

BINNY



ANNUAL REPORT AND ACCOUNTS

MARCH 2006

BINNY LIMITED**ANNUAL REPORT****MARCH - 2006****(6 Months)**

Executive Chairman	DIRECTORS M. Ethurajan M. Nandagopal R. Narayanan S. Natarajan M. E. Shanmugam V. R. Venkataachalam Natarajan Nandhagopal Arvind Nandagopal K. Sundareswaran V. Rajasekaran
COMPANY SECRETARY	P. T. Dayanandan
BANKERS	State Bank of India Canara Bank
AUDITORS	CNGSN & Associates 20, Raja Street, T. Nagar, Chennai - 600 017.
REGISTERED OFFICE	106, Armenian Street, Chennai - 600 001.

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BINNY**TEXTILE DIVISION**

Manufacturing and marketing of wide range of cotton, silk, man-made fibre, blended fabrics and woollen blended fabrics like cotswool. Also manufacturing Angola for Defence Services

Mills at

Perambur
Chennai - 600 012.

Agraharam Road,
Bangalore - 560 023.

Regional
Sales Offices at

M-I, Court Chambers,
35, New Marine Lines
Mumbai - 400 020.

Ganga Plaza Building,
18/13, W.E.A. Pusa Lane,
Karol Bagh,
New Delhi - 110 005.

2B, Ganesh Chandra Avenue
Calcutta - 700 013.

Showrooms at

Bangalore, Calcutta
and Chennai

BINTEX DIVISION

Marketing of cotton, polyester blended, woollen fabrics and Hosiery other than manufactured / produced by the company

106, Armenian Street,
Chennai - 600 001.

SERVICES DIVISION**AGENCY**

Marketing of Engineering and miscellaneous products

106, Armenian Street,
Chennai - 600 001.

SHIPPING

Shipping, Stevedoring, Clearing & Forwarding Agents, Ship Manning & Management. Also operating Cold Storage Plant at Cochin

106, Armenian Street,
Chennai - 600 001.

Branches at

Visakhapatnam
and
Cochin

TRAVEL

IATA and ITDC approved Travel Agents

106, Armenian Street,
Chennai - 600 001.

CONTAINER FREIGHT STATION

Perambur,
Chennai - 600 012.

BINNY**NOTICE**

NOTICE IS HEREBY GIVEN THAT the THIRTY SEVENTH ANNUAL GENERAL MEETING of the Company will be held
 at 106 Armenian Street, Chennai 600 001
 on Thursday, the 31st August, 2006
 at 11.30 a.m.

to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006, the Profit and Loss Account for the 6 months period ended on that date, the Auditors' Report and the Directors' Report thereon.
2. To appoint a Director in place of Mr. M. Ethurajan, Executive Chairman, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. V.R.Venkataachalam, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. S. Natarajan, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. M.E.Shanmugam, who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint Statutory Auditors and fix their remuneration.

"RESOLVED that the retiring Auditors M/s. CNGSN & Associates, Chartered Accountants, Chennai be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration to be fixed by the Board of Directors of the Company."

Registered Office:
 106, Armenian Street
 Chennai 600 001
 26th May 2006

BY ORDER OF THE BOARD

P.T. Dayanandan
 Company Secretary

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NOTES:

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to vote instead of himself and such proxy need not be a Member. Proxy forms complete in all respects, should be deposited at the Registered office of the Company not later than 48 hours before the commencement of the Meeting.
2. The Register of members and the Share Transfer Books of the Company will remain closed from 29-08-2006 to 31-08-2006 (both days inclusive.)
3. Members are requested to intimate changes, if any in their registered address to the Company immediately.
4. In terms of Clause 49 of the Listing Agreement entered into with the Stock Exchanges, brief particulars of the Directors who are proposed to be re-appointed at this meeting are given below.

DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING REAPPOINTMENT:-

(In pursuance of Clause 49 of the Listing Agreement)

Name of the Director	Mr.M.Ethurajan	Mr.V.R.Venkataachalam
Date of Birth	21.01.1934	09.04.1960
Date of appointment	08.07.1987	11.01.1988
Qualification	Industrialist	Industrialist
Expertise in functional area	Textile, sugar and chemical	Textiles, Chemicals, and Medical.
Name of the Director	Mr.S.Natarajan	Mr.M.E. Shanmugam
Date of Birth	01.11.1947	14.04.1967
Date of appointment	11.01.1988	31.03.1993
Qualification	A.C.A.	M.B.A.
Expertise in functional area	Textile and Finance	Textile and Sugar

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Item No.2

Mr. M. Ethurajan, is the Chairman of M/s.Thirumagal Mills, M/s.S.V.Sugar Mills Limited and M/s. TCP Limited. He is also on the Board of several other companies. The details of his Directorship are as follows:-

Name of the Company	Position held
M/s.Thirumagal Mills Limited,	Chairman
M/s.S.V.Sugar Mills Limited	Chairman
M/s.TCP Limited.	Chairman
M/s.Binny Lorze Limited	Director
M/s.Mohan Breweries and Distilleries Limited.	Director
M/s.Meera Papers Limited.	Director
M/s.Udayar Investment & Consultancy Limited	Director
M/s. Orissa Sugar Limited.	Director
M/s. Mira Textiles and Ind. (India) Limited.	Director
M/s. Binny Engineering Limited.	Director

Mr.M. Ethurajan, is a Member of Share Transfer and Shareholders/Investors Grievance Committee..

Item No.3

Mr. V.R.Venkataachalam, Managing Trustee and Chancellor of Sri Ramachandra Educational and Health Trust.

Name of the Company	Position held
Egmore Benefit Society Limited	President
Indian Membership Benefit Fund Limited	President
TCP Limited	Managing Director
VRV Imports & Exports (P) Limited.	Director
Thiruvalluvar Textiles (P) Limited.	Director
The Thirumagal Mills Limited.	Director
Pennar Cotton Mills (P) Limited.	Director
Mohan Breweries and Distilleries Limited.	Director
Artos Breweries Limited.	Director
S.V.Sugar Mills Limited.	Director
Freezing Products Limited.	Director
Binny Engineering Limited.	Director
Binny Lorze Limited.	Director
New Horizon Sugar Mills Limited.	Director
Trivitron Medical System (P) Limited.	Director
Viceroy Chennai Hotels (P) Limited.	Director
TVRS Enterprises.	Director

Mr. V.R. Venkataachalam is not a Member of any Committee of the Company.

Item.No.4

Mr. S. Natarajan.

Name of the Company	Position held
Binny Lorze Limited	Director
Binny Engineering Limited	Director
Shriram industries (Wovensacks) Pvt.Ltd.,Pudukottai	Director
Karthikeya Laminations Inds Pvt.Ltd., Pudukottai	Director

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Sheethala Credit & Holdings Pvt., Ltd., New Delhi	Director
Calcom Credit & Holdings Pvt.Ltd., New Delhi	Director
Rajatchakra Credit & Holdings Pvt.Ltd., New Delhi	Director
Satlaj credit & Holdings Pvt.Ltd., New Delhi.	Director
Saranga Investments & Consultancy Pvt.Ltd.,	Director
Twentieth Century Apco Leasing (P)Ltd., Kolkatta.	Director
Shiram Properties (Pvt.) Ltd.,	Director
Alpha Energy Systems Limited.	Director
Leo Energy Corporation Limited, Chennai	Director

Mr. S. Natarajan is not a Member of any Committee of the Company.

Item No.5

Mr. M.E. Shanmugam, Managing Director of S.V.Sugar Mills Limited and Thirumagal Mills Limited. He is also on the Board of several other companies. The details of his Directorship are as follows:-

Name of the Company	Position held
Thirumagal Mills Limited	Managing Director
S.V. Sugar Mills Limited	Managing Director
TCP Limited	Director
Solan Mineral Waters (P) Limited	Director
Mohan Breweries & Distilleries Limited	Director
Binny Engineering Limited	Director
Pennar Cotton Mills Private Limited (Now known as M/s.Shiraj Cotton Mills P.Limited)	Director

Mr.M.E.Shanmugam, is a Member of Share Transfer and Shareholders/Investors Grievance Committee, Member of Audit Committee, Member of Assets Sale Committee, and Member of Management Committee.

