

Balaji Distilleries Limited

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THE BALAJI GROUP



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M. SREENIVASULU REDDY
Chairman

*T*he Balaji Group is set on an uncompromising path. We shall explore diverse fields because the true entrepreneurial spirit is ever restless, seeking new pastures for innovation.

We shall endeavour to match rising expectations stride for stride always placing people first. The people who work with us, and the people who invest with us.

We shall follow only the principles of fair play, keeping quality in every facet of our operations uppermost in our minds.

We shall plough a lonely furrow in our quest for leadership. After all, eagles do not fly in flocks.

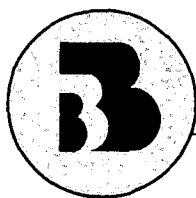
They soar above in solitary splendour.

A handwritten signature in black ink, appearing to be 'MSR' followed by a flourish.

M SREENIVASULU REDDY
Chairman
The Balaji Group

BALAJI DISTILLERIES LTD.**THIRTEENTH ANNUAL REPORT**

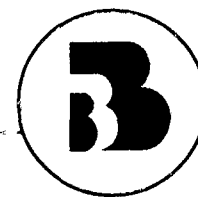
Board of Directors	Mr.M. Sreenivasulu Reddy
	Managing Director
	Mr. Navratan Dugar
	Mr.R. Subramanian
	Mr.R. Ganesan
	Mr.R.K. Rath (Nominee of ICICI Ltd.)
Company Secretary	Mr.B.P. Mishra (Nominee of IFCI Ltd.)
	Mr.S.S. Venkitachalam
Auditors	M/s.P.A. Reddy & Co. Chartered Accountants Nellore - 524 001.
Bankers	Bank of Baroda
	State Bank of India
	Global Trust Bank Ltd.
	HDFC Bank Ltd.
	IndusInd Bank Ltd. ICICI Banking Corpn. Ltd.
Registered Office	16/1600, Ramamurthy Nagar Nellore - 524 003
Distillery	By-Pass Road Poonamallee Chennai - 600 056
Brewery Project	Aranvoyal Village Tiruvallur Taluk Near Chennai Tamil Nadu
Corporate Office	9, Bazullah Road T.Nagar Chennai - 600 017



BALAJI DISTILLERIES LTD.

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BALAJI DISTILLERIES LTD.

NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting of **BALAJI DISTILLERIES LIMITED** will be held at Raghava Kalyana Mandapam, 8/512, Ranganayakulapeta, Nellore - 524 001 on Monday, the 29th September, 1997 at 10.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the financial year ended on 31st March, 1997, the Balance Sheet as at that date and report of the Directors and the Auditors thereon.
2. To declare dividend on Preference Shares and Equity Shares.
3. To appoint a Director in the place of Mr. Navratan Dugar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

"RESOLVED THAT Mr.R. Subramanian, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

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

"RESOLVED THAT Mr.R. Ganesan, be and is hereby appointed as a Director of the

Company whose period of office shall be liable to determination by retirement of Directors by rotation."

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

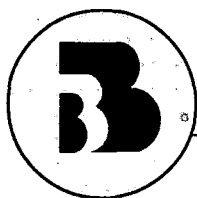
"RESOLVED THAT the consent of the Company pursuant to Section 293(1) (a) of the Companies Act, 1956 be and is hereby given to the Board of Directors to sell the Company's Ships, Viz., 'Balaji Premium' and 'Balaji Vintage' together with accessories, for such consideration and on such terms and conditions as the Board may in its discretion deem fit and in the interest of the Company"

"RESOLVED FURTHER that the consent of the Company be and is hereby given to the Board of Directors to acquire ships of younger age for such price and other conditions as the Board may in its discretion deem fit and in the interest of the Company."

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to give such ships on lease and/or for managing the ships for such lease consideration, terms and conditions, period of lease/management as the Board may deem fit in its discretion and in the interest of the Company."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to take all steps and actions as are considered necessary to give effect to the foregoing resolutions."

