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FOURTEENTH ANNUAL REPORT (2001 - 2002)

BOARD OF DIRECTORS

(AS ON 29.03.2002)

SRI M.R. KRISHNAIAH
CHAIRMAN

SRI A. PRATHAP REDDY
MANAGING DIRECTOR

SRI T. NAVEENA CHANDRA
DIRECTOR

SRI S. VISHNU RAO
DIRECTOR

SRI N. RAJESHWAR REDDY
EXECUTIVE DIRECTOR

SRI D. RAM REDDY
COMMERCIAL DIRECTOR

REGISTERED OFFICE:

"BALAJI BHAVAN", 165-A
RAILWAY LINES,
SOLAPUR - 413 001.

ADMINISTRATIVE OFFICE:

IVTH FLOOR, KPR HOUSE
SARDAR PATEL ROAD
SECUNDERABAD - 500 003.

FACTORY:

TAMMALWADI (VILLAGE)
TULJAPUR (TQ)
OSMANABAD (DIST)
MAHARASHTRA - 413 623.

TAX CONSULTANTS

M.V. SASTRY & CO.
ADVOCATES & TAX CONSULTANTS
HYDERABAD

AUDITORS

V. SRIDHAR & CO.
CHARTERED ACCOUNTANTS
HYDERABAD

BANKERS

STATE BANK OF HYDERABAD
BANK OF INDIA
STATE BANK OF MYSORE

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NOTICE

Notice is hereby given that the Fourteenth Annual General Meeting of the members of Balaji Amines Limited will be held at 11.00 a.m. on Monday the 29th day of July, 2002 at Hotel Pratham, 560/61, South Sadar Bazar, Solapur - 413 001 to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss Account of the Company for the year ended March 31, 2002 and the Balance Sheet as on that date together with the Reports of the Auditors and Directors' thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Sri. T. Naveen Chandra who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri M.R. Krishnaiah who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration and if thought fit to pass with or without modifications the following resolution as an Ordinary Resolution.

"Resolved that M/s V. Sridhar & Co., Chartered Accountants, Hyderabad, the retiring Auditors of the Company be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of Fourteenth Annual General Meeting till the conclusion of the Fifteenth Annual General Meeting and the Managing Director Sri. A. Prathap Reddy, be and is hereby authorized to fix their remuneration in consultation with them".

SPECIAL BUSINESS:-

Increase of Remuneration to Sri A. Prathap Reddy, Managing Director:

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Ordinary Resolution:

"RESOLVED that in partial modification of Resolution No. 5 passed by the shareholders at the 11th Annual General Meeting of the Company held on 30th September, 1999, approving the appointment and terms of remuneration of Sri.A.Prathap Reddy, Managing Director, of the Company and in accordance with the provisions of Sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions of the companies Act, 1956, the remuneration payable to Sri A.Prathap Reddy be and is hereby varied for the remainder of the tenure with effect from 1st April, 2002 as mentioned hereunder:

- I. Salary :- Rs. 50,000/- per month.
- II. Perquisites :
 - a) House Rent Allowance :- Not exceeding 25% of the Salary.

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- b) Leave Travel Assistance:- Reimbursement of actual expenses incurred for self and family not exceeding Rs. 50,000/- per annum.
- c) Premium on Personal Accident Insurance and premium on Mediclaim policy for self and family not exceeding Rs. 10,000/- per annum. For the purpose of this category, 'family' means spouse, the dependent children and dependent parents
- d) Use of Company car and reimbursement of driver's salary, if any.
- e) Telephone facilities at residence.
- f) Provident Fund : - Company's contribution to Provident Fund / Superannuation Fund not exceeding 20% of the basic salary.
- g) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- h) The Managing Director will be eligible for annual increment to his salary not exceeding Rs. 5,000/- per annum. The first annual increment shall accrue to him on April 1 , 2003.
- i) The Managing Director shall be entitled to be reimbursed in respect of all expenses incurred by him (including travelling, entertainment, etc.,) for and on behalf of the Company.
- j) Club Fees : Fees of Clubs subject to a maximum of two clubs.
- k) Commission on Profits : At 2% of the net profits of the year.

III. Minimum remuneration :

In the event of inadequacy or absence of profits in any financial year , during the currency of the tenure of his office, he shall be paid the above remuneration except commission on profits, as minimum remuneration subject to the ceiling mentioned in Schedule XIII to the Companies Act, 1956 from time to time".

