



## NOTICE TO SHARE HOLDERS

NOTICE is hereby given that the 26<sup>th</sup> Annual General Meeting of Empee Distilleries Limited will be held on Wednesday, the 29<sup>th</sup> September 2010 at 3.00 p.m at P.Obui Reddy Hall, Vani Mahal, 103, G.N.Chetty Road, T.Nagar, Chennai – 600 017 to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31<sup>st</sup> March, 2010, the Balance Sheet as on that date, the report of the Board of Directors and the report of the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr.T.S.Raghavan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr.M.P.Mehrotra, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors of the Company for the period commencing from the conclusion of the annual general meeting till the conclusion of the next annual general meeting and to fix their remuneration.

By Order of the Board  
For Empee Distilleries Limited

Sd/-  
Harihara Subramanian  
Company Secretary

Chennai  
6/8/2010

**Notes:**

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on a poll on his behalf and the proxy need not be a member. The proxy form duly completed and stamped must reach the registered office of the company not less than 48 hours before commencement of the Meeting.
2. The Registrar of members and share transfer books of the company will be closed from 22.9.2010 to 29.9.2010 (Both days inclusive).
3. Members/proxies should bring the attendance slip duly filed along with copy of Annual report for attending the meeting.
4. Members are requested to intimate changes if any, in their address to the Registrars and Share Transfer Agents of the Company at M/s. Cameo Corporate Services Limited, "Subramanian Building", V Floor, 1, Club House Road, Chennai - 600 002.
5. The Company's equity shares are listed on the Bombay Stock Exchange and National Stock Exchange of India Limited.
6. The information/details pertaining to Mr.T.S.Raghavan and Mr.M.P.Mehrotra are provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges as annexure.

**ADDITIONAL INFORMATION ON DIRECTORS RECOMMENDED FOR APPOINTMENT OR SEEKING RE ELECTION AT THE ANNUAL GNERAL MEETING:**

The brief resume of the Directors seeking reappointment is given below:

**Mr.T.S.Raghavan (70)**

Mr.T.S.Raghavan holds a Degree in Master of Arts from Madras University and is a certificate holder from Certified Associate from Indian Institute of Bankers (CAIIB). He started his professional career as an Officer in Indian Overseas Bank in the year 1964 and was an Executive Director of Vijaya Bank from January, 1996 to April, 1997; Chairman and Managing Director of Bank of Maharashtra during May 1997 to November 1998 and Chairman and Managing Director of Indian Bank from December, 1998 to 2000.

He has wide experience in Finance & Banking sectors.

He holds the following Directorship and Membership in Committees of other Companies as follows:

**Directorship in other Companies**

1. Empee Sugars and Chemicals Ltd
2. Subnidhi Finance Ltd
3. Tanfac Industries Ltd
4. Swajas Air Charters Ltd
5. Viswapriya Financial Services & Securities Ltd
6. Leather Crafts India Pvt Ltd
7. Giri Trading Agencies Pvt Ltd
8. Sri Chandrasekara Viswamaha Vidyalaya

**Membership in Committee**

## Audit Committee

Nil  
Nil  
Nil  
Nil  
Nil  
Nil  
Nil  
Nil



## Mr.M.P.Mehrotra (69)

Mr.M.P.Mehrotra is a senior practicing Chartered Accountant aged about 69 years joined our company as an Independent Director. He is on the Board of various companies and it is in the interest of the Company to continue to avail the services of Mr.M.P.Mehrotra.

He holds the following Directorship and Membership in Committees of other Companies as follows:

### Directorship in other Companies

### Membership in Committee

1. Maxim Infracon Pvt Ltd	Nil
2. VLS Finance Ltd	Audit Committee
3. VLS Capital Ltd	Nil
4. South Asian Enterprises Ltd	Nil
5. Gaurav Overseas Exports Pvt Ltd	Nil
6. Dhampur Sugar Mills Ltd	Chairman – Audit Committee Chairman – Remuneration Comm.
7. Empee Sugars and Chemicals Ltd	Chairman – Audit Committee
8. World Resorts Ltd	Nil
9. India Securities Ltd	Chairman – Audit Committee
10. Delton Cables Ltd	Nil
11. Bay Datacom Solutions Pvt Ltd	Nil
12. TSM Polymers Pvt Ltd	Nil
13. Jaybharat Textiles and Real Estate Ltd	Nil
14. Eskay K'n'IT (India) Ltd	Nil
15. Krishna Knitwear Technology Ltd	Nil
16. Asahi Fibres Ltd	Nil
17. KSL and Industries Ltd	Nil
18. Krishna Lifestyle Technologies Ltd	Nil
19. Mehrotra & Mehrotra, Chartered Accountants	Nil

**By order of the Board  
For Empee Distilleries Limited**

**Sd/-**

**Harihara Subramanian  
Company Secretary**

**Chennai  
6/8/2010**



## DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting their Report together with the audited Accounts for the year ended 31<sup>st</sup> March 2010.

### Financial Results

(Rs. in lacs)

Particulars	2009-10 (For the year ended 31.03.2010)	2008-09 (9 months period ended 31.03.2009)
Total Income	85473.21	67145.14
Operating Profit before Interest and Depreciation	4243.18	2567.87
Less Interest	1012.58	647.66
Depreciation	608.50	459.24
Deferred Revenue Expenses	—	—
Profit before Tax	2622.10	1460.96
Provision for Taxation	887.00	166.00
Provision for Deferred Tax	25.93	283.38
Profit /(Loss) After Tax	1709.17	1011.58
Profit brought forward	3298.51	3500.11
Transfer of profit to General Reserve	170.92	101.16
Interim Dividend paid	—	—
Dividend tax on interim dividend	—	—
Proposed Final Dividend	1140.53	950.44
Dividend tax on proposed final dividend	193.89	161.58
Profit carried forward	3502.35	3298.51

### DIVIDEND

The Board of Directors have recommended a dividend of Rs.6 per share for the year ended 31.03.2010.

### FINANCIAL PERFORMANCE

Your company achieved a total income of Rs. 854.73 crores and net profit after tax of Rs. 17.09 crores during the year ended 31<sup>st</sup> March 2010 as against a total income Rs. 671.45 crores and net profit after tax of Rs. 10.12 crores achieved during the previous period (9 months) ended 31<sup>st</sup> March 2009. The IMFL Products of the company continue to be well received in the market and the company is constantly focusing its efforts to introduce new brands in medium and premium market segments. The Profit of IMFL division as on 31.03.2010 was Rs. 24.84 crores against previous period at Rs. 23.03 crores. The revenue from the Power Division has gone up from previous year Rs. 3.48 crores to current year Rs. 29.22 crores and the division earned a net profit of Rs. 1.38 crores against a loss of Rs. 8.42 crores during last year.

### REVIEW OF OPERATIONS

The two factories at Mevalurkuppam and Palakkad produced 45,98,067 cases during the year ended 31.3.2010 as against 37,61,337 cases produced during the previous 9 months ended 31.3.2009. The company has toned up manufacturing and other operational efficiencies which has resulted in substantial increase to operational profit (before interest & depreciation) from Rs. 25.68 Crores during previous period to Rs. 42.43 Crores during the current year.



## **FUTURE OUTLOOK**

Considering the present trend of growing demand in the IMFL market the company is confident of keeping up the current pace of growth despite the increase in competition. Power division has consolidated well during the year consequent to the increase in third party sales and efficiency in generation. As per the current estimates there is a huge growing gap between the demand and supply of power and the power division will seize this opportunity and grow further.

## **DIRECTORS**

Mr. T.S.Raghavan and Mr. M.P.Merhotra, Directors retire by rotation at the ensuing Annual General Meeting and have offered themselves for reappointment.

## **SUBSIDIARIES**

The consolidated accounts of the Company includes the accounts of subsidiaries M/s.Empee Sugars and Chemicals Limited, its subsidiary Empee Power Company (India) Limited and EDL Properties Ltd. The company had applied and got the exemption from the Government to attach the Directors Report and annual account statements of the subsidiaries for the year. The said accounts of the subsidiaries can be made available to the members upon request.

## **AUDITORS**

Mr.R.Rajagopalan, the Auditor of the Company has submitted his resignation to act as Auditor of the company from the financial year 2010-11.

A notice has been received from a member proposing M/s.K.S. AIYAR & Co., Chartered Accountants be appointed as Auditors of the Company for the year 2010-11. The company has received a certificate from them to the effect that their appointment, if made would be in accordance with Section 224(1B) of the Companies Act, 1956. The Board recommends their appointment.