Inspection of Documents :

The documents referred to in the Notice and explanatory Statement are available for inspection at the Registered of the Company on any working day between 10.00 a.m. to 12.00 noon up to the date of 37th A.G.M.

Registered Office:
106, Armenian Street
Chennai 600 001
26th May 2006

BY ORDER OF THE BOARD

P.T. Dayanandan
Company Secretary

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DIRECTORS' REPORT

Your Directors present the Thirty Seventh Annual Report and Audited Accounts of the Company for the 6 months period ended 31st March, 2006.

FINANCIAL RESULTS

	Rs. in Lakhs	
	2005-2006 (6 months)	2004-2005 (18 months)
Operating Profit / (Loss)	(19.46)	(324.41)
Interest and Finance Charges	—	—
Profit before Depreciation & Tax	(19.46)	(324.41)
Depreciation	50.28	161.60
Profit / (Loss) for the year	(69.74)	(486.01)
Add : Tax	3.50	—
	(73.24)	(486.01)
Extra ordinary Items	21.31	(3501.56)
Profit / (Loss) for the year	(51.93)	(3987.57)
Loss brought forward from previous year	(11268.86)	(7281.29)
Loss carried to Balance sheet	(11320.79)	(11268.86)

REVIEW OF OPERATIONS

TEXTILE DIVISION

B&C Mills

The textile mill continues to remain closed during the year under review also.

BWM Mills

Bangalore Woollen Mills Unit at Bangalore is not in operation since 11th March 2003 due to non-availability of working capital. The Management and Workers' Union of Bangalore Unit have had various bilateral talks as well as talks before the Deputy Labour Commissioner, Bangalore for the settlement of the pending issues. In the meanwhile, the Company has purchased 14.50 acres of land at Apparel Park, Doddabellapur, Bangalore, Karnataka for the purpose of shifting the Bangalore Silk Unit at a new place in terms of the Sanctioned Scheme of BIFR and Rs.252.02 Lakhs has been incurred towards cost of the land.

Consequent to the settlement under section 12 (3) of the I D Act reached between the Management and the Workers Union, majority of the workers have opted for VRS and got relieved from the services of the Company and their full and final settlement were made.

Real Estate Division

As per the Sanctioned Scheme of BIFR some of the Real Estate has to be disposed of in order to raise source of funds to meet the liabilities of the Company. However in view of the various constraints, the company could not do so. Therefore the Promoters of the Company had to bring funds more than Rupees 150 Crores. The company has settled dues of Secured Creditors and the workers' dues. (except to the workers who are occupying the Company's quarters).

Services Division

The performance of the Container Freight Service is satisfactory. Due to the prevailing market condition and paucity of working capital, the other Division has not been able to make a higher turnover.

Redemption of 1175812 9.75% Cumulative Redeemable Preference Shares of Rs.5/- each.

The 9.75% Cumulative Redeemable Preference Shares are due for redemption on or before 30.06.2006. The Board at its meeting held on 26.05.2006 has approved the redemption out of the proceeds of the fresh issue of shares from promoters.

BIFR

BIFR has passed a order dated 4.8.2005 without calling for an hearing of the company stating inter alia that the Company's Case No.48 of 1993 before the BIFR stands abated and the case would no longer be dealt with by the BIFR, especially as some of the Company's Assets said to have already been acquired by the Indian Bank under section 13 (4) of Securitisation and reconstruction of Financial Assets Securities Act, 2002 (SARFASI ACT). In fact, the Company has earlier settled the entire dues of Indian Bank well before the issue of said order of BIFR and obtained necessary no due certificate from the Indian Bank. Hence the Company after necessary legal consultation moved the Hon'ble High Court of Madras and obtained Interim Stay of operation of the said BIFR Order.

In the meanwhile the BIFR has once again suo moto issued Order dated 7.10.2005 which inter alia include that the Board (BIFR) has no longer any jurisdiction to deal with the case of Binny Limited including consideration of any fresh Revival Scheme for M/s.Binny Engineering Limited in isolation. The Company is proposing to file necessary application before Hon'ble High Court of Madras in this regard.

