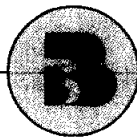


B A L A J I
DISTILLERIES
L I M I T E D

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17th
ANNUAL
REPORT
2000-2001



BALAJI DISTILLERIES LIMITED

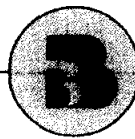
SEVENTEENTH ANNUAL REPORT

Board of Directors	Mr M. Sreenivasulu Reddy Managing Director
	Mr. S.V. Sessa Reddy (Alias) Mr S.V. Sudhakar Reddy
	Mr. V. Chandra Sekhara Reddy
	Mr. S. Srinivasan (Nominee of ICICI Ltd.)
	Mr. T.K. Subramanian (Nominee of IFCI Ltd.)
Auditor	Ms. P.A. Reddy & Co. Chartered Accountants Nellore 524 001
Bankers	Bank of Baroda Indian Overseas Bank
Registered Office	16/1600, Ramamurthy Nagar Nellore - 524 003 Andhra Pradesh
Distillery	By-Pass Road Poonamallee Chennai - 600 056 Tamilnadu
Brewery Project	Mount Thiruvalluvar High Road Aranvoyal Village Chengai MGR District Pin- 602 025 Tamil Nadu
Corporate Office	9,Bazullah Road T.Nagar Chennai - 600 017 Tamilnadu
Registrar and Share Transfer Agent	Cameo Corporate Services Ltd. "Subramanian Building" No.1, Club House Road Chennai - 600 002.

**CONTENTS**

	Page
NOTICE	3
DIRECTORS' REPORT	6
AUDITORS' REPORT	10
BALANCE SHEET	14
PROFIT & LOSS ACCOUNT	15
SCHEDULES TO ACCOUNTS	16
BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE	30
CASH FLOW STATEMENT	31

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**BALAJI DISTILLERIES LIMITED****NOTICE OF THE SEVENTEENTH ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Seventeenth Annual General Meeting of BALAJI DISTILLERIES LIMITED will be held at Raghava Kalyana Mandapam, 8/512, Ranganayakupeta, Nellore 524 001, on Friday, the 28th September, 2001, at 9.45 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 31st March, 2001, the Balance Sheet as at that date and report of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Shri. S V Sesa Reddy (Alias) Shri S V Sudhakar Reddy, who retires

by rotation and being eligible, offers himself for re-appointment.

3. To appoint Auditors and authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT Shri V Chandrasekhara Reddy, be and is hereby appointed as Director of the Company."

By Order of the Board

Place : Chennai
Date : 31st July, 2001

M. SREENIVASULU REDDY
Managing Director

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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 on a poll instead of himself and such proxy need not be a member of the Company.
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. A blank proxy form is enclosed.
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 21.09.2001 to 28.09.2001 (both days inclusive).
5. Members who hold shares in dematerialised form, are requested to bring their depository account number (client ID No.) for easier identification and recording of attendance at the meeting.
6. Dividends declared upto the financial year ended 31.03.1995 and unclaimed have been transferred to the General Revenue Account of the Central Government as per the provisions of Section 205A of the Companies Act, 1956.
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.

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**BALAJI DISTILLERIES LIMITED**

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

ITEM NO.4 :

Shri V Chandrasekhara Reddy, was appointed as an Additional Director by the Board of Directors on 29th June, 2001. He holds office only upto the date of the Seventeenth Annual General Meeting. Shri V. Chandrasekhara Reddy is a Chartered Accountant and has about 10 years of experience in Finance, Accounts and Management. The Board is of the opinion that his appointment as Director would be beneficial to the Company.

Notice has been received under Section 257 of the Companies Act, 1956 from a member of his intention to propose the candidature for directorship of Shri V Chandrasekhara Reddy. This may also be treated as individual notice under Section 257 (1A) of the Companies Act, 1956.

Your Directors recommend this resolution for approval.

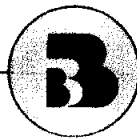
None of the Directors except Shri V Chandrasekhara Reddy, is interested in the resolution.

By Order of the Board

Place : Chennai
Date : 31st July, 2001

M. SREENIVASULU REDDY
Managing Director

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BALAJI DISTILLERIES LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Seventeenth Annual Report and the Audited Accounts of the Company for the financial year ended 31st March, 2001.

1. PERFORMANCE HIGHLIGHTS

Your Company earned a gross revenue of Rs.560.91 Crores during the year 2000-2001 as against the income of Rs.575.59 Crores in the previous financial year 1999-2000.