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



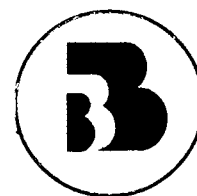
BALAJI DISTILLERIES LTD.

“RESOLVED THAT pursuant to Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to all norms, guidelines, regulations in force and statutory approvals as may be necessary, consents, permissions and/or sanctions of the Government of India, Reserve Bank of India, Securities and Exchange Board of India, Stock Exchange(s) and all other appropriate authorities, institutions or bodies and subject to such conditions as may be prescribed by them in granting any such approval, consents, permission or sanctions (hereinafter referred to as “the Requisite Approvals”), the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any committee of Directors which the Board may have constituted or hereafter constitute to exercise its powers including the powers conferred by this resolution) be authorised on behalf of the Company, to issue and allot, in the course of National/International offerings on private placement basis, rights basis or otherwise in Indian/one or more foreign markets, Equity Shares, Cumulative or Non-Cumulative Preference Shares, Debentures, Bonds, debt instruments and/or securities convertible into Equity Shares at the option of the Company and/or the holders of the securities linked to Equity Shares and/or non-convertible securities with or without detachable/non-detachable warrants/notes with a right exercisable by the warrants/notes holder to subscribe for Equity Shares at such price and manner and during such period as the Board may decide, and/or any instruments or securities representing Equity Shares or convertible securities either through Global Depository Receipt mechanism/ American Depository Receipt mechanism/ Eurobonds/notes etc. or by an issue to or by private placement with foreign/Indian investor(s) including institutional investors, banks, Non-

Resident Indians, and Overseas Corporate Bodies, and/or Foreign Institutional Investors, whether members of the Company or not, subject to the Memorandum of Association of the Company through prospectus and/or offering letter of circular and/or private placement basis for an amount (inclusive of such premium as may be determined) not exceeding Rs.750 crores or equivalent thereof in any other currency(ies), such issue and allotment to be made at such time or times, in such tranche(s), at such price or prices (including at a discount or premium to market price or prices) and in such manner as are in conformity with any guidelines or directions or norms, statutory or otherwise and as may be finalised by the Board, in consultation with the Lead Managers and/or underwriters and/or other Advisors, and otherwise on such terms and conditions as may be decided and deemed appropriate by the Board”.

“RESOLVED FURTHER that without prejudice to the generality of the above, the securities may have all or any terms or combination of terms in accordance with Indian/International norms/ practice including but not limited to terms and conditions in relation to payment of interest, additional interest, premia on redemption, prepayment and any other debt service payment whatsoever, besides terms as to security if any, to be created for any of the securities with such ranking as the Board may determine and including terms for issue of additional Equity Shares or variation of the conversion price of the security during the duration of the securities.”

“RESOLVED FURTHER that the Board be authorised to enter into and execute all such arrangements with one or more Lead Manager(s), Manager(s), Banker(s), Broker(s), Underwriter(s), Guarantor(s), Depository(ies), Custodian(s), Trustee(s) and all such agencies as may be

BALAJI DISTILLERIES LTD.

involved or concerned in such offering of securities and to remunerate all such institutions and agencies by way of commission, brokerage, fees or the like, and also to seek the listing of such securities in one or more International Stock Exchange and/or The National Stock Exchange/ Stock Exchanges in India."

"RESOLVED FURTHER that the Company and/ or an agency or body authorised by the Board may issue Depository Receipts representing the underlying Equity Shares in the Capital of the Company or such other securities in registered or bearer form with such features and attributes as are prevalent in Indian/International Capital Markets for instruments of this nature and providing for the tradeability or free transferability thereof as per Indian/International norms, practices and regulations and under the forms and practices prevalent in Indian/ International Markets."

