

Balaji Distilleries Limited

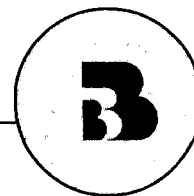
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ANNUAL REPORT

1997-98

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BALAJI DISTILLERIES LTD.

FOURTEENTH ANNUAL REPORT

Board of Directors

M.Sreenivasulu Reddy
Managing Director

Navratan Dugar

R. Subramanian

R. Ganesan

R. K. Rath
(Nominee of ICICI Ltd.)P.K. Sengupta
(Nominee of IFCI Ltd.)General Manager - Finance
and Company Secretary

S.Nagarajan

Auditor

P.A. Reddy & Co.
Chartered Accountants
Nellore 524 001

Bankers

Bank of Baroda
Global Trust Bank Ltd.

Registered Office

16/1600, Ramamurthy Nagar
Nellore - 524 003

Distillery

By-Pass Road
Poonamallee
Chennai - 600 056

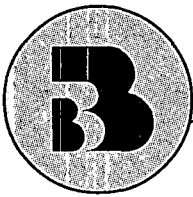
Brewery Project

Aranvoyal Village
Tiruvallur - 602 025
Tamil Nadu

Corporate Office

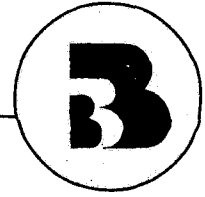
9,Bazullah Road
T.Nagar
Chennai - 600 017

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	NA		AC	✓
AGM	✓		SHI	✓
YE	✓			✓

**BALAJI DISTILLERIES LTD.**

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BALAJI DISTILLERIES LTD.

NOTICE

Notice is hereby given that the Fourteenth Annual General Meeting of BALAJI DISTILLERIES LIMITED will be held at Raghava Kalyana Mandapam, 8/512, Ranganayakupeta, Nellore - 524 001 on Monday, the 28th September, 1998 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, 1998, 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. M.Sreenivasulu Reddy, 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 a special resolution:

“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 Noncumulative 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/



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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.”

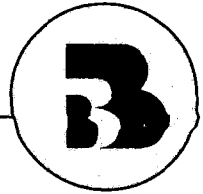
“**RESOLVED FURTHER** that the Board be authorised to enter into and execute all such arrangements with one or more Lead Manager(s), Manager(s), Banker(s), Broker(s), Underwriter(s), Guarantor(s), Depository(ies), Custodian(s), Trustee(s) and all such agencies as may be involved or concerned in such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

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“**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.”

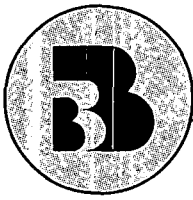
6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

“**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, lease, transfer and by/or otherwise dispose off the Company’s Ships namely “Balaji Vintage” and “Balaji Premium” together with accessories, for such consideration and on such terms and conditions and in such form and in such manner as the Board of Directors of the Company may in its discretion deem fit in the interest of the Company, with full power and authority to the Board of Directors to do all such acts as may be necessary to implement this resolution.”

By Order of the Board

S. NAGARAJAN
General Manager - Finance and
Company Secretary

Registered Office:
16/1600, Ramamurthy Nagar
Nellore - 524 003
Date : 27th June, 1998



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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 instrument 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 23.09.1998 to 28.09.1998 (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 28.09.1998.
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 NO.5 :

The Shareholders passed a special resolution under section 81(1A) of The Companies Act, 1956, authorising the Board to raise Rs.750 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 Thirteenth Annual General Meeting held on 29th September, 1997. 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 vessels, investment in Power and Brewery Projects being contemplated by the Group and for restructuring working capital needs. As the resolution passed on 29th September, 1997 has become outdated the Directors recommend adopting this resolution afresh at this meeting.

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.

ITEM NO. 6:

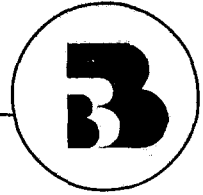
The Company has two Ships namely 'Balaji Premium' and 'Balaji Vintage' which are 15 and 16 years old respectively. The vessels have so far done well since they were acquired by the Company. The Board is contemplating selling/leasing/transferring/otherwise disposing off the Company's Ships. The Board needs to be authorised in terms of Sec.293(1)(a) of the Companies Act, 1956 to sell or lease or transfer or otherwise dispose off the said Ships.

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

By Order of the Board

S. NAGARAJAN
General Manager - Finance and
Company Secretary

Registered Office:
16/1600, Ramamurthy Nagar
Nellore - 524 003
Date : 27th June, 1998

BALAJI DISTILLERIES LTD.**DIRECTORS' REPORT TO THE SHAREHOLDERS**

Your Directors have pleasure in presenting the Fourteenth Annual Report and the audited accounts of the Company for the financial year ended 31st March, 1998.

