preparation of the annual accounts, the applicable Accounting Standards have been followed and there are no material departures;
- b. 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 accounting year and of the profit of the Company for the year;
- c. they have taken proper and sufficient care 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 preventing and detecting fraud and other irregularities; and
- d. they have prepared annual accounts on a going concern basis.

## CORPORATE GOVERNANCE

The Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance requirements set out by SEBI. The Company has also implemented several best Corporate Governance practices as prevalent globally.

The Report on Corporate Governance alongwith the Statutory Auditors' Certificate regarding compliance of the conditions of Corporate Governance pursuant to Clause 49 of the Listing Agreement is annexed hereto and forms part of the Annual Report.

In terms of sub-clause (v) of Clause 49 of the Listing Agreement, a certificate from Chairman & Managing Director and Officiating Head of Finance of the Company, inter-alia, confirming the correctness of the financial statements, adequacy of internal control measures and reporting of matters to the Audit Committee in terms of the said clause, is also enclosed as part of the Annual Report.

## MANAGEMENT DISCUSSION AND ANALYSIS

A detailed review of operations, performance, key events of the year, industry scenario, risk and future outlook of your Company and its businesses as stipulated in Clause 49 of the Listing Agreement is given in the Management Discussion and Analysis Report annexed hereto and forms part of the Annual Report.

## FIXED DEPOSITS

Your Company has not accepted any fixed deposits within the scope of Section 58A of the Companies Act, 1956 during the year.

As on March 31, 2012, there were 2 matured deposits aggregating to ₹ 14,000/- (Rupees Fourteen Thousand Only), which have not been claimed by the depositors upto the date of this Report. There were no deposits during the year, which were claimed but not paid by the Company.

There are no unclaimed deposits/interest on deposits lying with the Company for more than seven years which are to be transferred to Investor Education & Protection Fund as per sub section 2(c) of Section 205C of the Companies Act, 1956.

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

Details with respect to conservation of energy, technology absorption & foreign exchange earnings and outgo, as required under Section 217(1)(e), read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are set out in Annexure 'A' to this report.

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, names and other particulars of employees are set out in Annexure 'B' to this report.

## AUDITORS AND AUDITORS' REPORT

M/s. Batliboi & Purohit, Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

The Company has received letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for re-appointment within the meaning of Section 226 of the said Act. The Board of Directors recommends their re-appointment as Statutory Auditors.

The observations and comments given in the Auditors' Report read together with notes to accounts are self-explanatory and do not call for any further information and explanation under Section 217(3) of the Companies Act, 1956.

## COST AUDITORS

Pursuant to the industry specific cost audit order no. 52/26/CAB-2010 dated January 24, 2012 of the Central Government, your Company is required to get its cost accounts audited in respect of 'Industrial Alcohol' being manufactured by it.

Pursuant to the provisions of Section 233B(2) of the Companies Act, 1956 and subject to the approval of the Central Government, the Board of Directors on the recommendation of the Audit Committee has appointed M/s. P. D. Phadke & Associates, Cost Accountants as Cost Auditors for conducting the Cost Audit relating to manufacturing of 'Industrial Alcohol' for the financial year 2012-13.

The due date for filing the Cost Audit Report for the financial year 2011-12 is September 27, 2012 and the same shall be filed in due course.

## SECRETARIAL AUDIT REPORT

M/s. Ragini Chokshi & Associates, Practising Company Secretaries conducted Secretarial Audit for the financial year 2011-12 and has submitted the Report confirming compliance with the applicable provisions of the Companies Act, 1956 and other rules and regulations issued by SEBI/other relevant authorities. The Secretarial Audit Report for the financial year ended March 31, 2012 is annexed hereto and forms part of the Annual Report.

## ACKNOWLEDGEMENTS

Your Directors would like to express their sincere appreciation to investors, bankers, customers, suppliers, auditors for their continued support during the year. Your Directors extend their sincere gratitude to all the regulatory authorities like SEBI, Stock Exchanges, Registrar of Companies and other Central and State Government authorities/agencies for their support.

Your Directors place on record their appreciation to employees at all levels for their hard work, dedication and commitment. The enthusiasm and unstinting efforts of the employees have enabled the Company to remain at the forefront of the Industry.

For and on behalf of the Board of Directors

Place: Mumbai

Date: May 28, 2012

Amit Dahanukar

Chairman & Managing Director



## Annexure 'A' to the Directors' Report

### A) CONSERVATION OF ENERGY

#### Measures taken:

- All bio-digesters are working acceptably. One of the bio-digester was taken into service during October, 2011 after carrying out the major repairs for same. The biogas generated was utilized principally for steam generation in boilers and power generation in gas engines. The details of gas generation, consumption and equivalent coal saved during the financial year 2011-12 compared with the financial year 2010-11 are as tabulated below:

Sr. No.	Particulars	Unit	Year 2011-12	Year 2010-11
1	Biogas generation	Lac M <sup>3</sup>	23.46	20.11
2	Spent-wash treated	Lac M <sup>3</sup>	0.75	0.56
3	Ratio of biogas generation to spent wash treated	M <sup>3</sup> /M <sup>3</sup>	31.10	35.31
4	Biogas utilization:			
	a. for steam generation in boiler	Lac M <sup>3</sup>	20.33	10.65
	b. for power generation in biogas engine	Lac M <sup>3</sup>	0.54	9.06
	c. biogas flared during start up & interruptions	Lac M <sup>3</sup>	2.58	1.27

#### Notes:

- As can be seen above the volume of treated spent wash has increased by 33.93% resulting in an increase in the biogas generation by 16.66%.
  - Ratio of Biogas generation to spent wash treated has gone down marginally as one digester was down for cleaning and re-commissioning.
- The recital of the Power House during the year was very good. The Company saved an amount of ₹ 780.63 Lacs during the financial year 2011-12.

Sr. No.	Particulars	Unit	Year 2011-12	Year 2010-11
1	Power Generation	KWh	11,513,800	587,400
2	Savings	₹ Lac	780.63	10.45

- The use of Biogas Engines was for a very restricted period as the Biogas generated was used for production of steam in the boiler. As such use of Biogas Engines was adequate during the current year. The routine parameters are as given below:

Sr. No.	Particulars	Unit	Year 2011-12	Year 2010-11
1	Biogas consumed for power generation	Lac M <sup>3</sup>	0.54	9.06
2	Power Generation	KWh	89,287	1,522,673
3	Ratio of power generation to biogas consumption	KWh/M <sup>3</sup>	1.63	1.68

## B) RESEARCH & DEVELOPMENT FOR NEW BRANDS

### 1. During the financial year 2011-12, your Company has introduced new IMFL brands:

#### (a) White House Rum

Positioned in the regular segment, the brand was conceptualized and created in the year 2010-11 for roll out in the 4<sup>th</sup> quarter of 2011-12. White House Rum has been rolled out first in the State of Kerala.

The blend is extracted from first generation sugarcane juice with spirits distilled to perfection. The taste is irresistibly mellow and unbounded.

#### (b) TI's VSOP Brandy

Researched in the year 2011-12 for quick launch in Tamil Nadu market, where brandy sales pre-dominate the market, this brand was launched in the 4<sup>th</sup> quarter of 2011-12 in semi-premium segment.

TI's VSOP Brandy has unique blend of grapes & specially distilled neutral spirits which provide traditional characteristic brandy aroma and taste.

#### (c) Mansion House Whisky:

- Mansion House Whisky is the latest addition to the whisky portfolio. Positioned in the premium segment, the brand was conceptualized and created in the year 2010-11 for roll out in the 3<sup>rd</sup> quarter of 2011-12. Mansion House Whisky has been rolled out first in the State of Maharashtra followed by launch in Andhra Pradesh, Karnataka, Goa, Puducherry, Madhya Pradesh, Odisha and Assam.

- Mansion House Whisky is packaged in a unique glass bottle which is positioned in the premium segment and comes with non-refillable guala cap and beautifully crafted mono cartons.

- Mansion House Whisky is made from purest scotch malts aged to perfection in oak casks and blended with finest Indian grain spirit distilled in TI's own highly state of the art distillery. Mansion House Whisky is available in various pack sizes starting from 180 ml to 750 ml.

#### (d) Seven Islands Vintage Malt Scotch Whisky

Your Company unveiled the striking new super-premium Seven Islands Vintage Single Malt Scotch Whisky in London, on April 24, 2012. The Seven Islands Vintage has been meticulously designed and

created by Ryan50 Scotland Limited, UK, a multi-faceted company in luxury and lifestyle industry, exclusively for the Company, in strategic association with BenRiach Distillery, Scotland, which is a leading distillery in Scotland producing a variety of scotches.

This super-premium whisky has a rich golden colour with notes of butterscotch, honey and vanilla, mingled with a delicate hint of spices and a faint trace of apples and pears.

It is carefully crafted for the connoisseur in each individual and has a unique spirit that brings together Indian values and culture and the Scottish art of making whisky, as is evident from its taste and beautiful packaging.

### 2. Progress on Brands launched in the previous years:

#### (a) Duchess V.S.O.P Brandy

- Duchess V.S.O.P Brandy was rolled out in the State of Andhra Pradesh in June, 2010 and in less than 2 years it has achieved 7% market share. It is further launched in Puducherry.

- A unique blend of finest grape spirits with smooth aroma and well balanced traditional brandy taste. Duchess V.S.O.P Brandy has been made available in various pack sizes starting from 90 ml to 1 litre.

#### (b) MH V.S.O.P. Brandy

- Developed to take advantage of the brand name, and going by the enthusiastic response, the brand previously launched in Tamil Nadu which is having more than 2% market share, while in Puducherry, it is showing great response as it has captured 5.4% market share and in Kerala, it has got a share of around 1.3%.

- It is also launched in Karnataka in the 4<sup>th</sup> quarter of 2011-12.

#### (c) BLACPOWER Whisky

- BLACPOWER Whisky is positioned in the regular segment, the brand was conceptualized and created in the year 2009-10 for roll out in the 1<sup>st</sup> quarter of 2010-11. BLACPOWER has achieved 1% market share in Andhra Pradesh in its segment.

- BLACPOWER Whisky is further launched in Madhya Pradesh and Assam, positioned in the regular segment and comes with non-refillable guala cap.

- A combination of rare grain spirits and expert

blending brings out the most authentic whisky experience. With a distinctive taste and lingering finish, this spirit unleashes the power of supremacy and perfection. BLACPOWER Whisky is available in various pack sizes starting from 90 ml to 1 litre.

#### (d) Crown Prince Brandy

- Researched in the year 2010-11 for launch in Tamil Nadu market, where brandy sales pre-dominate the market, this brand was launched in March, 2011. Due to production constraint, the brand could not be serviced fully, supply chain is being strengthened.
- Designed in green colour bottle with a special gold label and a crown at the helm, it is a great experience to the discerning consumer.
- The blend is unique in its character and the ingredients used are one of the best to give the consumer a true character of the French Brandy.

operated consistently which separates 125 M<sup>3</sup>/day (50%) as pure water from the effluent which is used as cooling tower make-up water thereby reducing fresh water intake.

2. The Multiple Effect Evaporator (MEE) Plants for concentration of distillery effluents are being operated consistently. The generated process condensate is reused for the process thereby reducing fresh water intake.
3. Exploration of the possibility of using MEE concentrate as a bio-fertilizer in liquid form has been initiated. The culture for the same has been developed and field trials are being conducted. It will take at least six months to get the final result.
4. Installation of condensate processing unit is complete and commissioning is under way. This will help the Company to save 40% of total water consumption for both distillation plants.
5. Trials with sticker labeling machine were successful and introduced four more sticker labeling machines at various units particularly for labeling of high-end products to improve standard and quality of packaging.

## C) TECHNOLOGY ABSORPTION/INNOVATION AND ADOPTION

1. Reverse Osmosis Plant of 250 M<sup>3</sup>/day capacity is being

### Form - A

#### Total Energy consumption and energy consumption per unit of production

Power and Fuel consumption	Unit	Year 2011-12	Year 2010-11
<b>1. Electricity Purchased from MPECOS / MSEDCL</b>	KWh	<b>3,447,574</b>	<b>4,928,832</b>
Amount	₹ in Lac	247.75	232.15
Rate per unit	₹ / KWh	7.18	4.71
<b>Electricity own generation from</b>			
Biogas Engines	KWh	89,287	1,522,673
Amount	₹ in Lac	7.75	75.72
Rate per unit	₹ / KWh	8.68	4.96
<b>Electricity own generation from</b>			
Turbine	KWh	11,513,800	587,400
Amount	₹ in Lac	46.05	16.15
Rate per unit	₹ / KWh	0.40	2.75
<b>Electricity own generation from</b>			
D G Sets	KWh	1,184,888	799,958
Amount	₹ in Lac	165.41	108.55
Rate per unit	₹ / KWh	13.96	13.57
<b>Total Electricity used</b>	<b>KWh</b>	<b>16,235,549</b>	<b>7,838,863</b>
<b>Wtd. Avg. Unit rate</b>	<b>₹ / KWh</b>	<b>2.88</b>	<b>5.53</b>



Power and Fuel consumption	Unit	Year 2011-12	Year 2010-11
<b>2. Steam coal for generation of steam</b>	MT	43,527.84	14,002.00
Amount	₹ in Lac	2,373.72	642.54
Average rate per MT	₹/MT	5,453.33	4,589.00
<b>Baggase for generation of steam</b>	MT	1,681.00	14,520.00
Amount	₹ in Lac	39.55	315.76
Average rate per MT	₹/MT	2,352.78	2,174.65
<b>Fire wood for generation of steam</b>	MT	–	92.08
Amount	₹ in Lac	–	2.94
Average rate per MT	₹/MT	–	3,194.00

#### Electricity Consumption per unit of product:-

Name of product	Unit	Year 2011-12	Year 2010-11
Molasses ENA	KWh/Ltr.	0.13	0.15
Grain ENA	KWh/Ltr.	0.68	–
IMFL	KWh/Case	0.25	0.30

#### D) FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year the foreign exchange outgo was ₹ 16.42 million (P.Y. ₹ 10.23 million) and foreign exchange earnings were ₹ 66.91 million (P.Y. ₹ 76.62 million).

## Annexure 'B' to the Directors' Report

Information as per 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, 2012.

Sr. No.	Name	Designation	Gross Remuneration (₹) / Month	Qualifications	Age (Years)	Total Experience (Years)	Date of Commencement of Employment	Last Employment & Designation
1	Mr. Amit Dahanukar	Chairman & Managing Director	2,424,388/-#	B.E (ELEC), M.S (U.S.A)	35	11 Years	07.11.2001	First Employment
2	Mrs. Shivani Amit Dahanukar	Executive Director	1,565,873/-#	M.B.A, L.L.B	34	6 Years	01.06.2006	First Employment
3	Mr. Laxmi Narasimhan	Dy. Managing Director	3,216,667/-	B.E (IND. ENGG.) P.G.D.B.M (I.I.M, CALCUTTA)	42	16 Years	24.10.2011	United Spirits Ltd. - Chief Operating Officer (Deccan Region)
4	Dr. Sukhbir Puri	Sr. V.P – Operations	840,666/-	M.Sc, Ph.D	63	38 Years	27.04.2009	Khemani Group – Group President
5	Dr. Keshab Nandy	Director – (Legal, HR, IT, IR, Vigilance & Safety)	600,000/-	B.A, M.A, M.H.R.M, PGDPM & I.R, LLB, DCM, M.Phil, Ph.D	56	33 Years	03.09.2007	UTI Technology Services Ltd. - Sr. VP – HR, IR, Legal, Quality, Admin, Facility MGT & CVO
6	Mr. Lalit Sethi*	President & Chief Financial Officer	602,078/-	B.Com, FCA	46	24 Years	19.11.2007	High Polymer Labs Ltd. – Dy. General Manager

\*Resigned w.e.f. May 01, 2012

# Apart from commission of ₹ 3,353,741 and ₹ 2,224,224 payable for the year 2011-12 to Mr. Amit Dahanukar and Mrs. Shivani Amit Dahanukar respectively

## Annexure 'C' to the Directors' Report

Statement as at March 31, 2012 pursuant to Clause 12 (Disclosure in the Directors' Report) of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

Sr. No.	Particulars	ESOP Scheme 2008		ESOP Scheme 2010	
1	Number of stock options granted during the year	Nil		<b>Date of Grant</b>	<b>No. of stock options granted</b>
				August 01, 2011	512,000
				October 21, 2011	3,379,600
				November 11, 2011	969,000
				<b>Total</b>	<b>4,860,600</b>
2	The Pricing Formula	The exercise price shall be calculated at a discount not higher than 75% of the average of the daily high and low of the prices for the Company's equity shares quoted on BSE Limited, during the 15 days preceding the date of vesting of stock options subject to minimum exercise price as given below:		The exercise price shall be calculated at a discount not higher than 75% of the average of the daily high and low of the prices for the Company's equity shares quoted on BSE Limited, during the 15 days preceding the date of vesting of stock options subject to minimum exercise price as given below:	
		<b>Date of Grant</b>	<b>Minimum Exercise Price (₹)</b>	<b>Date of Grant</b>	<b>Minimum Exercise Price (₹)</b>
		July 02, 2009	13.33	January 15, 2011	60.00
		January 28, 2010	25.00	August 01, 2011	38.00
		June 25, 2010	36.67	October 21, 2011	25.00
		August 07, 2010	50.00	November 11, 2011	25.00
3	Number of stock options vested during the year	757,426		297,420	
4	Number of stock options exercised during the year	455,162		5,670	
5	Total number of shares arising as a result of exercise of stock options	455,162		5,670	
6	Number of stock options lapsed during the year	241,240		1,200	
7	Number of stock options cancelled during the year	287,880		1,767,194	
8	Variation in the terms of stock options	Nil		Nil	
9	Money realized by exercise of stock options during the year (₹)	100,984,54.30		340,200	
10	Total number of stock options in force	3,623,263		4,690,336	

Sr. No.	Particulars	ESOP Scheme 2008	ESOP Scheme 2010
11	Employee-wise details of stock options granted to:		
	(i) Senior Managerial Personnel		
	<b>Name</b>	<b>No. of stock options granted during the year</b>	
	Mr. Laxmi Narasimhan	Nil	969,000
	Dr. Keshab Nandy	Nil	35,779
	Dr. Sukhbir Puri	Nil	35,779
	Mr. Naresh Agnihotri	Nil	14,312
	Mr. C.D. Nageshwar Rao	Nil	35,779
	Mr. K. S. Prasad	Nil	9,000
	Mr. G. S. Krishnan	Nil	14,312
	Mr. Gaurav Thakur	Nil	59,779
	(ii) Employees who were granted, during any one year, stock options amounting to 5% or more of the stock options granted during the year.		
	<b>Name</b>	<b>No. of stock options granted during the year</b>	
	Mr. Laxmi Narasimhan	Nil	969,000
	Ms. Monica Walia	Nil	286,231
	(iii) Identified employees who were granted stock options, during any one year, equal or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	Nil	Nil
12	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of stock options calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'	Refer Note 28 (v) of the Notes to Accounts	
13	Impact of the difference between the intrinsic value of the stock options and the fair value of the stock options on profits and on EPS	Refer Note 28 (v) of the Notes to Accounts	
14	Weighted-average exercise prices and weighted-average fair values of stock options, separately for stock options whose exercise price either equals or exceeds or is less than the market price of the stock	Refer Note 28 (v) of the Notes to Accounts	
15	A description of the method and significant assumptions used during the year to estimate the fair value of stock options, including the following weighted-average information	Refer Note 28 (v) of the Notes to Accounts	
	(i) Risk-free interest rate		
	(ii) Expected life		
	(iii) Expected volatility		
	(iv) Expected dividends		
	(v) The price of the underlying share in market at the time of stock option grant		

A certificate received by the Company from the Statutory Auditors of the Company i.e. M/s Batliboi & Purohit, Chartered Accountants, Mumbai to the effect that the Schemes have been implemented in accordance with the SEBI Guidelines will be placed before the Annual General Meeting and a copy of the same shall be made available for inspection by the Members at the Registered Office of the Company on all working days, except Saturdays and all holidays, between 11.00 a.m. and 1.00 p.m. up to the date of the Annual General Meeting.



# Corporate Governance Report

## 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your Company's philosophy on Corporate Governance is founded upon rich legacy of fair, ethical and transparent governance practices, many of which were in place even before they were mandated. Your Company has relentlessly endeavored to go beyond the prescribed regulations and has adopted innovative approaches for leveraging resources, converting opportunities into achievements through proper empowerment and motivation, maximizing stakeholders' value, discharging social responsibilities and above all, aligning its business structure in the lines of transparency, integrity, professionalism and accountability at higher level. Good corporate governance practices have been fundamental to the fulfillment of this commitment.

Your Company believes in adopting best corporate governance practices and has set its growth path on the foundation of fair business, efficient, safe and trusted financial policies and assures maintenance of highest standards of accountability and excellence in service of all stakeholders. Your Company uses this framework to maintain accountability in all its affairs and employ democratic and open processes. Your Company is already in substantial compliance of the provisions of the voluntary guidelines on corporate governance issued by Ministry of Corporate Affairs in the year 2009, a benchmark for the corporate sector in achieving the highest standard of corporate governance.

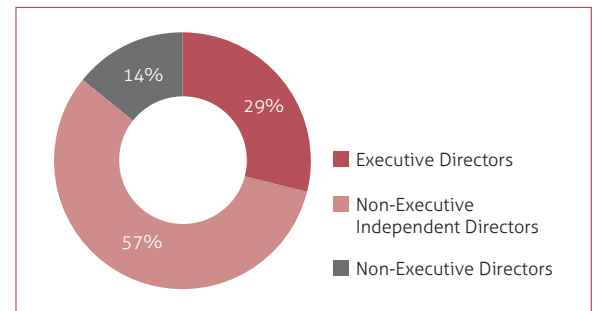
During the year under review, your Company has voluntarily got secretarial audit conducted from M/s. Ragini Chokshi & Associates, Practising Company Secretaries. The Secretarial Audit Report submitted by them confirms that your Company has complied with all the applicable provisions of the Companies Act, 1956, Depositories Act, 1996, Listing Agreement with the Stock Exchanges and all the applicable rules, regulations and guidelines issued by Securities and Exchange Board of India.

## 2. BOARD OF DIRECTORS

Your Company is managed through a professional Board of Directors. The Board of Directors along with its Committees provides leadership and guidance to your Company's management and directs, supervises and controls the performance of your Company.

The composition of the Board of Directors meets with the requirements of corporate governance prescribed in the Listing Agreement. The Board consists of eminent persons with considerable professional experience and expertise.

### Composition of Board of Directors



As on March 31, 2012, the Board of Directors consisted of seven (7) Directors comprising of two (2) Executive Directors and five (5) Non-Executive Directors out of which four (4) were Independent Directors. The Board is headed by Chairman & Managing Director.

The Board meets at least once in a quarter to consider among other businesses, quarterly performance and financial results of the Company. To enable the Board to discharge its responsibilities effectively and to take informed decisions, necessary information is made available to the Board in timely manner.

During the year under review, five (5) meetings of the Board of Directors were held as per details given below:

Sr. No.	Date of the Meetings	Sr. No.	Date of the Meetings
1	May 26, 2011	4	February 09, 2012
2	August 01, 2011	5	March 19, 2012
3	November 11, 2011		

The intervening period between the Board Meetings was within the maximum time gap prescribed under the Companies Act, 1956 and Clause 49 of the Listing Agreement.

The Board periodically reviews compliance reports in respect of laws and regulations applicable to the Company. During the year under review, all the relevant information required to be placed before the Board, as prescribed under Clause 49 of the Listing Agreement, were placed before the Board for its consideration.