2. SUMMARY OF FINANCIAL RESULTS

A. EARNINGS

	Rs. in Crores	
	2000-2001	1999-2000
1. Profit/(Loss) before depreciation	(60.12)	18.37
2. Less: Depreciation	9.14	10.84
3. Profit/(Loss) before tax	(69.26)	7.53
4. Provision for tax	—	0.90
5. Profit/(Loss) after tax	(69.26)	6.63
6. Prior period adjustment	—	0.23
7. Surplus brought forward from previous year	10.75	11.40
8. Amount available for appropriation	(58.51)	18.26

B. APPROPRIATION

1. Proposed dividend	—	4.61
2. Wealth Tax & Income Tax for earlier years	0.23	0.88
3. Dividend Tax	—	1.02
4. Transfer to general reserve	—	1.00
5. Surplus/(Deficit) carried forward	(58.74)	10.75
	(58.51)	18.26

3. OPERATING RESULTS

During the financial year under review, your Company achieved a production of 33,87,379 cases of Indian Made Foreign Liquor (35,33,500 cases in 1999-2000) and sold 33,72,725 cases (35,76,355 cases in 1999-2000) generating a revenue of Rs.541.94 crores (Rs.549.10 crores in 1999-2000).

The Shipping Division registered a turnover of Rs.12.50 crores (Rs.18.98 crores in the year 1999-2000).

The lease income amounted to Rs.6.47 crores (Rs7.51 crores in the year 1999-2000).

Your Company has earned a profit of Rs.20.13 crores before interest, depreciation, extra ordinary items and tax. After taking into account interest, depreciation, extra-ordinary items and tax the net loss for the year amounted to Rs.69.26 crores.

A major part of this loss has been on account of the extra ordinary items viz., loss on sale of the Company's ships amounting to Rs.31.18 crores.

4. SHARE CAPITAL

During the year under review, the paid-up equity share capital of the company has increased from Rs.36 crores to Rs.41.02 crores on account of allotment of shares made on 8th September, 2000 and issue of bonus shares on 5th January, 2001 to Unit Trust of India pursuant to conversion of Fully Convertible Debentures into Equity Shares, in accordance with the subscription agreement.

Your Company has redeemed 1,00,00,000 - 19.5% Cumulative Redeemable Preference Shares of Rs. 10/- each aggregating to Rs. 10 crores.

Also 40,00,000 Equity Shares have been allotted to ICICI Limited on 29th June 2001, on account of conversion of a part of their outstanding loan into equity.

5. FINANCE

Your Company proposes to raise additional funds to augment the working capital and long term requirements of the Brewery Project.

6. DIVIDEND

As the operations of the Company in the current year have resulted in a loss, your directors do not recommend any dividend for the year 2000-2001.

7. YEAR AHEAD

Your Company continues to enjoy a significant market share in Tamil Nadu in respect of Indian Made Foreign Liquor. Barring unforeseen circumstances, the Company expects to do well in this line of business, in the coming year.

The brewery project is expected to commence its commercial operation in the last quarter of the present financial year.

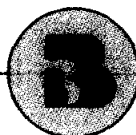
Your Company is contemplating financial restructuring and towards achieving this, your Company is discussing with Financial Institutions / Banks.

8. DIRECTORS

Shri. S V Seshu Reddy (Alias) S V Sudhakar Reddy retires by rotation at the conclusion of the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Shri V Chandrasekhara Reddy was appointed as an Additional Director by the Board of Directors at its meeting held on 29th June, 2001.

Shri. N Sivaraman was appointed as a director of the Company on 31st July, 2000, nominated by IFCL Limited in the place of Shri Rakesh Kapoor. Then Shri. T.K.Subramanian was appointed as a director of the company on 31st July, 2001, nominated by IFCL Limited in the place of Shri. N Sivaraman.



BALAJI DISTILLERIES LIMITED

The Board records its appreciation for the valuable advice and guidance given by Shri Rakesh Kapoor and Shri. N Sivaraman, to the Company during the tenure of their office as Nominee Directors of the Company.

Shri. Sanjay Kumar Maheshka was appointed as a director of the Company on 31st January, 2001, nominated by ICICI Limited in the place of Shri R K Rath. Then Shri. S. Srinivasan was appointed as a director of the company on 29th June, 2001, nominated by ICICI Limited in the place of Shri. Sanjay Kumar Maheshka. The Board records its appreciation for the valuable advice and guidance given by Shri R K Rath and Shri. Sanjay Kumar Maheshka, to the Company during the tenure of their office as Nominee Directors of the Company.

9. 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.

10. PARTICULARS OF EMPLOYEES

Particulars of employees drawing remuneration attracting Provisions of Section 217 (2A) of the Companies Act, 1956 during the financial year 2000-2001 is annexed.

11. CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, FOREIGN EXCHANGE EARNINGS 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. During the year the Company has earned foreign exchange equivalent to Rs.10.58 Crores and spent foreign exchange equivalent to Rs.5.86 Crores as against Rs.18.98 Crores and Rs.14.48 Crores respectively in the previous year 1999-2000.

12. 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 (1B) of the Companies Act, 1956. The Board recommends their re-appointment.

