

# Directors Report

*Dear members*

Your Directors have pleasure in presenting their 29th Annual Report together with the Audited Accounts and Auditor's Report of the Company for the year ended on 31st March 2018.

## 1. FINANCIAL RESULTS

A summary of the company's financial result year 2017-18 is as under:

| FINANCIAL RESULTS                                 |           | (₹ in Lakhs) |  |
|---|-----------|--------------|--|
| Particulars                                       | 2017-2018 | 2016-2017 *  |  |
| <b>Gross Revenue from Operations</b>              | 32523.99  | 29106.74     |  |
| Profit/(Loss) before Interest, Depreciation & Tax | 5456.99   | 4224.98      |  |
| Less: Interest                                    | 382.88    | 410.24       |  |
| Profit before Depreciation                        | 5074.11   | 3814.74      |  |
| Less: Depreciation                                | 1131.71   | 1094.72      |  |
| Profit / (Loss) before Tax                        | 3942.40   | 2720.02      |  |
| Provision of Tax                                  | 1423.48   | 1028.78      |  |
| Net Profit/Loss                                   | 2518.92   | 1691.24      |  |

\*The figures are restated as per Ind-AS

## 2. FINANCIAL PERFORMANCE

Your Company reported a top line growth of 12% over the previous year and has achieved a turnover of ₹32523.99 lakhs in the current year against ₹29106.74 lakhs in the previous year, the increase in revenue can be majorly attributed to the IMFL sales on account of franchise arrangements with Diageo-USL brands.

Earnings Before Interest Depreciation & Tax (EBIDTA) for the year stood at ₹5456.99 lakhs, an increase of 29% from ₹4224.98 lakhs in the previous year. Operating Profit before tax (PBT) stood at ₹3942.4 lakhs an increase on 45% from ₹2720.02 lakhs in the previous year & the net profit for the year was ₹2518.92 lakhs as against ₹1691.24 lakhs an increase of about 49% from the previous year.

The company has achieved better economies of scale in Power and Fuel and saved substantial cost when compared on year on year basis

There has been a substantial increase in the other expenses which is because of fixed royalty paid to Diageo-USL for franchise agreement, substantial hike in bottling fees, franchise duty other state excise levy of MP State Excise on IMFL production (franchise brands), further on account of provisions of contingent liabilities with certain estimates and write offs made in the Q4 2017-18, and also on account of increase Brand marketing overheads on IMFL.

The company continues to retain and reinforce its market leadership in the allocated segments in which it operates. There are no material changes or commitments affecting the financial position of the company, which have occurred between the end of the financial year and the date of this report.

## 3. SHARE CAPITAL

The paid-up equity share capital of the company as at March 31, 2018 stood at ₹1807.92 lakhs divided into 18079200 equity shares of ₹10/- each.

## 4. DIVIDEND & RESERVES

Your directors have pleasure in recommending dividend for approval of the members at the Annual General Meeting a dividend of 10% i.e ₹1.00/- each (previous year 10% i.e. ₹1.00/- each) on 18079200 Equity Shares of face value of ₹10/- each the aggregate amount being ₹180.79 lakhs.

During the year under review ₹100 lakhs was transferred to General Reserve from retained earnings.

## 5. FINANCE & ACCOUNTS

As mandated by the Ministry of Corporate Affairs, the financial statements for the year ended on March 31, 2018 has been prepared in accordance with the Indian Accounting Standards (IND AS) notified under Section 133 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014. The estimates and judgments relating to the Financial Statements are made on a prudent basis, so as to reflect in a true and fair manner, the form and substance of transactions and reasonably present the Company's state of affairs, profits and cash flows for the year ended March 31, 2018

## 6. USL – DIAGEO FRANCHISE AGREEMENT

The company has backed the USL-Diageo Franchise Agreement from May 2017 manufacture and market its popular range brands for the state of Madhya Pradesh (MP). With the franchise agreement the company became one of the strongest IMFL player in the Central Region, the company was doing the job work of these popular brands earlier but post arrangements the brands are now distilled, manufactured and marketed by the company in the state of MP.