Composition of the Board and attendance records of Directors:

Name of the Directors	Position/Category	Meetings Details		Attendance at the last AGM held on 08.09.2011
		Held during the year	Attended	
Mr. Amit Dahanukar	Chairman & Managing Director (E)	5	3	Yes
Mrs. Shivani Amit Dahanukar	Executive Director (E)	5	5	Yes
Mr. V. B. Haribhakti	Director (NE, I)	5	5	Yes
Dr. Vishnu Kanhere	Director (NE, I)	5	5	No
Dr. Ravindra Bapat	Director (NE, I)	5	5	Yes
Mr. C.V. Bijlani	Director (NE)	5	5	Yes
Mr. Madan Goyal	Director (NE, I)	5	5	Yes

NE: Non-Executive, I: Independent, E: Executive

Number of Directorships and Committee Memberships held by Directors:

Name of the Directors	No. of Directorship in other public companies *	No. of Committee positions held in other public companies**	
		Chairman	Member
Mr. Amit Dahanukar	1	Nil	Nil
Mrs. Shivani Amit Dahanukar	1	Nil	Nil
Mr. V. B. Haribhakti	6	3	3
Dr. Vishnu Kanhere	2	2	Nil
Dr. Ravindra Bapat	2	Nil	Nil
Mr. C.V. Bijlani	Nil	Nil	Nil
Mr. Madan Goyal	Nil	Nil	Nil

\* Private limited companies, foreign companies and companies under Section 25 of the Companies Act, 1956 are excluded for the above purpose.

\*\* The committees considered for the purpose are those prescribed in the Listing Agreement i.e. Audit Committee and the Shareholders/Investors Grievance Committee.

None of the Directors on the Board is a Member of more than 10 committees or Chairman of more than 5 committees across all public limited companies as specified in Clause 49 of the Listing Agreement.

### 3. AUDIT COMMITTEE

The Audit Committee is constituted in compliance with the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

The Audit Committee comprises of experts specialized in areas of accounting/financial management. Mr. V. B. Haribhakti, Non-Executive and Independent Director, a profound and experienced Chartered Accountant, is the Chairman of the Audit Committee. The Executive Directors, Head of Finance Department, Internal Auditors and the Statutory Auditors are

permanent invitees to the Meetings. The Cost Auditors are also invited to attend the Audit Committee Meetings, as and when required.

During the year under review, four (4) meetings of the Audit Committee were held as per details given below:

Sr. No.	Date of the Meetings	Sr. No.	Date of the Meetings
1	May 26, 2011	3	November 11, 2011
2	August 01, 2011	4	February 09, 2012

## Composition of the Audit Committee and attendance records of Members:

Name of the Directors	Position/Category	Qualification	Meeting Details	
			Held during the Year	Attended
Mr. V. B. Haribhakti	Chairman (NE, I)	Chartered Accountant	4	4
Dr. Vishnu Kanhere	Member (NE, I)	Chartered Accountant and Cost & Management Accountant	4	4
Mr. C.V. Bijlani	Member (NE)	M.A., C.A.I.I.B.	4	4
Mr. Madan Goyal	Member (NE, I)	M.B.A., C.A.I.I.B., F.C.I.B. (U.K.)	4	4

NE: Non-Executive, I: Independent

Mr. Gaurav Thakur, Company Secretary, acts as the Secretary of the Committee.

The Audit Committee, in accordance with the provisions of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, has been entrusted with the responsibility of:

- a. overseeing the Company's financial reporting process and disclosure of financial information of the Company to ensure authentic and credible financial information;
- b. recommending to the Board, the appointment, re-appointment of Statutory Auditors, fixation of audit fees and approving payments for any other services;
- c. reviewing, with the management, the annual and quarterly financial statements before submission to the Board for approval, with particular reference to the following:
  - matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956;
  - changes, if any, in accounting policies and practices and reasons for the same;
  - major accounting entries involving estimates based on the exercise of judgment by management;
  - significant adjustments made in the financial statements arising out of audit findings;
  - compliance with listing and other legal requirements relating to financial statements;
  - disclosure of any related party transactions; and
  - qualifications in the draft audit report.
- d. reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report

submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;

- e. reviewing, with the management, performance of Statutory and Internal Auditors and adequacy of the internal control systems;
- f. reviewing the adequacy of internal audit function;
- g. discussing with Internal Auditors of any significant findings and follow-up thereon;
- h. reviewing the findings of any internal investigations by the Internal Auditors;
- i. discussing with Statutory Auditors before the commencement of audit, about the nature and scope of audit as well as after completion of audit for ascertaining any area of concern;
- j. looking into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, members (in case of non-payment of declared dividends) and creditors;
- k. reviewing the functioning of the Whistle Blower mechanism;
- l. approving the appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate; and
- m. reviewing the following information:
  - management discussion and analysis of financial conditions and results of operations;
  - statement of significant related party transactions;
  - management letters/letters of internal control weaknesses issued by the Statutory Auditors;



- internal audit reports relating to internal control weaknesses;
- the appointment, removal and remuneration of the Internal Auditors; and
- financial statements and investments made by the unlisted subsidiary companies.

The Audit Committee is vested with the necessary powers to achieve its objectives.

#### 4. REMUNERATION COMMITTEE

The terms of reference of Remuneration Committee involve determination of the Company's policy on specific remuneration

packages for Executive Directors and Non-Executive Directors in consonance with the industry practices. The Remuneration Committee ensures equity, fairness and consistency and the recommendations of Remuneration Committee are considered and approved by the Board, subject to the approval of Members, wherever necessary.

Mr. V. B. Haribhakti, Non-Executive and Independent Director, a profound and experienced Chartered Accountant, is the Chairman of the Remuneration Committee.

During the year under review, the Committee met once on May 26, 2011.

Composition of the Remuneration Committee and attendance records of Members:

Name of the Directors	Position/Category	Meeting Details	
		Held during the Year	Attended
Mr. V. B. Haribhakti	Chairman (NE, I)	1	1
Dr. Vishnu Kanhere	Member (NE, I)	1	1
Mr. C.V. Bijlani	Member (NE)	1	1
Mr. Madan Goyal	Member (NE, I)	1	1

NE: Non-Executive, I: Independent

#### Remuneration to Directors

Remuneration of Directors is determined depending upon the performance of the Company, individual Director's performance and prevailing industry norms. Remuneration and commission paid to Executive Directors are within the limits prescribed under the provisions of the Companies Act, 1956. In addition to the sitting fees, which is within the ceiling prescribed by Central Government, for attending Meetings of the Board of Directors, Audit and other Committee Meetings, the Non- Executive Directors are remunerated with commission not exceeding one percent of the net profits of the Company as computed in the manner provided by Section 198 (1) of the Companies Act, 1956. There is no pecuniary or business relationship between the Non-Executive Directors and the Company, except for the sitting fees and commission payable to them. The payment of Commission to Non-Executive Directors has been previously approved by the Members at the 72<sup>nd</sup> Annual General Meeting held on August 22, 2007.

Details of remuneration paid/to be paid to all Directors of the Company for the financial year 2011-12 are as follows:

Name of the Directors	Salaries & Perquisites (₹)	Contribution to SA/ PF (₹)	Sitting Fees (₹)	Commission (₹)
Mr. Amit Dahanukar	26,511,000	1,843,200	Nil	3,353,741
Mrs. Shivani Amit Dahanukar	16,350,000	1,742,400	Nil	2,224,224
Mr. V. B. Haribhakti	Nil	Nil	70,000	1,138,727
Dr. Vishnu Kanhere	Nil	Nil	65,000	1,138,727
Dr. Ravindra Bapat	Nil	Nil	40,000	1,138,727
Mr. C.V. Bijlani	Nil	Nil	70,000	1,138,726
Mr. Madan Goyal	Nil	Nil	70,000	1,138,727

Apart from above, gratuity and leave encashment payable as per rules of the Company.

The service contracts of the Executive Directors are for a period of three years and can be terminated by either party by giving six months' notice in writing or six months' salary in lieu thereof.

## 5. COMPENSATION COMMITTEE

The terms of reference of Compensation Committee involve ascertaining the detailed terms and conditions for issuing ESOPs and/or Sweat Equity Shares and deciding their entitlement and granting the same to the eligible employees. The terms of reference of Compensation Committee also include administration of Employee Stock Option Schemes and exercising the powers and performing the duties as prescribed under Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

Dr. Vishnu Kanhere, Non-Executive and Independent Director, is the Chairman of the Compensation Committee.

During the year under review, three (3) meetings of the Compensation Committee were held as per details given below:

Sr. No.	Date of the Meetings	Sr. No.	Date of the Meetings
1	May 26, 2011	3	November 11, 2011
2	August 01, 2011		

Composition of the Compensation Committee and attendance records of Members:

Name of the Directors	Position/Category	Meeting Details	
		Held during the Year	Attended
Dr. Vishnu Kanhere	Chairman (NE, I)	3	3
Mrs. Shivani Amit Dahanukar	Member (E)	3	3
Dr. Ravindra Bapat	Member (NE, I)	3	3

NE: Non-Executive, I: Independent, E: Executive

The particulars of Equity Shares/Employee Stock Options (ESOPs) of the Company held by the Directors are furnished below:

Name of the Directors	Number of Equity Shares held		Number of ESOPs held*	
	As on March 31, 2012	As on March 31, 2011	As on March 31, 2012	As on March 31, 2011
Mr. Amit Dahanukar	22,537,459	17,217,223	Nil	Nil
Mrs. Shivani Amit Dahanukar	39,371,043	39,371,043	Nil	Nil
Mr. V. B. Haribhakti	9,000	9,000	19,998	19,998
Dr. Vishnu Kanhere	Nil	Nil	19,998	19,998
Dr. Ravindra Bapat	20,250	20,250	19,998	19,998
Mr. C.V. Bijlani	Nil	Nil	19,998	19,998
Mr. Madan Goyal	2,000	Nil	17,998	19,998

\* Granted on August 07, 2010 at 75% discount to the average of the daily high and low of the price of Company's equity shares quoted on BSE Limited during the 15 days preceding the date of vesting of stock options subject to minimum exercise price of ₹ 50/-, vesting in 4 years from the date of grant and exercisable within 2 years from the date of vesting.

## 6. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Shareholders/Investors Grievance Committee, amongst the areas, mentioned in the Clause 49 of the Listing Agreement ensures expeditious redressal of shareholders' and investors' complaints like non-receipt of annual report, non-receipt of share certificates upon transfer of shares, dematerialisation/rematerialisation, transfer/transmission, split/consolidation of shares, etc.

Mr. C.V. Bijlani, Non-Executive Director is the Chairman of the Shareholders/Investors Grievance Committee.

During the year under review, four (4) meetings of the Shareholders/Investors Grievance Committee were held as per details given below:

Sr. No.	Date of the Meetings	Sr. No.	Date of the Meetings
1	May 26, 2011	3	November 11, 2011
2	August 01, 2011	4	February 09, 2012

Composition of the Shareholders/Investors Grievance Committee and attendance records of Members:

Name of the Directors	Position/Category	Meeting Details	
		Held during the Year	Attended
Mr. C.V. Bijlani	Chairman (NE)	4	4
Mr. Amit Dahanukar	Member (E)	4	3
Mr. V.B. Haribhakti	Member (NE, I)	4	4
Mr. Madan Goyal	Member (NE, I)	4	4

NE: Non-Executive, I: Independent, E: Executive

Mr. Gaurav Thakur, Company Secretary, is the Compliance Officer of the Company.

Statement of various complaints received and resolved during the financial year 2011-12:

Nature of Complaints	Opening	Received	Resolved	Pending
Non receipt of share certificates lodged for transfer	Nil	8	8	Nil
Non receipt of dividend warrants	Nil	15	15	Nil
Non receipt of annual reports	Nil	4	4	Nil
Non receipt of demat rejected share certificates	Nil	3	3	Nil
Non receipt of demat credit	Nil	0	0	Nil
Non receipt of bonus shares	Nil	2	2	Nil
SEBI	Nil	1	1	Nil
<b>Total</b>	<b>Nil</b>	<b>33</b>	<b>33</b>	<b>Nil</b>

## 7. SHARE TRANSFER COMMITTEE

The terms of reference of the Share Transfer Committee involve ensuring timely processing of requests for share transfer/transmission, issue of duplicate share certificates, dematerialisation/rematerialisation, split/consolidation of shares, etc.

Mr. Amit Dahanukar, Chairman & Managing Director of the Company, is the Chairman of the Share Transfer Committee and Mrs. Shivani Amit Dahanukar, Executive Director and Mr. Gaurav Thakur, Company Secretary are the other Members of the Committee.

The committee meets on a weekly basis to ensure timely processing of requests of Members.

## 8. SUBSIDIARY COMPANIES

The Company has following nine subsidiary companies:

Sr. No.	Name of the subsidiaries	% of Holding
1	Prag Distillery (P) Ltd.	100%
2	Vahni Distilleries Private Limited	100%
3	Kesarval Springs Distillers Pvt. Ltd.	100%
4	Punjab Expo Breweries Private Limited	100%
5	Mykingdom Ventures Pvt. Ltd.	100%
6	P.P. Caps Private Limited	100%
7	Studd Projects P. Ltd.	100%
8	Srirampur Grains Private Limited	100%
9	Shivprabha Sugars Ltd.	90%

None of the above falls under the category of "material non-listed Indian subsidiaries" i.e. whose turnover exceeds 20% of

the consolidated turnover of the Company in the immediately preceding financial year in terms of Clause 49 (III) of the Listing Agreement.

The Minutes of the Board Meetings of subsidiary companies are tabled at the subsequent Board Meetings of the Company in compliance with the provisions of the Listing Agreement.

## 9. CODE OF CONDUCT FOR THE BOARD OF DIRECTORS AND THE SENIOR MANAGEMENT

The Company has formulated and implemented a Code of Conduct for all the Directors and Senior Management of the Company in compliance with Clause 49(I)(D) of the Listing Agreement. All the Board Members and Senior Management of the Company have affirmed compliance with the said Code of Conduct for the financial year ended March 31, 2012. A declaration to this effect signed by Mr. Amit Dahanukar,



Chairman & Managing Director of the Company, forms part of this Report.

## 10. DISCLOSURE PRACTICES FOR PREVENTION OF INSIDER TRADING

As required by the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the Company has adopted the policy for "Corporate Disclosure Practices for Prevention of Insider Trading" with effect from December 01, 2002. The Policy is applicable to all the Directors and Designated Employees of the Company, who

are exposed to or expected to be exposed to unpublished price sensitive information about the Company.

## 11. CMD/CFO CERTIFICATION

In accordance with the requirements of Clause 49(V) of Listing Agreement, a certificate from Mr. Amit Dahanukar, Chairman & Managing Director and Mr. G.S. Krishnan, Officiating Head of Finance of the Company, on the financial statements of the Company was placed before the Board in the Meeting held on May 28, 2012 and the same is annexed to this report.

## 12. GENERAL BODY MEETINGS

The venue, time and particulars of special resolutions passed at the last three Annual General Meetings of the Members of the Company are as follows:

Year	Meeting Day, Date & Time	Venue	Special resolutions passed
2010-11	Thursday, September 08, 2011 at 11 a.m.	P.O. Tilaknagar, Tal. Shrirampur, Dist. Ahmednagar, Maharashtra – 413 720.	Nil
2009-10	Monday, September 20, 2010 at 11 a.m.	P.O. Tilaknagar, Tal. Shrirampur, Dist. Ahmednagar, Maharashtra – 413 720.	<ol style="list-style-type: none"> <li>1. Issue of further securities</li> <li>2. Re-classification of the Authorised Share Capital</li> <li>3. Increase in the Authorised Share Capital</li> <li>4. Amendment in the Articles of Association</li> <li>5. Authorisation for ESOPs</li> <li>6. Revision in remuneration payable to Mr. Amit Dahanukar, Chairman &amp; Managing Director</li> <li>7. Revision in remuneration payable to Mrs. Shivani Amit Dahanukar, Executive Director</li> <li>8. Issue of bonus shares</li> <li>9. Increase in FII Limits</li> <li>10. Issue of Convertible Warrants</li> </ol>
2008-09	Saturday, August 01, 2009 at 11.00 a.m.	P.O. Tilaknagar, Tal. Shrirampur, Dist. Ahmednagar, Maharashtra – 413 720.	<ol style="list-style-type: none"> <li>1. Revision in remuneration payable to Mr. Amit Dahanukar, Chairman &amp; Managing Director</li> <li>2. Revision in remuneration payable to Mrs. Shivani Amit Dahanukar, Executive Director</li> <li>3. Re-appointment of Mr. Amit Dahanukar as Chairman &amp; Managing Director</li> <li>4. Re-appointment of Mrs. Shivani Amit Dahanukar as Executive Director</li> </ol>

All special resolutions set out in the Notices for the Annual General Meetings were passed by the Members at the respective meetings with requisite majority.

### Passing of Resolution by Postal Ballot

No item of business which required the Members' approval through postal ballot was transacted during the financial year ended March 31, 2012. At the ensuing Annual General Meeting, no resolution is proposed to be passed through Postal Ballot.

### 13. DISCLOSURES

#### A) Disclosure on materially significant related party transactions having potential conflict with the interest of the Company at large

The particulars of related party transactions have been given in the Notes to Accounts. However, these transactions were carried out on an arms-length basis and are not likely to have any potential conflict with the interests of the Company.

#### B) Disclosure of Accounting Treatment

Your Company follows Accounting Standards prescribed by the Companies Accounting Standard Rules, 2006 and relevant provisions of the Companies Act, 1956. In preparation of financial statements, the Company has not adopted a treatment different from that prescribed in the Accounting Standards.

#### C) Risk Management Frame Work

The Company has identified the major risk areas and the Board of Directors periodically reviews the risk assessment and control process in the Company and the risk minimisation procedures.

#### D) Details of non-compliance by the Company, penalties, stricture imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority on any matter related to Capital Markets, during the last three years

The Company has complied with all the provisions of Listing Agreement with Stock Exchanges and regulations and guidelines of SEBI, as applicable from time to time. There were no instances of non-compliance of any matter related to the capital markets during the last three years.

#### E) Compliance with non-mandatory requirements of Clause 49 of the Listing Agreement

The Company has complied with the following non-mandatory requirements in terms of Clause 49 of the Listing Agreement:

##### i) The Board

The Company has an Executive Chairman and his office, with required facilities, is provided and maintained by the Company. No policy has been fixed for tenure of appointment of Independent Directors.

##### ii) Remuneration Committee

Details have already been given under the caption 'Remuneration Committee' in the earlier part of the Report.

##### iii) Shareholders Rights

In addition to publishing in leading English and Marathi newspapers having wide circulation, the Company publishes its quarterly and annual financial results on its website [www.tilind.com](http://www.tilind.com).

#### iv) Audit Qualifications

For the financial year 2011-12, there were no audit qualifications to the Company's financial statements. The Company continues to adopt best practices to ensure unqualified financial statements.

#### v) Training to Board Members

Considering the experience of the Members of the Board in their respective areas of specialisation, no specific training programme is considered necessary for the Board Members. However, the Board, at its various meetings is apprised of the business strategy, operations, changes in the technology, regulatory changes and various corporate actions which facilitates the Board Members to stay abreast with the changes in the business environment. An individual joining the Board is presented with a brief background of the Company and is informed of Company's important policies including the Code of Conduct for the Directors and Senior Management of the Company.

#### vi) Mechanism for evaluating Performance of Non-Executive Board Members

The Company does not have a formal mechanism for evaluation of performance of the Non-Executive Board Members. The Board, at its discretion, may consider such requirement in future.

#### vii) Whistle Blower Policy

The Management has always encouraged the employees of the Company to raise their concerns relating to fraud, malpractice or any other activity or event which is against the Company's interest. Every employee who observes unethical behavior can bring to the attention of the immediate reporting officer who is required to report the same to the Chairman & Managing Director/Audit Committee. Apart from that, any employee may report directly to the Chairman & Managing Director/Audit Committee, any matter requiring immediate redressal.

### 14. MEANS OF COMMUNICATION

i) The quarterly/half yearly/annual results are regularly submitted to the Stock Exchanges in accordance with the provisions of the Listing Agreement and regulations issued by Securities and Exchange Board of India and are published in newspapers like The Free Press Journal, Navshakti and Punyanagri. These are not sent individually to the Shareholders.

Any official news released or presentation made to institutional investors and analysts by the Company is submitted to the Stock Exchanges where the shares of the Company are listed for dissemination to the public at large.

- ii) Additionally, the results and other important informations are also posted on the Company's website i.e. www.tilind.com, which also contains separate dedicated section for investors.
- iii) Management Discussion and Analysis forms part of the Annual Report.

### 15. DETAILS OF UNCLAIMED BONUS SHARES IN TERMS OF CLAUSE 5A(II) OF THE LISTING AGREEMENT

Pursuant to the provisions of Clause 5A(II) of the Listing Agreement, the Company has already sent two reminders to those Members, whose physical bonus share certificates have been returned undelivered. The Company is in the process of sending the third reminder in this regard and subsequent to that will take necessary steps to transfer the unclaimed shares to Unclaimed Suspense Account.

### 16. RECONCILIATION OF SHARE CAPITAL AUDIT

As stipulated by the Securities and Exchange Board of India, M/s. Ragini Chokshi & Associates, Practising Company Secretaries carried out the Reconciliation of Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges and is also placed before the Board of Directors. The audit, inter alia, confirms that the total listed and paid up capital of the Company is in agreement with the aggregate of the total number of shares in dematerialised form (held with NSDL and CDSL) and total number of shares in physical form.

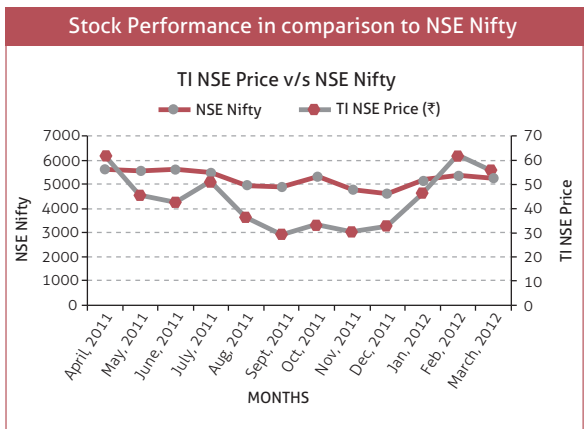
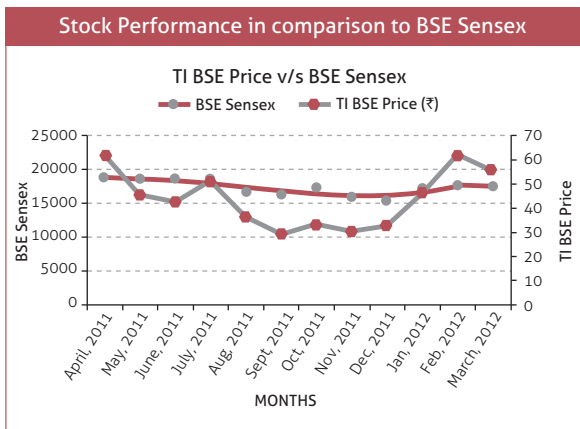
### 17. GENERAL SHAREHOLDERS INFORMATION

<b>I Annual General Meeting</b>	
Day, Date and Time	Friday, September 21, 2012 at 12.00 noon
Venue	P.O. Tilaknagar, Tal. Shrirampur, Dist. Ahmednagar, Maharashtra - 413 720.
<b>II Financial Calendar</b>	
Financial Year	April 01, 2012 to March 31, 2013.
Financial reporting of results	
Annual audited results	Within sixty days from the end of the last quarter.
Quarterly unaudited results	Within forty five days from the end of the quarter.
<b>III Book Closure Date</b>	Saturday, September 15, 2012 to Friday, September 21, 2012 (both days inclusive)
<b>IV Dividend Payment Date</b>	On or before September 28, 2012
<b>V Registrar &amp; Share Transfer Agents</b>	Bigshare Services Pvt. Ltd. E-2/3, Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (E), Mumbai - 400 072 Ph: 022 2856 0652/53, 022 4043 0200 • Fax: 022 2847 5207
<b>VI Share Transfer System</b>	Share transfers in physical form have to be lodged with the Registrar and Share Transfer Agents.  All shares received for transfer are registered and returned within a period of thirty days from the date of lodgement, provided the documents are valid and complete in all respects.  In accordance with the SEBI guidelines, the Company offers the facility of transfer-cum-demat to Members after share transfers are registered in physical form.
<b>VII Corporate Identification Number (CIN)</b>	L15420PN1933PLC133303
<b>VIII Listing on Stock Exchanges</b>	BSE Limited (Scrip Code: 507205) National Stock Exchange of India Limited (Scrip Code: TI)  The Company has paid the listing fees for the year 2012-13 to BSE Limited and National Stock Exchange of India Limited.