## **FIXED DEPOSITS**

The Company has no public deposits.

## **REPORT OF EMPLOYEES UNDER SECTION 217(2A)**

The particulars of employees falling within the provision of Section 217(2A) of the Companies Act, 1956 read with companies (Particulars of Employees) Rules 1975, is given as Annexure 1 to this Report..

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO**

Information regarding conservation of Energy, Technology absorption and Foreign Exchange earnings and outgo in accordance with the provisions of Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Directors) Rules 1988 is given as annexure 2 to this Report.

## **CORPORATE GOVERNANCE REPORT**

A Report in line with the requirement of clause 49 of the Listing Agreement on the Corporate Governance practices followed by the Company and the Certificate from the Statutory Auditors on Compliance of mandatory requirements along with Management Discussion and Analysis, are given as Annexure 3 to this report.

## **INDUSTRIAL RELATIONS**

The Industrial relations continued to remain congenial during the year.



## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

- a) in the preparation of the profit and loss account for the period ended 31.3.2010 and the balance sheet as at that date ("Financial Statements") applicable accounting standards have been followed;
- b) appropriate accounting policies have been selected and applied consistently and such judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at the end of the period and of the profit of the company for that period.
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, to ensure this, the company has established internal control systems, consistent with its size and nature of operations. In weighing the assurance provided by any such system of internal controls its inherent limitations should be recognized. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The audit committee meets at regular intervals to review the internal audit function.
- d) the financial statements have been prepared on a going concern basis.
- e) the financial statements have been audited by Mr.R.Rajagopalan, statutory auditor and his report is appended thereto.

## ACKNOWLEDGEMENT

Your Directors also wish to express their gratitude for the continuous assistance and support extended by the Banks, Financial Institutions, Customers and Government authorities and also to the shareholders for their forbearance and their confidence in the management. Further, your Directors also place on record their deep sense of appreciation for the contributions made by employees at all levels to the growth and success of the company.

For and on behalf of the Board of Directors

Place: Chennai  
Date : 6-8-2010

sd/-  
M.P. Purushothaman  
Chairman

**ANNEXURE 1****PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956**

Name and Designation	Remuneration	Qualification and experience	Date of commencement of employment	Last employment held
Mr. Shaji Purushothaman Managing Director	Rs. 53.76 Lacs	B.A. 13 years	10.3.2008	Appollo Alchobev Ltd
Ms. Nisha Purushothaman Joint Managing Director	Rs. 53.76 Lacs	M.B.A. 14 years	2.12.1994	—

**ANNEXURE 2 TO THE DIRECTORS REPORT**

Information pursuant to the Companies (Disclosure of Particulars in the Report of Board of Director) Rules, 1988 and forming part of the Directors report for the year ended 31st March 2010.

**A. Conservation of Energy:**

The company constantly adopts energy efficient practices in its operations and implement energy saving measures wherever possible.

- AVR's, Turbo vents installed to reduce energy consumption.
- Conventional lamps have been replaced with CFL lamps maximum possible.
- Capacitors have been installed in motors to reduce power consumption.

**B. Technology absorption:**

1. Specific areas in which R&D carried out by the company.	Nil
2. Benefits derived as a result of the above R&D	Nil
3. Future plan of action	Nil
4. Expenditure on R&D	
a. Capital	Nil
b. Recurring	Nil
c. Total	Nil
d. Total R & D expenditure as a percentage of total turnover	Nil

**Technology absorption, adaptation and innovation**

1. Efforts, in brief made towards technology absorption, adaptation and innovation.	Nil
2. Benefits derived as a result of the above efforts, e.g product improvement, cost reduction, product development, import substitution.	Nil

<b>C. Foreign Exchange earnings</b>	Nil
Foreign Exchange outgo	Nil



## ANNEXURE – 3 TO DIRECTORS REPORT

### Report on Corporate Governance in terms of Clause 49 of the Listing Agreement

#### 1. Company's Philosophy on Corporate Governance

The company firmly believes that good corporate governance is the foundation of corporate excellence. A sound governance process consists of a combination of business practices which result in enhancement of shareholder value and enable the company to fulfill its obligations to customers, employees, financiers and to the society in general. The company aims to increase and sustain its corporate value through growth and innovation. Your Company has been observing the key principles of the code and is committed to take adequate measures towards achieving full compliance of the Corporate Governance code. The areas where the Company is observing the recommendation of SEBI code are given below:

#### 2. Board of Directors

The Board of Directors of the company consists of the following Directors.

Mr.M.P.Purshothaman	-	Promoter – Non executive
Mr.Shaji Purushothaman	-	Executive
Ms.Nisha Prushothaman	-	Executive
Mr.M.K.Mohan	-	Independent Non-executive
Mr.T.S.Raghavan	-	Independent Non-executive
Mr.M.P.Mehrotra	-	Independent Non-executive

The attendance of the Directors at the Board Meetings and the last AGM were as follows.

Name	No. of Board meetings attended	Whether attended last AGM	Number of other Boards in which Directorship held	Number of other Board committees in which membership held
Mr.M.P.Purushothaman	5	Yes	11	1
Mr.Shaji Purushothaman	3	Yes	9	-
Ms.Nisha Purushothaman	3	Yes	7	3
Mr.T.S.Raghavan	5	Yes	4	4
Mr.M.K.Mohan	3	-	2	4
Mr.M.P.Mehrotra	5	-	14	5

Five Board Meetings were held on 15.4.2009, 29.6.2009, 31.7.2009, 26.10.2009 and 31.1.2010.

#### 3. Audit Committee:

The Audit Committee of the Company comprises of the following Directors as members of the Committee.

Mr.T.S.Raghavan	Independent Non-Executive (Chairman)
Mr.M.P.Mehrotra	Independent Non-Executive (Member)
Ms.Nisha Purushothaman	Executive (Member)



The terms of reference of the audit committee cover the matters specified under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, besides other terms as may be referred to by the Board of Directors.

Meeting and the attendance during the year were as follows :

Sl. No.	Name of Member	No. of meetings Held	No. of meetings attended
1	Mr.T.S.Raghavan	5	5
2	Ms.Nisha Purushothaman	5	3
3	Mr.M.P.Mehtrotra	5	5

#### 4. Remuneration Committee:

The Remuneration committee, comprising of Mr.M.K.Mohan, Mr.T.S.Ragavan and Ms.Nisha Purushothaman, has been constituted under the Chairmanship of Mr.M.K.Mohan to determine the quantum and components of the remuneration to be paid to the Wholetime Directors. No meeting was held during the year 2009-10.

Details of the remuneration of Executive Directors and Non-Executive Directors for the year ended 31<sup>st</sup> March 2010 are as follows:

#### Executive Directors/ Whole Time Directors

Name	Designation	Remuneration for the year ended 31.3.2010
Mr. Shaji Purushothaman	Managing Director	Rs.53.76 lacs
Ms. Nisha Purushothaman	Joint Managing Director	Rs.53.76 lacs

#### Non-Executive Directors

Name of the Director	Sitting Fee Rs.
1. Mr.M.P.Purushothaman	50000
2. Mr.M.K.Mohan	30000
3. Mr.T.S.Raghavan	75000
4. Mr.M.P.Mehrotra	75000

#### 5. Share Transfer Cum Shareholders'/ Investors' Grievance Committee:

The Share transfer cum shareholders'/Investors' Grievance and Share Transfer Committee consists of the following:

- |                             |                           |
|-----------------------------|---------------------------|
| i) Mr. M.K.Mohan            | Chairman of the Committee |
| ii) Mr.T.S.Raghavan         | Member                    |
| iii) Ms.Nisha Purushothaman | Member                    |



The Committee, inter alia, approves share transfers, transmissions and also requests for issue of duplicate certificates, split/consolidation of shares etc and oversees all matters connected with securities transfers and other processes and meetings are held frequently. The Committee also looks into redressal of shareholders' complaints related to share transfers, non receipt of balance sheets, non-receipt of dividend etc. The committee oversees the performance of the R&TA and recommends overall improvement of the quality of investor services. During the year 2009-10, eight complaints were received and were redressed to the satisfaction of the complaining investors. No investor complaint was pending as on 31.3.2010.