Increase of Remuneration to Sri. N. Rajeshwar Reddy, Executive Director:-

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Ordinary Resolution:

"RESOLVED that in partial modification of Resolution No. 6 passed by the shareholders at the 11th Annual General Meeting of the Company held on 30th September, 1999, approving the appointment and terms of remuneration of Sri.N.Rajeshwar Reddy , Executive Director, of the Company and in accordance with the provisions of Sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions of the companies Act, 1956, the remuneration payable to Sri N.Rajeshwar Reddy be and is hereby varied for the remainder of the tenure with effect from 1st April, 2002 as mentioned hereunder:

1. Salary :- Rs. 40,000/- per month.

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II. Perquisites :

- a) House Rent Allowance :- Not exceeding 25% of the Salary.
- b) Leave Travel Assistance:- Reimbursement of actual expenses incurred for self and family not exceeding Rs. 30,000/- per annum.
- c) Premium on Personal Accident Insurance and premium on Mediclaim policy for self and family not exceeding Rs. 10,000/- per annum . For the purpose of this category, 'Family' means spouse, the dependent children and dependent parents.
- d) Use of Company car and reimbursement of driver's salary, if any.
- e) Telephone facilities at residence.
- f) Provident Fund : - Company's contribution to Provident Fund / Superannuation Fund not exceeding 20% of the basic salary.
- g) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- h) The Executive Director will be eligible for annual increment to his salary not exceeding Rs. 5,000/- per annum. The first annual increment shall accrue to him on April 1, 2003.
- i) The Executive Director shall be entitled to be reimbursed in respect of all expenses incurred by him (including travelling, entertainment, etc.,) for and on behalf of the Company.
- j) Commission on Profits : At 1% of the net profits of the year.

III. Minimum remuneration :

In the event of inadequacy or absence of profits in any financial year , during the currency of the tenure of his office, he shall be paid the above remuneration except commission on profits , as minimum remuneration subject to the ceiling mentioned in Schedule XIII to the Companies Act, 1956 from time to time."

Increase of Remuneration to Sri. D. Ram Reddy, Director-Commercial:-

8. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Ordinary Resolution:

"RESOLVED that in partial modification of Resolution No. 7 passed by the shareholders at the 11th Annual General Meeting of the Company held on 30th September, 1999, approving the appointment and terms of remuneration of Sri.D. Ram Reddy, Director-Commercial, of the Company and in accordance with the provisions of Sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions of the companies Act, 1956, the remuneration payable to Sri D. Ram Reddy be and is hereby varied for the remainder of the tenure with effect from 1st April, 2002 as mentioned hereunder :

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I. Salary : Rs. 40,000/- per month

II. Perquisites :

- a) House Rent Allowance :- Not exceeding 25% of the Salary.
- b) Leave Travel Assistance:- Reimbursement of actual expenses incurred for self and family not exceeding Rs. 30,000/- per annum.
- c) Premium on Personal Accident Insurance and premium on Mediclaim policy for self and family not exceeding Rs. 10,000/- per annum . For the purpose of this category, 'Family' means spouse, the dependent children and dependent parents.
- d) Use of Company car and reimbursement of driver's salary, if any.
- e) Telephone facilities at residence.
- f) Provident Fund : - Company's contribution to Provident Fund / Superannuation Fund not exceeding 20% of the basic salary.
- g) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- h) The Director-Commercial will be eligible for annual increment to his salary not exceeding Rs. 5,000/- per annum . The first annual increment shall accrue to him on April 1, 2003.
- i) The Director-Commercial shall be entitled to be reimbursed in respect of all expenses incurred by him (including travelling, entertainment, etc.) for and on behalf of the Company.
- j) Commission on Profits: At 1% of the net profits of the year .

III. Minimum remuneration :

In the event of inadequacy or absence of profits in any financial year , during the currency of the tenure of his office , he shall be paid the above remuneration except commission on profits, as minimum remuneration subject to the ceiling mentioned in Schedule XIII to the Companies Act, 1956 from time to time."

9. Alteration of Articles of Association:-

To consider and if thought fit to pass with or without modification(s) the following resolution as a special resolution.

"RESOLVED THAT pursuant to the provisions of Sec.31 and other applicable provisions, if any, of the Company Act 1956, Article 121 (a) of the Articles of Association of the Company be and is hereby substituted with the following Article.

121 (a) Every Director of the Company except the whole-time Directors shall be entitled to receive out

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of the funds of the Company a sitting fee for his services in attending the meetings of the Board or Committees thereof as decided by the Board of Directors subject to the ceiling specified by the Central Govt. under Rule 10 B of the Companies (Central Govt.'s) General Rules and Forms, 1956 from time to time.