IX Demat ISIN No. For Equity Shares	INE133E01013 The Company has paid custodian fees for the year 2012-13 to National Securities Depository Limited and Central Depository Services (India) Limited.
X Outstanding GDRs / ADRs / Warrants / Convertible Instruments and their impact on Equity	The Company does not have any outstanding GDRs / ADRs / Warrants / Convertible Instruments as on March 31, 2012.
XI Market Price Data	Monthly high and low quotations of the shares of the Company traded at BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) for the year 2011-2012 are furnished below:

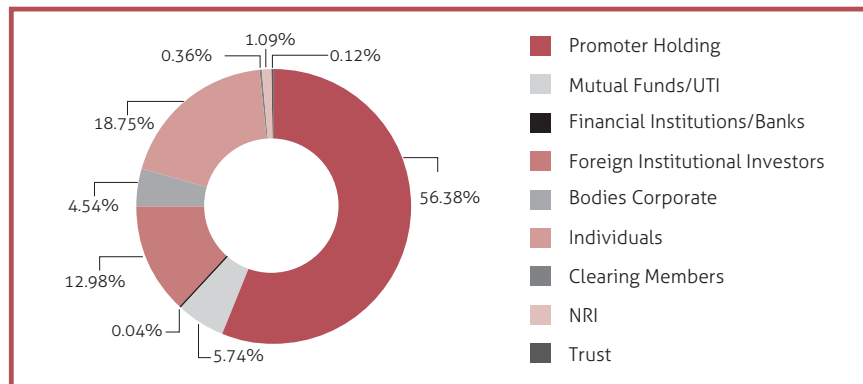
Months	BSE			NSE		
	High Price (₹)	Low Price (₹)	Volume (Nos.)	High Price (₹)	Low Price (₹)	Volume (Nos.)
April, 2011	70.65	53.95	5,018,220	70.85	54.00	7,328,769
May, 2011	62.60	44.50	2,267,182	62.80	44.40	4,068,865
June, 2011	47.50	30.50	5,657,368	47.50	31.00	9,825,717
July, 2011	54.00	41.50	4,076,052	53.80	41.00	6,608,119
August, 2011	52.00	34.50	3,398,600	52.45	34.60	5,342,846
September, 2011	37.60	27.55	2,267,084	37.70	27.50	4,143,984
October, 2011	34.90	27.50	1,669,194	34.80	27.60	2,561,108
November, 2011	36.60	27.70	2,330,960	36.70	27.65	3,241,650
December, 2011	40.25	30.10	3,402,623	40.35	30.10	6,071,693
January, 2012	46.95	32.50	9,959,706	47.00	32.50	15,505,519
February, 2012	63.05	44.30	8,930,113	63.00	44.20	14,869,733
March, 2012	64.00	49.50	4,303,182	64.00	49.80	6,570,087



## XII Shareholding Pattern

Category of Shareholders	As on March 31, 2012			As on March 31, 2011		
	No. of Shareholders	No. of Shares held	% to total shareholding	No. of Shareholders	No. of Shares held	% to total shareholding
Promoter Holding:	13	67,659,575	56.38	16	62,339,239	54.09
Public Holding:						
Mutual Funds/UTI	2	6,885,028	5.74	3	5,298,953	4.60
Financial Institutions/Banks	20	42,934	0.04	20	40,724	0.04
Foreign Institutional Investors	10	15,572,709	12.98	12	22,631,037	19.63
Bodies Corporate	565	5,451,951	4.54	557	4,690,441	4.06
Individuals	22,387	22,502,017	18.75	20,482	19,185,680	16.65
Clearing Members	126	435,140	0.36	71	147,584	0.13
NRI	230	1,302,418	1.09	191	6,97,056	0.60
Trusts	1	150,000	0.12	2	2,25,990	0.20
<b>Total Public Shareholding</b>	<b>23,341</b>	<b>52,342,197</b>	<b>43.62</b>	<b>21,338</b>	<b>52,917,465</b>	<b>45.91</b>
<b>Total Shareholding</b>	<b>23,354</b>	<b>120,001,772</b>	<b>100.00</b>	<b>21,354</b>	<b>115,256,704</b>	<b>100.00</b>

## Shareholding Pattern as on March 31, 2012



## XIII Distribution of shareholding as on March 31, 2012

Share holding of nominal value (₹)	Share Holders		Share Amount	
	Number	% to total	₹	% to total
Upto - 5,000	17,649	75.57	26,273,800	2.19
5,001 -10,000	2,309	9.89	18,117,160	1.51
10,001- 20,000	1,517	6.50	22,439,220	1.87
20,001-30,000	635	2.72	16,059,590	1.34
30,001-40,000	285	1.22	9,938,460	0.83
40,001-50,000	249	1.07	11,429,500	0.95
50,001-1,00,000	358	1.53	26,063,340	2.17
1,00,001 and above	352	1.50	1,069,696,650	89.14
<b>Total</b>	<b>23,354</b>	<b>100.00</b>	<b>1,200,017,720</b>	<b>100.00</b>

## XIV Top Ten Shareholders (other than Promoters) as on March 31, 2012

Sr. No.	Name of the Shareholder	No. of Shares held	% of Holding
1	Smallcap World Fund, INC	8,890,000	7.41
2	IDFC Premier Equity Fund	6,735,028	5.61
3	Emerging India Focus Funds	2,193,970	1.83
4	CLSA (Mauritius) Limited	1,666,000	1.39
5	Biju P. John	1,480,815	1.23
6	Morgan Stanley Asia (Singapore) Pte.	1,477,083	1.23
7	Anand Prabhakaran Nair	1,406,338	1.17
8	Globe Fincap Limited	1,020,000	0.85
9	Globe Capital Market Ltd.	525,945	0.44
10	Citi Group Global Markets Mauritius Pvt. Ltd.	500,000	0.42
	<b>Total</b>	<b>25,895,179</b>	<b>21.58</b>

XV Dematerialisation of Shares	Trading in equity shares of the Company is permitted only in dematerialised form. The Company's shares are held in dematerialised form to the extent of 94.75% of the total issued and paid up shares as on March 31, 2012.
XVI Plant Location	(i) Tilaknagar Industries Ltd., P. O. Tilaknagar, Tal. Shrirampur, Dist. Ahmednagar, Maharashtra (ii) Prag Distillery (P) Ltd., R.S. No. 199/1, 200/2, Bicca Bolu, Rajanagaram Road, Nallamilli, Rangampeta Mandal, East Godavari District, (A.P.) (iii) Vahni Distilleries Private Limited, No. 140, Tavaregera Village, Kushtagi Taluka, Koppal District, Karnataka (iv) Kesarval Springs Distillers Pvt. Ltd., L-22, Cuncolim Industrial Estate, Cuncolim, Goa (v) Punjab Expo Breweries Private Limited, Plot No. 237,238, Village Jeoli, Tehsil Derabassi, Dist. Mohali, Punjab
XVII Address for Correspondence	Mr. Gaurav Thakur, <i>Company Secretary &amp; Compliance Officer</i> Tilaknagar Industries Ltd., Corporate Office: 3rd Floor, Industrial Assurance Building, Churchgate, Mumbai - 400 020. Tel : 022 2283 1716/18, Fax : 022 2204 6904 Website : www.tilind.com • Email : investor@tilind.com

## Declaration on Code of Conduct

To,  
The Board of Directors  
Tilaknagar Industries Ltd.,  
Corp. Office: 3rd Floor, Industrial Assurance Building,  
Churchgate, Mumbai - 400 020.

Dear Sirs,

This is to confirm that the Board has laid down a Code of Conduct for all Board Members and the Senior Management of the Company. The Code of Conduct has also been posted on the website of the Company.

It is further confirmed that all Directors and Senior Management of the Company have affirmed compliance with the Code of Conduct of the Company for the financial year ended March 31, 2012, as envisaged in Clause 49 of the Listing Agreement with the Stock Exchanges.

For Tilaknagar Industries Ltd.

Place: Mumbai  
Dated: May 28, 2012

Amit Dahanukar  
Chairman & Managing Director



## CMD & CFO Certification

To,  
The Board of Directors  
Tilaknagar Industries Ltd.,  
Corp. Office: 3rd Floor, Industrial Assurance Building,  
Churchgate, Mumbai - 400 020

Dear Sirs,

We hereby certify that:

- (a) We have reviewed financial statements for the financial year ended March 31, 2012 and that to the best of our knowledge and belief:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the financial year which are fraudulent, illegal and violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit Committee:
- (i) significant changes in internal control during financial year ended March 31, 2012;
  - (ii) significant changes in accounting policies during financial year ended March 31, 2012; and
  - (iii) instances of significant fraud of which we have become aware.

For Tilaknagar Industries Ltd.

**Amit Dahanukar**  
Chairman & Managing Director

Place: Mumbai  
Date: May 28, 2012

For Tilaknagar Industries Ltd.

**G. S. Krishnan**  
Officiating Head of Finance

# Auditors' Certificate on Compliance with the Conditions of Corporate Governance under Clause 49 of the Listing Agreement

To the Members of  
Tilaknagar Industries Ltd.

We have examined the compliance of conditions of corporate governance by Tilaknagar Industries Ltd. ('The Company') for the financial year ended March 31, 2012, as stipulated in Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges in India.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was carried out in accordance with the guidance note on certification of corporate governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of corporate governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Battiboi & Purohit  
Chartered Accountants  
FRN 101048W

Place: Mumbai  
Date: May 28, 2012

K.A. Mehta  
Partner  
Membership No. 111749

# Details of the Directors seeking re-appointment in the forthcoming Annual General Meeting

(Pursuant to Clause 49 of the Listing Agreement)

Name of the Directors	Mr. Madan Goyal	Mr. V. B. Haribhakti	Mr. Amit Dahanukar	Mrs. Shivani Amit Dahanukar
Date of Birth	August 31, 1943	October 08, 1929	November 06, 1976	June 28, 1977
Expertise in specific functional areas	He is a management graduate (Faculty of Management Studies, Delhi), Fellow of Chartered Institute of Bankers, United Kingdom and Lord Aldington Research Fellow, United Kingdom and C.A.I.I.B., with experience of more than 46 years in commercial banking, investment banking and human resource management. He has been associated with the State Bank of India, SBI Capital Markets and SBI Mutual Fund for a period of 25 years, holding senior positions.	He is a Chartered Accountant in practice for the past several years. A gold medalist in the final Chartered Accountants Examination, he was the President of Institute of Chartered Accountants of India in the year 1967-68. He was also the President of Indian Merchants' Chamber in 1978-79 and of Council for Fair Business Practices in the year 2004-05. He is having considerable experience in the field of accountancy and management.	As a Chairman & Managing Director, he provides strategic direction for TI's future initiatives and is also responsible for its various alliances and collaborations.	She oversees TI's daily operations and spearheads the welfare activities of the group in the fields of nutrition, primary education and healthcare.
Qualifications	M.B.A., C.A.I.I.B., F.C.I.B. (U.K.)	Chartered Accountant	Graduate in Electrical Engineering with a Masters degree in Engineering Management from Stanford University, U.S.A.	Masters in Business Administration from the University of San Francisco and also a graduate in Law from the Government Law College, University of Mumbai
Public Companies in which Directorship is held as on March 31, 2012	Nil	1. Bajaj Electricals Ltd. 2. Citadel Realty And Developers Ltd. 3. Simplex Reality Ltd. 4. Anglo – French Drug Industries Ltd. 5. Ester Industries Ltd. 6. Lakshmi Automatic Loom Works Ltd.	Shivprabha Sugars Ltd.	Shivprabha Sugars Ltd.
Chairman of Committees formed by Board of other Listed Companies of which he/she is a Director as on March 31, 2012	Nil	1. Bajaj Electricals Ltd. 2. Simplex Reality Ltd. 3. Ester Industries Ltd.	Nil	Nil
Member of Committees formed by Board of other Listed Companies of which he/she is a Director as on March 31, 2012	Nil	1. Bajaj Electricals Ltd. 2. Citadel Realty And Developers Ltd. 3. Lakshmi Automatic Loom Works Ltd.	Nil	Nil
Shareholding in the Company as on March 31, 2012 (Equity)	2,000	9,000	22,537,459	39,371,043



# SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2012

To the Members of  
Tilaknagar Industries Ltd.

We have conducted, the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by the Company. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon. Based on our verification of the Tilaknagar Industries Ltd.'s books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering April 01, 2011 to March 31, 2012, complied with the statutory provisions listed hereunder and also that the Company has proper board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records as maintained by "Tilaknagar Industries Ltd." for April 01, 2011 to March 31, 2012 according to the provisions of:

- (i) The Companies Act, 1956 and the Rules made thereunder;
- (ii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iii) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (iv) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act');
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - (c) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ;
  - (d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- (v) The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited.

**We have also examined compliances made by the Company with the following applicable standards/guidelines:**

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs, Government of India.
- (iii) Corporate Social Responsibility Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs, Government of India.

Based on our examination and verification of the books, papers, minute books, forms and returns filed and other records produced to us and according to information and explanations given to us by the Company, we report that the Company has in our opinion, complied with the provisions of the Companies Act, 1956 (Act) and the Rules made thereunder, the Memorandum and Articles of Association of the Company and also applicable provisions of the aforesaid laws, standards, guidelines, agreements, etc.

**We report that, during the year under review:**

1. the status of the Company has been that of a Listed Public Company. The Company is listed at National Stock Exchange of India Limited and BSE Limited. The CIN of the Company is L15420PN1933PLC133303. The Scrip Code of the Company in National Stock Exchange is "TI" and in Bombay Stock Exchange is '507205'.
2. the Company has Nine (9) Subsidiary Companies, as follows:
  - a. Prag Distillery (P) Ltd.
  - b. Vahni Distilleries Private Limited
  - c. Kesarval Springs Distillers Pvt. Ltd.
  - d. Punjab Expo Breweries Private Limited
  - e. Shivprabha Sugars Ltd.
  - f. Studd Projects P. Ltd.
  - g. P.P. Caps Private Limited

- h. Mykingdom Ventures Pvt. Ltd.
- i. Srirampur Grains Private Limited

The Company had acquired the following Companies during the year under review:

Sr. No.	Name of Subsidiary Companies	Stake held by Company	Date of acquisition
1.	Punjab Expo Breveries Private Limited	100%	October 01, 2011
2.	Mykingdom Ventures Pvt. Ltd.	100%	March 19, 2012
3.	P. P. Caps Private Limited	100%	March 19, 2012
4.	Studd Projects P. Ltd.	100%	March 19, 2012
5.	Srirampur Grains Private Limited	100%	March 19, 2012
6.	Shivprabha Sugars Ltd.	90%	March 19, 2012

3. the Company has not been a Government Company or a Financial Company.
4. the Board of Directors of the Company was duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. No changes in the composition of the Board of Directors took place during the period under review. Adequate notices are given to all directors to attend the Board Meetings, agenda and detailed notes on agenda are sent well in advance, a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Decisions are carried based on majority votes though the dissenting member's views are captured and recorded as part of the minutes.
5. the Company has complied with the provisions of the Companies Act, 1956 and rules made under that Act in carrying out the following changes.
  - (a) particulars of subsidiary companies
  - (b) directors
  - (c) managerial remuneration
  - (d) share capital (authorised, issued, subscribed, paid-up, conversion/ redemption, reclassification, sweat).
  - (e) the changes in the provisions of :
    - i. The Memorandum of Association.
    - ii. The Articles of Association.
6. the Annual General Meeting for the financial year ended March 31, 2011 was held on September 08, 2011 after giving due notice to the Members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. the Directors have complied with the disclosure requirements in respect of their eligibility of appointment, independence and compliance with the Code of Conduct & Business Ethics for Directors and Management Personnel.
8. the Directors have complied with the requirements as to disclosure of interests and concerns in contracts and arrangements, shareholdings/debenture holdings and directorships in other companies and interests in other entities.
9. the Company has given loans, guarantees and provided securities to subsidiary companies.
10. the Company has not made loans and investments; or given guarantees or provided securities to other business entities.
11. the amount borrowed by the Company from its directors, members, bank(s)/ financial institution(s) and others were within the borrowing limits of the Company. Such borrowings were made by the Company in compliance with applicable laws.
12. the Company has not defaulted in the repayment of public deposits, unsecured loans, debentures, facilities granted by bank(s)/financial institution(s) and non-banking finance companies.
13. the Company has created, modified or satisfied charges on the assets of the company and complied with the applicable laws.
14. all registrations under the various state and local laws as applicable to the company are valid as on the date of report.
15. the Company has issued and allotted the securities to the persons entitled thereto within the stipulated time in compliance with the provisions of the Companies Act, 1956 and other relevant statutes as detailed.

16. the Company has credited and paid to the Investor Education and Protection Fund within the stipulated time, all the unpaid dividends, repayment of principal and interest on debentures, repayment of principal and interest on fixed deposits as required to be so credited to the Fund.
17. the Company has paid all its statutory dues and satisfactory arrangements have been made for arrears of any such dues.
18. the Company (being a listed entity) has complied with the provisions of the Listing Agreement.
19. during the year, the Company has allotted 4,55,162 Equity Shares having face value of ₹ 10/- each and 5,670 Equity Shares having face value of ₹ 10/- each to those employees who have exercised the stock options vested on them, pursuant to Employee Stock Option Scheme, 2008 and Employee Stock Option Scheme, 2010 respectively and the necessary provisions of the Act have been complied with.
20. during the year, the Company has allotted 42,84,236 Equity Shares pursuant to conversion of warrants to the Promoter of the Company and necessary forms have been filed with the Registrar of Companies.
21. the Company has provided a list of statutes in addition to the laws as mentioned above and it has been observed that there are proper systems in place to ensure compliance of all laws applicable to the Company.

**We further report that:**

- (a) the Company has substantially complied with the provisions of Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs, Government of India;
- (b) the Company has substantially complied with the provisions of Corporate Social Responsibility Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs, Government of India;
- (c) the Company has substantially followed the Secretarial Standards issued by The Institute of Company Secretaries of India;
- (d) the Company has complied with the provisions of Listing Agreements entered into with BSE Limited and National Stock Exchange of India Limited;
- (e) the Company has complied with the provisions of The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 including the provisions with regard to disclosures and maintenance of records required under the Regulations;
- (f) the Company has complied with the provisions of The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 including the provisions with regard to disclosures and maintenance of records required under the Regulations;
- (g) the Company has complied with the provisions of The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (h) the Company has complied with the provisions of The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 with regard to grant of Stock Options and implementation of the Schemes;

**We further report that:**

There are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

For Ragini Chokshi & Associates  
Practising Company Secretaries

Place: Mumbai  
Date: May 21, 2012

**Ragini Chokshi**  
Partner  
C.P. No.: 1436

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To  
The Board of Directors of  
Tilaknagar Industries Ltd.

1. We have audited the attached Consolidated Balance Sheet of Tilaknagar Industries Ltd. ("The Company") and its subsidiaries (The Company and its subsidiaries constitute "The Group") as at March 31, 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement of the group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared on the basis of the separate financial statements. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These 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 the 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.
3. We did not audit the financial statements of nine subsidiaries whose financial statements reflect total assets of ₹ 2120.00 million as at March 31, 2012, total revenue of ₹ 1239.20 million and net cash inflows amounting to ₹ 33.25 million for the year then ended.
4. We report the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standards 21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India.
5. Based on our Audit and our consideration of reports of other Auditors on separate financial statements and on the other financial information, and to the best of our information and according to the explanation given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2012;
  - (ii) in case of the Consolidated Statement of Profit and Loss, of the Consolidated profit of the Group for the year ended on that date and
  - (iii) in case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **BATLIBOI & PUROHIT**  
*Chartered Accountants*  
Firm Registration No. 101048W

**Kaushal Mehta**  
*Partner*

Place : Mumbai  
Dated : May 28, 2012

Membership No.111749



**CONSOLIDATED BALANCE SHEET** as at March 31, 2012.

(₹ in million)

	Note No.	As at March 31, 2012	As at March 31, 2011
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share capital	2	1,200.02	1,152.57
(b) Reserves & surplus	3	3,549.42	2,829.69
(c) Money received against share warrant		–	78.19
		<b>4,749.44</b>	<b>4,060.45</b>
<b>(2) Share Application Money pending allotment</b>			
		<b>1.68</b>	<b>0.20</b>
<b>Minority Interest</b>			
		<b>0.03</b>	<b>–</b>
<b>(3) Non-current liabilities</b>			
(a) Long-term borrowings	4	1,145.55	990.66
(b) Deferred tax liabilities (Net)	5	280.81	199.11
(c) Other long-term liabilities	6	321.89	366.28
(d) Long-term provisions	7	8.23	4.44
		<b>1,756.48</b>	<b>1,560.49</b>
<b>(4) Current liabilities</b>			
(a) Short term borrowings	8	3,670.84	2,941.85
(b) Trade payables	9	491.58	370.19
(c) Other current liabilities	10	535.31	460.77
(d) Short-term provisions	11	329.07	227.73
		<b>5,026.80</b>	<b>4,000.54</b>
<b>Total</b>		<b>11,534.43</b>	<b>9,621.68</b>
<b>II. ASSETS</b>			
<b>(1) Non-current assets</b>			
<b>(a) Fixed Assets</b>			
Tangible Assets	12	4,123.18	3,758.73
Intangible Assets		86.18	120.86
Capital work-in-progress		939.73	382.05
(b) Goodwill on consolidation		254.28	85.75
(c) Non-current investments	13	0.37	0.37
(d) Long-term loans and advances	14	63.01	387.98
		<b>5,466.75</b>	<b>4,735.74</b>
<b>(2) Current Assets</b>			
(a) Current investments	15	2.50	2.50
(b) Inventories	16	1,302.93	813.32
(c) Trade receivables	17	1,291.34	966.36
(d) Cash and bank balances	18	198.07	166.48
(e) Short-term loans and advances	19	3,271.59	2,936.82
(f) Other current assets	20	1.25	0.46
		<b>6,067.68</b>	<b>4,885.94</b>
<b>Total</b>		<b>11,534.43</b>	<b>9,621.68</b>
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our Report of even date annexed.

For and on behalf of the Board

For **Battliboi & Purohit**  
Chartered Accountants  
Firm Registration No. 101048W

**Amit Dahanukar**  
Chairman &  
Managing Director

**Shivani Amit Dahanukar**  
Executive Director

**V.B.Haribhakti**  
Director

**Kaushal Mehta**  
Partner  
Membership No. 111749

**Dr. Vishnu Kanhere**  
Director

**Dr. Ravindra Bapat**  
Director

**C.V.Bijlani**  
Director

Place : Mumbai  
Date : May 28, 2012

**Madan Goyal**  
Director

**Gaurav Thakur**  
Company Secretary

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS** for the year ended March 31, 2012.(*₹ in million*)

	Note No.	Year ended March 31, 2012	Year ended March 31, 2011
<b>INCOME</b>			
Revenue from operations			
Sale of products (Gross)	21	8,369.59	6,495.63
Less: Excise duty		2,891.66	1,812.32
Sale of products (Net)		<b>5,477.93</b>	<b>4,683.31</b>
Other operating income	21.1	60.97	8.96
		<b>5,538.90</b>	<b>4,692.27</b>
Other Income	22	16.58	17.25
		<b>5,555.48</b>	<b>4,709.52</b>
<b>EXPENSES</b>			
Cost of materials consumed	23	2,308.39	1,556.80
(Increase) / Decrease in stocks	24	(345.14)	45.95
Employee benefits expense	25	292.43	209.47
Other expenses	26	1,814.98	1,735.57
Finance cost	27	562.21	387.77
Depreciation		222.60	130.66
		<b>4,855.47</b>	<b>4,066.22</b>
<b>Profit / (Loss) before taxation</b>		<b>700.01</b>	<b>643.30</b>
<b>Tax expenses</b>			
(1) Current Tax		147.14	168.00
(2) Deferred Tax		81.20	79.56
		<b>228.34</b>	<b>247.56</b>
<b>Profit / (Loss) after taxation</b>		<b>471.67</b>	<b>395.74</b>
Less : Minority Interest		0.06	-
<b>Profit / (Loss) after taxation</b>		<b>471.61</b>	<b>395.74</b>
Earnings Per Share (₹) Basic		4.08	3.85
Diluted		4.02	3.71
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our Report of even date annexed.