## 6. General Body Meetings:

The last three Annual General Meetings were held as under:

Year	Location	Date	Time	Whether special resolutions passed
2008-09	Vani Mahal, G.N.Chetty Road, T.Nagar, Chennai – 600 017.	29/9/2009	2.30 P.M.	--
2007-08	Music Academy, TTK Road, Chennai – 600 014.	8/12/2008	10.00 A.M	Yes
2006-07	Image Hall, MRC Nagar, R A Puram, Chennai – 600 028	10/3/2008	10.00 A.M	--

## 7. Disclosures:

- i. There were no materially significant related party transactions that may have potential conflict with the interests of company at large.
- ii. There are no non-compliance by the Company on any matter related to capital markets, during the last three years. There were no penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
- iii. The Company does not have a Whistle Blower policy. However no personnel has been denied access to the audit committee.
- iv. The Company has complied with all the mandatory requirements of this clause. With regard to adoption of nonmandatory requirements, the non-Executive Chairman has been provided with a Chairman's office at the Company's expense and a remuneration committee has been formed to determine the remuneration of executive directors.

## 8. Means of communication:

The Company is publishing quarterly unaudited / annual audited financial results in the Business Standard and Makkal Kural (vernacular language). The Company has posted the quarterly/ annual results in the Company's website [www.empeegroup.co.in](http://www.empeegroup.co.in). No presentations were made to institutional investors or to the analysts during the period.



## 9. General Shareholder Information:

i. AGM Date, time and venue	29 <sup>th</sup> September 2010 at 3.00 p.m. P.Obul Reddy Hall, Vani Mahal, 103, G.N.Chetty Road T.Nagar, Chennai – 600 017.
ii. For the year ended 2010-11 First quarterly result Second quarterly result Third quarterly results Audited result for the year 2010-11	Before 15 <sup>th</sup> August, 2010 Before 15 <sup>th</sup> November, 2010 Before 15 <sup>th</sup> February, 2011 Before 15 <sup>th</sup> May, 2011
iii. Date of Book closure	22.9.2010 to 29.9.2010
iv. Dividend Payment Date	Within 30 days from the date declaration. (AGM)
v. Listing of Stock Exchanges	National Stock Exchange of India Limited Bombay Stock Exchange Limited
vi. Stock Code National Stock Exchange of India Limited Bombay Stock Exchange Limited	E D L 532920

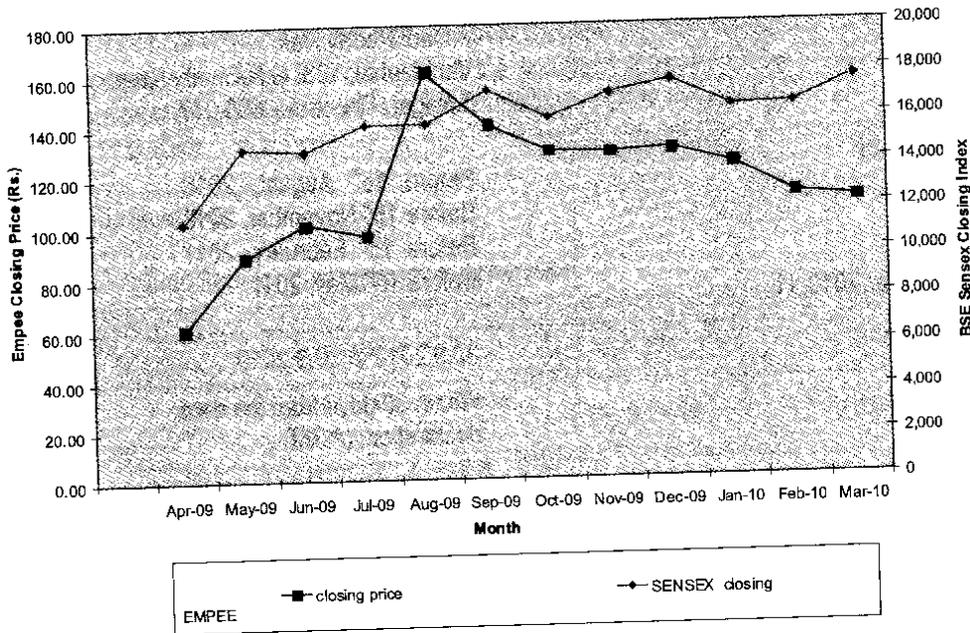
## vii. Market Price Data: High/Low during each month of the period 2009-10 (Bombay Stock Exchange Ltd)

Month	High (Rs.)	Low (Rs.)
April 2009	67.85	47.45
May 2009	94.70	58.50
June 2009	102.90	77.15
July 2009	109.70	87.00
August 2009	173.80	100.00
September 2009	169.85	137.00
October 2009	154.25	125.00
November 2009	137.10	120.65
December 2009	143.00	122.05
January 2010	148.40	119.10
February 2010	130.75	104.30
March 2010	123.00	108.00



viii. Performance in comparison to broad based indices such as BSE Sensex, CRISIL index etc.

**Empee Vs. BSE Sensex**



ix. Registrars and Share Transfer Agents	M/s.Cameo Corporate Services Limited No.1, Subramaniam Building, Club House Road, Chennai – 600 002
x. Share Transfer system	Share transfers are registered and returned within a period of 30 days from the date of receipt, by the Committee which meets every week.

xi. Distribution of shareholding as on 31<sup>st</sup> March 2010

No. of equity shares held	No. of folios	No. of shares held	% of share-holding
1 to 100	35368	1308899	6.89
101 to 500	3756	897379	4.72
501 to 1000	506	398794	2.10
1001 to 2000	233	338259	1.78
2001 to 3000	87	220568	1.16
3001 to 4000	34	118284	0.62
4001 to 5000	39	182544	0.96
5001 to 10000	44	322044	1.69
10001 and above	50	15222122	80.08
<b>Total</b>	<b>40117</b>	<b>19008893</b>	<b>100.00</b>

xii. Shareholding pattern as on 31<sup>st</sup> March 2010.

No. of equity shares held	No. of folios	No. of shares held	% of share-holding
Promoters	2	8073200	42.4705
Directors and their relatives	6	5580444	29.3570
Mutual Funds and UTI	-	-	-
Banks	2	22246	0.1170
Private Corporate Bodies	517	990225	5.2092
Indian Public	39263	4210928	22.1522
NRIs and OCBs	325	104324	0.5488
FII's	2	27526	0.1448
GDRs	-	-	-
<b>Total</b>	<b>40117</b>	<b>19008893</b>	<b>100.00</b>

xiii. Dematerialisation of shareholding and liquidity	98.30% of total equity share capital is held in dematerialized form with NSDL and CDSL.
xiv. Outstanding GDR/ADR/Warrants or any convertible instruments, conversion date and impact on equity	Nil
xv. Plant locations	1. Tamilnadu Unit : Mevalookuppam, Sriperumpudur, Kancheepuram, Tamil Nadu.  2. Kerala Unit : Kanjikode, Palakad, Kerala.
xvi. Address for correspondence	'EMPEE TOWER', 59, Harris Road Pudupet, Chennai – 600 002 E-mail ID: investor.empeedistilleries@empeegroup.co.in

## Chief Executive Officer and Chief Financial Officer Certificate:

The Chief Executive Officer and Chief Financial Officer have submitted to the Board of Directors the certification as per clause 49(V) of the Listing Agreement.

## Declaration under Clause 49 of the Listing Agreement

I, confirm that the Company has, in respect of the year ended 31<sup>st</sup> March 2010, received from the members of the Board and Senior Management Personnel of the Company, a declaration of compliance with the code of conduct as applicable to them.

Chennai  
6/8/2010

Sd/-  
M.P.Purushothaman  
Chairman



## AUDITOR'S CERTIFICATE ON COMPLIANCE WITH CORPORATE GOVERNANCE

I have examined the compliance of conditions of Corporate Governance by Empee Distilleries Limited for the year ended 31.03.2010, as stipulated in Clause 49 of the Listing agreement of the said Company with Stock Exchanges(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. My examination 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 on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

I state that no investor grievances is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investor Grievance Committee.

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

Place: Chennai  
Date: 29/5/2010

sd/-  
R.RAJAGOPALAN  
Chartered Accountant  
Membership No. 018422



## MANAGEMENT ANALYSIS AND DISCUSSION REPORT

### i. Industry structure and developments.

The IMFL industry in India is subject to strict licensing and regulations by the concerned State Governments. The IMFL market was estimated at 200 million cases during the last fiscal, including 60 million cases sold in the country liquor market. In terms of value, IMFL's market share is estimated to be around Rs.50, 000 crores. The total IMFL market is estimated to have grown at 12-15% in value terms over the last fiscal. In volume terms, the market has grown by 12% approx. from 200 million cases in fiscal 2010.