"RESOLVED FURTHER that the Board be authorised to issue and allot such number of Equity Shares as may be required to be issued and allotted directly or upon conversion of any securities or as may be necessary in accordance with the terms of offering all such shares ranking 'Pari Passu' with the existing Equity Shares of the Company in all respects, excepting the right to dividend as may be declared in the financial year in which such Equity Shares are issued shall be in proportion to the amount paid-up on such shares and pro-rata for the period during which

such amount paid-up thereon."

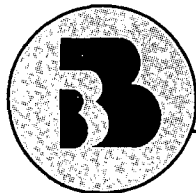
"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to determine the terms of payment, issue price, premium/discount, interest on Debentures and/or Bonds and/or other securities."

"RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board be authorised on behalf of the Company to accept and make, in the interest of the Company, all such modifications, and alterations to the terms and conditions concerning any aspect of the issue including increases or decreases in the aggregate value of the issue, retention of over-subscription, rate of premium/discount, interest or other charges payable or any other matter as may be considered necessary or expedient and/or as may be specified in the Requisite Approvals and to take all such actions as may be necessary or desirable to effect such modifications and alterations and to do all such acts, deeds, matters and things as it may at its discretion deemed necessary or desirable for such purpose including without limitation the entering into of underwriting, marketing, depository and custodian/trustees/agents arrangements with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in regard to the offer, issue and allotment of the Equity Shares/securities as it may in its absolute discretion deemed fit."

By order of the Board

S.S. VENKITACHALAM
Company Secretary

Registered Office :
16/1600, Ramamurthy Nagar
Nellore - 524 003
Dated : 27th June, 1997



BALAJI DISTILLERIES LTD.

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. A proxy need not be a member.
2. The instruments appointing proxy in order to be effective should be lodged at the Registered Office of the Company not less than 48 hours before the meeting.
3. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the special business set out in the Notice is annexed.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 24.09.1997 to 29.09.1997 (both days inclusive).
5. Dividend, if approved, will be paid to those members whose names appear on the Register of Members of the Company on 29.09.1997.
6. Members are requested to notify immediately any change in their address.
7. Members are requested to send queries, if any, on the accounts, at least seven days prior to the date of the meeting, so that the information can be made available at the meeting.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item Nos. 5&6 :

The Board appointed Mr.R. Subramanian and Mr.R. Ganesan as Additional Directors on 28th November, 1996 in accordance with the requirement of the financial institutions to broaden the Company's Board.

Mr.R. Subramanian is an eminent Chartered Accountant with vast experience and his advice and guidance will be of great advantage to the Company.

Mr.R. Ganesan is a retired Commissioner of Income Tax and he had held various positions in the Income Tax Department before retirement. The Company would greatly benefit by his advice and guidance.

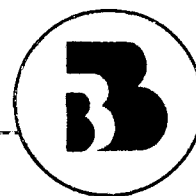
They hold office only upto the date of the 13th Annual General Meeting. The Company has received notices from members proposing their candidature for the office of the Director of the Company alongwith necessary deposit, as required by Sec.257 of the Companies Act,

1956. The Board recommends their appointment as Directors in the best interest of the Company.

Mr.R. Subramanian and Mr.R. Ganesan may be deemed to be interested in the respective resolutions.

Item No.7

The Company has two ships namely 'Balaji Premium' and 'Balaji Vintage' and they are 14 and 15 years old respectively. Both the vessels have so far done well since the Company acquired the same. The Shipping Division of the Company could do well if the afore-said vessels are replaced by younger vessels. The Board needs to be authorised in terms of Sec.293(1)(a) of the Companies Act, 1956 to sell the said ships and to acquire younger vessels in replacement of the present ships. The Company could also think of giving the replacement ships on lease and/or management basis for which the Company has offers. Some of the Financial Institutions have

BALAJI DISTILLERIES LTD.

in principle agreed to extend financial assistance for acquisition of younger vessels.

The Board of Directors commend the ordinary resolution for adoption by the members. None of the Directors of the Company is interested in this resolution.