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For **Batliboi & Purohit**  
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Firm Registration No. 101048W

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Director

Place : Mumbai  
Date : May 28, 2012

**Madan Goyal**  
Director

**Gaurav Thakur**  
Company Secretary

**CONSOLIDATED CASH FLOW STATEMENT** for the year ended March 31, 2012.

(₹ in million)

	2011-2012	2010-2011
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax	700.01	643.30
Adjustment for:		
Depreciation	222.60	130.66
(Surplus) / Loss on sale of assets	(1.63)	(2.66)
Goodwill written off	-	3.84
Employee stock option expenses	27.41	16.23
Interest (net)	558.16	383.11
	806.54	531.18
Operating Profit before working capital changes		
Adjustment for:		
(Decrease)/ Increase in trade payables, current liabilities and provisions	256.70	(160.50)
(Increase) / Decrease in long term loans and advances	(9.65)	(805.06)
(Increase) / Decrease in inventory	(489.61)	30.07
(Increase) / Decrease in trade receivables	(324.98)	(145.92)
	(567.54)	(1,081.41)
Proceeds from short term borrowings		56.91
Direct taxes paid	(148.05)	(168.00)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>790.96</b>	<b>(18.02)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(1,130.50)	(1,110.52)
Sale of fixed assets	3.63	39.07
Increase in investments	(184.87)	(14.72)
Decrease / (Increase) in bank balances	22.48	(5.65)
Interest received	4.05	4.66
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(1,285.21)</b>	<b>(1,087.16)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital including premium	333.01	1,723.88
Proceeds (repayment) from borrowings	883.88	(228.26)
Interest paid	(562.21)	(387.77)
Dividend and tax thereon	(111.71)	(107.52)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>542.97</b>	<b>1,000.33</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>48.72</b>	<b>(104.85)</b>
Opening cash & cash equivalents	80.17	185.02
Cash & cash equivalents on subsidiary acquired during the year	5.34	-
Closing cash & cash equivalents	<b>134.23</b>	<b>80.17</b>

As per our Report of even date annexed.

For and on behalf of the Board

For **Batliboi & Purohit**  
Chartered Accountants  
Firm Registration No. 101048W

**Amit Dahanukar**  
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Director

Place : Mumbai  
Date : May 28, 2012

**Madan Goyal**  
Director

**Gaurav Thakur**  
Company Secretary

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended March 31, 2012.

### Note 1 Significant Accounting Policies

#### A. Principles of Consolidation

- i) The consolidated financial statements relate to Tilaknagar Industries Ltd. (The Company) and its subsidiary companies. The consolidated financial statements have been prepared on the following basis :
  - (a) The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book value of like assets , liabilities , income and expenses, after fully eliminating intra- group balances and intra group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21-" Consolidated Financial Statements" notified Companies (Accounting Standards) Rules 2006.
  - (b) The difference between the cost of investment in the subsidiaries and the Company's share of net assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve as the case may be.
  - (c) The financial statements of the Subsidiaries are drawn upto the same reporting date as that of the Company i.e. March 31, 2012 and as far as possible, the Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.
  - (d) Minority interest in the net assets of the consolidated subsidiaries consists :
    - a. the amount of equity attributable to minorities at the date on which investment in a subsidiary is made ; and
    - b. the minorities share of movements in equity since the date the parent subsidiary relationship comes into existence.
- ii) Investments other than in subsidiaries have been accounted as per Accounting Standard (AS-13) on "Accounting for Investments" notified Companies (Accounting Standards) Rules 2006.

#### B. Significant Accounting Policies

##### i) Basis of Preparation of Financial Statements :

The financial statements have been prepared using historical cost convention and on the basis of going concern in accordance with generally accepted accounting principles in India, Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 and other relevant provisions of the Companies Act, 1956.

##### ii) Use of Estimates :

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

##### iii) Revenue Recognition:

All revenue and expenses are accounted for on accrual basis. Revenue is recognized when no significant uncertainties exist in relation to the amount of eventual receipt.

- (a) Sales are recognized on dispatch of goods to customers and are recorded net of trade discounts, sales tax / value added tax and inclusive of central / state excise duty.
- (b) Insurance and other claims are accounted for as and when admitted by the appropriate authorities.

##### iv) Inventories :

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the basis of Weighted Average Method.

- (a) Raw materials, Stores & Components and Work-in-Progress are valued at material cost.
- (b) Finished goods are valued at manufacturing cost, which comprise direct material, direct labour, other direct cost and other related manufacturing overheads. Excise duty payable on finished goods stock is added to the cost.

##### v) Fixed Assets :

- (a) Fixed assets are stated at their original cost of acquisition / installation, net of accumulated depreciation, amortization and impairment losses.
- (b) Capital work-in-progress is stated at the amount incurred up to the date of the Balance Sheet.
- (c) Expenditures incurred during construction / erection period on project under implementation are included under "Capital work-in-progress". These expenses are appropriated to fixed assets on commencement of commercial production.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** for the year ended March 31, 2012.**Note 1 Significant Accounting Policies (Contd.)**

- (d) Fixed assets purchased under Hire purchase arrangements, includes expenditure incurred till the assets are put to use.
- (e) Goodwill and other intangible assets are amortized over the useful life of the assets.
- (f) Goodwill comprises the excess of purchase consideration over the fair value of the net assets of the acquired enterprises. Goodwill arising on consolidation or acquisition is not amortized but instead tested for impairment.
- vi) **Depreciation and Amortization:**  
Depreciation is provided on the "Written Down Value Method" or "Straight Line Method" in the manner and at the rates specified in schedule XIV of the Companies Act, 1956 as specified in the accounting policies of the respective Company's standalone financial statements.
- vii) **Impairment of Assets :**  
Impairment loss is recognized wherever the carrying amount of an asset is in excess of its recoverable amount and the same is recognized as an expense in the Statement of Profit and Loss and the carrying amount of the said asset is reduced to its recoverable amount.  
Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased.
- viii) **Investments :**  
(a) Long Term Investments are valued at cost. Provision for diminution in value is made only if in the opinion of management such a decline is other than temporary.  
(b) Current Investments are valued at cost / fair value whichever is lower.
- ix) **Foreign Currency Transactions :**  
Foreign currency transactions are recorded at the rate of exchange prevailing on the date of transaction. Exchange rate difference arising on the settlement of foreign currency transactions are recognized in the Statement of Profit and Loss. Foreign currency denominated monetary items as at the Balance Sheet date are translated at the rate prevailing on the date of Balance Sheet and the resultant exchange difference is recognised in the Statement of Profit and Loss.
- x) **Provisions and Contingencies :**  
Provision is recognized when there is a present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure on contingent liability is made when there is a possible obligation or present obligation that probably will not require an out flow of resources or where reliable estimate of the amount of the obligation cannot be made. However contingent assets are neither provided for nor disclosed.
- xi) **Research and Development:**  
Revenue expenditure on research and development is charged to the Statement of Profit and Loss of the year in which it is incurred.  
Expenditure incurred on development / acquisition of new product / brand is amortised over a period of five years taking into consideration its anticipated future benefits.
- xii) **Borrowing Cost:**  
Borrowing costs attributed to the acquisition of fixed assets are capitalized as a part of the cost of asset upto the date the asset is put to use. Other borrowing costs are charged to the Statement of Profit and Loss in the year in which these are incurred.
- xiii) **Employee Benefits:**
- (a) **Defined Contribution Plan:**  
Employee benefits in the form of contribution to Provident Fund managed by Government Authorities, Employees State Insurance Corporation and Labour Welfare Fund are considered as defined contribution plan and the same is charged to the Statement of Profit and Loss of the year when the contribution to the respective funds are due.
- (b) **Defined Benefit Plan:**  
Retirement benefits in the form of gratuity are considered as defined benefit obligations and are provided at the present value of the amounts payable as on that date of the Balance Sheet, determined by using actuarial valuation techniques. Actuarial gains / losses, if any, are recognized in the Statement of Profit and Loss.
- (c) **Leave Encashment :**  
Liability on account of the un-availed earned leave has been provided at the year-end on actual basis.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** for the year ended March 31, 2012.**Note 1 Significant Accounting Policies (Contd.)****xiv) Employee Stock Compensation Cost:**

The Company measures compensation cost relating to employee stock option using the 'intrinsic value method'. Compensation cost for stock option represent the excess of the market price over the exercise price of the shares granted under "Employee Stock Option Scheme" is amortised in accordance with guidelines issued by Securities and Exchange Board of India (SEBI), in this regard.

**xv) Taxation:**

(a) Provision for Income Tax is determined on the basis of the estimated taxable income and amount expected to be paid to the tax authorities in accordance with the Provisions of the Income Tax Act, 1961.

(b) Deferred Tax is recognized in respect of deferred tax assets (subject to the consideration of prudence) and to the extent there is virtual certainty that the asset will be realized in future and deferred tax liabilities on timing differences, being the difference between taxable income and accounting income that originate in one year and are capable of reversal in subsequent years.

**xvi) Earning Per Share:**

Basic earnings per share are calculated by dividing the net profit for the year attributable to equity share holders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating the diluted earnings per share the net profit for the year attributable to equity share holders by the weighted average number of equity shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**xvii) Lease Accounting :**

Leasing of assets whereby the lessor essentially remains the owner of the asset are classified as operating leases. The payments made by the Company as lessee in accordance with operational leasing contracts or rental agreements are expensed proportionally during the lease or rental period respectively. Any compensation, according to agreement, that the lessee is obliged to pay to the lessor if the leasing contract is terminated prematurely is expensed during the period in which the contract is terminated.

(₹ in million)

	As at March 31, 2012	As at March 31, 2011
<b>Note 2 Share Capital</b>		
<b>Authorised Shares</b>		
150,000,000 equity shares of ₹ 10/- each (P.Y. 150,000,000 equity shares of ₹ 10/- each)	1,500.00	1,500.00
<b>Issued, subscribed and paid up shares</b>		
120,001,772 Equity Shares of ₹ 10/- each fully paid up (P.Y. 115,256,704 Equity Shares of ₹ 10/- each fully paid up)	1,200.02	1,152.57
Of the above shares :		
86,176,200 equity shares of ₹10/- each fully paid-up bonus shares by capitalisation of share premium, capital reserve and general reserve		
	<b>1,200.02</b>	<b>1,152.57</b>

**a) Reconciliation of the number of shares outstanding**

(Nos. in million)

Number of equity shares at the beginning	115.26	32.31
Equity shares issued on exercise of employee stock options	0.46	0.08
Equity shares issued by way of QIP (Qualified Institutions Placement)	Nil	14.21
Equity shares issued as bonus	Nil	64.64
Shares issued on conversion of warrants	4.28	4.02
Number of equity shares at the end	<b>120.00</b>	<b>115.26</b>

**b) Terms / rights attached to equity shares**

Each holder of equity share is entitled to one vote per share with a right to receive per share dividend by the Company, when declared. In the event of liquidation, the equity shareholders will be entitled to receive remaining assets of the Company after distribution of all preferential amounts in the proportion to the number of equity shares held by them.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** for the year ended March 31, 2012.**Note 2 Share Capital (Contd.)****c) Details of shareholders holding more than 5% shares in the Company**

	As at March 31, 2012		As at March 31, 2011	
	No. of equity shares in million	As a % of total holding	No. of equity shares in million	As a % of total holding
Shivani Amit Dahanukar	39.37	32.81	39.37	34.16
Amit Dahanukar	22.54	18.78	17.22	14.94
Small Cap World Fund, Inc	8.89	7.41	8.89	7.71
IDFC Premier Equity Fund	6.74	5.61	Nil	Nil
<b>Total</b>	<b>77.54</b>	<b>64.61</b>	<b>65.48</b>	<b>56.81</b>

(₹ in million)

	As at March 31, 2012	As at March 31, 2011
<b>Note 3 Reserves &amp; Surplus</b>		
<b>1. Securities Premium Account</b>		
As per last Balance Sheet	1,497.77	220.99
Add : Additions during the year	362.49	1,498.01
Less : Utilised for issue of bonus shares	-	221.23
	<b>1,860.26</b>	<b>1,497.77</b>
<b>2. General Reserve :</b>		
As per last Balance Sheet	106.18	105.66
Transfer from Statement of Profit and Loss	-	355.00
Less : Utilised for issue of bonus shares	-	354.48
	<b>106.18</b>	<b>106.18</b>
<b>3. Capital Reserve</b>		
As per last Balance Sheet	1.90	72.55
Less : Utilised for issue of bonus shares	-	70.65
	<b>1.90</b>	<b>1.90</b>
<b>4. Revaluation Reserve</b>		
	732.63	762.71
Less : Utilised against depreciation on revalued assets	30.08	30.08
	<b>702.55</b>	<b>732.63</b>
<b>5. Employee Stock Option Outstanding (Net)</b>	<b>46.48</b>	<b>19.06</b>
<b>6. Surplus / (deficit) in the Statement of Profit and Loss</b>		
As per last Balance Sheet	472.15	538.93
Add: Profit After Tax for the year	471.61	395.74
Less: Transferred to General Reserve	-	355.00
Less: Proposed Dividend	96.12	92.20
Less: Dividend Distribution Tax	15.59	15.32
	<b>832.05</b>	<b>472.15</b>
	<b>3,549.42</b>	<b>2,829.69</b>

**Note 4 Long-Term Borrowings**

<b>Secured Loans</b>		
Term Loans from Banks	1,137.61	985.59
Hire purchase car loan (with Banker's lien on cars)	7.94	5.07
	<b>1,145.55</b>	<b>990.66</b>

- (a) The term loans for holding are secured against first charge on the land, building, plant & machinery of the Company situated at Shrirampur, Dist Ahmednagar and second charge on stock and debtors.
- (b) Term loans from banks carry interest @ 14.25% to 15.50%. The loans are repayable in monthly / quarterly instalments each along with interest from the date of the loan.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** for the year ended March 31, 2012.

- (c) The term loans for a subsidiary are secured against first charge on plant & machinery and other fixed assets of the Company situated at Biccavolu, East Godavari, Andhra Pradesh.
- (d) The amounts of secured loans from banks outstanding at the end of the financial year have been guaranteed by the personal guarantee of Chairman & Managing Director of the Company.
- (e) Foreign currency loan is repayable in sixteen equal quarterly instalments of USD 687,500 each after a moratorium of twelve months from the origination of the loan viz April 6, 2011. Interest is payable on quarterly basis from the origination of the loan.

(₹ in million)

	As at March 31, 2012	As at March 31, 2011
<b>Note 5 Deferred Tax Liabilities (Net)</b>		
Deferred Tax Liability	293.44	210.47
Deferred Tax Asset	(13.12)	(11.36)
Deferred tax on subsidiary acquired during the year	0.49	–
	<b>280.81</b>	<b>199.11</b>

The break-up of deferred tax as at March 31, 2012 is as under:

	Opening as at April 01, 2011	During the year	Closing as at March 31, 2012
<b>Deferred Tax Liability :</b>			
a) On depreciation differences	208.69	83.53	292.22
b) Product Development cost	1.78	(0.56)	1.22
<b>Total Deferred Tax Liability</b>	<b>210.47</b>	<b>82.97</b>	<b>293.44</b>
<b>Deferred Tax Asset :</b>			
a) Retirement Benefit & Items u/s. 43B	(11.36)	(1.76)	(13.12)
<b>Total Deferred Tax Asset</b>	<b>(11.36)</b>	<b>(1.76)</b>	<b>(13.12)</b>
<b>Deferred Tax Liabilities (Net)</b>	<b>199.11</b>	<b>81.21</b>	<b>280.32</b>

	As at March 31, 2012	As at March 31, 2011
<b>Note 6 Other Long-Term Liabilities</b>		
Trade Deposits (Unsecured, interest free)	321.89	366.28
	<b>321.89</b>	<b>366.28</b>

<b>Note 7 Long Term Provisions</b>		
Provision for Gratuity	8.23	4.44
	<b>8.23</b>	<b>4.44</b>

<b>Note 8 Short-Term Borrowings</b>		
<b>Secured</b>		
Cash Credit (including Working Capital Demand Loan)	3,645.35	2,918.41
<b>Unsecured</b>		
From Others	25.49	23.44
	<b>3,670.84</b>	<b>2,941.85</b>

(Against hypothecation of stock of raw materials, work-in-progress, finished goods, stores, chemicals & book debts and second charge on the fixed assets of the Company situated at Shrirampur, Dist. Ahmednagar)

The amounts of secured loans from banks outstanding at the end of the financial year have been guaranteed by the personal guarantee of Chairman & Managing Director of the Company.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** for the year ended March 31, 2012.

(₹ in million)

	As at March 31, 2012	As at March 31, 2011
<b>Note 9 Trade Payables</b>		
Acceptances	–	42.42
Trade payables	491.58	327.77
	<b>491.58</b>	<b>370.19</b>

<b>Note 10 Other Current Liabilities</b>		
Current maturities of term loans	393.05	374.15
Current maturities of hire purchase car loan	7.55	8.14
Interest accrued on borrowings	18.95	18.27
Payable towards statutory liabilities	68.59	22.30
Other payables	45.17	36.42
Unclaimed Dividend	1.99	1.47
Unclaimed Deposits	0.01	0.02
	<b>535.31</b>	<b>460.77</b>

<b>Note 11 Short-Term Provisions</b>		
Provision for Leave Encashment	10.12	10.78
Provision for Gratuity	12.75	14.88
Proposed Dividend	96.00	92.20
Dividend Distribution Tax	15.57	15.32
Provision for Excise Duty on Finished Goods	116.28	16.11
Provision for Taxation (Net of Advance Tax)	78.35	78.44
	<b>329.07</b>	<b>227.73</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended March 31, 2012.

	(₹ in million)												
	Gross Block					Depreciation/Amortization					Net Block		
	As at April 1, 2011	Subsidiaries acquired during the year	Additions	Deductions	Revaluation	As at March 31, 2012	As at April 1, 2011	Subsidiaries acquired during the year	Deductions	For the year	On Revaluation	As at March 31, 2012	As at March 31, 2011
<b>TANGIBLE ASSETS</b>													
Land	542.07	2.30	-	-	-	544.37	-	-	-	-	-	544.37	542.07
Buildings	310.65	1.97	1.88	-	-	314.50	75.91	1.34	9.23	10.48	96.96	217.54	234.74
Plant & Equipment	3,130.49	6.71	524.77	-	-	3,661.97	246.59	2.35	143.37	19.60	411.91	3,250.06	2,883.90
Furniture & Fixtures	14.65	-	0.83	-	-	15.48	5.96	0.03	1.60	-	7.59	7.89	8.69
Office Equipment	17.99	0.09	7.85	0.02	-	25.91	7.28	-	2.17	-	9.45	16.46	10.71
Computers	60.73	1.52	20.17	-	-	82.42	20.53	0.11	20.72	-	41.36	41.06	40.20
Electrical Installation & Fittings	15.01	-	2.14	-	-	17.15	3.82	-	1.74	-	5.56	11.59	11.19
Motor Car and Transport Vehicles	51.26	0.98	17.08	4.63	-	64.69	23.99	0.06	8.89	-	30.29	34.40	27.27
Roads & Bridges	2.70	-	-	-	-	2.70	1.07	-	0.16	-	1.23	1.47	1.63
Library Books	0.03	-	-	-	-	0.03	0.03	-	-	-	0.03	-	-
Live Stock	0.03	-	-	-	-	0.03	-	-	-	-	-	0.03	0.03
Tools & Equipments	-	0.04	-	-	-	0.04	-	0.03	-	-	0.03	0.01	-
<b>Total Tangible Assets</b>	<b>4,145.61</b>	<b>13.61</b>	<b>574.72</b>	<b>4.65</b>	<b>-</b>	<b>4,729.29</b>	<b>385.18</b>	<b>3.92</b>	<b>187.88</b>	<b>30.08</b>	<b>604.41</b>	<b>4,124.88</b>	<b>3,760.43</b>
Less: Impairment of Assets												(1.70)	(1.70)
												<b>4,123.18</b>	<b>3,758.73</b>
<b>INTANGIBLE ASSETS</b>													
Brands	109.13	-	-	-	-	109.13	21.83	-	21.83	-	43.66	65.47	87.30
Software	54.06	-	0.04	-	-	54.10	25.71	-	11.15	-	36.86	17.24	28.35
Product Development	17.39	-	-	-	-	17.39	12.18	-	1.74	-	13.92	3.47	5.21
<b>Total Intangible Assets</b>	<b>180.58</b>	<b>-</b>	<b>0.04</b>	<b>-</b>	<b>-</b>	<b>180.62</b>	<b>59.72</b>	<b>-</b>	<b>34.72</b>	<b>-</b>	<b>94.44</b>	<b>86.18</b>	<b>120.86</b>
<b>Grand Total</b>	<b>4,326.19</b>	<b>13.61</b>	<b>574.76</b>	<b>4.65</b>	<b>-</b>	<b>4,909.91</b>	<b>444.90</b>	<b>3.92</b>	<b>222.60</b>	<b>30.08</b>	<b>698.85</b>	<b>4,209.36</b>	<b>3,879.59</b>
Previous Year	2,351.37	-	2,014.81	39.99	-	4,326.19	281.00	6.75	130.66	30.08	444.90	3,881.29	-

**Note:**

During the year 2007-2008 land, factory building and plant & machinery were revalued, resulting in increase in Gross Block by ₹ 822.87 million.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** for the year ended March 31, 2012.*(₹ in million)*

		As at		As at	
		March 31, 2012		March 31, 2011	
<b>Note 13 Non-Current Investments</b>					
<b>1. Investment in Government Securities (Unquoted)</b>	<b>Nos.</b>			<b>Nos.</b>	
7 Year National Savings Certificates (Certificates worth ₹ 44,000/- deposited with Government authorities)			0.05		0.05
6 Year National Savings Certificates (Deposited with Government authorities)			–		–
			<b>0.05</b>		<b>0.05</b>
<b>2. Investment in Subsidiaries (Unquoted)</b>					
<b>Investment in Equity Instruments</b>					
<b>Equity shares of ₹ 100/- each</b>					
Mula Pravara Electric Co-operative Society Ltd.	2,462		0.25	2,462	0.25
Shree Suvarna Sahakari Bank Ltd.	20		–	20	–
Maharashtra State Financial Corporation	115		0.01	115	0.01
Rupee Co-op Bank Ltd.	1,000		0.03	1,000	0.03
Shamrao Vithal Co-operative Bank Ltd.	3,000		0.03	3,000	0.03
			<b>0.32</b>		<b>0.32</b>
			<b>0.37</b>		<b>0.37</b>
<b>Aggregate of unquoted investments (at cost)</b>			<b>0.37</b>		<b>0.37</b>

**Note 14 Long-Term Loans and Advances**

<b>Unsecured, considered good</b>			
Capital advances		34.11	366.37
Loans and advance to employees		9.82	2.04
Deposits with Court		19.08	19.57
		<b>63.01</b>	<b>387.98</b>

*(₹ in million)*

	Shares/ Units	As at	
		March 31, 2012	March 31, 2011
<b>Note 15 Current Investments</b>			
Investment in mutual funds (Unquoted)	122,880.32		
Monthly Income Plan		2.50	2.50
Net asset value as on March 31, 2012 is ₹ 2.77 million (P.Y. ₹ 2.61 million)		<b>2.50</b>	<b>2.50</b>

**Note 16 Inventory (At Cost)**

Raw materials		153.06	159.67
Stores and spares		420.22	269.14
Work-in-Progress		465.17	311.51
Finished goods		264.48	73.00
		<b>1,302.93</b>	<b>813.32</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** for the year ended March 31, 2012.*(₹ in million)*

	Year ended March 31, 2012	Year ended March 31, 2011
<b>Note 17 Trade Receivables</b>		
<b>Unsecured, considered good</b>		
Outstanding for a period exceeding six months from the date they are due for payment	20.24	17.60
<b>Unsecured, considered doubtful</b>		
Outstanding for a period exceeding six months from the date they are due for payment	9.01	9.01
<b>Other receivables</b>		
Unsecured, considered good	1,271.10	948.76
	<b>1,300.35</b>	<b>975.37</b>
Less: Provision for doubtful debts	(9.01)	(9.01)
	<b>1,291.34</b>	<b>966.36</b>

**Note 18 Cash and Bank Balances**

<b>(a) Cash and cash equivalents</b>		
(i) Balances with banks		
In current accounts	101.82	67.19
(ii) Cash on hand	32.41	12.98
	<b>134.23</b>	<b>80.17</b>
<b>(b) Other Bank Balances</b>		
(i) Earmarked balances with banks	2.96	2.48
(ii) Short term bank deposits	60.88	83.83
	<b>63.84</b>	<b>86.31</b>
	<b>198.07</b>	<b>166.48</b>

**Note 19 Short-Term Loans and Advances**

<b>Unsecured, considered good</b>		
Advances recoverable in cash or in kind or for value to be received	1,321.02	938.33
Advance with Tie-up Units	1,592.98	1,786.47
Balance with Excise Authorities	37.93	17.71
Deposits	319.66	194.31
	<b>3,271.59</b>	<b>2,936.82</b>

**Note 20 Other Current Assets**

Interest accrued on deposits	1.25	0.46
	<b>1.25</b>	<b>0.46</b>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** for the year ended March 31, 2012.

