

24th
Annual Report
1997 - 98

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VH GROUP

BALAJI FOODS AND FEEDS LIMITED



VH Group And Indian Poultry Industry

VH Group was established in 1971 by Padmashree late Dr. B.V. Rao, father of Indian Poultry.

The business of the Group encompasses every activity in poultry farming viz. pureline breeding, nationwide network of parent farms and hatcheries, poultry vaccines, Specific Pathogen Free eggs, poultry equipment, poultry feed, animal health products, commercial broilers & poultry processing, Poultry Diagnostic Research Centre, egg powder manufacture and training in poultry management.

VH Group's mission is "to provide under one integrated umbrella, total support for Poultry Development to the farmers through quality products, technological advancement, excellence in all areas of operation and innovations."

Various companies of the Group are engaged in distinct activities in poultry and in case of parent farms which are common to a few companies, geographical areas of operations are distinct.

Layer Giant - Venkateshwara Research and Breeding Farm Limited is a joint venture between VH Group (60% holding) and ISA Babcock Breeders Inc., U.S.A. (a part of Rhone Poulenc, France) (40% holding). It is engaged in genetic research in layer and layer pureline breeding. Its breed "BV-300" holds 85% market share.

Broiler Strength - Venco Research and Breeding Farm Limited is a joint venture between VH group (60% holding) and Cobb Vantress Inc., U.S.A. (a part of Tyson Foods) (40% holding). It is engaged in genetic research in broilers and broiler pureline. Its breed "VENCOB" holds 65% market share.

A recent study on Indian Food Industry by C.I.I. and Mckinsey Company predicts a very bright future for the Indian poultry industry. "The poultry sector in India has a potential to grow at over 20% a year over the next 10 years. This will enable it to at least quadruple in size, growing from the present Rs.7,500 crores to approx. Rs.30,000 crores (in real terms) by 2005"

We at VH have always believed this and have, over the years, strived to enable the Indian poultry industry to realise this potential.

His Vision continues to guide us....

"I do not like talking about myself or viewing my contribution as a 'success story'; it is a favourable interplay of so many factors.... reinforced and backed by a good product, a very dedicated and committed team... in fact, my greatest strength lies in my people."

"Every successful organisation needs a clear commitment to excel in a chosen field; and this commitment will hold up over the years only by staying true to an original vision - even in the worst of times"

"It is ofcourse possible to substitute men with machines, at least in some areas. Machines are more accurate than men. They do not get frustrated and form unions. Yet the best machines cannot provide superior performances than motivated men can."

"Training is not a one-time affair. There is a need for continuous updating to keep abreast with the latest developments around the world."

"There will be difficult times; if it is not in your nature to be patient, to make sacrifices, to work of 18 hours a day for months on end, you will find it very hard to cope. You can beg, borrow or steal money when you need it; but you cannot beg, borrow or steal the 'will' to carry on when the world seems to be collapsing about your shoulders; that will to carry on has got to be part of you."

– Padmashree Dr. B.V. Rao



Balaji Foods And Feeds Limited

BOARD OF DIRECTORS	Mrs. Anuradha J. Desai	—	Chairperson
	Mr. B. Venkatesh Rao	—	Vice-Chairman
	Mr. B. Balaji Rao		
	Mr. Jitendra M. Desai		
	Mr. M.P. Seshaiiah	—	Director (Poultry Operations)
	Mr. S.B. Thorat		
	Mr. C. Jagapati Rao		
	Mr. V.N. Dubey		
	Mr. P.S. Nandakumar		
	Dr. V. Sundar Naidu		
	Mr. B.G. Deshmukh		
	Mr. Morten Ernst		
	Mr. Pramod D. Parkhi		
	Mr. Rajendra D. Pawar		
	Mr. V.B. Mainkar	—	ICICI Nominee

BANKERS ICICI Banking Corporation Limited

AUDITORS M/s. Sudit K. Parekh & Co.
Chartered Accountants
12-A Suleman Chambers, 2nd Floor
4, Battery Street
Mumbai - 400 001.

REGISTERED OFFICE "Venkateshwara House"
H.No.3-5-808 & 808/1
Hyderguda
Hyderabad - 500 029.

CORPORATE OFFICE AND SHARE DEPARTMENT "Venkateshwara House"
S.No. 114/A/2
Pune - Sinhagad Road
Pune - 411 030.

Contents

	Page No.
Notice	4
Directors' Report	8
Auditors' Report	12
Balance Sheet	14
Profit & Loss Account	15
Schedules	16
Notes to the Accounts	25
Balance Sheet Abstract and Company's General Business Profile	29
Cash Flow Statement	31

NOTICE

NOTICE is hereby given that the Twentyfourth Annual General Meeting of the members of the Company will be held on Friday, the 25th September, 1998 at 11.00 a.m at Arya Vysya Yuvaiana Sangam, H.No.22-1, Near Lal Bazar City Bus Stop (Trimulgherry Bazar), Secunderabad - 500 015 to transact the following business :

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1998 and the Profit and Loss Account for the year ended as on that date together with the Auditors' Report and the Directors' Report thereon.
- 2) To appoint a Director in place of Dr.V.Sundar Naidu who retires by rotation and, being eligible, offers himself for reappointment.
- 3) To appoint a Director in place of Mr.B.G.Deshmukh who retires by rotation and, being eligible, offers himself for reappointment.
- 4) To appoint a Director in place of Mr. Morten Ernst who retires by rotation and, being eligible, offers himself for reappointment.
- 5) To appoint a Director in place of Mr. S. B. Thorat who retires by rotation and, being eligible, offers himself for reappointment.
- 6) To appoint Auditors of the Company to hold office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