By order of the Board

Place : Hyderabad
Date : 29.04.2002

M.R. Krishnaiah
Chairman

NOTE:

- a. A member eligible to attend and vote at the meeting is entitled to appoint a proxy and such proxy need not be a member of the Company. Proxies, in order to be effective, must be received by the Company, not less than 48 hours before the commencement of the meeting.
- b. The explanatory statement pursuant to section 173 of the Companies Act, 1956 in respect of the Special Business is Annexed hereto.
- c. The Register of Members and Share Transfer Books of the Company will remain closed from 16th July 2002 to 20th July 2002 (Both days inclusive). The Dividend if approved will be paid to the members whose names appear in the register of members on 20th July 2002.
- d. The dividend for the year ended March 31, 2002 is subject to tax deduction at source as applicable.

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EXPLANATORY STATEMENT

(As required U/s 173 (2) of the Companies Act 1956)

ITEM NO. 6,7 AND 8:

At the 11th Annual General Meeting of the Company held on 30th September 1999, the members had approved the appointment and terms of remuneration of

1. Sri A. Prathap Reddy, Managing Director
2. Sri N. Rajeshwar Reddy, Executive Director
3. Sri D. Ram Reddy, Director - Commercial

Since then, there has been upward revision in the salaries in the industry and also the cost of living index, but there was no revision in the remuneration of the above said whole-time directors. The performance of the Company has considerably improved in the last two years as a result of the committed efforts put in by these whole-time directors, who are presently drawing a salary of 20,000/-, 7,500/- and 6,000/- per month respectively. In the circumstances it is felt appropriate to revise the remuneration of the above said whole-time directors in appreciation of the dedicated efforts put in for the improvement of the Company. Your Directors recommend the upward revision in the salaries of the said whole-time directors, as specified in the notice, for the acceptance of the members.

The explanatory statement together with the accompanying notice are to be treated as the relevant abstract of the terms as required U/s 302 of the Companies Act, 1956.

Sri A. Prathap Reddy, Sri N. Rajeshwar Reddy and Sri D. Ram Reddy are interested in the respective resolutions pertaining to the revision in the terms of their remuneration as aforesaid. None of the other directors is concerned or interested in these resolutions.

ITEM NO: 9

Presently the directors of the Company, other than the whole-time directors are being paid out of the funds of the Company a sitting fee of Rs. 750/- for attending the meeting of the Board or any committee thereof. From time to time the Central Government is revising the ceiling on sitting fee per meeting under Rule 10B of the Companies (Central Government) General Rules and forms 1956. As the scope of services of the non-whole time Directors is increasing and since the need to compensate for their time and effort is felt it is proposed to facilitate easy revision of the sitting fee in accordance with the revision made by the Central Government. As such it is proposed to alter, Article 121 (a) of the Articles of Association of the Company delegating powers to the Board of Directors for fixing sitting fee subject to the ceiling fixed by the Central Government.

Your Directors command this resolution for the approval of members.

All the Directors except the whole-time directors are concerned and interested in the said resolution.

By order of the Board

A. PRATHAP REDDY
MANAGING DIRECTOR

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DIRECTORS' REPORT

To the members of Balaji Amines Limited,
Solapur.

Your Directors take pleasure in presenting the report on the affairs of the company for the financial year 2001-02 together with the Audited Financial Statements and the report of the Auditors thereon.

Performance

During the year 2001-02 the company has further improved its performance and the efforts of the management and the employees have yielded good results. The turnover has increased by 40.35% while the net profit after tax has increased by 248.57%. The net profit as per profit and loss account would have been much higher but for the charge to the profit and loss account of the amounts relating to the deferred taxation. These are mandatory charges to the profit and loss account in terms of Accounting Standard 22 - Accounting for taxes on income, issued by the Institute of Chartered Accountants of India.

The dividend to the shareholders is also proposed to be doubled, i.e., from 10% in the year 2000-01 to 20% for the current year.

The expansion project commenced in the year 2000-01 is nearing completion and the same is expected to go into production in the first half of the year 2002-03. The expansion project has been appraised by State Bank of Hyderabad and Bank of India, who have part financed the same by way of Term Loan.

The expansion project is for down stream products which are highly profitable and the management is confident that upon addition of these products into the company's profile the performance levels will be on a much larger scale when compared to the present levels.

The company has been committed to improving the operating efficiency and keeping up with this tradition the company has successfully installed and commissioned a "Wind Electric Generator" at a cost of Rs. 263.50 lacs. This not only reduces the cost of power to the company but also is eligible for incentives under the tax laws in addition to ensuring uninterrupted power supply to the company.