(₹ in million)

	Year ended March 31, 2012	Year ended March 31, 2011
<b>Note 21 Revenue from Operations</b>		
Sales of products	7,055.40	4,845.62
Income from tie-up units	1,314.19	1,650.01
	<b>8,369.59</b>	<b>6,495.63</b>

The Company has entered into arrangements with certain distilleries and bottling units in other states for manufacturing and marketing of its own brands. The manufacture under the said arrangement, wherein each party's obligations are stipulated, is carried out under Company's close supervision. The marketing is entirely the responsibility of the Company. The Company is also required to ensure adequate finance to the distilleries, where required. Accordingly, it is considered appropriate to disclose the following quantitative and value information for the year, as applicable to such activities.

	2011-2012	2010-2011
Gross Sales of Companys' brands and other sales including sales made by Tie-up arrangement	14,597.72	13,153.92
Less : Excise Duty / Sales under other various arrangements	7,127.95	6,205.76
Net Sales of Companys' brands and other sales	7,469.77	6,948.16
Less : Net Sales made by tie up units	3,306.03	3,914.86
Add : Net income from tie up arrangement	1,314.19	1,650.01
<b>Total Income</b>	<b>5,477.93</b>	<b>4,683.31</b>

**Note 21.1 Other Operating Income**

Sale of by products and scrap	60.97	8.96
	<b>60.97</b>	<b>8.96</b>

**Note 22 Other Income**

Duty drawback on exports	5.81	2.55
Miscellaneous receipts	3.08	2.19
Sundry balance written back	1.90	5.19
Interest income on margin money / fixed deposits	4.05	4.66
Gain on exchange fluctuation	0.11	–
Profit on sale of assets	1.63	2.66
	<b>16.58</b>	<b>17.25</b>

**Note 23 Cost of Materials Consumed**

i) Raw Material Consumption		
Opening Stock	159.67	218.39
Add: Purchases	1,083.02	663.33
Less: Closing Stock	153.06	159.67
	<b>1,089.63</b>	<b>722.05</b>
ii) Packing Materials & Consumables	1,218.76	834.75
	<b>2,308.39</b>	<b>1,556.80</b>

**Note 24 (Increase) / Decrease in Stock**

Opening Stock		
i) Work-in-progress	311.51	230.79
ii) Finished goods	73.00	199.67
	<b>384.51</b>	<b>430.46</b>
Less : Closing Stock		
i) Work-in-progress	465.17	311.51
ii) Finished goods	264.48	73.00
	<b>729.65</b>	<b>384.51</b>
<b>Net (Increase) / Decrease in Stock</b>	<b>(345.14)</b>	<b>45.95</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** for the year ended March 31, 2012.*(₹ in million)*

	Year ended March 31, 2012	Year ended March 31, 2011
<b>Note 25 Employee Benefit Expense</b>		
Salary and wages	218.12	131.20
Employee Stock Option Expenses	30.63	16.68
Contribution to provident fund and family pension fund	19.93	12.35
Staff welfare expenses	17.65	28.71
Gratuity	6.10	20.53
	<b>292.43</b>	<b>209.47</b>

**Note 26 Other Expenses**

Power and fuel	42.05	38.65
Provision for Excise Duty on Finished Goods	100.03	(56.91)
Repairs & maintenance		
(i) Plant & Machinery	21.04	5.90
(ii) Buildings	1.26	1.28
(iii) Others	16.64	17.28
Insurance	8.05	7.03
Rent	29.18	21.18
Conversion cost	440.74	502.67
Legal and professional charges	72.31	72.86
Auditors Remuneration	0.88	0.50
Rates and taxes	184.11	137.40
Freight, transport charges & other expenses	153.81	102.80
Selling expenses [Discounts, Sales Promotion & Advertising etc.]	440.61	613.00
Travelling and conveyance expenses	19.70	16.76
Printing and stationery	9.04	6.10
Communication expenses	12.38	14.80
Vehicle running expenses	8.03	5.61
Director sitting fees	0.32	0.19
Bad Debts / Provision for doubtful debts	-	4.14
Goodwill written off	-	3.84
Loss on exchange fluctuation	-	8.78
Commission to Independent Directors	5.69	5.57
Establishment expenses	125.29	105.50
Corporate Social Responsibility	29.05	21.32
Miscellaneous expenses	94.77	79.32
	<b>1,814.98</b>	<b>1,735.57</b>

**Note 27 Finance Cost**

Interest on term loans	173.61	188.54
Interest on cash credits / Working Capital Demand Loan	350.97	158.06
Others	37.63	41.17
	<b>562.21</b>	<b>387.77</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** for the year ended March 31, 2012.**Note 28** Notes on Accounts**i) Contingent Liability not provided for***(₹ in million)*

Particulars	As at	
	March 31, 2012	March 31, 2011
(a) Corporate guarantees issued to banks on behalf of Subsidiary Company	562.72	200.00
(b) Bank guarantees issued on behalf of the Company	135.58	43.92
(c) In respect of disputed Income tax matters, pending before the appropriate Income tax authorities, contested by the Company		
For A.Y. 2009-10	6.13	6.13
For A.Y. 2007-08	86.07	86.07
For A.Y. 2004-05	22.27	22.27
(d) In respect of disputed Sales tax matters, pending before the appropriate tax authorities, contested by the Company		
For F.Y. 2003-04 (Bombay Sales Tax)	6.28	6.28
For F.Y. 2003-04 (Central Sales Tax)	4.83	4.83
For F.Y. 2004-05 (Bombay Sales Tax)	4.67	4.67
For F.Y. 2004-05 (Central Sales Tax)	2.03	2.03
(e) In respect of disputed service tax matter, pending before the appropriate Central Excise authorities, contested by the Company	Nil	2.02

ii) Estimated amount of contracts remaining to be executed on capital accounts and not provided for is approx ₹ 40 million (net of advances) (P.Y. ₹ 348.90 million).

**iii) Operating Lease:**

The Company has taken Bottling units on operating lease at various locations and during the financial year ₹ 27.14 million (P.Y. ₹ 25.19 million) paid towards lease rentals has been charged to Statement of Profit and Loss.

iv) The disclosure of Accounting Standard 15 "Employee Benefits" is as follows:

**Defined Contribution Plan**

The Company has charged in the Statement of Profit and Loss during the financial year an amount of ₹ 19.93 million (P.Y. ₹ 12.35 million) under defined contribution plan as employer's contribution to Provident Fund.

The Employees' gratuity fund scheme managed by LIC is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognized in the manner as gratuity.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** for the year ended March 31, 2012.**Note 28** Notes on Accounts (Contd.)

The net value of the defined commitment is detailed below:

Particulars	(₹ in million)	
	Funded Gratuity	Non funded leave
Present Value of obligation	30.42	
Fair Value of Plans	9.44	
<b>Net Liability in the Balance Sheet</b>	<b>20.98</b>	<b>10.12</b>
<b>Defined Benefit Obligations</b>		
Opening balance as at April 01, 2011	28.05	
Current Service Cost	-	
Interest expenses	2.31	
Current service cost	3.77	
Actuarial (gain) / loss	(3.71)	
<b>Closing balance as at March 31, 2012</b>	<b>30.42</b>	
<b>Plan Assets</b>		
Opening balance as at April 01, 2011	8.73	
Expected return on plan assets	0.70	
Contributions by the Company	-	
Paid Funds	-	
Actuarial gain / (loss)	0.01	
Transfer Received	-	
<b>Closing balance as at March 31, 2012</b>	<b>9.44</b>	
<b>Return on Plan Assets</b>		
Expected return on plan assets	0.70	
Actuarial gain / (loss)	0.01	
<b>Actual Return on Plan Assets</b>	<b>0.71</b>	
<b>Expenses on defined benefit plan:</b>		
Current service costs	3.77	
Past service cost	-	
Interest expense	2.31	
Expected return on plan assets	(0.70)	
Net actuarial (gain) / loss	(3.72)	
<b>Expenses charged to the Statement of Profit and Loss</b>	<b>1.66</b>	

Investments Details	% Invested March 31, 2012
Funds Managed by Insurer	100
Public Sector Unit Bonds	-
State / Central Guaranteed securities	-
Special deposit schemes	-
Other (excluding bank balances)	-
	<b>100</b>

Actuarial assumptions	Gratuity (funded)
Mortality (LIC)	1994-96 Ultimate
Discount rate (per annum)	8.75%
Expected rate of return on plan assets (per annum)	8.60%
Rate of escalation in salary (per annum)	5.00%
Attrition rate (per annum)	2.00%



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** for the year ended March 31, 2012.**Note 28 Notes on Accounts (Contd.)****v) Employee Stock Option Scheme**

(a) The Shareholders of the Company at the Annual General Meetings held on August 06, 2008 and September 20, 2010 had approved the Employee Stock Option Scheme (ESOP) 2008 and Employee Stock Option Scheme (ESOP) 2010.

(b) During the financial year ended March 31, 2012, the following schemes were in operation.

**(A) Employee Stock Option Scheme 2008**

Particulars	Grant 1	Grant 2	Grant 3	Grant 4
Date of Grant	02-07-2009	28-01-2010	25-06-2010	07-08-2010
Date of the Board Approval	02-07-2009	28-01-2010	25-06-2010	07-08-2010
Date of the Shareholders Approval	06-08-2008	06-08-2008	06-08-2008	06-08-2008
Number of options granted till March 31, 2012	730,400	3,730,521	154,200	843,663
Number of Option Cancelled till March 31, 2012	185,000	709,851	25,770	136,758
Number of Options Lapsed till March 31, 2012	9,900	230,620	Nil	720
Number of options exercised till March 31, 2012	167,400	363,422	1,890	4,190
Net Options Outstanding	368,100	2,426,628	126,540	701,995
Vesting period from the date of grant	4 years	4 years	4 years	4 years
Exercise period from the date of vesting	2 years	2 years	2 years	2 years

**(B) Employee Stock Option Scheme 2010**

Particulars	Grant 1	Grant 2	Grant 3	Grant 4
Date of Grant	15-01-2011	01-08-2011	21-10-2011	11-11-2011
Date of the Board Approval	15-01-2011	01-08-2011	21-10-2011	11-11-2011
Date of the Shareholders Approval	20-09-2010	20-09-2010	20-09-2010	20-09-2010
Number of options granted till March 31, 2012	1,615,500	512,000	3,379,600	969,000
Number of Option Cancelled till March 31, 2012	679,320	81,400	1,018,174	Nil
Number of Options Lapsed till March 31, 2012	1,200	Nil	Nil	Nil
Number of options exercised till March 31, 2012	5,670	Nil	Nil	Nil
Net Options Outstanding	929,310	430,600	2,361,426	969,000
Vesting period from the date of grant	3 years	3 years	3 years	3 years
Exercise period from the date of vesting	2 years	2 years	2 years	2 years

(c) The details of the options as on March 31, 2012 are as under:

(Nos. in million)

Particulars	ESOP Scheme 2008	ESOP Scheme 2010
<b>Financial Year 2010-11</b>		
Options outstanding as on April 01, 2010	1.72	N.A.
Options cancelled from April 01, 2010 to September 30, 2010	0.36	N.A.
Options exercised from April 01, 2010 to September 30, 2010	0.01	N.A.
Options granted from April 01, 2010 to September 30, 2010	0.34	N.A.
Bonus Options granted on September 30, 2010	3.38	N.A.
Options outstanding post bonus	5.07	N.A.
Options granted from October 01, 2010 to March 31, 2011	Nil	1.61
Options cancelled till March 31, 2011	0.39	0.01
Options exercised from October 01, 2010 to March 31, 2011	0.07	Nil
<b>Options outstanding as on March 31, 2011</b>	<b>4.61</b>	<b>1.60</b>
<b>Financial Year 2011-12</b>		
Options outstanding as on April 01, 2011	4.61	1.60
Options granted from April 01, 2011 to March 31, 2012	Nil	4.86
Options cancelled till March 31, 2012	0.29	1.76
Options lapsed till March 31, 2012	0.24	-
Options exercised April 01, 2011 to March 31, 2012	0.46	0.01
<b>Options outstanding as on March 31, 2012</b>	<b>3.62</b>	<b>4.69</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended March 31, 2012.

### Note 28 Notes on Accounts (Contd.)

(d) The weighted average fair value of stock options granted during the financial year was ₹ 58.70 million (P.Y. ₹ 33.70 million). The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

#### (A) Employee Stock Option Scheme 2008

Particulars	Grant 1	Grant 2	Grant 3	Grant 4
Dates of Grant	02-07-2009	28-01-2010	25-06-2010	07-08-2010
Market Price (₹ per share) on the dates of grant	143.45	99.45	145.75	199.65
Volatility	71.49%	68.41%	66.45%	66.11%
Risk free rate	6.24%	6.76%	7.10%	7.59%
Exercise price(pre all bonuses)	120	75	110	150
Time to maturity (years)	4	4	4	4
Dividend yield	2.00%	2.00%	2.24%	2.24%
Option fair value (₹ per share)	66.80	49.11	71.37	98.71

#### (B) Employee Stock Option Scheme 2010

Particulars	Grant 1	Grant 2	Grant 3	Grant 4
Dates of Grant	15-01-2011	01-08-2011	21-10-2011	11-11-2011
Market Price (₹ per share) on the dates of grant	83.00	51.20	33.95	32.60
Volatility	66.25%	63.86%	63.63%	63.67%
Risk free rate	7.97%	8.36%	8.58%	8.99%
Exercise price	60	38	25	25
Time to maturity (years)	3	3	3	3
Dividend yield	2.24%	2.10%	2.10%	2.10%
Option fair value (₹ per share)	41.89	26.23	17.50	16.55

(e) Since the Company, used the intrinsic value method, the impact on the reported net profit and earnings per share by applying the fair value method is as under:

(₹ in million)

Particulars	As at	As at
	March 31, 2012	March 31, 2011
Net Profit as Reported available to Equity Share holders	471.61	395.74
Add: Employee stock compensation under intrinsic value	30.63	16.68
Less: Employee stock compensation under fair value method	58.70	33.70
Adjusted Net Profit	443.54	378.72
<b>Earnings per share</b>		
Basic:		
– As reported	4.08	3.85
– Adjusted	3.84	3.68
Diluted:		
– As reported	4.02	3.71
– Adjusted	3.78	3.55

#### vi) Segment Reporting:

The Company is predominantly engaged in the business of manufacture and sale of Indian Made Foreign Liquor and its related products which constitute a single business segment.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** for the year ended March 31, 2012.**Note 28 Notes on Accounts (Contd.)****vii) Related Party Disclosures:**

The disclosures pertaining to the related parties as required by the Accounting Standard 18 "Related Party Disclosure" issued by the Institute of Chartered Accountants of India, as applicable, are as under:

(a) Key Managerial Personnel	: Mr. Amit Dahanukar
	: Mrs. Shivani Amit Dahanukar
(b) Company in which Key Managerial Personnel has substantial interest	: M.L. Dahanukar & Co. Pvt. Ltd.
	: Arunoday Investments Pvt. Ltd.
(c) Relative of Key Managerial Personnel	: Dr. Priyadarshini A. Dahanukar

(₹ in million)

Nature of Transaction	Parties referred in (a) above		Parties referred in (b) above		Parties referred in (c) above	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
<b>Payment to Key Managerial Personnel</b>						
Mr. Amit Dahanukar	34.24	36.08				
Mrs. Shivani Amit Dahanukar	22.70	19.64				
<b>Sub-Total</b>	<b>56.94</b>	<b>55.72</b>	-	-	-	-
<b>Loan Taken</b>						
Mr. Amit Dahanukar	-	10.00	-	-	-	-
Mrs. Shivani Amit Dahanukar	25.00	32.50	-	-	-	-
M.L. Dahanukar & Co. Pvt. Ltd.	-	-	-	52.50	-	-
<b>Sub-Total</b>	<b>25.00</b>	<b>42.50</b>	-	<b>52.50</b>	-	-
<b>Repayment of Loan</b>						
Mr. Amit Dahanukar	-	10.00	-	-	-	-
Mrs. Shivani Amit Dahanukar	25.00	32.50	-	-	-	-
M.L. Dahanukar and Co. Pvt. Ltd.	-	-	-	52.50	-	-
<b>Sub-Total</b>	<b>25.00</b>	<b>42.50</b>	-	<b>52.50</b>	-	-
<b>Rent Payment</b>						
Mr. Amit Dahanukar	2.45	2.45	-	-	-	-
Dr. Priyadarshini A. Dahanukar	-	-	-	-	0.92	0.69
M.L. Dahanukar and Co. Pvt. Ltd.	-	-	0.72	0.72	-	-
<b>Sub-Total</b>	<b>2.45</b>	<b>2.45</b>	<b>0.72</b>	<b>0.72</b>	<b>0.92</b>	<b>0.69</b>
<b>Outstanding Receivable</b>						
Dr. Priyadarshini A. Dahanukar	-	-	-	-	0.31	0.31
Mr. Amit Dahanukar	1.00	1.00	-	-	-	-
M.L. Dahanukar & Co. Pvt. Ltd.	-	-	1.50	1.50	-	-
<b>Sub-Total</b>	<b>1.00</b>	<b>1.00</b>	<b>1.50</b>	<b>1.50</b>	<b>0.31</b>	<b>0.31</b>

**viii) Managerial Remuneration**

(a) Details of the Managerial Remuneration paid or provided during the financial year ended on March 31, 2012.

(₹ in million)

	2011-2012	2010-2011
<b>Remuneration to Managing Director and Whole-time Directors</b>		
– Salaries and Contribution to funds	51.36	54.31
– Commission	5.58	1.41
	<b>56.94</b>	<b>55.72</b>
<b>Remuneration to Non-executive and Independent Directors</b>		
– Commission	5.69	5.57

**Note:** The above amounts do not include contribution to Gratuity Fund, as separate amount is not available for Managing Director and Whole-time Directors.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended March 31, 2012.

### Note 28 Notes on Accounts (Contd.)

#### ix) Auditor's remuneration charged to accounts

(₹ in million)

	2011-2012	2010-2011
a) Audit Fees	0.82	0.47
b) Auditors remuneration in other capacity	0.04	0.03
c) Reimbursement of expenses	0.02	–
<b>Total</b>	<b>0.88</b>	<b>0.50</b>

- x) Provision of excise duty on finished goods manufactured but yet to be cleared from the factory as at March 31, 2012 estimated at ₹ 116.28 million (P. Y. ₹ 16.11 million) has been provided in the books and also been considered in valuation of closing stock of finished goods. Provision for excise duty on finished goods charged in the Profit and Loss Account for the financial year is as follows :

	2011-2012	2010-2011
Provision for excise duty on finished goods at the beginning of the year	16.11	73.02
Provision for excise duty on finished goods at the end of the year	116.28	16.11
Provision for excise duty on finished goods on subsidiary acquired during the year	0.14	–
Provision for excise duty on finished goods charged in the Profit and Loss Account	100.03	(56.91)

- xi) There are no amounts outstanding in respect of unpaid dividend / fixed deposits for more than seven years to be transferred to Investor Education & Protection Fund.
- xii) The Company has not received the required information from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures relating to Micro, Small and Medium Enterprises have not been made.

#### xiii) Earnings Per Share

	2011-2012	2010-2011
Profit After Tax	471.61	395.74
Less : Dividend on Preference Shares & Tax thereon	–	–
Profit after Tax and after Preference Dividend	471.61	395.74
Weighted average number of shares	115.53	102.78
Basic Earnings Per Share	4.08	3.85
Weighted average number of shares (adjusted for the effects of dilutive potential equity shares)	117.26	106.64
Diluted Earnings Per Share	4.02	3.71
Face Value per Equity Share	10.00	10.00

	2011-2012	2010-2011
xiv) CIF Value of Imports	20.29	5.40
xv) Earnings in Foreign Exchange	66.91	76.62
xvi) Expenditure in Foreign Exchange	29.94	10.23

Unhedged foreign currency exposure as on March 31, 2012 USD 0.37 million and foreign currency loan USD 11 million.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** for the year ended March 31, 2012.**Note 28** Notes on Accounts (Contd.)**xvii) Other Significant notes**

- (a) The Company's glass manufacturing unit was given to Ramnath Glass Containers Pvt. Ltd (RGCPL) managed by Mehta Brothers on lease for carrying out their business, which had discontinued the operations in the year 2003 and handed over the unit back to the Company in totally unworkable conditions without fulfilling their legal obligations under the agreement. Due to this the Company had to pay the statutory liabilities and settle the dues of the workmen on behalf of RGCPL / Mehta Brothers. The Company has initiated the legal action against the RGCPL / Mehta Brothers for recovery of amount paid together with interest and damages amounting to ₹ 76.20 million.
- (b) The Company's distributor Ding Dong Liquors has filed a winding up petition on the Company in the High Court of Judicature of Bombay for recovery of Security Deposit of ₹ 25 million. The Company withheld the Security Deposit on the grounds that Ding Dong Liquors had failed to deliver the 'C' Forms and other amounts due to the Company. The Hon'ble High Court vide its Order directed the Company to deposit a sum of ₹ 12.70 million out of the total amount claimed by Ding Dong Liquors. The Company has deposited the above sum with the Court and filed an appeal against the said Order.

Further, the Company has filed a separate suit for recovery of dues of ₹ 39.00 million and C-forms against Ding Dong Liquors which has been upheld by the Bombay High court by dismissing the winding up petition and directed Ding Dong Liquors to avail remedy from the Hon'ble Court for recovery of the amount failing which the Company will be entitled to an amount of ₹ 12.70 million deposited with the Court.