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As per the Audited accounts for the period ended 30.9.2005, the net worth of the company turned positive and therefore the Company submitted the same to the BIFR. The net worth of the Company as on 31.03.2006 continues to be positive.

DIRECTORS

Mr.M.Ethurajan, Executive Chairman, Mr. V .R.Venkataachalam, Mr.S.Natarajan, and Mr.M.E.Shanmugam Directors retire by rotation and offer themselves for re-appointment. Mr. M. Ethurajan, Executive Chairman, has, as in the past waived his remuneration for the period ended 31.3.2006.

Binny Engineering Limited (BEL)

The Audited Accounts for the six months period ended 31.3.2006 and other Reports of the Company as required under section 212 of the Companies Act is attached. The Binny Beach Engineering Workers Union (BBEWU) and the Management have signed before the Joint commissioner of Labour Chennai, a settlement under section 12(3) of the I.D. Act. 1947 on 17.4.2006 thereby all the members of their union have opted for VRS and got relieved from the services of the Company after receiving full and final settlement of their dues. Consequently the cases filed by Binny Beach Engineering Workers Union and its members against the Company have been duly withdrawn. The Bankers have insisted for one time Settlement of their dues and therefore the same has also been fully settled by the Company.

Statutory Requirements

As per the requirements of Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rule 1988, the information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are given in Annexure to this Report.

The particulars are required under Section 217 (2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules 1975 are not applicable as none of the employees is coming under the purview of this Section.

Directors' Responsibility Statement:

As required under Section 217 (2AA) of the Companies Act 1956 the Directors state as follows:

- i) That in the preparation of annual accounts for the 6 months period ended 31st March, 2006 the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the State of Affairs of the Company at the end of the 6 months period ended 31st March, 2006 and of the profit or loss of the Company for the said period under review.
- iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) that the Directors had prepared the accounts for the 6 months period ended 31st March, 2006 on a "going concern" basis.

Cost Auditor:

As per the reference made to the Central government by the Company for non-requirement of complying with the provision of Sec.233 (B) of the Companies Act 1956 since there is no production of the product "textile" under reference for cost audit for the financial years 2002-2003 and 2003 - 2004, the Central Government has granted exemption for the said period. The exemption for the year 2004-2005 is expected and for the Financial Year 2005-2006 necessary application is being submitted to Central Government.

Corporate Governance

The report on Corporate Governance forms part of Annexure to Directors Report.

Secretarial Audit

In terms of the provisions of listing agreement necessary secretarial Audit Report with regard to Reconciliation of Share Capital of the company and compliance certificate under clause 47C are being carried out at the specified period by a practising company secretary. The findings of the same were satisfactory.

Directors' clarifications to Auditors remark

A) Auditor's Report

In regard to the remarks in the Auditor's Report, your Directors wish to clarify as under:

- 4 (d) In future, as and when sale takes place from Stock-in-Trade Account the amount of unrealized income in earlier years as referred to in the Auditors Report will get nullified.
- (f) (i) Land and building held as Stock-in-Trade for the property are stated at market value as on 31st March 1996 and in the opinion of the Directors appropriate.
- (ii) Company is disputing the said liability and is taking the matter with the respective appropriate authorities.
- (iii) Investment in Binny Engineering Ltd. the wholly owned subsidiary of the Company, and the Loan to the Subsidiary is held on long term basis pending finalisation of the scheme / restarting of the unit.

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- (iv) The company has not provided for any possible impairment of loss in view of the company's plan to shift the Mills to a new location. As has been explained, the management is of the opinion that dues stated would be realized in the ordinary course of business. However, efforts are being made to confirm the balance in Sundry Creditors, Sundry Debtors, Loans and Advances and Deposit Accounts and unsecured Loans.

Attention is drawn to the auditors report that the net worth of the Company as at 31.03.2006 is positive after considering the above audit observations.

- 4 (g) The amount due to small scale and ancillary industries as at the close of the financial year is not material.