Financial Results

The overall performance of the company for the financial year 2001-02 can be summarized as under

Sl.No.	Particulars	Rupees in lacs	
		Current year	Previous year
I.	Sales	4,115.31	2,932.26
II.	Other Income	12.46	31.28
III.	Expenditure	3226.72	2,500.28
IV.	Profit before interest, depreciation and tax	901.05	463.26
V.	Depreciation	120.16	116.96
VI.	Profit before interest and tax	780.89	346.30
VII.	Interest	208.72	228.55
VIII.	Profit before tax	572.17	117.75
IX.	Provision for Income tax	45.60	8.90
X.	Deferred Tax (Timing Difference)	95.91	--
XI.	Deferred Tax (originating during the year)	51.24	
XII.	Profit after tax	379.42	108.85
XIII.	Dividend for the year ended March 31, 2002 (Including corporate dividend tax)	59.92	33.36
XIV.	Transfer to Reserve	30.00	--
XV.	Balance carried forward to Balance sheet	289.50	75.49

Dematerialisation of Shares:

M/s Sathguru Management Consultants Pvt Ltd, Plot No.15, Hindi Nagar, Punjagutta, Hyderabad - 500 034, were appointed as Depository Registrars for dematerialised shares.

For Physical shares the transfer work continues to be carried out at the Registered Office of the Company.

The ISIN of Dematerialised shares of the Company allotted by the NSDL & CDSL is "INE050E01019"

Trading of equity shares of the Company is compulsorily in dematerialised form with effect from 13.10.2001 on CDSL and 06.11.2001 on NSDL.

Dividend

Your Directors are happy to propose a dividend of Re.2 per every share of Rs.10/- fully paid-up aggregating to Rupees 59.92 lacs.

Directors

Sri. T. Naveen Chandra and Sri. M. R. Krishnaiah, Directors of the company who retire by rotation at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

The Managing Director and the Executive Director have been appointed in the year 1999 for a period of 5 years and the Director (Commercial), was appointed with his office liable to retirement by rotation. The terms of their appointment as regards remuneration are proposed to be revised upwards, for which appropriate approvals will be sought from the shareholders in the ensuing AGM.

Responsibility Statement

As per Section 217(2AA) of the Companies Act, 1956, the Board of Directors make the following statement;

- a. The accounting standards to the extent applicable to the company have been followed in the preparation of the annual accounts. There are no material departures therefrom.
- b. The accounting policies selected by the Board for the purpose of preparation and presentation of the financial statements have been and are being applied consistently and reasonable and prudent judgments and estimates (wherever applicable) have been made, for the said purpose, so as to give a true and fair view of the affairs of the company as at the end of the financial year under review and of the profit for the said year.
- 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.
- d. The annual accounts have been prepared on going concern basis.

Auditors

Messrs V. Sridhar & Co., Chartered Accountants, Hyderabad, the Auditors of the company retire at the conclusion of the ensuing annual general meeting and are eligible for reappointment.

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Auditors Remarks

The Auditors have made a remark in their report in respect of the vouchers and other records destroyed in the fire accident. In this regard, Note 1, Schedule 20 - Notes forming part of accounts is self explanatory. The management is obtaining evidence, to the extent possible, and the company has adequate resources to meet any contingencies in the expenses that may have not been provided for.

Employees

There is no employee of the company, whose particulars are to be disclosed pursuant to the provisions of Section 217(2A) of the Companies Act, 1956.

The management wishes to place on record their appreciation for the support extended to the company by the employees. The management recognizes that the employees are one of the biggest contributors for the successful performance.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars required in the report of the Board of Directors in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are furnished in prescribed format and are enclosed in the Annexure to this report.

Corporate Governance

As per the listing agreement entered with the stock exchanges, forming various committees under Corporate Governance regulations is mandatory. The Corporate Governance regulations will be applicable to the company from the financial year ending March 31, 2003. The board of directors of the company are in the process of forming various committees such as Audit Committee, Shareholders Grievance Committee and Remuneration Committee. The members will be kept informed of the developments.

Acknowledgements

The Board of Directors are thankful to the support extended to them by the financial institutions namely IFCI Limited and ICICI Limited, the bankers of the company namely State Bank of Hyderabad, State Bank of Mysore and Bank of India, the technical consultants M/s. Kobe Engineering Consultants Private Limited, Hyderabad, Customers, Suppliers and above all, the Shareholders.

On behalf of the Board of Directors

Place : Hyderabad
Date : 29.04.2002

A. PRATHAP REDDY
MANAGING DIRECTOR

N. RAJESHWAR REDDY
EXECUTIVE DIRECTOR