- (c) Anupama Wine Distributors has filed a suit before the City Civil Court, Bangalore claiming ₹73.11 million towards refund of security deposit and other dues. The Hon'ble Court vide its Order dated December 22, 2007 dismissed their application for attachment of property for recovery of the above dues. The Company has filed a counter claim for ₹ 119.30 million against Anupama Wine Distributors and the matter is pending before City Civil Court, Bangalore.
- (d) Anupama Wine Distributors has filed a Company petition against the Company before Bombay High Court and against that the Hon'ble Bombay High Court has vide order dated March 16, 2009 directed to the Company to Deposit a security worth ₹42.10 million. The Company deposited a Bank Guarantee worth the said amount with the High Court, Mumbai and filed an appeal against the said Order which has been upheld the Hon'ble Bombay High Court by dismissing the winding up petition and allowed the Company to discharge the bank guarantee. The said order of Bombay High Court was challenged by Anupama Wine Distributors by filing a Special Leave Application at Hon'ble Supreme Court. The Hon'ble Supreme Court has rejected their Special Leave Application. Accordingly, Company has discharged the said bank guarantee.
- xviii) During the year, the Company has allotted 4,284,236 equity shares to Promoters of the Company against conversion of warrants at a price of ₹ 73/- per equity share
- xix) During the year, the Company has acquired 100% stake in Mykingdom Ventures Pvt. Ltd., P. P. Caps Private Limited, Studd Projects P. Ltd., Srirampur Grains Private Limited and 90% stake in Shivprabha Sugars Ltd. on March 19, 2012 and these Companies have become subsidiaries of the Company w.e.f March 19, 2012.
- xx) The Company has been granted Mega Project status for its new facilities at Shrirampur Factory under Package Scheme of Incentives (PSI) 2007 by the Government of Maharashtra. With its mega project status, the Company is entitled to monetary benefits which includes Industrial Promotional Subsidy in the form of refunds equivalent to 100% of eligible investment of ₹ 2,546.21 million or to the extent of taxes payable under Maharashtra Value Added Tax Act, 2002 and Central Sales Tax Act, 1956 in respect of sale of finished goods eligible for incentives after adjustment of set off or other credit available within a period of seven years whichever is lower.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended March 31, 2012.

### Note 28 Notes on Accounts (Contd.)

- xxi) The Ministry of Corporate affairs, Government of India, vide General Circular No 2 and 3 dated February 8, 2011 and February 21, 2011 respectively has granted a general exemption from compliance with section 212 of the Companies Act, 1956, subject to fulfillment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and is entitled to the exemption. Necessary information relating to the subsidiaries has been included in the Consolidated Financial Statements.
- xxii) During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for the preparation of financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.
- xxiii) Figures of previous year have been regrouped, reclassified and recast, wherever considered necessary.

The accompanying notes are an integral part of the financial statements

As per our Report of even date annexed.

For and on behalf of the Board

For **Batliboi & Purohit**  
Chartered Accountants  
Firm Registration No. 101048W

**Amit Dahanukar**  
Chairman &  
Managing Director

**Shivani Amit Dahanukar**  
Executive Director

**V.B.Haribhakti**  
Director

**Kaushal Mehta**  
Partner  
Membership No. 111749

**Dr. Vishnu Kanhere**  
Director

**Dr. Ravindra Bapat**  
Director

**C.V.Bijlani**  
Director

Place : Mumbai  
Date : May 28, 2012

**Madan Goyal**  
Director

**Gaurav Thakur**  
Company Secretary

“Coming together is a beginning.  
Keeping together is progress.  
Working together is success.”

Henry Ford

## AUDITORS' REPORT

To  
The Members of  
Tilaknagar Industries Ltd.

1. We have audited the attached Balance Sheet of Tilaknagar Industries Ltd. ('The Company') as at March 31, 2012, and also the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. 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.
2. We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (iii) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the directors as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012, from being appointed as a director in terms of clause (g) of sub-section (l) of Section 274 of the Companies Act, 1956;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the Accounting Principles generally accepted in India:
    - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
    - (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
    - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **BATLIBOI & PUROHIT**  
*Chartered Accountants*  
Firm Registration No. 101048W

**Kaushal Mehta**  
*Partner*

Place : Mumbai  
Dated : May 28, 2012

Membership No.111749



## ANNEXURE REFERRED TO IN PARAGRAPH [3] OF OUR REPORT OF EVEN DATE

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) All fixed assets have been physically verified by the management during the year. As informed, no material discrepancies were noticed on such verification.
- c) There was no substantial disposal of fixed assets during the year.
- ii) a) As per the information furnished, the inventories have been physically verified by the management during the year. In our opinion, having regard to the nature and location of stocks, the physical verification is reasonable.
- b) In our opinion and according to the information and explanations given to us, procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory. In our opinion, discrepancies noticed on physical verification of stocks were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
- iii) a) As per the information furnished, the Company has granted loans and advances, to its six subsidiaries, covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 977.52 million and the year-end balance of loans granted to such parties was ₹ 770.26 million.
- b) In our opinion and according to the information and explanations given to us, the other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- c) The loans granted are re-payable on demand. As informed, the Company has not demanded repayment of any such loan during the year. The loans given to its five subsidiaries is interest free and in case of the sixth subsidiary the payment of interest is regular.
- d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- e) The Company has not taken any loan from parties, firms covered in the register maintained under section 301 of the Companies Act, 1956.
- iv) 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 for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- v) a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lacs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) In respect of deposits unclaimed, in our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under, to the extent applicable, have been complied with. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this regards.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) We have broadly reviewed the cost records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed cost records have been maintained.
- ix) a) According to the information and explanations given to us and based on the books as produced and examined, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, income tax, wealth tax, service tax, sales tax, customs duty and excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

- c) According to the information and explanation given to us and based on the books produced and examined, the dues of Income tax, Wealth tax, Service tax, Sales tax, Excise duty and cess which have not been deposited on account of any dispute are as follows :

Name of the statute	Nature of dues	Amount (₹ in million)	Forum where the Dispute is pending
<b>Income Tax Act :</b>			
A.Y. 2009-2010	Tax deducted at Source on salary	6.13	Commissioner of Income Tax (Appeals)
A.Y. 2007-2008	Income Tax	86.07	Commissioner of Income Tax (Appeals)
A.Y. 2004-2005	Income Tax	22.27	Commissioner of Income Tax (Appeals)
<b>Bombay Sales Tax Act :</b>			
F.Y. 2003-2004	Sales Tax	6.28	Joint Commissioner of Sales Tax (Appeals)
F.Y. 2004-2005	Sales Tax	4.67	Joint Commissioner of Sales Tax (Appeals)
<b>Central Sales Tax Act:</b>			
F.Y. 2003-2004	Central Sales Tax	4.83	Joint Commissioner of Sales Tax (Appeals)
F.Y. 2004-2005	Central Sales Tax	2.03	Joint Commissioner of Sales Tax (Appeals)

- x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- xi) Based on our audit procedures and the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any financial institution or bank. The Company has not issued any Debentures.
- xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and / or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- xiv) The Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by the Subsidiary Company from banks, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.
- xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet and Cash Flow Statement of the Company, we report that no funds raised on short term basis have been used for long term investment.
- xviii) The Company has made preferential allotment of convertible warrants / shares to parties covered in the register maintained u/s. 301 of the Companies Act, 1956. In our opinion the price at which shares have been issued is not prejudicial to the interest of the Company.
- xix) The Company did not have any outstanding debentures during the year.
- xx) The Company has not raised any money by way of public issues during the year.
- xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud of material significance on or by the Company has been noticed or reported during the course of our audit.

For **BATLIBOI & PUROHIT**  
Chartered Accountants  
Firm Registration No. 101048W

**Kaushal Mehta**  
Partner

Place : Mumbai  
Dated : May 28, 2012

Membership No.111749

**BALANCE SHEET** as at March 31, 2012.

(₹ in million)

	Note No.	As at March 31, 2012	As at March 31, 2011
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share capital	2	1,200.02	1,152.57
(b) Reserves & surplus	3	3,340.39	2,788.27
(c) Money received against share warrant		–	78.19
		<b>4,540.41</b>	<b>4,019.03</b>
<b>(2) Share Application Money pending allotment</b>		<b>1.68</b>	<b>0.20</b>
<b>(3) Non-current liabilities</b>			
(a) Long-term borrowings	4	723.50	990.66
(b) Deferred tax liabilities (Net)	5	259.13	191.03
(c) Other long-term liabilities	6	321.89	366.28
(d) Long-term provisions	7	8.23	4.44
		<b>1,312.75</b>	<b>1,552.41</b>
<b>(4) Current liabilities</b>			
(a) Short term borrowings	8	3,503.78	2,736.53
(b) Trade payables	9	355.73	296.58
(c) Other current liabilities	10	375.73	341.17
(d) Short-term provisions	11	295.92	193.93
		<b>4,531.16</b>	<b>3,568.21</b>
<b>Total</b>		<b>10,386.00</b>	<b>9,139.85</b>
<b>II. ASSETS</b>			
<b>(1) Non-current Assets</b>			
<b>(a) Fixed Assets</b>			
Tangible Assets	12	3,886.27	3,649.97
Intangible Assets		85.42	119.94
Capital work-in-progress		68.64	24.37
(b) Non-current investments	13	440.85	255.97
(c) Long-term loans and advances	14	38.70	233.59
		<b>4,519.88</b>	<b>4,283.84</b>
<b>(2) Current Assets</b>			
(a) Current investments	15	2.50	2.50
(b) Inventories	16	1,081.40	619.73
(c) Trade receivables	17	894.86	701.72
(d) Cash and bank balances	18	80.92	98.49
(e) Short-term loans and advances	19	3,805.92	3,433.11
(f) Other current assets	20	0.52	0.46
		<b>5,866.12</b>	<b>4,856.01</b>
<b>Total</b>		<b>10,386.00</b>	<b>9,139.85</b>
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our Report of even date annexed.

For and on behalf of the Board

For **Battliboi & Purohit**  
Chartered Accountants  
Firm Registration No. 101048W

**Amit Dahanukar**  
Chairman &  
Managing Director

**Shivani Amit Dahanukar**  
Executive Director

**V.B.Haribhakti**  
Director

**Kaushal Mehta**  
Partner  
Membership No. 111749

**Dr. Vishnu Kanhere**  
Director

**Dr. Ravindra Bapat**  
Director

**C.V.Bijlani**  
Director

Place : Mumbai  
Date : May 28, 2012

**Madan Goyal**  
Director

**Gaurav Thakur**  
Company Secretary

**STATEMENT OF PROFIT AND LOSS** for the year ended March 31, 2012.

(₹ in million)

	Note No.	Year ended March 31, 2012	Year ended March 31, 2011
<b>INCOME</b>			
Revenue from operations			
Sale of products (Gross)	21	5,995.61	4,103.32
Less: Excise duty		1,467.07	609.34
Sale of products (Net)		<b>4,528.54</b>	<b>3,493.98</b>
Other operating income	21.1	44.13	7.08
		<b>4,572.67</b>	<b>3,501.06</b>
Other Income	22	14.60	16.71
		<b>4,587.27</b>	<b>3,517.77</b>
<b>EXPENSES</b>			
Cost of materials consumed	23	1,851.91	933.59
(Increase) / Decrease in stocks	24	(328.68)	48.44
Employee benefit expense	25	272.44	197.43
Other expenses	26	1,457.24	1,302.14
Finance cost	27	541.56	343.08
Depreciation		212.16	126.29
		<b>4,006.63</b>	<b>2,950.97</b>
<b>Profit / (Loss) before taxation</b>		580.64	566.80
<b>Tax expenses</b>			
(1) Current Tax		125.00	140.00
(2) Deferred Tax		68.10	77.79
		193.10	217.79
<b>Profit / (Loss) after taxation</b>		<b>387.54</b>	<b>349.01</b>
Earnings Per Share (₹) Basic		3.35	3.40
Diluted		3.30	3.27
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements

As per our Report of even date annexed.

For and on behalf of the Board

For **Batliboi & Purohit**  
Chartered Accountants  
Firm Registration No. 101048W

**Amit Dahanukar**  
Chairman &  
Managing Director

**Shivani Amit Dahanukar**  
Executive Director

**V.B.Haribhakti**  
Director

**Kaushal Mehta**  
Partner  
Membership No. 111749

**Dr. Vishnu Kanhere**  
Director

**Dr. Ravindra Bapat**  
Director

**C.V.Bijlani**  
Director

Place : Mumbai  
Date : May 28, 2012

**Madan Goyal**  
Director

**Gaurav Thakur**  
Company Secretary



**CASH FLOW STATEMENT** for the year ended March 31, 2012.

(₹ in million)

	2011-2012		2010-2011	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net profit before tax		580.64		566.80
Adjustment for:				
Depreciation	212.16		126.29	
(Surplus) / Loss on sale of assets	(1.63)		(2.66)	
Goodwill written off	–		3.84	
Employee stock option expenses	27.41		16.23	
Interest (net)	538.50		338.60	
		776.44		482.30
Operating Profit before working capital changes				
Adjustment for:				
(Decrease)/ Increase in trade payables, current liabilities and provisions	145.91		(170.40)	
(Increase) / Decrease in loans and advances	(177.98)		(977.00)	
(Increase) / Decrease in inventory	(461.67)		98.58	
(Increase) / Decrease in trade receivables	(193.15)		(13.63)	
		(686.89)		(1,062.45)
Proceeds from short term borrowings		–		(65.99)
Direct taxes paid		(115.79)		(130.62)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>554.40</b>		<b>(209.96)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets	(489.54)		(736.20)	
Sale of fixed assets	2.85		39.07	
Decrease / (Increase) in other bank balances	33.22		(77.19)	
Increase in investments	(184.87)		(193.13)	
Interest received	3.07		4.48	
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(635.27)</b>		<b>(962.97)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of share capital including premium	249.69		1,723.88	
Proceeds (repayment) from borrowings	500.10		(335.70)	
Dividend and tax thereon	(111.71)		(107.52)	
Interest paid	(541.56)		(343.08)	
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>96.52</b>		<b>937.58</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>		<b>15.65</b>		<b>(235.35)</b>
Opening cash & cash equivalents		21.30		256.65
Closing cash & cash equivalents		<b>36.95</b>		<b>21.30</b>

The accompanying notes are an integral part of the financial statements

As per our Report of even date annexed.

For and on behalf of the Board

For **Batlboi & Purohit**  
Chartered Accountants  
Firm Registration No. 101048W

**Amit Dahanukar**  
Chairman &  
Managing Director

**Shivani Amit Dahanukar**  
Executive Director

**V.B.Haribhakti**  
Director

**Kaushal Mehta**  
Partner  
Membership No. 111749

**Dr. Vishnu Kanhere**  
Director

**Dr. Ravindra Bapat**  
Director

**C.V.Bijlani**  
Director

Place : Mumbai  
Date : May 28, 2012

**Madan Goyal**  
Director

**Gaurav Thakur**  
Company Secretary

## NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2012.

### Note 1 Significant Accounting Policies

#### i) Basis of Preparation of Financial Statements:

The financial statements have been prepared using historical cost convention and on the basis of going concern in accordance with generally accepted accounting principles in India, Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 and other relevant provisions of the Companies Act, 1956.

#### ii) Use of Estimates:

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

#### iii) Revenue Recognition:

All revenue and expenses are accounted for on accrual basis. Revenue is recognized when no significant uncertainties exist in relation to the amount of eventual receipt.

(a) Sales are recognized on dispatch of goods to customers and are recorded net of trade discounts, sales tax / value added tax and inclusive of central / state excise duty.

(b) Insurance and other claims are accounted for as and when admitted by the appropriate authorities.

#### iv) Inventories :

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the basis of Weighted Average Method.

(a) Raw materials, Stores & Components and Work-in-Progress are valued at material cost.

(b) Finished goods are valued at manufacturing cost, which comprise direct material, direct labour, other direct cost and other related manufacturing overheads. Excise duty payable on finished goods stock is added to the cost.

#### v) Fixed Assets :

(a) Fixed assets are stated at their original cost of acquisition / installation, net of accumulated depreciation, amortization and impairment losses.

(b) Capital work-in-progress is stated at the amount incurred up to the date of the Balance Sheet.

(c) Expenditures incurred during construction / erection period on project under implementation are included under "Capital work-in-progress". These expenses are appropriated to fixed assets on commencement of commercial production.

(d) Fixed assets purchased under Hire purchase arrangements, includes expenditure incurred till the assets are put to use.

(e) Goodwill and other intangible assets are amortized over the useful life of the assets.

#### vi) Depreciation and Amortization:

(a) Depreciation is provided on the "Written-down Value Method" in the manner and at the rates specified in schedule XIV of the Companies Act, 1956.

i) On all assets acquired prior to September 30, 1968.

ii) On all assets acquired under amalgamation from erstwhile Tilaknagar Distilleries & Industries Ltd., prior to April 1, 1980 and all assets other than plant & machinery acquired after April 1, 1980.

(b) Depreciation is provided on the "Straight Line Method" in the manner and at the rates specified in schedule XIV of the Companies Act, 1956 on all other assets other than those stated herein above.

(c) Depreciation is provided on assets acquired during the year from the date on which assets were put to use.

#### vii) Impairment of Assets :

Impairment loss is recognized wherever the carrying amount of an asset is in excess of its recoverable amount and the same is recognized as an expense in the Statement of Profit and Loss and the carrying amount of the said asset is reduced to its recoverable amount.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased.

**NOTES TO FINANCIAL STATEMENTS** for the year ended March 31, 2012.**Note 1 Significant Accounting Policies (Contd.)****viii) Investments :**

- (a) Long Term Investments are valued at cost. Provision for diminution in value is made only if in the opinion of management such a decline is other than temporary.
- (b) Current Investments are valued at cost / fair value whichever is lower.

**ix) Foreign Currency Transactions :**

Foreign currency transactions are recorded at the rate of exchange prevailing on the date of transaction. Exchange rate difference arising on the settlement of foreign currency transactions are recognized in the Statement of Profit and Loss. Foreign currency denominated monetary items as at the Balance Sheet date are translated at the rate prevailing on the date of Balance Sheet and the resultant exchange difference is recognised in the Statement of Profit and Loss.

**x) Provisions and Contingencies :**

Provision is recognized when there is a present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure on contingent liability is made when there is a possible obligation or present obligation that probably will not require an out flow of resources or where reliable estimate of the amount of the obligation cannot be made. However contingent assets are neither provided for nor disclosed.

**xi) Research and Development:**

Revenue expenditure on research and development is charged to the Statement of Profit and Loss of the year in which it is incurred.

Expenditure incurred on development / acquisition of new product / brand is amortised over a period of five years taking into consideration its anticipated future benefits.

**xii) Borrowing Cost:**

Borrowing costs attributed to the acquisition of fixed assets are capitalized as a part of the cost of asset upto the date the asset is put to use. Other borrowing costs are charged to the Statement of Profit and Loss in the year in which these are incurred.

**xiii) Employee Benefits:****(a) Defined Contribution Plan:**

Employee benefits in the form of contribution to Provident Fund managed by Government Authorities, Employees State Insurance Corporation and Labour Welfare Fund are considered as defined contribution plan and the same is charged to the Statement of Profit and Loss of the year when the contribution to the respective funds are due.

**(b) Defined Benefit Plan:**

Retirement benefits in the form of gratuity are considered as defined benefit obligations and are provided at the present value of the amounts payable as on that date of the Balance Sheet, determined by using actuarial valuation techniques. Actuarial gains / losses, if any, are recognized in the Statement of Profit and Loss.

**(c) Leave Encashment :**

Liability on account of the un-availed earned leave has been provided at the year-end on actual basis.

**xiv) Employee Stock Compensation Cost:**

The Company measures compensation cost relating to employee stock option using the 'intrinsic value method'. Compensation cost for stock option represent the excess of the market price over the exercise price of the shares granted under "Employee Stock Option Scheme" is amortised in accordance with guidelines issued by Securities and Exchange Board of India (SEBI), in this regard.

**xv) Taxation:**

- (a) Provision for Income Tax is determined on the basis of the estimated taxable income and amount expected to be paid to the tax authorities in accordance with the Provisions of the Income Tax Act, 1961.
- (b) Deferred Tax is recognized in respect of deferred tax assets (subject to the consideration of prudence) and to the extent there is virtual certainty that the asset will be realized in future and deferred tax liabilities on timing differences, being the difference between taxable income and accounting income that originate in one year and are capable of reversal in subsequent years.

## NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2012.

### Note 1 Significant Accounting Policies (Contd.)

#### xvi) Earning Per Share:

Basic earnings per share are calculated by dividing the net profit for the year attributable to equity share holders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating the diluted earnings per share the net profit for the year attributable to equity share holders by the weighted average number of equity shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

#### xvii) Lease Accounting :

Leasing of assets whereby the lessor essentially remains the owner of the asset are classified as operating leases. The payments made by the Company as lessee in accordance with operational leasing contracts or rental agreements are expensed proportionally during the lease or rental period respectively. Any compensation, according to agreement, that the lessee is obliged to pay to the lessor if the leasing contract is terminated prematurely is expensed during the period in which the contract is terminated.

(₹ in million)

	As at March 31, 2012	As at March 31, 2011
<b>Note 2 Share Capital</b>		
<b>Authorised Shares</b>		
150,000,000 equity shares of ₹ 10/- each (P.Y. 150,000,000 equity shares of ₹ 10/- each)	1,500.00	1,500.00
<b>Issued, subscribed and paid up shares</b>		
120,001,772 Equity Shares of ₹ 10/- each fully paid up (P.Y. 115,256,704 Equity Shares of ₹ 10/- each fully paid up)	1,200.02	1,152.57
Of the above shares :		
86,176,200 equity shares of ₹10/- each fully paid-up bonus shares by capitalisation of share premium, capital reserve and general reserve		
	<b>1,200.02</b>	<b>1,152.57</b>

#### a) Reconciliation of the number of shares outstanding

(Nos. in million)

Number of equity shares at the beginning	115.26	32.31
Equity shares issued on exercise of employee stock options	0.46	0.08
Equity shares issued by way of QIP (Qualified Institutions Placement)	Nil	14.21
Equity shares issued as bonus	Nil	64.64
Shares issued on conversion of warrants	4.28	4.02
Number of equity shares at the end	<b>120.00</b>	<b>115.26</b>

#### b) Terms / rights attached to equity shares

Each holder of equity share is entitled to one vote per share with a right to receive per share dividend by the Company, when declared. In the event of liquidation, the equity shareholders will be entitled to receive remaining assets of the Company after distribution of all preferential amounts in the proportion to the number of equity shares held by them.

#### c) Details of shareholders holding more than 5% shares in the Company

	As at March 31, 2012		As at March 31, 2011	
	No. of equity shares in million	As a % of total holding	No. of equity shares in million	As a % of total holding
Shivani Amit Dahanukar	39.37	32.81	39.37	34.16
Amit Dahanukar	22.54	18.78	17.22	14.94
Small Cap World Fund, Inc	8.89	7.41	8.89	7.71
IDFC Premier Equity Fund	6.74	5.61	Nil	Nil
<b>Total</b>	<b>77.54</b>	<b>64.61</b>	<b>65.48</b>	<b>56.81</b>



**NOTES TO FINANCIAL STATEMENTS** for the year ended March 31, 2012.

(₹ in million)

	As at March 31, 2012	As at March 31, 2011
<b>Note 3 Reserves &amp; Surplus</b>		
<b>1. Securities Premium Account</b>		
As per last Balance Sheet	1,462.14	220.99
Add : Additions during the year	278.95	1,462.38
Less : Utilised for issue of bonus shares	-	221.23
	<b>1,741.09</b>	<b>1,462.14</b>
<b>2. General Reserve</b>		
As per last Balance Sheet	106.18	105.66
Transfer from Statement of Profit and Loss	-	355.00
Less : Utilised for issue of bonus shares	-	354.48
	<b>106.18</b>	<b>106.18</b>
<b>3. Capital Reserve</b>		
As per last Balance Sheet	-	70.65
Less : Utilised for issue of bonus shares	-	70.65
	-	-
<b>4. Revaluation Reserve</b>	732.63	762.71
Less : Utilised against depreciation on revalued assets	30.08	30.08
	<b>702.55</b>	<b>732.63</b>
<b>5. Employee Stock Option Outstanding (Net)</b>	<b>46.48</b>	<b>19.06</b>
<b>6. Surplus / (deficit) in the Statement of Profit and Loss</b>		
As per last Balance Sheet	468.26	581.77
Add: Profit after tax for the year	387.54	349.01
Less: Transferred to General Reserve	-	355.00
Less: Proposed Dividend	96.12	92.20
Less: Dividend Distribution Tax	15.59	15.32
	<b>744.09</b>	<b>468.26</b>
	<b>3,340.39</b>	<b>2,788.27</b>

**Note 4 Long-Term Borrowings**

<b>Secured Loans</b>		
Term Loans from Banks	715.56	985.59
Hire purchase car loan (with Banker's lien on cars)	7.94	5.07
	<b>723.50</b>	<b>990.66</b>

- (a) The term loans are secured against first charge on the land, building, plant & machinery of the Company situated at Shrirampur, Dist Ahmednagar and second charge on stock and debtors.
- (b) Term loans from banks carry interest @ 14.25% to 15.50%. The loans are repayable in monthly / quarterly instalments each along with interest from the date of the loan.
- (c) The amounts of secured loans from banks outstanding at the end of the financial year have been guaranteed by the personal guarantee of Chairman & Managing Director of the Company.