### ii. Opportunities and Threats.

In the past, the Tamil Nadu Government had not permitted any new entrants other than the existing licensees to manufacture and market IMFL products.

However, Tamil Nadu Government has now, increased the production capacity of all the existing manufacturers and also allowed three new entrants with substantial capacities. This has increased the competition among the existing manufacturers. The focus is on developing brands for medium and premium segments to retain market share.

As regards to Kerala and Karnataka liquor business is in the hand of respective Governments and due to restriction on supply price the available margins are thin and Kerala appears to provide for reasonable growth possibilities than Karnataka at this juncture. Besides this, capacities of the existing players in both the States are more than the demand leading to high competition. Further the IMFL industry is politically sensitive and also prone to frequent changes in Government policies on taxes, levies and state excise duty. Any material change in the duty structure might adversely impact financials.

### iii. Segment-wise or product-wise performance.

During the year ended 31.3.2010, the Company produced 45, 98,067 cases as against the production of 37, 61,337 cases during the 9 month period ended on 30.6.2009. The sales was 46, 90,976 cases during the year as against 37, 23,464 cases sold in the 9 months ended 30.6.2009.

The power division which went into commercial production during last quarter of fiscal 2008-09 has consolidated and has produced 49,615,400 units during the year and generated sales revenue of Rs. 29.22 Crores and profit before tax of Rs. 1.38 Crores.



#### **iv. Financial performance and Outlook**

The financial performance and outlook is furnished in the Directors' Report.

#### **v. Risks and concerns.**

The liquor industry in India is highly Government regulated in terms of constraints on manufacturing, storage as well as distribution. The industry faces threats of prohibition, high excise duties, exorbitant import duty, restrictions on advertisement, restrictions on inter-state movement, besides there are barriers on control over distribution and monopoly status of the State Government which is the sole purchaser of the product.

The existing distilleries use molasses based spirit as their basic raw material. Considering the impetus given to ethanol blending program by the Central Government, a demand-supply mismatch may push up cost and high supply of the raw material.

#### **vi. Internal control systems and their adequacy.**

The Company has adequate internal control systems and procedures installed at all levels. Internal Control Systems are continuously monitored for their adequateness and strengthened through an ongoing process. The review of Internal audit is regularly discussed with the management and corrective measures, wherever required, are taken and continuously monitored.

#### **vii. Cautionary Statement:**

Statements in the Management discussion and analysis report outlining the Company's estimates, perceptions and expectations may be forward looking statements within the meaning of applicable laws and regulations. The Actual results may differ materially from those expressed hereinabove due to certain factors which may be beyond the control of the Company.

**AUDITOR'S REPORT**

The Members,  
Empee Distilleries Limited,

I have audited the attached Balance Sheet of M/s.EMPEE DISTILLERIES LIMITED as at 31<sup>st</sup> March, 2010 and also the Profit and Loss Account for the year ended on that date and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the management of the Company. My responsibility is to express an opinion on these financial statements based on my audit.

1. I have conducted my audit in accordance with auditing standards generally accepted in India. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on 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. I believe that my audit provides a reasonable basis for my opinion.

2. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of section 227(4A) of The Companies Act, 1956, I enclose in the Annexure Statement on the matters specified in paragraphs 4 and 5 of the said Order.

3. Further to our comments in the Annexure referred to above, I state that:

- (i) I have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of my audit;
- (ii) In my opinion, proper books of account as required by law have been kept by the Company so far as appears from my examination of those books;
- (iii) The Balance Sheet and Profit and Loss Account and Cash flow statement dealt with by this report are in agreement with the books of account;
- (iv) In my opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the mandatory accounting standards referred to in sub section (3C) of section 211 of the Companies Act, 1956.
- (v) In my opinion and based on information and explanation given to me, none of the Directors are disqualified as on 31.3.2010 from being appointed as Director in terms of clause (g) of sub-section(1) of section 274 of the Act;
- (vi) In my opinion and to the best of my information and according to the explanations given to me, the said accounts read together with the significant accounting policies and other 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;

- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2010,
- ii) in the case of the Profit & Loss Account, of the PROFIT for the year ended on that date, and
- iii) in the case of the Cash Flow Statement, of the Cash Flow for the year ended on that date.

Place: Chennai  
Date: 29.5.2010

Sd/-  
R.RAJAGOPALAN  
Chartered Accountant  
Membership No.018422



**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITOR'S REPORT TO THE MEMBERS OF EMPEE DISTILLERIES LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31.3.2010**

On the basis of the information and explanations given to me and the books and records examined by me in the normal course of my audit and to the best of knowledge and belief:

**1. In respect of Fixed Assets**

- a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- b) As explained to me, the fixed assets have been physically verified by the Management during the year in a phased periodical manner, which in my opinion is reasonable having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.
- c) In my opinion, the Company has not disposed of substantial part of fixed assets during the year and the going concern status of the Company is not affected.

**2. In respect of inventories:**

- a) As explained to me, inventories have been physically verified by the Management at regular intervals during the year.
- b) In my opinion and according to the information and explanations given to me, the procedure of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c) The Company has maintained proper records of inventories. As explained to me, there was no material discrepancy noticed on physical verification of inventory as compared to the books of accounts.

3) In respect of Loans, secured or unsecured, granted or taken by the Company to / from Companies, Firms or other parties covered in the Register maintained in the Section 301 of the Companies Act, 1956.

The Company has granted loans to the Companies under the same management. In my opinion and according to the information and explanation given to me, the terms and conditions are not prejudicial to the interests of the Company.

4) In my opinion and according to the information and explanations given to me, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of my audit, I have not observed any major weakness in internal controls.

5) In respect of transactions covered under section 301 of the Companies Act, 1956.

In my opinion and according to explanations given to me, the particulars of contracts or arrangements referred to in section 301 of the Companies Act have been entered in the Register required to be maintained under that section.

6) The Company has not accepted any deposits from the public.

(7) In my opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.

(8) The Central Government has not prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for the products of the Company.



- (9) In respect of statutory dues there are no undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, Income tax, Wealth tax, Sales tax, Customs Duty, Service tax, excise duty, cess and other statutory dues outstanding as at 31.3.2010 for a period of more than 6 months from the date of becoming payable.
- (10) The Company has no accumulated loss as on 31.3.2010.
- (11) Based on audit procedures and according to the information and explanations given to me, I am of the opinion that the Company has not defaulted in the repayment of dues to Financial Institutions, Banks, etc.
- (12) In my opinion and according to the information and explanation given to me, I am of the opinion that the company is not trading in securities, debentures and other investments.
- (13) In my opinion the Company is not a Chit Fund a Nidhi Mutual Benefit Fund / Society. Therefore clause 4(xiii) of the Companies (Auditor's Report) order, 2003 is not applicable to the Company.
- (14) The Company has given guarantee for loans taken by its subsidiary from Banks. I am of the opinion that the terms and conditions thereof are not prima facie prejudicial to the interest of the Company.
- (15) The Company has obtained and utilized the term loan for which purpose the term loan was sanctioned.
- (16) The company has not utilised the funds raised for short term purpose for long term investment.
- (17) During the year the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- (18) The Company has not issued any debentures during the year. Hence the question of creating securities in respect of the same does not arise.
- (19) The Company has not raised money by way of public issue during the year.
- (20) In my opinion and according to the information and explanation given to me, no fraud on or by the Company has been noticed or reported during the year that causes the financial statements to be materially misstated.