The market leader Diageo as part of its strategy where they believe the local partners can maximize the value they have started appointing franchises and as a result we being the loyal trusted partner been entrusted with the franchise agreement.

## 7. EXPANSION PROJECT

The company's much awaited capacity expansion project of the first phase of expansion is on the verge of completion and the existing capacity will be increased from 31.4 Million Bulk Liters per annum to 45 Million Bulk Liters per annum. As the company has been operating at optimum capacity from the last 3 years the additional capacity will increase the market base of the products of the company. The second phase of capacity expansion from 45 Million Bulk Liters to 90 Million Bulk Liters will be commencing upon the stabilization of the production in due course.

## 8. AWARDS & ACCOLADES

The company product 'Titanium' Vodka has been awarded as the Best Popular Vodka (Silver) at Indspirit 2018 awards at New Delhi

## 9. VAT/GST ON RECTIFIED SPIRIT

The industry is in the dilemma awaiting clarification from the state authority and central authority on levy of GST or VAT on the sale of Extra Neutral Alcohol (ENA)/ Rectified Spirit.

In absence of any clarity in respect to levy of Goods & Service Tax (GST) on sale of Rectified spirit (RS) & Extra Neutral Alcohol (ENA), the company continued to collect Value Added Tax (VAT) and Central Sales Tax (CST) for intra state and interstate respectively on sale of these products w.e.f. 01st July 2017. Pending clarification, VAT collected during the year (from 01st July 2017 to 31st March 2018) on sales of RS & ENA amounting to ₹197.23 lakhs have been withheld by the company and would be deposited upon receipt of necessary clarification.

The company has approached Commissioner and other senior officers at state and is awaiting clarification on the issue from same.

However, if GST is levied on Extra Neutral Alcohol/Rectified Spirit, the manufacturing company's like us will be in an advantageous position.

### 10. INCOME TAX SEARCH

The Income Tax Search was carried out in the premises of the company in November, 2017, the company has provided full cooperation to the department and has furnished all explanation, information and clarification required by them and assured for further cooperation.

At AABL we follow ethical and legal standards of the highest order in all our activities and have robust institutional measures to monitor as well as implement corporate governance of the highest standards as evident from the fact that the company is having the best ERP integrated system and software in place and also a team of vibrant professionals.

We further state that the senior management is hopeful that there are no chances of any information which can be considered to have material impact or implication on the financials of AABL.

### 11. DIRECTORS' RESPONSIBILITY STATEMENT

As required under section 134(5) of the Companies Act, 2013 the Directors confirm that:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed.
- that appropriate accounting policies have been selected and applied consistently and that judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on 31st March, 2018 and of its profit for the year ended on that date.
- that proper and sufficient care has been taken for the maintenance of adequate accounting records under the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- that the annual financial statements have been prepared on a going concern basis.
- that the directors had laid down internal financial control to be followed by the company and that such internal financial control is adequate and were operating effectively.

- that the director had devised proper system to ensure compliance with the provision of all applicable laws and that such system were adequate and operating effectively.

### 12. COMPOSITION OF BOARD

In accordance with the provisions of section 152 of the Companies Act, 2013 and Company's Articles of Association, Mr. Manish Kumar Tibrewal, Director retires by rotation at the forthcoming Annual General Meeting.

The Board provides leadership, strategic guidance, objective and independent view to the Company's management while discharging its fiduciary responsibilities thereby ensuring that the management adheres to high standards of ethics, transparency and disclosure. The Board has constituted Audit Committee, Stakeholder Relationship Committee, Nomination & Remuneration Committee and Corporate Social Responsibility Committee.

### 13. DECLARATION BY INDEPENDENT DIRECTORS

Necessary declarations have been obtained from all the Independent Directors under sub section (7) of section 149 of the Companies Act, 2013.