Item No. B

The Shareholders passed a special resolution under section 81(1A) of the Companies Act, 1956, authorising the Board to raise Rs.500 crores by way of public issue of shares/debentures, bonds and/or securities either in Indian and/or in one or more foreign markets at an appropriate time, at the Twelfth Annual General Meeting held on 31st August, 1996. The said issue did not materialise as the capital market was not responsive. The

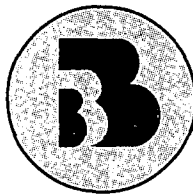
situation is expected to change in the coming months and your Directors feel that the issue can be taken up at an appropriate time for raising funds to meet the capital expenditure in setting up the Brewery, acquisition of replacement vessels, investment in Sugar and Power projects being contemplated by the Company and for restructuring working capital needs. As the resolution passed on 31st August, 1996 has become outdated the Directors recommend adopting this resolution afresh at this meeting, increasing the limit of issue to Rs.750 Crores.

The Directors of the company may be deemed to be interested in the resolution to the extent of the Equity Shares, debentures, bonds and/or other securities that may be taken up and allotted to them in the said issue.

By order of the Board

S.S. VENKITACHALAM
Company Secretary

Registered Office :
16/1600, Ramamurthy Nagar
Nellore - 524 003
Dated : 27th June, 1997



BALAJI DISTILLERIES LTD.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Thirteenth Annual Report and the audited accounts of the Company for the financial year ended 31st March, 1997.

1. PERFORMANCE HIGHLIGHTS

Your Company's performance during the year 1996-97 has been satisfactory. The gross income has been Rs. 413.20 crores as against the income of Rs.370.07 crores in the previous financial year 1995-96.

2. SUMMARY OF FINANCIAL RESULTS

A. Earnings

	Rs. in Crores	
	1996-97	1995-96
1. Profit before depreciation	41.72	38.61
2. Less : Depreciation	10.36	7.90
3. Profit before tax (PBT)	31.36	30.71
4. Provision for tax	4.65	-
5. Profit after tax (PAT)	26.71	30.71
6. Excess provision written back	0.47	0.02
7. Surplus brought forward from previous year	9.40	8.12
8. Amount available for appropriation	36.58	38.85

B. Appropriation

1. Proposed dividend	4.21	2.44
2. Wealth Tax & Income Tax for earlier years	0.31	0.02
3. Transfer to general reserve	18.00	27.00
4. Surplus carried forward	14.06	9.39
	36.58	38.85

3. OPERATING RESULTS

During the financial year under review, your Company achieved a production of 33,25,600 cases of Indian Made Foreign Liquor (31,10,622 cases in 1995-96) and sold 33,18,176 cases (30,94,450 cases in 1995-96) generating a revenue of Rs. 365.80 crores (Rs.338.33 crores in 1995-96). The Shipping Division registered a turnover of Rs.23.88 crores (Rs.24.53 crores in the year 1995-96).

4. PROJECTIONS Vs PERFORMANCE

The projections of your Company for the financial year 1996-97 as indicated in the offer for sale of Equity Shares dated 27th June, 1994 and the actual performance in the said financial year are as under :

	Rs. in Crores	
	Projections	Performance
Gross Turnover	382.65	389.68
PBDIT	49.34	61.34
Depreciation	7.99	10.36
Interest	10.08	19.62
Profit Before Tax	31.28	31.36
Profit After Tax	23.77	26.71
Earnings per Share* (Rs.)	26.41	16.96
Equity Capital	9.00	18.00
Reserves & Surplus	65.88	90.72
Net Worth	74.87	108.72
Book Value per Share (Rs.)	83.18	60.40

* Weighted

5. SHARE CAPITAL/FINANCE

The Company had issued 9,00,000 Zero Interest Fully-paid Debentures of Rs.200/- each to the promoters of the Company on 2nd April, 1993. At the meeting of the Debenture holders held on