Place: Chennai  
Date: 29/5/2010

sd/-  
R.RAJAGOPALAN  
Chartered Accountant  
Membership No. 018422



## BALANCE SHEET AS AT 31ST MARCH 2010

Particulars	Schedules	As at 31.03.2010 (Rs.in lacs)	As at 31.03.2009 (Rs.in lacs)
<b>SOURCE OF FUNDS</b>			
Share Capital	1	1,900.89	1900.89
Reserves & Surplus	2	23,687.32	23312.57
Secured Loan	3	6,815.39	4246.99
Unsecured Loan	4	1,960.49	2249.25
Deferred Tax Liabilities		1,248.74	1222.81
<b>TOTAL</b>		<b>35,612.83</b>	<b>32,932.51</b>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets	5		
Gross Block		11,426.72	10895.73
Less: Accumulated Depreciation		2,616.96	2018.98
Net Block		8,809.76	8,876.75
Add: Capital Work in Progress		1,310.10	890.32
		10,119.86	9,767.07
Investments	6	18,501.69	10371.19
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	7	1,953.67	2399.05
Sundry Debtors	8	2,156.41	2254.90
Cash & Bank Balances	9	228.97	766.92
Loans & Advances	10	7,637.91	12332.35
		11,976.95	17,753.22
Less:			
Current Liabilities & Provisions	11	5,016.35	4993.48
Net Current Assets		6,960.60	12,759.74
Miscellaneous Expenditure	12	30.68	34.51
<b>TOTAL</b>		<b>35612.83</b>	<b>32932.51</b>
Significant accounting policies and notes on financial statements	22		

\*as per my report of even date annexed

Sd/-  
R.Rajagopalan  
Chartered Accountant  
Membership No.18422

Sd/-  
M.P.Purushothaman  
Chairman

Sd/-  
Nisha Purushothaman  
Jt.Mg.Director

Place: Chennai  
Date: 29.05.2010

Sd/-  
Shaji Purushothaman  
Managing Director

Sd/-  
Harihara Subramanian  
Company Secretary



## PROFIT &amp; LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

(Rs.in lacs)

Particulars	Schedules	Year Ended 31.03.2010	9 Months Ended 31.03.2009
<b>INCOME</b>			
Sales Income	13	82,226.71	66184.56
Income from Sale of Power		2,921.58	348.08
		<b>85,148.29</b>	<b>66532.64</b>
Other Income	14	281.47	612.49
Stock Adjustment	15	43.46	9.07
<b>Total</b>		<b>85473.22</b>	<b>67154.20</b>
<b>EXPENDITURE</b>			
Raw material	16	17,429.53	13772.25
Manufacturing expenses		1,137.46	881.69
Rent, Rates & Taxes	17	58,548.14	46832.07
Employee cost	18	1,112.21	896.72
Administrative Expenses	19	1,370.63	1155.08
Selling & Distribution Expenses	20	1,632.07	1048.54
<b>Total</b>		<b>81,230.03</b>	<b>64,586.34</b>
Profit before Interest, Depreciation, Tax and Extra-ordinary items		<b>4,243.18</b>	<b>2,567.86</b>
Financial Cost	21	1,012.58	647.66
Depreciation		608.50	459.24
Profit before Tax and Extra-ordinary items		<b>2,622.10</b>	<b>1,460.96</b>
Provision for Taxation			
- Current tax		887.00	166.00
- Deferred tax		25.93	283.38
		912.93	449.38
Profit after Tax		<b>1,709.17</b>	<b>1,011.58</b>
Profit brought forward		3,298.51	3500.11
Transfer of profit to General Reserve		170.92	101.16
Interim Dividend paid		—	—
Dividend Distribution tax paid		—	—
Proposed Final dividend		1,140.53	950.44
Dividend Distribution tax on final dividend		193.89	161.58
Profit and Loss Account		<b>3,502.35</b>	<b>3,298.51</b>
EPS before extraordinary items		8.99	5.32
EPS after extraordinary items		8.99	5.32
Significant accounting policies and notes on financial statements	22		

\*as per my report of even date annexed

Sd/-  
R.Rajagopalan  
Chartered Accountant  
Membership No.18422

Place: Chennai  
Date: 29.05.2010

Sd/-  
M.P.Purushothaman  
Chairman

Sd/-  
Shaji Purushothaman  
Managing Director

Sd/-  
Nisha Purushothaman  
Jt.Mg.Director

Sd/-  
Harihara Subramanian  
Company Secretary



## SCHEDULES TO THE ACCOUNTS

Particulars	As at 31.03.2010 (Rs.in lacs)	As at 31.03.2009 (Rs.in lacs)
<b>SCHEDULE 1</b>		
<b>Share Capital</b>		
Authorised: 3,00,00,000 Equity Shares of Rs.10/- each	3,000.00	3000.00
Issued, Subscribed & Paid-up 1,90,08,893 Equity Shares of Rs.10/- each	1,900.89	1900.89
	<b>1,900.89</b>	<b>1900.89</b>
<b>SCHEDULE 2</b>		
<b>Reserves &amp; Surplus</b>		
Share Premium Account	17,414.59	17414.59
Fixed Assets Revaluation Reserve	1,685.25	1685.25
General Reserve	1,085.14	914.22
Profit & Loss Account	3502.35	3298.51
	<b>23,687.32</b>	<b>23312.57</b>
<b>SCHEDULE 3</b>		
<b>Secured Loans</b>		
Term Loan from Banks & Financial Institutions	4,802.03	2563.76
Working Capital Loans	2,013.36	1678.54
Secured Loans from NBFCs	0.00	4.69
	<b>6,815.39</b>	<b>4,246.99</b>
<b>SCHEDULE 4</b>		
<b>Unsecured Loans</b>		
Loan from NBFCs	1,960.49	2249.25



**SCHEDULE 5  
FIXED ASSETS**

(Rs.in lacs)

	Gross Block			Depreciation			Net Block		
	Opening Balance 01.04.09	Additions	Deletions	Closing Balance 31.03.10	For the year	Adjust-ments	Closing Balance 31.03.10	Net Block as at 31.03.10	Net Block as at 31.03.09
Land	1666.03	5.00	0.00	1671.03	0.00	0.00	0.00	1671.03	1666.03
Buildings	2111.72	16.60	0.00	2128.32	71.80	0.00	437.92	1690.40	1745.60
Plant & Machinery	6405.03	494.03	0.00	6899.06	481.22	0.00	1717.10	5181.96	5169.15
Furniture & Fittings	25.11	0.30	0.00	25.41	1.21	0.00	18.50	6.91	7.82
Office equipments	78.15	12.46	0.00	90.61	5.21	0.00	25.22	65.39	58.14
Vehicles	380.72	12.13	14.28	378.55	27.11	10.52	289.34	89.21	107.97
Computers	228.97	4.78	0.00	233.74	21.95	0.00	128.88	104.86	122.04
<b>TOTAL</b>	<b>10895.73</b>	<b>545.30</b>	<b>14.28</b>	<b>11426.72</b>	<b>608.50</b>	<b>10.52</b>	<b>2616.96</b>	<b>8809.76</b>	<b>8876.75</b>
Previous Year	10068.19	827.54	0.00	10895.73	459.24	0.00	2018.98	8876.75	



## SCHEDULES TO THE ACCOUNTS

	As at 31.03.2010 (Rs.in lacs)	As at 31.03.2009 (Rs.in lacs)
<b>SCHEDULE 6</b>		
<b>INVESTMENTS</b>		
<b>QUOTED INVESTMENTS</b>		
Andhra Bank Investment (Cost 1000 Equity shares) Market value (as on 31.03.2010 Rs.1.08 lacs)	0.96	0.96
Empee Sugars & Chemicals Limited (Subsidiary Company) Cost (28122102 Equity shares) Market value ( as on 31.03.2010 Rs.8085.10 lacs)	168.73	168.73
<b>UNQUOTED INVESTMENTS</b>		
EDL Properties Pvt Ltd (Subsidiary Company) 750000 share @ Rs.10 each	75.00	75.00
Share application money		
Empee Sugars & Chemicals Limited	12,427.00	7562.00
Empee Hotels Limited	2,500.00	1197.00
Empee Power & Infrastructure Pvt Ltd	1,188.57	0.00
Appollo Distilleries Ltd	873.94	0.00
Others	450.00	550.00
25000 Preference shares of Rs.10/- each of Ceat Finance Ltd	2.50	2.50
Empee Hotels Limited - Equity Shares	815.00	435.00
Other investments (mutual funds)	0.00	380.00
	<b>18,501.69</b>	<b>10,371.19</b>
<b>SCHEDULE 7</b>		
<b>INVENTORIES</b>		
Finished Goods	347.72	287.82
Raw Materials	1,532.79	2021.63
Work in Progress	73.15	89.60
	<b>1,953.67</b>	<b>2,399.05</b>