B. Annexure to the Auditors' Report:

- 1 (a) & (b) Efforts are being made for up-dating physical verification of fixed assets.
- 3 (e) Efforts are being made to confirm the balances.
6. The Company has approached BIFR for suitable directions for the said exemption.
7. Internal Audit System for the rest of the Company would be strengthened as and when the activity commences.
- 9 (a) The Company has approached the appropriate authorities for remitting the other outstanding dues in installments.

Auditors:

M/s. CNGSN & Associates, Chartered Accountants, Chennai 600 017 retire at the conclusion of this Annual General Meeting and are eligible for reappointment.

Acknowledgement

Your Directors acknowledge the co-operation and assistance extended by the Government of India, Government of Tamilnadu, Government of Karnataka, IDBI and Bankers and place on record their appreciation and gratitude to them. The Directors also thank the shareholders, employees, suppliers, and dealers for their continued co-operation.

By Order of the Board

M. ETHURAJAN
Executive Chairman

Chennai 600 001
26th May, 2006

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BINNY**ANNEXURE****FORM 'A'****A) Power and Fuel Consumption**

	Current Year		Previous Year	
	Chennai Mills	Bangalore Mills	Chennai Mills	Bangalore Mills
1. Electricity				
a) Purchased				
Units (lakhs)	1.12	Nil	2.90	Nil
Total amount (Rs. lakhs)	8.20	Nil	21.34	Nil
Rate/Unit Rs.	7.32	Nil	7.35	Nil
b) Own Generation				
i) Through Diesel Generator (Unit)	Nil	Nil	Nil	Nil
Unit per ltr of Diesel oil	Nil	Nil	Nil	Nil
Cost/Unit	Nil	Nil	Nil	Nil
ii) Through Steam	Nil	Nil	Nil	Nil
Turbine/Generator Units (lakhs)	Nil	Nil	Nil	Nil
iii) Units per ltr of fuel oil/Gas				
Cost/Unit	N.A.	N.A.	N.A.	N.A.
2. Coal (Specify quantity and where used)				
Qty. (Tonnes)	Nil	Nil	Nil	Nil
Total Cost (Rs. lakhs)	Nil	Nil	Nil	Nil
Average Rate (Tonnes)	Nil	Nil	Nil	Nil
3. Furnace oil				
Qty. (K. Ltrs)	Nil	Nil	Nil	Nil
Total amount (Rs. lakhs)	Nil	Nil	Nil	Nil
Average Rate (Rs.)	Nil	Nil	Nil	Nil
B. Consumption per unit of production				
Products (Textiles) (Lakh Mtrs)	Nil	Nil	Nil	Nil
Electricity Units/Mtrs	Nil	Nil	Nil	Nil
Coal Kg/Mtrs	Nil	Nil	Nil	Nil
Furnace oil (ltrs./Mtrs)	Nil	Nil	Nil	Nil

Form "B"

Technology Absorption

B & C Mills

— Since the Mills is not functioning, this is not applicable.

B W Mills

— Since the Mill is not functioning, this is not applicable

Conservation of Energy

— N.A.

Statement Pursuant To Section 212 of the Companies Act, 1956 Relating to Subsidiary Company

Name of the Subsidiary Company	Financial Year of the subsidiary ending on	Number of equity shares held by Binny Ltd. and / or its nominees in the subsidiary	Extent of holding	For financial year of the subsidiary		For the previous financial years since it became a subsidiary	
				Profits/(Loss) so far it concerns the members of the holding company and not dealt within the books of Accounts of the holding company.	Profits/(Loss) so far it concerns the members of the holding company and dealt within the books of Accounts of the holding company.	Profits/(Loss) so far it concerns the members of the holding company and not dealt within the books of Accounts of the holding company.	Profits/(Loss) so far it concerns the members of the holding company and dealt within the books of Accounts of the holding company.
Binny Engineering Ltd.	31.3.2006	60,00,000 Equity Shares of Rs. 10 each fully paid up	100%	Rs. Lakhs (191.88) after extra-ordinary items as on 31-03-2006		Rs. Lakhs (1619.77) after extra-ordinary items as on 30-09-2005	—

M. ETHURAJAN
Executive Chairman

M. Nandagopal
Director

P. T. Dayanandan
Company Secretary

Chennai
26th May 2006