1. PERFORMANCE HIGHLIGHTS

Your Company's performance during the year 1997-98 has been satisfactory. The gross income has been Rs. 468.86 crores as against the income of Rs.413.11 crores in the previous financial year 1996-97.

2. SUMMARY OF FINANCIAL RESULTS**A EARNINGS**

	Rs. in Crores	
	1997-98	1996-97
1. Profit before depreciation	36.65	41.72
2. Less: Depreciation	10.41	10.36
3. Profit before tax (PBT)	26.24	31.36
4. Provision for tax	3.54	4.41
5. Profit after tax (PAT)	22.70	26.95
6. Excess provision written back	0.39	0.47
7. Surplus brought forward from previous year	14.06	9.39
8. Amount available for appropriation	<u>37.15</u>	<u>36.81</u>

B. APPROPRIATION

1. Proposed dividend	3.74	4.21
2. Wealth Tax & Income Tax for earlier years	0.01	0.30
3. Dividend Tax	0.41	0.24
4. Transfer to general reserve	18.00	18.00
5. Surplus carried forward	14.99	14.06
	<u>37.15</u>	<u>36.81</u>

3. OPERATING RESULTS

During the financial year under review, your Company achieved a production of 32,90,636 cases of Indian Made Foreign Liquor (33,25,600 cases in 1996-97) and sold 33,06,015 cases (33,18,176 cases in 1996-97) generating a revenue of Rs.424.87 crores (Rs.365.80 Crores in 1996-97).

The Shipping Division registered a turnover of Rs.22.24 crores (Rs.23.88 crores in the year 1996-97).

4. SHARE CAPITAL/FINANCE

Your Company proposes to raise additional funds during the current financial year not only to augment the resource base but also to finance the Brewery Project, replacement of Company's Ships and Investment in Power and Brewery projects.

5. DIVIDEND

Your Board recommends a dividend of 10 % on the paid-up equity share capital of 1,80,00,000 Equity Shares and 19.5% on Preference Shares for the financial year ended 31st March, 1998.

6. TAXATION

Taxation matters have been dealt with in Notes on Accounts for the financial year ended 31st March, 1998.

7. YEAR AHEAD

Your Company continues to enjoy a dominant position in Tamil Nadu in respect of Indian Made Foreign Liquor business. Barring unforeseen circumstances, the Company expects to do well in this line of business.

The outlook for the Shipping Division in the current year is expected to be better than the year ended on 31st March, 1998.

8. BREWERY PROJECT

The Civil works have been completed. The mechanical work is nearing completion. Shipments



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of certain imported Plant and Machinery are being delayed. The Company is taking action for reducing further delays. The Brewery is expected to go into production by February, 1999, taking into consideration the arrival of imported machinery and its erection.

9. DIRECTORS

Mr. M. Sreenivasulu Reddy retires by rotation at the forthcoming Annual General Meeting and being eligible, he offers himself for re-appointment.

Mr. P.K. Sengupta was appointed as a director of the Company on 29.09.1997, nominated by IFCI Limited in the place of Mr.B.P. Mishra. The Board records its appreciation for the valuable advice and guidance given by Mr. B.P. Mishra to the Company during the tenure of his office.

10. PERSONNEL

The Company continues to enjoy cordial relations with employees of all categories. The Board records its appreciation of the excellent work put in by the employees at all levels.

11. PARTICULARS OF EMPLOYEES

Particulars of employees drawing remuneration attracting Provisions of Section 217 (2A) of The Companies Act, 1956 during the financial year 1997-98 are annexed.

12. CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, FOREIGN EXCHANGE EARNING ETC. (SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956)

The Company has fully absorbed the technology used in the manufacture of the Company's products under the supervision of the Company's Principals. Except for the normal quality control activities no research and development has been carried out. The Company has earned foreign exchange equivalent to Rs.8.77 Crores and spent foreign exchange equivalent to Rs.10.87 Crores as against Rs.10.13 Crores and Rs.9.78 Crores respectively in the previous year 1996-97.

13. AUDITORS

M/s. P.A. Reddy & Co., Chartered Accountants, Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Auditors have furnished a certificate regarding their eligibility for their re-appointment as Company's Auditors pursuant to sec 224 (1) of The Companies Act, 1956. The Board recommends their re-appointment.

14. ACKNOWLEDGEMENT

Your Directors wish to express their sincere thanks for valuable assistance extended by the Government of Tamilnadu, Ministry of Surface Transport, The Director General of Shipping, The Mercantile Marine Department, Reserve Bank of India, ICICI Ltd., IFCI Ltd., and Bankers to the Company.

On Behalf of the Board

M. SREENIVASULU REDDY
Managing Director

Place : Chennai
Date : 27th June, 1998