	As at 31.03.2010 (Rs.in lacs)	As at 31.03.2009 (Rs.in lacs)
<b>SCHEDULE 8</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured but considered good)		
Debts outstanding for a period not exceeding 6 months	2,059.80	2212.16
Others	96.61	42.74
	<b>2,156.41</b>	<b>2,254.90</b>
<b>SCHEDULE 9</b>		
<b>CASH AND BANK BALANCE</b>		
Cash in hand	98.81	201.73
Cash at Bank in current accounts	130.16	565.19
	<b>228.97</b>	<b>766.92</b>
<b>SCHEDULE 10</b>		
<b>LOANS &amp; ADVANCES</b>		
Advance Recoverable in cash or in kind or for the value to be received (unsecured but considered good)		
<b>Loans and advances</b>		
Advance to Suppliers & others	4,701.71	8863.37
Loans and advances to Subsidiary (Empee Sugars and Chemicals Limited)	2,655.00	3205.97
Prepaid Expenses	23.59	39.05
<b>Deposits</b>		
Deposit with Government departments	103.57	106.03
Other deposits	154.03	117.92
	<b>7637.91</b>	<b>12332.35</b>
<b>SCHEDULE 11</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
Sundry Creditors for Supplies	1,072.35	704.50
Trade Deposits	33.40	54.52
Other current liabilities	2,420.98	2974.25
Provisions	1,489.63	1260.21
	<b>5,016.35</b>	<b>4,993.48</b>
<b>SCHEDULE 12</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)	30.68	34.51
	<b>30.68</b>	<b>34.51</b>



(Rs.in lacs)

	Year ended 31.03.2010	Period ended 31.03.2009
<b>SCHEDULE 13</b>		
<b>SALES</b>		
Sales - Basic	24,927.52	19992.22
Excise Duty collected	27,916.26	22376.40
VAT collected	29,382.92	23815.94
	<b>82,226.71</b>	<b>66,184.56</b>
<b>SCHEDULE 14</b>		
<b>OTHER INCOME</b>		
Dividend received	0.05	93.59
Making charges	126.04	108.80
Scrap sales	42.10	119.44
Miscellaneous Income	113.28	290.65
	<b>281.47</b>	<b>612.49</b>
<b>SCHEDULE 15</b>		
<b>STOCK ADJUSTMENT</b>		
Closing Stock:		
Finished Goods	347.72	287.82
Work-in-progress	73.15	89.60
	<b>420.87</b>	<b>377.42</b>
Opening Stock:		
Finished Goods	287.82	97.04
Work-in-progress	89.60	271.30
	<b>377.41</b>	<b>368.34</b>
Increase / (Decrease) in closing stock	<b>43.46</b>	<b>9.07</b>
<b>SCHEDULE 16</b>		
<b>RAW MATERIAL CONSUMPTION</b>		
A. Opening Stock		
- Raw Materials	2,021.63	1632.76
<b>Total</b>	<b>2,021.63</b>	<b>1,632.76</b>
B. Raw Materials, chemicals & packing materials	16,940.69	14161.12
C. Closing Stock		
- Raw Materials	1,532.79	2021.63
<b>RAW MATERIALS CONSUMED (A+B-C)</b>	<b>17,429.53</b>	<b>13,772.25</b>



(Rs.in lacs)

	<b>Year ended 31.03.2010</b>	<b>Period ended 31.03.2009</b>
<b>SCHEDULE 17</b>		
<b>RENT, RATES &amp; TAXES</b>		
Excise Duty	28,002.82	22,410.65
Excise Label	364.18	316.84
VAT	29,382.95	23,815.68
Label Registration/Approval Fee	41.24	33.95
Rent	56.42	39.79
Rates & Taxes	700.52	215.17
	<b>58,548.14</b>	<b>46,832.07</b>
<b>SCHEDULE 18</b>		
<b>EMPLOYEE COST</b>		
Salary & Allowances	1,005.88	794.73
Contribution to PF & ESI	38.21	35.18
Staff Welfare Expenses	47.16	48.61
Bonus and Exgratia	20.96	18.20
	<b>1,112.21</b>	<b>896.72</b>
<b>SCHEDULE 19</b>		
<b>ADMINISTRATIVE EXPENSES</b>		
Audit Fees	0.50	0.50
Bank Charges	34.48	58.43
Postage & Telegram	15.44	8.91
Printing and Stationery	18.05	21.28
Repairs and Maintenance	39.05	33.59
Donations	12.26	9.26
Sitting Fee	2.40	1.40
Telephone Expenses	25.75	20.28
Managerial Remuneration	107.52	72.00
Consulting charges	72.04	68.85
Travelling Expenses	13.70	10.68
Travelling Expenses - Directors	28.06	16.33
Miscellaneous Expenses	206.66	226.07
Cash Discount	775.26	590.79
Discounting charges	19.46	16.73
	<b>1,370.63</b>	<b>1,155.08</b>



(Rs.in lacs)

	<b>Year ended 31.03.2010</b>	<b>Period ended 31.03.2009</b>
<b>SCHEDULE 20</b>		
<b>SELLING &amp; DISTRIBUTION EXPENSES</b>		
Advertisement & Publicity	2.99	4.75
Travelling Expenses - Marketing	41.35	39.81
Freight & Handling charges	491.49	334.60
Loading & Unloading charges	72.54	30.47
Sales promotion expenses	85.69	2.62
Other selling expenses	938.01	636.28
	<b>1,632.07</b>	<b>1,048.54</b>
<b>SCHEDULE 21</b>		
<b>FINANCIAL CHARGES</b>		
Interest on Term loans	505.85	385.77
Interest on Working capital	173.01	50.35
Interest - Others	333.71	211.54
	<b>1,012.58</b>	<b>647.66</b>



## **SCHEDULE - 22**

### **SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON FINANCIAL STATEMENTS**

#### **I. SIGNIFICANT ACCOUNTING POLICIES**

##### **1. Basis of Accounting**

The financial statements are prepared and presented in accordance with generally accepted accounting principles in India and the provisions of the Companies Act, 1956. The Company follows the accrual method of accounting under historical cost convention.

##### **2. Recognition of Income & Expenditure**

All income and expenditure are accounted for on accrual basis as stated herein except in respect of such items as are specifically mentioned hereunder and in the notes.

Sales Income are accounted inclusive of excise duty and sales tax wherever applicable but net of trade discounts.

##### **3. Fixed Assets and Depreciation**

Fixed assets are stated at their original cost of acquisition (including expenditure for the acquisition and/or installation) less accumulated depreciation.

Depreciation on Fixed Assets has been provided on straight line method at the applicable rates prescribed under Schedule IV to the Companies Act, 1956. Depreciation on addition to fixed assets during the year is reckoned on a pro rata basis with reference to the month in which the fixed assets are put to use or commissioned.

Fixed Assets costing less than Rs.5,000/- are depreciated fully in the year of acquisition.

##### **4. Impairment of Fixed Assets**

Wherever events of changes in circumstances indicate that the carrying value of fixed assets may be impaired, the Company subjects such assets to a test of recoverability, based on discounted cash flows expected from use or disposal thereof. If the assets are impaired, the Company recognizes as impairment loss as the difference between the carrying value and fair value less cost of sale. None of the Company's fixed assets are considered impaired as on the Balance Sheet date.



## 5. Capital Work in Progress

Capital work in progress is stated at cost

## 6. Investments

Investments are classified as 'Long Term' Investments.

All long-term investments are stated at cost. Provision for diminution in value, other than temporary, is considered wherever necessary on an individual basis.

Investment cost is arrived at weighted average method for the purpose of valuation of investment.

## 7. Inventories

Inventories are valued as under:

- a) Finished Goods: At cost or market value wherever is lower.
- b) Work-in-Progress: At material cost, labour and proportionate direct overheads.
- c) Raw materials and Stores & Spares: At landed cost on FIFO basis.

## 8. Foreign Currency Transaction

Foreign Exchange transactions are recorded at the exchange rates prevailing at the time of transaction.

Assets and Liabilities expressed in Foreign currencies (to the extent not covered against exchange fluctuations) are translated into Indian Rupees at the exchange rate prevailing at the Balance Sheet date and any loss or gain arising there from has been included in Finance charges as per the provisions of Accounting Standards 16 and 11 issued by The Institute of Chartered Accountants of India.

## 9. Prior Period and Extra Ordinary Items

Prior Period and Extra Ordinary items having material impact on the financial affairs of the Company are disclosed, wherever applicable.



## 10. Retirement and Other Benefits

Contribution to Provident Fund is made as per the provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952 and charged to Profit and Loss Account and disclosed separately.

Gratuity has been provided as per Actuarial Valuation.

Leave encashment is accounted as and when leave encashment is paid to the employees.