### 14. KEY MANAGERIAL PERSONNEL

During the period under review Mrs. Dishita Tibrewal has tender her resignation as director on 26.05.2017, Mr. Sanjay Kumar Tibrewal was appointed as the Chief Financial Officer of the company on 26.05.2017

The following are the Key Managerial Personnel of the company

- Mr. Tushar Bhandari- Whole Time Director
- Mr. Sanjay Kumar Tibrewal – Chief Financial Officer
- Mr. Sumit Jaitely – Company Secretary

### 15. MEETING

During the year Five Board Meetings, Four Audit Committee, Fourteen Stakeholders Relationship committee, Two Nomination & Remuneration Committee and Two CSR Committee Meeting were convened and held.

### 16. PERFORMANCE EVALUATION OF BOARD, COMMITTEES & DIRECTORS

Pursuant to the provisions of the Companies Act, 2013 and the Regulation 25 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors adopted a formal mechanism for evaluating its performance and as well as that of its committees and individual Directors.

The Directors were satisfied with the evaluation results, which reflected overall engagement of the Board and its Committees with the Company.

### 17. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

As part of its initiatives under "Corporate Social Responsibility" (CSR), the company has constituted Corporate Social Responsibility Committee. The CSR Committee has framed the CSR policy of the company. The Committee has made expenditure which form part of this report.

Annual Report on CSR activities is annexed herewith as: "Annexure B"

### 18. CORPORATE GOVERNANCE

The Company has complied with the mandatory provisions of Corporate Governance as prescribed in the Regulation 27 of the SEBI (LODR) Regulations, 2015 as applicable to the Company. A separate report on Corporate Governance and Auditors Report there on are included as part of the Annual Report.

### 19. RELATED PARTY TRANSACTIONS

All related party transactions that were entered during the financial year were on an arm's length basis and were in the ordinary course of business and that the provision of section 188 of the Companies Act, 2013 and the Rules made thereunder are not attracted. Thus, disclosure in form AOC-2 in terms of section 134 of the Companies Act, 2013 is not required. Further there is no material related party transaction during the year under review with the Promoter, Directors or Key Managerial Personnel

All related party transactions are places before the Audit Committee as also the Board of Directors for approval. Omnibus approval was obtained on a yearly basis for transactions which are repetitive in nature.

### 20. RISK MANAGEMENT AND ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Company's system of financial and compliance controls with reference to the financial statements and risk management is embedded in the business process by which the Company pursues its objectives.

Management is responsible for establishing and maintaining adequate disclosure controls and procedures and adequate internal controls over financial reporting with respect to financial statements besides its effectiveness in the context of applicable regulations

The Internal Auditor, the Audit Committee as well as the Board of Directors conduct from time to time an evaluation of the adequacy and effectiveness of the system of internal controls for financial reporting with respect to financial statements.

### 21. AUDITORS

M/s Singhi & Co., Chartered Accountants were appointed as Statutory Auditors of your company at the 28th Annual General Meeting held on 05th August, 2017, for a term of five consecutive years. As per the provision of the Companies Act 2013 the appointment of the Auditors is to be ratified by the Members at every Annual General Meeting.

In accordance with the notification no. GSR 432 (E) issued on 07 the May, 2018 by the Ministry of Corporate Affairs the appointment of statutory auditors is not required to be ratified at every Annual General Meeting, however the company as a measure of extra precaution and based on the fundamental that the remuneration may undergo change in the appointed years has placed the ratification/ appointment to be considered in the upcoming Annual General Meeting.

The Report given by the Auditors on the financial statement of the company is part of this Report. There has been no qualification, reservation, adverse remark or disclaimer given by the Auditors in their Report.

### 22. SECRETARIAL AUDIT

As required under section 204(1) of the companies Act, 2013 and the Companies (Appointment and Remuneration of management Personnel) Rules, 2014 the Company has appointed M/s K. Arun & Co. (Company Secretaries) Kolkata – 700017, as Secretarial Auditor of the company. Secretarial Audit report is annexed herewith as "Annexure C" and forms part of this report.

### 23. EXTRACT OF ANNUAL RETURN

The detail forming part of the extract of the Annual Return in form MGT-9 is annexed herewith as "Annexure D" and forms part of this report.