13. STOCK EXCHANGES

The Company's Shares are listed in the following Stock Exchanges –

1. The Hyderabad Stock Exchange Limited
2. The Stock Exchange, Mumbai
3. The Madras Stock Exchange Limited

There is no amount due to any of the Stock Exchanges on account of Annual Listing Fees.

14. QUALIFICATIONS OF THE AUDITORS

With respect to the Auditors' qualification in Clause (ii) (e) of the Auditors Report on the accounts of the Company for the financial year ended 31st March, 2001,

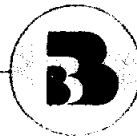
1. The Company has revised its valuation of closing stock as per the Accounting Standard-2 issued by the Institute of Chartered Accountants of India. Your Company has adopted a conservative policy in valuing the stocks.
2. In the opinion of the Company the Book Debts exceeding 3 years are good. However, the Company is in the process of ascertaining the recoverability of Book Debts and would consider making provision in the current year, if found necessary.
3. Your Company is of the opinion that the advances are good and are fully recoverable either by way of repayment/ rendering of materials/services. However your Company is in the process of ascertaining the recoverability of such advances and would consider making provision, if found necessary, in the current year.
4. The quoted investments held by the Company are long term in nature and any short-term fluctuations in the market value of investments are not being considered. Any profit/loss arising out of the sale of investments will be accounted for on realisation basis.
5. Your Company has taken up negotiations for waiver/ concessions in interest/principal in respect of some loans from Banks/Financial Institutions/other lenders where payment of interest/principal is in arrears. As your Company is confident of obtaining such waivers/ concessions, no provision has been made for interest/ charges on such loans/debentures.
6. Your Company is in the process of gathering the information regarding the constitution of its creditors. As this exercise is still not over it was not possible to furnish details of dues if any to SSI units pending for more than 30 days as on the date of Balance Sheet.
7. Your Company has obtained confirmation of balances from a significant part of its debtors, creditors, banks and financial institutions and is in the process of following up the cases where such confirmation is pending/not received.

15. CORPORATE GOVERNANCE

The provisions of Clause 49 of the listing agreement on Corporate Governance are applicable to your Company from this financial year 2001-2002. Your Company will be implementing these requirements so as to ensure full compliance by 31st March, 2002.

16. DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :



BALAJI DISTILLERIES LIMITED

- (i) that in the preparation of the Annual Accounts for the year ended 31st March, 2001, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the accounting policies implemented by the Company have been applied consistently, judgements and estimates have been reasonable and prudent thereby giving a true and fair view of the state of affairs of the Company at the end of the year and of the profit and loss of the Company for the year under review;
- (iii) that the Directors have 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 annual accounts were prepared for the year ended 31st March, 2001 on a 'going concern' basis.

17. AUDIT COMMITTEE

As required under the provisions of Section 292 A of the Companies Act, 1956, the Company has constituted an Audit Committee.

18. ACKNOWLEDGEMENT

The 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., UTI, IDBI and Bankers to the Company.

For and on behalf of the Board

Place: Chennai
Date : 31st July, 2001

M SREENIVASULU REDDY
Managing Director





BALAJI DISTILLERIES LIMITED

ANNEXURE

PARTICULARS OF EMPLOYEES IN TERMS OF 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AS AMENDED AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2001

S. No.	Name	Designation & Nature of Duties	Age	Qualification & Experience	Previous Employment	Date of Employment	Gross Remuneration	Nature of Employment
In employment throughout the year under review and in receipt of remuneration for the whole year in the aggregate of not less than Rs. 12,00,000/- per year.								
01.	Mr. M. Sreenivasulu Reddy	Managing Director	47	B.Com. 30 years	Not Applicable	01.10.89	1,944,000	Contractual
In employment for part of the Financial Year under review and in receipt of remuneration in the aggregate of not less than Rs.1,00,000/- p.m.								
02.	Mr. S. Amudhan	II Engineer	46	II Class MOT	Pearl Ships Ltd	01.04.00	610,667	Contractual
03.	Mr. V. Thanikachalam	Chief Engineer	43	1st mate	West Asia Maritime	01.04.00	307,500	Contractual
04.	Mr. C.V.S. Bhaskaran	Chief Engineer	45	MOT 1st Class	Balaji Industrial Corpn.	15.05.00	905,333	Contractual
05.	Mr. J.P. Gupta	Master	56	Master FG	Balaji Industrial Corpn.	01.08.00	1,377,000	Contractual
06.	Mr. A.K. Chakraborti	II Engineer	50	II Mate	West Asia Maritime	11.08.00	58,800	Contractual
07.	Mr. T.N. Ramaprasad	Master	54	Master FG	Balaji Industrial Corpn.	30.01.01	175,500	Contractual
08.	Mr. Prasad	Addl. Master	43	Master FG	Shipping Corpn. of India	01.04.00	1,039,308	Contractual
09.	Mr. K. Kumar	II Engineer	55	II Ind Mate	Radiant Shipping Ltd.	16.04.00	136,167	Contractual