**NOTES TO FINANCIAL STATEMENTS** for the year ended March 31, 2012.

(₹ in million)

	As at March 31, 2012	As at March 31, 2011
<b>Note 5 Deferred Tax Liabilities (Net)</b>		
Deferred Tax Liability	272.25	202.39
Deferred Tax Asset	(13.12)	(11.36)
	<b>259.13</b>	<b>191.03</b>

The break-up of deferred tax as at March 31, 2012 is as under:

	Opening as at April 01, 2011	During the year	Closing as at March 31, 2012
<b>Deferred Tax Liability :</b>			
a) On depreciation differences	200.61	70.42	271.03
b) Product Development cost	1.78	(0.56)	1.22
<b>Total Deferred Tax Liability</b>	<b>202.39</b>	<b>69.86</b>	<b>272.25</b>
<b>Deferred Tax Asset :</b>			
a) Retirement Benefits & Items u/s. 43B	(11.36)	(1.76)	(13.12)
<b>Total Deferred Tax Asset</b>	<b>(11.36)</b>	<b>(1.76)</b>	<b>(13.12)</b>
<b>Deferred Tax Liabilities (Net)</b>	<b>191.03</b>	<b>68.10</b>	<b>259.13</b>

(₹ in million)

	As at March 31, 2012	As at March 31, 2011
<b>Note 6 Other Long-Term Liabilities</b>		
Trade Deposits (Unsecured, interest free)	321.89	366.28
	<b>321.89</b>	<b>366.28</b>

**Note 7 Long Term Provisions**

	As at March 31, 2012	As at March 31, 2011
Provision for Gratuity	8.23	4.44
	<b>8.23</b>	<b>4.44</b>

**Note 8 Short-Term Borrowings**

<b>Secured</b>		
Cash Credit (including Working Capital Demand Loan)	3,503.78	2,723.09
<b>Unsecured</b>		
From Others	-	13.44
	<b>3,503.78</b>	<b>2,736.53</b>

(Against hypothecation of stock of raw materials, work-in-progress, finished goods, stores, chemicals & book debts and second charge on the fixed assets of the Company situated at Shrirampur, Dist. Ahmednagar)

The amounts of secured loans from banks outstanding at the end of the financial year have been guaranteed by the personal guarantee of Chairman & Managing Director of the Company.

**Note 9 Trade Payables**

	As at March 31, 2012	As at March 31, 2011
Acceptances	-	42.42
Trade payables	355.73	254.16
	<b>355.73</b>	<b>296.58</b>

**NOTES TO FINANCIAL STATEMENTS** for the year ended March 31, 2012.*(₹ in million)*

	As at March 31, 2012	As at March 31, 2011
<b>Note 10 Other Current Liabilities</b>		
Current maturities of term loans	252.37	266.71
Current maturities of hire purchase car loan	7.55	8.14
Interest accrued on borrowings	13.60	18.27
Payable towards statutory liabilities	61.56	12.79
Other payables	38.65	33.77
Unclaimed Dividend	1.99	1.47
Unclaimed Deposits	0.01	0.02
	<b>375.73</b>	<b>341.17</b>

**Note 11 Short-Term Provisions**

Provision for Leave Encashment	10.07	10.74
Provision for Gratuity	12.75	14.88
Proposed Dividend	96.00	92.20
Dividend Distribution Tax	15.57	15.32
Provision for Excise Duty on Finished Goods	92.05	0.53
Provision for Taxation (Net of Advance Tax)	69.48	60.26
	<b>295.92</b>	<b>193.93</b>

## NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2012.

**Note 12 Fixed Assets** (₹ in million)

	Gross Block			Depreciation/ Amortization				Net Block			
	As at April 1, 2011	Additions	Deductions	Revaluation	As at March 31, 2012	As at April 1, 2011	Deductions	For the year	On Revaluation	As at March 31, 2012	As at March 31, 2011
<b>TANGIBLE ASSETS</b>											
Land	522.89	-	-	-	522.89	-	-	-	-	522.89	522.89
Buildings	228.05	-	-	-	228.05	58.91	6.28	10.48	75.67	152.38	169.14
Plant & Equipment	3,094.75	399.36	-	-	3,494.11	231.70	137.74	19.60	389.04	3,105.07	2,863.05
Furniture & Fixtures	13.89	0.72	-	-	14.61	5.70	1.54	-	7.24	7.37	8.19
Office Equipment	17.61	7.63	0.02	-	25.22	7.07	2.13	-	9.20	16.02	10.54
Computers	59.03	18.28	-	-	77.31	20.36	19.34	-	39.70	37.61	38.67
Electrical Installation & Fittings	14.15	2.14	-	-	16.29	3.66	1.68	-	5.34	10.95	10.49
Motor Car and Transport Vehicles	50.73	17.08	3.70	-	64.11	23.69	8.73	-	29.93	34.18	27.04
Roads & Bridges	2.70	-	-	-	2.70	1.07	0.16	-	1.23	1.47	1.63
Library Books	0.03	-	-	-	0.03	0.03	-	-	0.03	-	-
Live Stock	0.03	-	-	-	0.03	-	-	-	-	0.03	0.03
<b>Total Tangible Assets</b>	<b>4,003.86</b>	<b>445.21</b>	<b>3.72</b>	<b>-</b>	<b>4,445.35</b>	<b>352.19</b>	<b>177.60</b>	<b>30.08</b>	<b>557.38</b>	<b>3,887.97</b>	<b>3,651.67</b>
Less: Impairment of Assets										(1.70)	(1.70)
										<b>3,886.27</b>	<b>3,649.97</b>
<b>INTANGIBLE ASSETS</b>											
Brands	109.13	-	-	-	109.13	21.83	21.83	-	43.66	65.47	87.30
Software	53.02	0.04	-	-	53.06	25.59	10.99	-	36.58	16.48	27.43
Product Development	17.39	-	-	-	17.39	12.18	1.74	-	13.92	3.47	5.21
<b>Total Intangible Assets</b>	<b>179.54</b>	<b>0.04</b>	<b>-</b>	<b>-</b>	<b>179.58</b>	<b>59.60</b>	<b>34.56</b>	<b>-</b>	<b>94.16</b>	<b>85.42</b>	<b>119.94</b>
<b>Grand Total</b>	<b>4,183.40</b>	<b>445.25</b>	<b>3.72</b>	<b>-</b>	<b>4,624.93</b>	<b>411.79</b>	<b>212.16</b>	<b>30.08</b>	<b>651.54</b>	<b>3,971.69</b>	<b>3,769.91</b>
<b>Previous Year</b>	<b>2,228.24</b>	<b>1,995.15</b>	<b>39.99</b>	<b>-</b>	<b>4,183.40</b>	<b>259.00</b>	<b>126.29</b>	<b>30.08</b>	<b>411.79</b>	<b>3,771.61</b>	

During the year 2007-2008 land, factory building and plant & machinery were revalued, resulting in increase in Gross Block by ₹ 822.87 million.



**NOTES TO FINANCIAL STATEMENTS** for the year ended March 31, 2012.

(₹ in million)

		As at		As at	
		March 31, 2012		March 31, 2011	
<b>Note 13 Non-Current Investments</b>					
<b>1. Investment in Government Securities (Unquoted)</b>	<b>Nos.</b>			<b>Nos.</b>	
7 Year National Savings Certificates (Certificates worth ₹ 44,000/- deposited with Government authorities)			0.05		0.05
6 Year National Savings Certificates (Deposited with Government authorities)			–		–
			<b>0.05</b>		<b>0.05</b>
<b>2. Investment in Subsidiaries (Unquoted)</b>					
Investment in Equity Instruments					
<b>Equity shares of ₹ 100/- each</b>					
Vahni Distilleries Private Limited	1,498,050	186.49	1,498,050	186.49	
Kesarval Springs Distillers Pvt. Ltd.	30,000	15.00	30,000	15.00	
<b>Equity shares of ₹ 10/- each</b>					
Prag Distillery (P) Ltd.	3,681,000	154.34	2,011,000	54.14	
Punjab Expo Breweries Private Limited	296,002	55.00	–	–	
Mykingdom Ventures Pvt. Ltd.	10,000	2.00	–	–	
P. P. Caps Private Limited	250,000	2.50	–	–	
Studd Projects P. Ltd.	10,000	0.10	–	–	
Srirampur Grains Private Limited	10,000	0.10	–	–	
Shivprabha Sugars Ltd.	45,000	24.98	–	–	
		<b>440.51</b>		<b>255.63</b>	
<b>3. Other than Trade Investments (Unquoted)</b>					
Investment in Equity Instruments					
<b>Equity shares of ₹ 100/- each</b>					
Mula Pravara Electric Co-operative Society Ltd.	2,462	0.25	2,462	0.25	
Shree Suvarna Sahakari Bank Ltd.	20	–	20	–	
Maharashtra State Financial Corporation	115	0.01	115	0.01	
Rupee Co-op. Bank Ltd.	1,000	0.03	1,000	0.03	
		<b>0.29</b>		<b>0.29</b>	
		<b>440.85</b>		<b>255.97</b>	
<b>Aggregate of unquoted investments (at cost)</b>		<b>440.85</b>		<b>255.97</b>	

**Note 14 Long-Term Loans and Advances**

<b>Unsecured, considered good</b>			
Capital advances		9.80	211.98
Loans and advance to employees		9.82	2.04
Deposits with Court		19.08	19.57
		<b>38.70</b>	<b>233.59</b>

	Shares/ Units	As at March 31, 2012	As at March 31, 2011
<b>Note 15 Current Investments</b>			
<b>Investment in mutual funds (Unquoted)</b>			
Monthly Income Plan	122,880.32	2.50	2.50
Net asset value ₹ 2.77 million (P.Y. ₹ 2.61 million)			
		<b>2.50</b>	<b>2.50</b>

**NOTES TO FINANCIAL STATEMENTS** for the year ended March 31, 2012.

(₹ in million)

	As at March 31, 2012	As at March 31, 2011
<b>Note 16 Inventory (At cost)</b>		
Raw materials	151.55	158.61
Stores and spares	315.14	175.09
Work-in-progress	402.55	246.90
Finished goods	212.16	39.13
	<b>1,081.40</b>	<b>619.73</b>
<b>Note 17 Trade Receivables</b>		
<b>Unsecured, considered good</b>		
Outstanding for a period exceeding six months from the date they are due for payment	20.24	17.60
<b>Unsecured, considered doubtful</b>		
Outstanding for a period exceeding six months from the date they are due for payment	9.01	9.01
<b>Other receivables</b>		
Unsecured, considered good	874.62	684.12
	<b>903.87</b>	<b>710.73</b>
Less: Provision for doubtful debts	(9.01)	(9.01)
	<b>894.86</b>	<b>701.72</b>
<b>Note 18 Cash and Bank Balances</b>		
<b>(a) Cash and cash equivalents</b>		
(i) Balances with banks		
In current accounts	24.94	12.93
(ii) Cash on hand	12.01	8.37
	<b>36.95</b>	<b>21.30</b>
<b>(b) Other Bank Balances</b>		
(i) Earmarked balances with banks	2.96	2.48
(ii) Short term bank deposits	41.01	74.71
	<b>43.97</b>	<b>77.19</b>
	<b>80.92</b>	<b>98.49</b>
<b>Note 19 Short-Term Loans and Advances</b>		
<b>Unsecured, considered good</b>		
Advances recoverable in cash or in kind or for value to be received	1,118.86	785.74
Advances to Subsidiary Companies	770.26	684.81
Advance with Tie-up Units	1,592.98	1,786.47
Balance with Excise Authorities	35.05	17.62
Deposits	288.77	158.47
	<b>3,805.92</b>	<b>3,433.11</b>
<b>Note 20 Other Current Assets</b>		
Interest accrued on deposits	0.52	0.46
	<b>0.52</b>	<b>0.46</b>
	<b>Year ended March 31, 2012</b>	<b>Year ended March 31, 2011</b>
<b>Note 21 Revenue from Operations</b>		
Sales of products	4,681.42	2,453.31
Income from tie-up units	1,314.19	1,650.01
	<b>5,995.61</b>	<b>4,103.32</b>

The Company has entered into arrangements with certain distilleries and bottling units in other states for manufacturing and marketing of its own brands. The manufacture under the said arrangement, wherein each party's obligations are stipulated, is

**NOTES TO FINANCIAL STATEMENTS** for the year ended March 31, 2012.

carried out under Company's close supervision. The marketing is entirely the responsibility of the Company. The Company is also required to ensure adequate finance to the distilleries, where required. Accordingly, it is considered appropriate to disclose the following quantitative and value information for the year, as applicable to such activities.

(₹ in million)

	2011-2012	2010-2011
Gross Sales of Companys' brands and other sales including sales made by Tie-up arrangement	11,577.44	10,761.61
Less : Excise Duty	5,057.06	5,002.78
Net Sales of Companys' brands and other sales	6,520.38	5,758.83
Less : Net Sales made by tie up units	3,306.03	3,914.86
Add : Net income from tie up arrangement	1,314.19	1,650.01
<b>Total Income</b>	<b>4,528.54</b>	<b>3,493.98</b>
<b>Details of sale of products</b>		
(a) Indian Made Foreign Liquor	4,171.59	2,139.39
(b) Industrial Alcohol, Spirits & Others	509.83	313.92
	<b>4,681.42</b>	<b>2,453.31</b>

(₹ in million)

	Year ended March 31, 2012	Year ended March 31, 2011
<b>Note 21.1 Other Operating Income</b>		
Sale of by products and scrap	44.13	7.08
	<b>44.13</b>	<b>7.08</b>

**Note 22 Other Income**

Duty drawback on exports	5.81	2.55
Miscellaneous receipts	2.98	1.83
Sundry balance written back	1.00	5.19
Interest income on margin money / fixed deposits	3.07	4.48
Profit on exchange fluctuation	0.11	-
Profit on sale of assets	1.63	2.66
	<b>14.60</b>	<b>16.71</b>

	Year ended March 31, 2012		Year ended March 31, 2011	
<b>Note 23 Cost of Materials Consumed</b>				
i) Raw Material Consumption				
Opening Stock		158.61		218.28
Add: Purchases		779.48		369.76
Less: Closing Stock		151.55		158.61
		<b>786.54</b>		<b>429.43</b>
ii) Packing Materials & Consumables		1,065.37		504.16
		<b>1,851.91</b>		<b>933.59</b>
<b>Details of Raw Materials Consumed</b>				
(a) Molasses, Grain etc		647.03		277.67
(b) Industrial Alcohol & Other Spirits		112.53		151.32
(c) Other Raw Materials		26.98		0.44
		<b>786.54</b>		<b>429.43</b>
<b>Value of Imported &amp; Indigenous Raw Materials Consumed</b>	<b>% to Total Consumption</b>	<b>2011-12</b>	<b>% to Total Consumption</b>	<b>2010-11</b>
i) Imported	0	1.23	0	1.53
ii) Indigenous	100	785.31	100	427.90
	<b>100</b>	<b>786.54</b>	<b>100</b>	<b>429.43</b>

**NOTES TO FINANCIAL STATEMENTS** for the year ended March 31, 2012.

(₹ in million)

	Year ended March 31, 2012	Year ended March 31, 2011
<b>Note 24 (Increase) / Decrease in Stock</b>		
i) Work-in-progress	246.90	199.39
ii) Finished goods	39.13	135.08
	286.03	334.47
Less : Closing Stock		
i) Work-in-progress	402.55	246.90
ii) Finished goods	212.16	39.13
	614.71	286.03
Net (Increase) / Decrease in Stock	(328.68)	48.44
<b>Note 25 Employee Benefit Expense</b>		
Salary and wages	201.29	120.67
Employee Stock Option Expenses	30.63	16.68
Contribution to provident fund and family pension fund	19.14	11.99
Staff welfare expenses	15.28	27.56
Gratuity	6.10	20.53
	272.44	197.43
<b>Note 26 Other Expenses</b>		
Power and fuel	37.64	36.50
Provision for Excise Duty on Finished Goods	91.52	(36.60)
Repairs & maintenance		
(i) Plant & Machinery	19.93	4.10
(ii) Buildings	1.26	1.28
(iii) Others	13.87	15.61
Insurance	7.68	6.87
Rent	23.25	22.21
Conversion cost	435.85	406.10
Legal and professional charges	67.18	72.16
Auditors Remuneration	0.59	0.36
Rates and taxes	150.61	107.53
Freight, transport charges & other expenses	116.43	59.67
Selling expenses [Discounts, Sales Promotion & Advertising etc.]	343.69	469.88
Travelling and conveyance expenses	16.28	11.85
Printing and stationery	8.47	5.74
Communication expenses	11.62	14.49
Vehicle running expenses	7.51	5.50
Director sitting fees	0.32	0.19
Bad Debts / Provision for doubtful debts	-	4.14
Goodwill written off	-	3.84
Loss (Gain) on exchange fluctuation	-	8.78
Commission to Independent Directors	5.69	5.57
Corporate Social Responsibility	27.71	16.78
Miscellaneous Expenses	70.14	59.59
	1,457.24	1,302.14
<b>Note 27 Finance Cost</b>		
Interest on term loans	173.61	188.54
Interest on cash credits / Working Capital Demand Loan	330.48	143.76
Others	37.47	10.78
	541.56	343.08



**NOTES TO FINANCIAL STATEMENTS** for the year ended March 31, 2012.**Note 28** Notes on Accounts

(₹ in million)		
Particulars	As at	
	March 31, 2012	March 31, 2011
<b>i) Contingent Liability not provided for</b>		
(a) Corporate guarantees issued to banks on behalf of Subsidiary Company	562.72	200.00
(b) Bank guarantees issued on behalf of the Company	135.58	43.92
(c) In respect of disputed Income tax matters, pending before the appropriate Income tax authorities, contested by the Company		
For A.Y. 2009-10	6.13	6.13
For A.Y. 2007-08	86.07	86.07
For A.Y. 2004-05	22.27	22.27
(d) In respect of disputed Sales tax matters, pending before the appropriate tax authorities, contested by the Company		
For F.Y. 2003-04 (Bombay Sales Tax)	6.28	6.28
For F.Y. 2003-04 (Central Sales Tax)	4.83	4.83
For F.Y. 2004-05 (Bombay Sales Tax)	4.67	4.67
For F.Y. 2004-05 (Central Sales Tax)	2.03	2.03
(e) In respect of disputed service tax matter, pending before the appropriate Central Excise authorities, contested by the Company	Nil	2.02

ii) Estimated amount of contracts remaining to be executed on capital accounts and not provided for is approx ₹ 40 million (net of advances) (P.Y. ₹55 million).

**iii) Operating Lease:**

The Company has taken Bottling units on operating lease at various locations and during the financial year ₹ 22.50 million (P.Y. ₹ 3.61 million) paid towards lease rentals has been charged to Statement of Profit and Loss.

Except for escalation clauses contained in certain lease arrangements providing for increase in the lease payment by a specified percentage / amounts after completion of specified period, the lease terms do not contain any exceptional / restrictive covenants other than the prior approval of the lessee before the renewal of lease.

There are no restrictions such as those concerning dividend and additional debt other than in some cases where prior approval of lessor is required for further leasing. There is no contingent rent payment.

iv) The disclosure of Accounting Standard 15 "Employee Benefits" is as follows:

**Defined Contribution Plan**

The Company has charged in the Statement of Profit and Loss during the financial year an amount of ₹ 19.14 million (P.Y. ₹ 11.99 million) under defined contribution plan as employer's contribution to Provident Fund.

**Defined Benefit Plan**

The Employees' gratuity fund scheme managed by LIC is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognized in the manner as gratuity.

**NOTES TO FINANCIAL STATEMENTS** for the year ended March 31, 2012.**Note 28** Notes on Accounts (Contd.)

The net value of the defined commitment is detailed below:

Particulars	(₹ in million)	
	Funded Gratuity	Non funded leave
Present Value of obligation	30.42	
Fair Value of Plans	9.44	
<b>Net Liability in the Balance Sheet</b>	<b>20.98</b>	<b>10.07</b>
<b>Defined Benefit Obligations</b>		
Opening balance as at April 01, 2011	28.05	
Current service cost	-	
Interest expenses	2.31	
Current service cost	3.77	
Actuarial (gain) / loss	(3.71)	
<b>Closing balance as at March 31, 2012</b>	<b>30.42</b>	
<b>Plan Assets</b>		
Opening balance as at April 01, 2011	8.73	
Expected return on plan assets	0.70	
Contributions by the Company	-	
Paid Funds	-	
Actuarial gain / (loss)	0.01	
Transfer Received	-	
<b>Closing balance as at March 31, 2012</b>	<b>9.44</b>	
<b>Return on Plan Assets</b>		
Expected return on plan assets	0.70	
Actuarial gain / (loss)	0.01	
<b>Actual Return on Plan Assets</b>	<b>0.71</b>	
<b>Expenses on defined benefit plan:</b>		
Current service costs	3.77	
Past service cost	-	
Interest expense	2.31	
Expected return on plan assets	(0.70)	
Net actuarial (gain) / loss	(3.72)	
<b>Expenses charged to the Statement of Profit and Loss</b>	<b>1.66</b>	

Investments Details	% Invested March 31, 2012
Funds Managed by Insurer	100
Public Sector Unit Bonds	-
State / Central Guaranteed Securities	-
Special Deposit Schemes	-
Other (excluding bank balances)	-
	<b>100</b>

Actuarial assumptions	Gratuity (funded)
Mortality (LIC)	1994-96 Ultimate
Discount rate (per annum)	8.75%
Expected rate of return on plan assets (per annum)	8.60%
Rate of escalation in salary (per annum)	5.00%
Attrition rate (per annum)	2.00%

**NOTES TO FINANCIAL STATEMENTS** for the year ended March 31, 2012.**Note 28 Notes on Accounts (Contd.)****v) Employee Stock Option Scheme**

(a) The Shareholders of the Company at the Annual General Meetings held on August 06, 2008 and September 20, 2010 had approved the Employee Stock Option Scheme (ESOP) 2008 and Employee Stock Option Scheme (ESOP) 2010.

(b) During the financial year ended March 31, 2012, the following schemes were in operation.