### 24. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS / OUTGO

Information required under Section 134(3) (m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Account) Rules, 2014 with respect to conservation of energy, technology absorption and foreign exchange

earnings/outgo is appended hereto as "Annexure E" and forms part of this report.

### 25. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT, 2013

The particulars of Loans, Guarantees and Investment in pursuance to Section 186 of the Companies Act, 2013 are given in the Notes to the financial statements.

### 26. FIXED DEPOSITS

During the year your company has not accepted any deposit from public under Section 73 of the Companies Act, 2013 and Companies (Acceptance of Deposit) Rules, 2014.

### 27. GENERAL

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

- Issue of equity shares with differential rights as to dividend, voting or otherwise.
- Issue of shares (including sweat equity shares) to employees of the Company under any scheme.
- No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.
- During the year under review, there were no cases filed or reported pursuant to the sexual harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

### 28. PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURE

The relation between the employees and the management has been cordial throughout the year under review and

the Directors place on record their appreciation for the efficient services rendered by the employees at all levels.

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed

hereto as "Annexure – A" and forms part of this report.

### 29. VIGIL MECHANISM/ WHISTLE BLOWER POLICY

The company has a Vigil Mechanism/Whistle Blower Policy to deal with instance of fraud and mismanagement, if any. The details of the policy is explained in the corporate Governance Report and also posted on the website of the company.

### 30. ACKNOWLEDGEMENT

Your Directors express their sincere appreciation for the co-operation and support received from shareholders, bankers, financial institutions, regulatory bodies, customers, suppliers, employees and other business constituents during the year under review.

FOR AND ON BEHALF OF THE BOARD

**Tushar Bhandari**

*Director*

DIN: 03583114

**Nitin Tibrewal**

*Director*

DIN: 01892892

Place: Indore

Date: 28th May, 2018

## Annexure A

### DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULES 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

- I. Ratio of the remuneration of each executive Director to the median remuneration of the Employees of the company for the financial year 2017-18, the percentage increase in remuneration of Whole Time Directors, Chief Financial Officer and Company Secretary during the financial year 2017-18

| Sr. No. | Name of Director/KMP and Designation | Designation             | Ratio of remuneration of | % increase in Remuneration in the Financial Year 2017-18 |
|---------|--------------------------------------|-------------------------|--------------------------|--|
| 1       | Mr. Tushar Bhandari                  | Whole Time Director     | 14.40x                   | 140%   |
| 2       | Mr. Sanjay Kumar Tibrewal            | Chief Financial Officer | 12.95x                   | NA   |
| 3       | Mr. Sumit Jaitely                    | Company Secretary       | 5.72x                    | 16%  |

- II. There were 332 permanent employees on the roll of the company as on 31st March, 2018

- III. Median Remuneration of the employee of the Company during the financial year was ₹1.73 Lakh.

- IV. Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year 2017-18 was 9%.

- V. The parameters for the variable component of remuneration availed by the directors are considered by the board of directors based on the recommendation of Nomination and Remuneration Committee as per the Remuneration Policy of the Directors, Key managerial personnel and other employees.

- VI. It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for the Directors, key managerial Personnel and other employees.

Note: The Non Executive Directors of the company are entitled for sitting fees as per the statutory provisions the detail of which is provided in the are provided in the Corporate Governance Report.

### STATEMENT OF PARTICULARS OF EMPLOYEE PURSUANT TO PROVISIONS OF SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014 EMPLOYED THROUGHOUT THE FINANCIAL YEAR 2017-18

Name Age Qualification Designation Date of Commencement of the employment Experience (Years) Gross Remuneration Previous Employment Previous Designation

Mr. Anand Kumar Kedia, 53, Post Graduate in Commerce, Chairman – Business Promotion & Development, 01/04/1990, 28 years, ₹444.32 Lakh, Mr. Prasann Kumar Kedia, 46, MBA, Vice Chairman – Operation & Business Development, 01/04/1994, 24 years, ₹444.32 Lakh.

FOR AND ON BEHALF OF THE BOARD

**Tushar Bhandari**

*Director*

DIN: 03583114

**Nitin Tibrewal**

*Director*

DIN: 01892892