## 11. Income Tax

The income tax liability is provided in accordance with the provisions of the Income Tax Act, 1961. Deferred tax is recognized, subject to consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

## 12. Segment Reporting

### A. Business Segments:

Based on the guiding principles given in Accounting Standard – 17 'Segment Reporting', the Company's business segments include Liquor(IMFL) and Power.

### B. Segment Accounting Policies

In addition to the significant accounting policies applicable to the business segments as given in notes, the accounting policies in relation to segment accounting are as under:

- a. Joint revenue and expenses of segments are allocated amongst them on a reasonable basis. All other segment revenue and expenses are directly attributable to the segments.
- b. Segment assets include all operating assets used by a segment and consist principally of operating cash, debtors, inventories and fixed assets, net of allowances and provisions, which are reported as direct offsets in the balance sheet. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities. Segment assets and liabilities do not include deferred income taxes, share capital, reserves, loans investments, miscellaneous expenditure and profit and loss appropriation account. While most of the assets / liabilities can be directly attributed to the individual segments, the carrying amount of certain assets / liabilities pertaining to both segments are allocated to the segments on a reasonable basis.



- c. Inter segment sales between operating segments are accounted at market price. These transactions are eliminated in consolidation.

### 13. Earnings Per Share

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard-20. Basic earnings per equity share have been computed dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings during the year adjusted for effects of all dilutive potential equity shares per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year. For Basic and diluted earnings before extra-ordinary items, the amount of extra-ordinary items and tax thereon are excluded for computation.

### 14. Miscellaneous Expenditure

Miscellaneous expenditure includes deferred revenue expenditure which is written off over the period of Ten years on straight line method.

## II. NOTES ON ACCOUNTS

1. The Company has closed the accounting year on 31.03.2010 for the period from 01.04.2009 to 31.3.2010.

### 2. SECURED LOANS:

- a) Working capital facility from Andhra Bank, Egmore Branch, Chennai for Rs.1300.16 lacs. Secured by hypothecation of raw materials, stores and consumables, work-in-process, finished goods and sales receivables (not older than 90 days) and by second charge on fixed assets of the company and personal guarantee of two Directors.
- b) Working capital facility from Andhra Bank, Egmore Branch, Chennai for Rs.408.77 lacs is secured by hypothecation of raw materials, stores and consumables, work-in-process, finished goods and sales receivables (not older than 90 days) and by second charge on fixed assets of the Palakkad unit of the company and also personal guarantee of the two Directors.



- c) Term loan – Power division, from Andhra Bank, Anna Salai, Chennai for Rs.1513.83 lacs and Rs.395.10 lacs is secured by way of first charge on the fixed assets including plant and machineries of Aranthangi division and by personal guarantee of two Directors.
- d) Working capital facility – Power division, from Andhra Bank, Anna Salai, Chennai for Rs.304.43 lacs is secured by hypothecation of raw materials, stores and consumables, work-in-process, finished goods and sales receivables (not older than 90 days) and by second charge on the fixed assets including plant and machineries of Aranthangi division and by personal guarantee of two Directors.
- e) Corporate Loan from Andhra Bank for Rs.2893.10 lacs: – collateral security of land and building belonging to associate company, M/s. Appollo Alchobev Ltd, Bangalore and by hypothecation of 55.47 acres of wind mill land situated at Periyakumarapalayalam, Dharapuram Taluk.

### 3. Contingent Liabilities

- a) Claims against the company not acknowledged as debts: Rs.35 Lacs (Previous year Rs.87 lacs)
  - b) Disputed Income tax demand Rs.674 lakhs (previous year Rs.674 lacs)
  - c) Disputed sales tax demand Rs. 1240 lacs (previous year Rs. 1640 lacs)
- 4. Estimated amount of capital contracts remaining to be executed is Rs.2819.03 lacs (previous year Rs.2331.61 lacs).
  - 5. Balances in some of the parties accounts are subject to confirmation.
  - 6. In the absence of receipt of information the small scale industrial status from the parties, the details of names of small scale industrial undertaking to which the company owe any sum together with interest outstanding for more than 30 days could not be ascertained.



		As at 31.03.2010	As at 31.03.2009	
<b>7. Quantitative information</b>				
<b>A. Licensed Capacity(per month)</b>				
IMFL products	- TN	-cases	419400	419400
IMFL products	- Kerala	-cases	180000	180000
Power	- Aranthangi	-Units	7200000	7200000
<b>B. Installed capacity (per month)</b>				
IMFL products	- TN	-cases	419400	419400
IMFL products	- Kerala	-cases	180000	180000
Power	- Aranthangi	-units	7200000	7200000
<b>C. Production: (for the period)</b>				
IMFL products	- TN	-cases	4037286	3419394
IMFL products	- Kerala	-cases	560781	341943
Power	- Aranthangi	-units	49615400	7923200
<b>D. Sales (for the period)</b>				
IMFL products	- TN	-cases	4051800	3365550
IMFL products	- Kerala	-cases	557276	357914
Power	- Aranthangi	-units	43969900	7838550
<b>E. Closing stock:</b>				
IMFL products	- TN	-cases	43073	61688
IMFL products	- Kerala	-cases	5911	2396
<b>8. CIF Value of Imports</b>				
Raw materials			Nil	Nil
Capital Goods			Nil	Nil
Consumable spares			Nil	Nil
<b>9. Earnings in Foreign Exchange</b>				
Export of goods calculated on FOB basis			Nil	Nil
<b>10. Expenditure in Foreign Currency</b>				
i)profession and consultation			Nil	Nil
ii)interest			Nil	Nil
iii)others			Nil	Nil



<b>11) Utilisation of IPO proceeds of Rs. 19200 lacs:</b>	Rs. lacs
In projects 60KLPD Distillery AP, 100 MW Bio mass plant in TN, expansion to existing distillery capacities TN, relocation of Plant and Machinery - Karnataka and setting up of brewery in AP.	6198.10
In integrated sugar plant TN through subsidiary Empee Sugars and Chemicals Ltd	10020.00
Other Investments	1797.40
Issue expenses	1184.50
	<b>19,200.00</b>

## 12. Consumption – Raw material, stores & spares and others

- Imported	Nil	Nil
- Indigenous	17429.51	13772.25

## 13. Segment wise details

Particulars	IMFL	Power	Unallocated	Total
<b>Segment Revenue</b>				
Sales	82226.71	2921.58	--	85148.29
Other Income	281.47	--	--	281.47
Total Revenue	82508.18	2921.58	--	85429.76
<b>Segment Result</b>				
Operating Profit	3536.20	706.98	--	4243.18
Interest Expenses	701.70	310.88	--	1012.58
Depreciation	350.90	257.60	--	608.50
Net Profit	2483.60	138.50	--	2622.10
<b>Other Information</b>				
Segment Assets	18322.56	3830.19	18445.75	40598.50
Segment Liabilities	8674.75	2224.39	2893.10	13792.23
Depreciation	350.90	257.60	--	608.50
Capital expenditure	271.34	273.96	-	545.30



## 14. Related party transactions

### Related Parties

#### Subsidiary Companies

Empee Sugars & Chemicals Limited  
EDL Properties Private Limited

#### Fellow Subsidiary Company

Empee Power Company (India) Limited

#### Key Management Personnel

Mr.M.P.Purushothaman Chairman  
Mr.Shaji Purushothaman Managing Director  
Ms.Nisha Purushothaman Joint Managing Director

#### Relatives of Key Management Personnel

Ms.Sheena.Purushothaman

#### Other related parties

Empee Holdings Limited  
Empee International Hotels & Resorts Limited  
South (India) Hotels Pvt Ltd  
Appollo Alchobev Limited  
Aruna Exports Pvt Ltd  
Empee Hotels Limited  
Aruna Constructions (India) Limited  
Empee Agro Farm Products Pvt Ltd  
Empee Marine Products Limited  
Appollo Wind Energy Pvt Limited  
Appollo Bears Pvt Ltd  
Empee Leasing & Finance Limited  
Shainvest Holdings Ltd  
Universal Spirits Ltd  
Empee Construction Company Pvt Ltd  
Empee Power & Infrastructure Pvt Ltd  
Empee Packaging Industries  
Aruna Constructions