**(A) Employee Stock Option Scheme 2008**

Particulars	Grant 1	Grant 2	Grant 3	Grant 4
Date of Grant	02-07-2009	28-01-2010	25-06-2010	07-08-2010
Date of the Board Approval	02-07-2009	28-01-2010	25-06-2010	07-08-2010
Date of the Shareholders Approval	06-08-2008	06-08-2008	06-08-2008	06-08-2008
Number of options granted till March 31, 2012	730,400	3,730,521	154,200	843,663
Number of Option Cancelled till March 31, 2012	185,000	709,851	25,770	136,758
Number of Options Lapsed till March 31, 2012	9,900	230,620	Nil	720
Number of options exercised till March 31, 2012	167,400	363,422	1,890	4,190
Net Options Outstanding	368,100	2,426,628	126,540	701,995
Vesting period from the date of grant	4 years	4 years	4 years	4 years
Exercise period from the date of vesting	2 years	2 years	2 years	2 years

**(B) Employee Stock Option Scheme 2010**

Particulars	Grant 1	Grant 2	Grant 3	Grant 4
Date of Grant	15-01-2011	01-08-2011	21-10-2011	11-11-2011
Date of the Board Approval	15-01-2011	01-08-2011	21-10-2011	11-11-2011
Date of the Shareholders Approval	20-09-2010	20-09-2010	20-09-2010	20-09-2010
Number of options granted till March 31, 2012	1,615,500	512,000	3,379,600	969,000
Number of Option Cancelled till March 31, 2012	679,320	81,400	1,018,174	Nil
Number of Options Lapsed till March 31, 2012	1,200	Nil	Nil	Nil
Number of options exercised till March 31, 2012	5,670	Nil	Nil	Nil
Net Options Outstanding	929,310	430,600	2,361,426	969,000
Vesting period from the date of grant	3 years	3 years	3 years	3 years
Exercise period from the date of vesting	2 years	2 years	2 years	2 years

(c) The details of the options as on March 31, 2012 are as under:

(Nos. in million)

Particulars	ESOP Scheme 2008	ESOP Scheme 2010
<b>Financial Year 2010-11</b>		
Options outstanding as on April 01, 2010	1.72	N.A.
Options cancelled from April 01, 2010 to September 30, 2010	0.36	N.A.
Options exercised from April 01, 2010 to September 30, 2010	0.01	N.A.
Options granted from April 01, 2010 to September 30, 2010	0.34	N.A.
Bonus Options granted on September 30, 2010	3.38	N.A.
Options outstanding post bonus	5.07	N.A.
Options granted from October 01, 2010 to March 31, 2011	Nil	1.61
Options cancelled till March 31, 2011	0.39	0.01
Options exercised from October 01, 2010 to March 31, 2011	0.07	Nil
<b>Options outstanding as on March 31, 2011</b>	<b>4.61</b>	<b>1.60</b>
<b>Financial Year 2011-12</b>		
<b>Options outstanding as on April 01, 2011</b>	<b>4.61</b>	<b>1.60</b>
Options granted from April 01, 2011 to March 31, 2012	Nil	4.86
Options cancelled till March 31, 2012	0.29	1.76
Options lapsed till March 31, 2012	0.24	-
Options exercised April 01, 2011 to March 31, 2012	0.46	0.01
<b>Options outstanding as on March 31, 2012</b>	<b>3.62</b>	<b>4.69</b>

**NOTES TO FINANCIAL STATEMENTS** for the year ended March 31, 2012.**Note 28 Notes on Accounts (Contd.)**

(d) The weighted average fair value of stock options granted during the financial year was ₹ 58.70 million (P.Y. ₹ 33.70 million). The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

**(A) Employee Stock Option Scheme 2008**

Particulars	Grant 1	Grant 2	Grant 3	Grant 4
Dates of Grant	02-07-2009	28-01-2010	25-06-2010	07-08-2010
Market Price (₹ per share) on the dates of grant	143.45	99.45	145.75	199.65
Volatility	71.49%	68.41%	66.45%	66.11%
Risk free rate	6.24%	6.76%	7.10%	7.59%
Exercise price (pre all bonuses)	120	75	110	150
Time to maturity (years)	4	4	4	4
Dividend yield	2.00%	2.00%	2.24%	2.24%
Option fair value (₹ per share)	66.80	49.11	71.37	98.71

**(B) Employee Stock Option Scheme 2010**

Particulars	Grant 1	Grant 2	Grant 3	Grant 4
Dates of Grant	15-01-2011	01-08-2011	21-10-2011	11-11-2011
Market Price (₹ per share) on the dates of grant	83.00	51.20	33.95	32.60
Volatility	66.25%	63.86%	63.63%	63.67%
Risk free rate	7.97%	8.36%	8.58%	8.99%
Exercise price	60	38	25	25
Time to maturity (years)	3	3	3	3
Dividend yield	2.24%	2.10%	2.10%	2.10%
Option fair value (₹ per share)	41.89	26.23	17.50	16.55

(e) Since the Company, used the intrinsic value method, the impact on the reported net profit and earnings per share by applying the fair value method is as under:

(₹ in million)

Particulars	As at	As at
	March 31, 2012	March 31, 2011
Net Profit as Reported available to Equity Share holders	387.54	349.01
Add: Employee stock compensation under intrinsic value	30.63	16.68
Less: Employee stock compensation under fair value method	58.70	33.70
Adjusted Net Profit	359.47	331.99
Earnings per share		
Basic:		
– As reported	3.35	3.40
– Adjusted	3.11	3.23
Diluted:		
– As reported	3.30	3.27
– Adjusted	3.07	3.11

**vi) Segment Reporting:**

The Company is predominantly engaged in the business of manufacture and sale of Indian Made Foreign Liquor and its related products which constitute a single business segment.





## NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2012.

### Note 28 Notes on Accounts (Contd.)

(₹ in million)

Nature of Transaction	Parties referred in (a) above		Parties referred in (b) above		Parties referred in (c) above		Parties referred in (d) above	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
<b>Maximum outstanding during the year</b>								
Prag Distillery (P) Ltd.	503.32	607.01	-	-	-	-	-	-
Vahni Distilleries Private Limited	96.69	132.85	-	-	-	-	-	-
Kesarval Springs Distillers Pvt. Ltd.	169.33	166.91	-	-	-	-	-	-
Punjab Expo Breweries Private Limited	183.81	-	-	-	-	-	-	-
Studd Projects P. Ltd	23.00	-	-	-	-	-	-	-
Shivprabha Sugars Ltd.	1.37	-	-	-	-	-	-	-
<b>Sub-Total</b>	<b>977.52</b>	<b>906.77</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loan Taken</b>								
Mr. Amit Dahanukar	-	-	-	10.00	-	-	-	-
Mrs. Shivani Amit Dahanukar	-	-	25.00	32.50	-	-	-	-
M.L. Dahanukar & Co. Pvt. Ltd.	-	-	-	-	-	52.50	-	-
<b>Sub-Total</b>	<b>-</b>	<b>-</b>	<b>25.00</b>	<b>42.50</b>	<b>-</b>	<b>52.50</b>	<b>-</b>	<b>-</b>
<b>Repayment of Loan</b>								
Mr. Amit Dahanukar	-	-	-	10.00	-	-	-	-
Mrs. Shivani Amit Dahanukar	-	-	25.00	32.50	-	-	-	-
M.L. Dahanukar & Co. Pvt. Ltd.	-	-	-	-	-	52.50	-	-
<b>Sub-Total</b>	<b>-</b>	<b>-</b>	<b>25.00</b>	<b>42.50</b>	<b>-</b>	<b>52.50</b>	<b>-</b>	<b>-</b>
<b>Rent Payment</b>								
Mr. Amit Dahanukar	-	-	2.45	2.45	-	-	-	-
Dr. Priyadarshini A. Dahanukar	-	-	-	-	-	-	0.92	0.69
M.L. Dahanukar & Co. Pvt. Ltd.	-	-	-	-	0.72	0.72	-	-
<b>Sub-Total</b>	<b>-</b>	<b>-</b>	<b>2.45</b>	<b>2.45</b>	<b>0.72</b>	<b>0.72</b>	<b>0.92</b>	<b>0.69</b>
<b>Outstanding Receivable</b>								
Prag Distillery (P) Ltd.	402.20	503.32	-	-	-	-	-	-
Vahni Distilleries Private Limited	96.69	14.58	-	-	-	-	-	-
Kesarval Springs Distillers Pvt. Ltd.	63.19	166.91	-	-	-	-	-	-
Punjab Expo Breweries Private Limited	183.81	-	-	-	-	-	-	-
Studd Project P. Ltd	23.00	-	-	-	-	-	-	-
Shivprabha Sugars Ltd.	1.37	-	-	-	-	-	-	-
Dr. Priyadarshini A. Dahanukar	-	-	-	-	-	-	0.31	0.31
Mr. Amit Dahanukar	-	-	1.00	1.00	-	-	-	-
M.L. Dahanukar & Co. Pvt. Ltd.	-	-	-	-	1.50	1.50	-	-
<b>Sub-Total</b>	<b>770.26</b>	<b>684.81</b>	<b>1.00</b>	<b>1.00</b>	<b>1.50</b>	<b>1.50</b>	<b>0.31</b>	<b>0.31</b>

#### viii) Managerial Remuneration

Details of the Managerial Remuneration paid or provided during the financial year ended on March 31, 2012.

(₹ in million)

	2011-2012	2010-2011
<b>Remuneration to Managing Director and Whole-time Directors</b>		
- Salaries and Contribution to funds	51.36	54.31
- Commission	5.58	1.41
	<b>56.94</b>	<b>55.72</b>
<b>Remuneration to Non-executive and Independent Directors</b>		
- Commission	5.69	5.57

Note: The above amounts do not include contribution to Gratuity Fund, as separate amount is not available for Managing Director and Whole-time Directors.

**NOTES TO FINANCIAL STATEMENTS** for the year ended March 31, 2012.**Note 28** Notes on Accounts (Contd.)**ix) Auditor's remuneration charged to accounts** (₹ in million)

	2011-2012	2010-2011
a) Audit Fees	0.53	0.33
b) Auditors remuneration in other capacity	0.04	0.03
c) Reimbursement of expenses	0.02	–
<b>Total</b>	<b>0.59</b>	<b>0.36</b>

- x) Provision of excise duty on finished goods manufactured but yet to be cleared from the factory as at March 31, 2012 estimated at ₹ 92.05 million (P.Y. ₹ 0.53 million) has been provided in the books and also been considered in valuation of closing stock of finished goods. Provision for excise duty on finished goods charged in the Statement of Profit and Loss for the financial year is as follows :

	2011-2012	2010-2011
Provision for excise duty on finished goods at the beginning of the year	0.53	37.13
Provision for excise duty on finished goods at the end of the year	92.05	0.53
Provision for excise duty on finished goods charged in the Statement of Profit and Loss	91.52	(36.60)

- xi) There are no amounts outstanding in respect of unpaid dividend / fixed deposits for more than seven years to be transferred to Investor Education & Protection Fund.

- xii) The Company has not received the required information from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures relating to Micro, Small and Medium Enterprises have not been made.

**xiii) Earnings Per Share**

	2011-2012	2010-2011
Profit After Tax	387.54	349.01
Less : Dividend on Preference Shares & Tax thereon	–	–
Profit after Tax and after Preference Dividend	387.54	349.01
Weighted average number of shares	115.53	102.78
Basic Earnings Per Share	3.35	3.40
Weighted average number of shares (adjusted for the effects of dilutive potential equity shares) (in million)	117.26	106.64
Diluted Earnings Per Share	3.30	3.27
Face Value per Equity Share	10.00	10.00

- xiv) Unhedged foreign currency exposure as on March 31, 2012 towards receivable USD 0.37 million.

	2011-2012	2010-2011
xv) CIF Value of Imports	20.29	5.40
xvi) Earnings in Foreign Exchange	66.91	76.62
xvii) Expenditure in Foreign Exchange	16.42	10.23

**xviii) Other Significant notes**

- (a) The Company's glass manufacturing unit was given to Ramnath Glass Containers Pvt. Ltd (RGCP) managed by Mehta Brothers on lease for carrying out their business, which had discontinued the operations in the year 2003 and handed over the unit back to the Company in totally unworkable conditions without fulfilling their legal obligations under the agreement. Due to this the Company had to pay the statutory liabilities and settle the dues of the workmen on behalf of RGCP / Mehta Brothers. The Company has initiated the legal action against the RGCP / Mehta Brothers for recovery of amount paid together with interest and damages amounting to ₹76.20 million.
- (b) The Company's distributor Ding Dong Liquors has filed a winding up petition on the Company in the High Court of Judicature of Bombay for recovery of Security Deposit of ₹25 million. The Company withheld the Security Deposit on the grounds that Ding Dong Liquors had failed to deliver the 'C' Forms and other amounts due to the Company. The

**NOTES TO FINANCIAL STATEMENTS** for the year ended March 31, 2012.**Note 28 Notes on Accounts (Contd.)**

Hon'ble High Court vide its Order directed the Company to deposit a sum of ₹12.70 million out of the total amount claimed by Ding Dong Liquors. The Company has deposited the above sum with the Court and filed an appeal against the said Order.

Further, the Company has filed a separate suit for recovery of dues of ₹39.00 million and C-forms against Ding Dong Liquors which has been upheld by the Bombay High court by dismissing the winding up petition and directed Ding Dong Liquors to avail remedy from the Hon'ble Court for recovery of the amount failing which the Company will be entitled to an amount of ₹ 12.70 million deposited with the Court.

- (c) Anupama Wine Distributors has filed a suit before the City Civil Court, Bangalore claiming ₹73.11 million towards refund of security deposit and other dues. The Hon'ble Court vide its Order dated December 22, 2007 dismissed their application for attachment of property for recovery of the above dues. The Company has filed a counter claim for ₹119.30 million against Anupama Wine Distributors and the matter is pending before City Civil Court, Bangalore.
- (d) Anupama Wine Distributors has filed a Company petition against the Company before Bombay High Court and against that the Hon'ble Bombay High Court has vide order dated March 16, 2009 directed to the Company to Deposit a security worth ₹42.10 million. The Company deposited a Bank Guarantee worth the said amount with the High Court, Mumbai and filed an appeal against the said Order which has been upheld the Hon'ble Bombay High Court by dismissing the winding up petition and allowed the Company to discharge the bank guarantee. The said order of Bombay High Court was challenged by Anupama Wine Distributors by filing a Special Leave Application at Hon'ble Supreme Court. The Hon'ble Supreme Court has rejected their Special Leave Application. Accordingly, Company has discharged the said bank guarantee.
- xix) During the year, the Company has allotted 4,284,236 equity shares to Promoters of the Company against conversion of warrants at a price of ₹ 73/- per equity share.
- xx) During the year, the Company has acquired 100% stake in Mykingdom Ventures Pvt. Ltd., P. P. Caps Private Limited, Studd Projects P. Ltd., Srirampur Grains Private Limited and 90% stake in Shivprabha Sugars Ltd. on March 19, 2012 and these companies have become subsidiaries of the Company w.e.f March 19, 2012.
- xxi) The Company has been granted Mega Project status for its new facilities at Shirrampur Factory under Package Scheme of Incentives (PSI) 2007 by the Government of Maharashtra. With its mega project status, the Company is entitled to monetary benefits which includes Industrial Promotional Subsidy in the form of refunds equivalent to 100% of eligible investment of ₹ 2,546.21 million or to the extent of taxes payable under Maharashtra Value Added Tax Act, 2002 and Central Sales Tax Act, 1956 in respect of sale of finished goods eligible for incentives after adjustment of set off or other credit available within a period of seven years whichever is lower.
- xxii) The Ministry of Corporate affairs, Government of India, vide General Circular No 2 and 3 dated February 8, 2011 and February 21, 2011 respectively has granted a general exemption from compliance with section 212 of the Companies Act, 1956, subject to fulfillment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and is entitled to the exemption. Necessary information relating to the subsidiaries has been included in the Consolidated Financial Statements.
- xxiii) During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for the preparation of financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.
- xxiv) Figures of previous year have been regrouped, reclassified and recast, wherever considered necessary.

The accompanying notes are an integral part of the financial statements

As per our Report of even date annexed.

For and on behalf of the Board

For **Batliboi & Purohit**  
Chartered Accountants  
Firm Registration No. 101048W

**Amit Dahanukar**  
Chairman &  
Managing Director

**Shivani Amit Dahanukar**  
Executive Director

**V.B.Haribhakti**  
Director

**Kaushal Mehta**  
Partner  
Membership No. 111749

**Dr. Vishnu Kanhere**  
Director

**Dr. Ravindra Bapat**  
Director

**C.V.Bijlani**  
Director

Place : Mumbai  
Date : May 28, 2012

**Madan Goyal**  
Director

**Gaurav Thakur**  
Company Secretary

**SECTION 212** Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies

(₹ in million)

Name of the Subsidiary	Prag Distillery (P) Ltd.	Vahni Distilleries Private Limited	Kesarval Springs Distillers Pvt. Ltd.	Punjab Expo Breweries Private Limited	Mykingdom Ventures Pvt. Ltd.	P. P. Caps Private Limited	Studd Projects P. Ltd	Srirampur Grains Private Limited	Shivprabha Sugars Ltd.
Financial year/ period of the subsidiary ended on	March 31, 2012	March 31, 2012	March 31, 2012	March 31, 2012	March 31, 2012	March 31, 2012	March 31, 2012	March 31, 2012	March 31, 2012
1. Holding Company's Interest	100%	100%	100%	100%	100%	100%	100%	100%	90%
Equity Share Capital	3,681,000 equity shares of Rs 10/- each fully paid up	1,498,050 equity shares of Rs 100/- each fully paid up	30,000 equity shares of Rs100/- each fully paid up	296,002 equity shares of Rs 10/- each fully paid up	10,000 equity shares of Rs 10/- each fully paid up	250,000 equity shares of Rs 10/- each fully paid up	10,000 equity shares of Rs 10/- each fully paid up	10,000 equity shares of Rs 10/- each fully paid up	50,000 equity shares of Rs 10/- each fully paid up
2. Net aggregate amounts of the profits/(losses) of the subsidiary so far as it concerns the members of the holding Company and is not dealt with in accounts of the holding Company									
- For the financial year of the subsidiary	56.15	23.16	(2.43)	6.90	(0.05)	(0.13)	(0.03)	(0.05)	(0.18)
- For the previous financial year of the subsidiary since it became its subsidiary	148.00	(59.20)	(2.43)	6.90	(0.05)	(0.13)	(0.03)	(0.05)	(0.18)
3. Net aggregate amounts of the profits/(losses) of the subsidiary so far as it concerns the members of the holding Company and is dealt with in accounts of the holding Company									
- For the financial year of the subsidiary	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
- For the previous financial year of the subsidiary since it became its subsidiary	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
4. Capital	36.81	149.81	3.00	2.96	0.10	2.50	0.10	0.10	0.50
5. Reserves	235.99	(31.08)	(6.17)	0.56	2.00	(0.16)	(0.15)	(1.42)	(0.20)
6. Total Assets	1,475,74	3,13,21	71.49	202.86	10.14	3.99	23.20	0.32	15.75
7. Total Liabilities	1,202.94	194.49	74.66	199.34	8.04	1.65	23.25	1.64	15.45
8. Details of Investments (Except Investment in Subsidiary)	0.03	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
9. Gross Turnover (including other income)	1,148.55	1,251.40	7.75	282.23	Nil	Nil	Nil	0.03	0.73
10. Profit Before Taxation	90.87	23.16	(2.43)	7.41	(0.05)	(0.13)	(0.03)	(0.05)	(0.18)
11. Provision for Taxation	34.73	-	-	0.51	-	-	-	-	-
12. Profit After Taxation	56.14	23.16	(2.43)	6.90	(0.05)	(0.13)	(0.03)	(0.05)	(0.18)
13. Proposed Dividend	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

For and on behalf of the Board

Amit Dahanukar  
Chairman & Managing DirectorShivani Amit Dahanukar  
Executive DirectorV.B.Haribhakti  
DirectorDr. Vishnu Kanhere  
DirectorDr. Ravindra Bapat  
DirectorC.V.Bijlani  
DirectorMadan Goyal  
DirectorGaurav Thakur  
Company SecretaryPlace : Mumbai  
Date : May 28, 2012

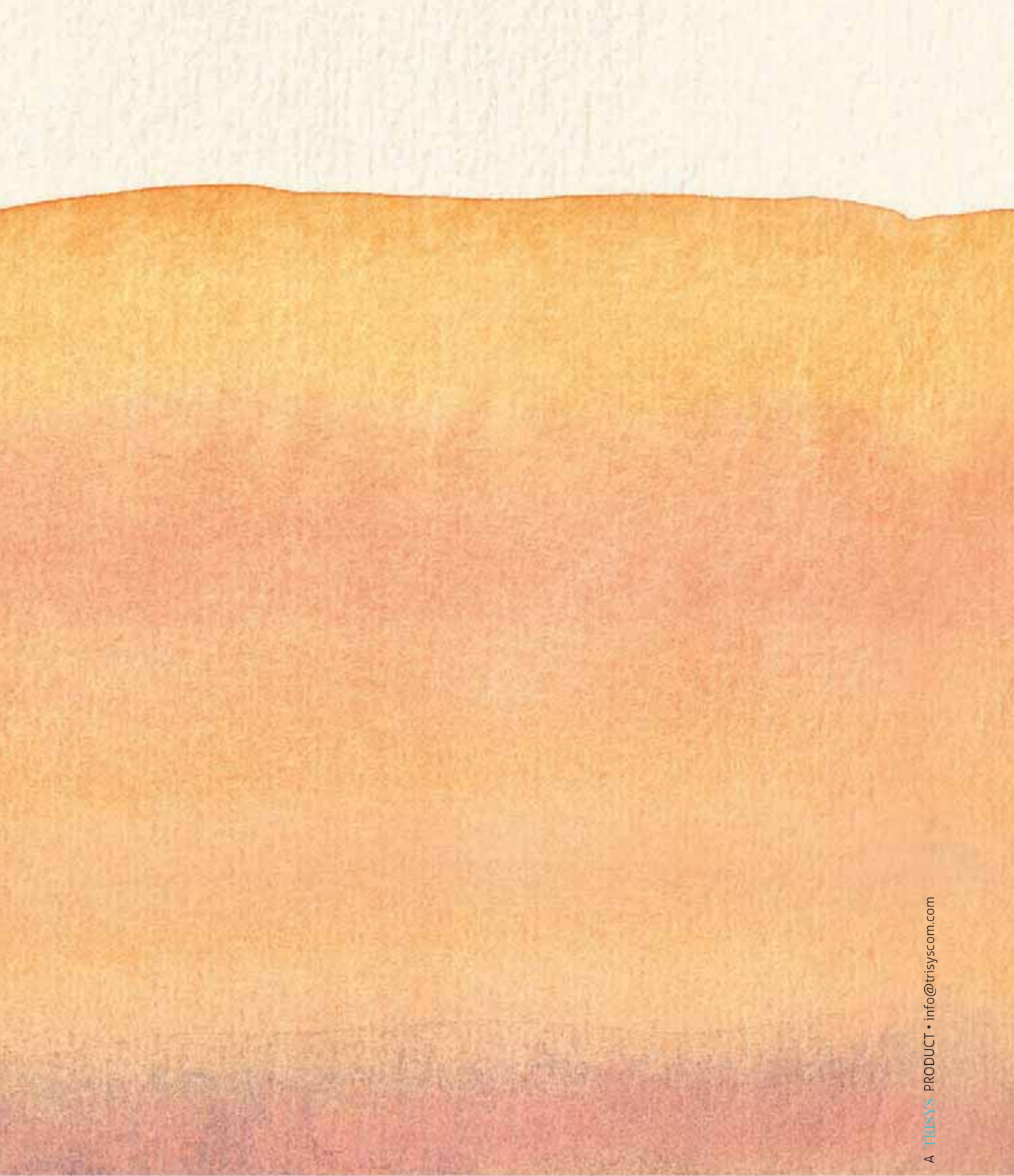


TI's Annual Report and Accounts for year ended March 31, 2011, have been acknowledged as the winner and awarded a Gold Shield by the Institute of Chartered Accountants of India (ICAI) for Excellence in Financial Reporting. The Gold Shield was awarded to the Company by Dr. M. Veerappa Moily, Union Minister for Corporate Affairs, Government of India, at a grand ceremony held on January 06, 2012 in Chennai. This award is recognition of the Company's internal controls and stringent efforts to maintain compliance with the prescribed financial framework while maintaining transparency and accountability through communications to our stakeholders. Winning this award is thus a great testimony to our belief and an endorsement of TI's commitment towards corporate transparency.

### Caution regarding forward-looking statements

This document contains statements about expected future events and financial and operating results of Tilaknagar Industries Ltd., which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the Tilaknagar Industries Ltd.'s Annual Report 2011-12.





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