### Transactions with Related parties

Rs. in lacs

Particulars	Subsidiary Companies	Key Management Personnel	Relatives of Key Management Personnel	Other related parties
Remuneration	Nil (-)	107.52 (72.00)	Nil (-)	Nil (-)
Receiving of Services	Nil (-)	Nil (-)	Nil (-)	194.04 (60.26)
Finance (Including loans and equity contributions in cash or kind)	4865.00 (8122.50)	Nil (-)	Nil (-)	3745.51 (1547)
Interest Paid	Nil (-)	Nil (-)	Nil (-)	Nil (-)
Interest Received	Nil (-)	Nil (-)	Nil (-)	57.22 (175.68)
Sale of assets	Nil (-)	Nil (-)	Nil (-)	Nil (-)
Sale of investments	Nil (-)	Nil (-)	Nil (-)	Nil (-)
Purchase of goods	Nil (-)	Nil (-)	Nil (-)	Nil (-)
Rent paid	Nil (-)	14.96 (-)	15.98 (1.80)	17.50 (13.31)



15. Auditor's Remuneration	2009-10	2008-09
Audit Fees	0.40	0.40
Tax audit Fee	0.10	0.10
For other services	—	—

#### 16. Details of Subsidiary Companies

Particulars	Empee Sugars and Chemicals Limited		Empee Power Company (India) Ltd		EDL Properties Pvt. Ltd	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Share Capital	4197.01	4197.01	2327.54	2327.54	100.00	100.00
Reserves & Surplus	(617.05)	(656.38)	—	—	—	—
Total Liabilities	55780.64	23830.56	7778.36	7342.12	321.77	110.14
Total Assets	55780.64	23830.56	7778.36	7342.12	321.77	110.14
Total Income	4612.13	4706.51	130.52	—	—	—
Profit before tax	58.53	197.91	(260.89)	—	—	—
Provisions for tax	(34.11)	102.43	—	—	—	—
Profit after tax	92.64	95.48	(260.89)	—	—	—
Proposed Dividend	—	—	—	—	—	—
Details of investments	0.13	0.13	—	—	—	—

17. Employees cost include Rs. Rs.65.66 lakhs being provision for gratuity as per actuarial valuation of which Rs.4.75 lakhs is for the current year and the balance of Rs.60.91 lakhs is relating to earlier years.

#### 18. EARNINGS PER SHARE (before and after extraordinary items)

	2009-10	2008-09
Total earnings available for shareholders	1709.17 lacs	1011.58 lacs
Weighted average no. of shares	19008893	19008893
Nominal value of equity share	10/-	10/-
Basic / Diluted Earnings per shares (Rs.)	8.99	5.32

19. Previous year's figures have been regrouped wherever necessary.

As per my report of even date annexed

Sd/-  
R.Rajagopalan  
Chartered Accountant  
Membership No.18422

Sd/-  
M.P.Purushothaman  
Chairman

Sd/-  
Shaji Purushothaman  
Managing Director

Place: Chennai  
Date: 29.05.2010

Sd/-  
Nisha Purushothaman  
Joint .Managing  
Director

Sd/-  
Harihara Subramanian  
Company Secretary



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

DESCRIPTION	As at 31.03.2010 (Rs.in lacs)	As at 31.03.2009 (Rs.in lacs)
<b>A. Cash Flow from Operating Activities:</b>		
Net Profit before tax & extra ordinary items	2622.11	1460.96
Adjustment for:		
Depreciation	608.50	459.24
Interest Paid	1012.58	647.66
Preliminary Expenses written off	3.83	3.88
Operating Profit before Working Capital changes	4247.02	2571.74
(Increase)/Decrease in stock	445.38	(397.94)
(Increase)/Decrease in Current Assets	4792.93	4570.69
Increase / (Decrease) in Current Liabilities	22.87	498.13
Cash generated from operations	9508.20	7242.62
Tax paid	(887.00)	(166.00)
Net cash used in operating activities	8621.20	7076.62
<b>B. Cash Flow from Investing activities:</b>		
Purchase of Fixed Assets (incl.CWIP)	(961.29)	(1275.58)
Sale / (Purchase) of Investments	(8130.50)	(5858.30)
Miscellaneous Expenditure	0.00	0.00
Net Cash from Investing activities	(9091.79)	(7133.88)
<b>C. Cash Flow from Financing activities:</b>		
Increase in Working Capital	41.37	2025.48
Increase in Term loan	2238.27	(224.80)
Interest paid	(1012.58)	(647.66)
Increase in equity	0.00	0.00
Share premium amount received	0.00	0.00
Dividend paid	(1140.53)	(950.44)
Dividend distribution tax paid	(193.89)	(161.58)
Net cash used in Financing activities	(67.36)	41.00
Increase in Cash and Cash equivalents	(537.95)	(16.26)
Cash and Cash equivalents at the beginning of the year	766.92	783.18
Cash and Cash equivalents at the end of the year	228.97	766.92
As per my report of even date annexed		

Sd/- R.Rajagopalan  
Chartered Accountant  
Membership No.18422

Sd/- M.P.Purushothaman  
Chairman

Sd/- Shaji Purushothaman  
Managing Director

Sd/- Nisha Purushothaman  
Jt.Mg.Director

Sd/- Harihara Subramanian  
Company Secretary



## STATEMENT REGARDING SUBSIDIARY COMPANIES UNDER SECTION 212(3) OF THE COMPANIES ACT, 1956.

S.No	Name of the Subsidiary	Empee Sugars and Chemicals Ltd	Empee Power Company (India) Ltd	EDL Properties Pvt Ltd
1	Financial Year	31.3.2010	31.3.2010	31.3.2010
2	Holding Company's interest at the end of the financial year of the subsidiary Company a.No of Equity Shares b.Extent of Holding c.Number of Preference Shares d.Extent of Holding	2,81,22,102 67% Nil Nil	2,32,75,400* 100% Nil Nil	7,50,000 75% Nil Nil
3	The net aggregate amount of the Subsidiary's Profit/(Loss) so far as it concerns the members of the Holding Company and is not dealt within the Holding Company's books of accounts a. For the Financial Year ended 31.3.2010.(Rs.in lacs) b. For the previous financial years since becoming a subsidiary (Rs.in lacs)	62.07 (413.42)	(260.89) (260.89)	Nil Nil
4	The net aggregate amount of the Subsidiary's Profit/(Loss) so far as it concerns the members of the Holding Company and is dealt within the Holding Company's books of accounts a. For the Financial Year ended 31.3.2010. b. For the previous financial years since becoming a subsidiary	Nil Nil	Nil Nil	Nil Nil

\* Held by Empee Sugars & Chemicals Ltd.

For and behalf of the Board  
Sd/-  
M.P.Purushothaman  
Chairman

Note: The Holding Company, (Empee Distilleries Ltd) undertakes that the related detailed information pertaining to the Annual Accounts of the Subsidiary Companies viz. Empee Sugars and Chemicals Limited, Empee Power Company (India) Ltd and EDL Properties Pvt Ltd will be made available to the investors seeking such information at any point of time. Further the Annual Accounts of the subsidiary companies will also be kept for inspection by any investor in the registered office of the company.



**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**  
(As required under Part of Schedule VI to the Companies Act, 1956)

**I. Registration details**

Registration No.	10313	State code	18
Balance Sheet Date	31.03.2010		

**II. Capital Raised during the year (Rs. in thousands)**

Public issue	Nil	Right issue	Nil
Bonus Issue	Nil	Private placement	Nil

**III. Position of Mobilisation and Development of funds (Rs. in Thousands)**

Total Liabilities	3561283	Total Assets	3561283
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**Sources of funds:**

Paid-up Capital	190089	Reserves & Surplus	2368732
Secured Loans	681539	Unsecured Loans	196049
Deferred Tax Liabilities	124874		

**Application of funds:**

Net Fixed Assets	1011986	Investments	1850169
Net Current Assets	696060	Misc. Expenditure	3068

**IV. Performance of the Company (Rs. in thousands)**

Turnover	8542976	Total Expenditure	8372059
Profit/(Loss) Before tax	170917	Profit/(Loss) after tax	170917
Earning Per Share in Rs.	8.99	Divident Rate %	60%

**V. Generic Names of Three Principal Products/ Services of Company (as per monetary items)**

Item Code No ( ITC Code)	220810
Product Description	IMFL

Sd/- **M.P.Purushothaman**  
Chairman

Sd/- **Shaji Purushothaman**  
Managing Director

Sd/- **Nisha Purushothaman**  
Jt.Mg.Director

Sd/- **Harihara Subramanian**  
Company Secretary