- 7) To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

"RESOLVED that pursuant to section 94 and all other applicable provisions if any, of the Companies Act, 1956, the authorised share capital of the Company be and is hereby increased from Rs.30,00,00,000/- (Rupees thirty crores) divided into 2,50,00,000 (two crores fifty lakhs) equity shares of Rs.10/- (Rupees ten) each aggregating to Rs.25,00,00,000/- (Rupees twenty

five crores) and 5,00,000 (five lakhs) preference shares of Rs.100/- (Rupees one hundred) each aggregating to Rs.5,00,00,000/- (Rupees five crores) to Rs.35,00,00,000/- (Rupees thirty five crores) divided into 3,00,00,000 (three crores) equity shares of Rs.10/- (Rupees ten) each aggregating to Rs.30,00,00,000/- (Rupees thirty crores) and 5,00,000 (five lakhs) preference shares of Rs.100/- (Rupees one hundred) each aggregating to Rs.5,00,00,000/- (Rupees five crores)".

"FURTHER RESOLVED that Clause V of the Memorandum and Articles of Association of the Company be amended to be read as follows:

"The authorised share capital of the Company is Rs.35,00,00,000/- (Rupees thirty five crores) divided into 3,00,00,000 (three crores) equity shares of Rs.10/- (Rupees ten) each aggregating to Rs.30,00,00,000/- (Rupees thirty crores) and 5,00,000 (five lakh) preference shares of Rs.100/- (Rupees one hundred) each aggregating to Rs.5,00,00,000/- (Rupees five crores). The Company shall have power to increase, consolidate, sub-divide, reduce, classify, re-classify or otherwise alter its share capital subject to the provisions of the Companies Act, 1956.

Any shares of the original or increased capital may from time to time be issued with guarantee or any rights of preference whether in respect of dividend or of repayment of capital or both or any other privilege or advantage, over any shares previously issued or then about to be issued or with deferred or qualified rights or subject to any provisions, conditions and with any special rights or limited rights without any rights of voting and generally on such terms as the Company may from time to time determine."

- 8) To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

"Resolved that pursuant to the provisions of section 31 and all other applicable provisions, if any, of the Companies Act, 1956, Article 4 of the Articles of Association of the Company be altered to be read as follows:



Balaji Foods And Feeds Limited

'The authorised share capital of the Company is Rs.35,00,00,000/- (Rupees thirty five crores) divided into 3,00,00,000 (three crores) equity shares of Rs.10/- (Rupees ten) each aggregating to Rs.30,00,00,000/- (Rupees thirty crores) and 5,00,000 (five lakhs) preference shares of Rs.100/- (Rupees one hundred) each aggregating to Rs.5,00,00,000/- (Rupees five crores). The Company shall have power to increase, consolidate, sub-divide, reduce, classify, re-classify or otherwise alter its share capital subject to the provisions of the Companies Act, 1956.'

- 9) To consider and, if thought fit, to pass with or without modifications, 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, (including any amendment to or re-enactment thereof), the relevant provisions of the Memorandum and Articles of Association of the Company and subject to the approvals, consents, permissions and sanctions as may be necessary from appropriate authorities like SEBI, Stock Exchanges etc., if any, and subject to such conditions and modifications as may be prescribed by them while granting such approvals, consents, permissions and sanctions and subject to such terms, conditions and alterations which the Board of Directors of the Company may in its absolute discretion think fit in the interest of the Company, the Board of Directors of the Company be and is hereby authorised to issue, offer and allot equity shares as may be determined by the Board of Directors through preferential offer and/or private placement to the investors (whether individuals, promoters, their relatives, friends and associates, institutions, banks, bodies corporate, non resident Indians, overseas corporate bodies, foreign institutional investors, mutual funds or any combination thereof) and whether or not such investors are the existing holders of equity shares of the Company on such terms and conditions and at such price as may be decided by the Board of Directors in their absolute discretion without further need to seek shareholders' approval in this regard, however in accordance with the guidelines, rules and regulations of SEBI/Companies Act, 1956, and other legislations in this regard."

"RESOLVED FURTHER that for the purpose of giving effect to the resolution, the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as they may in their absolute discretion deem necessary or desirable and pay fees and commission and incur expenses in relation thereto without further need to seek shareholders' approval in this regard."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or Managing Director or Director or any other Officer or Officers of the Company to give effect to the aforesaid resolution."

- 10) To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :

"RESOLVED that consent of the Company be and is hereby accorded pursuant to section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company to sell, lease or dispose off the Company's Commercial Layer Farm Division situated at Hyderabad, Andhra Pradesh, to such party as the Board of Directors of the Company deem fit and upon such terms and conditions as may be decided by the Board of Directors in the interest of the Company."

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things that may be deemed necessary and expedient in the interest of the Company without the need for seeking further approval of the general body in this regard."

By Order of the Board of Directors

Place : Pune
Date : June 30, 1998

P.L. SHETTIGAR
Company Secretary

NOTES

1. The relative Explanatory Statements pursuant to section 173(2) of the Companies Act, 1956, in respect of Special Business is annexed hereto.
2. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of himself / herself and the proxy need not be a member. The proxy in order to be effective, must be lodged at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members of the Company will remain closed from 18th. August, 1998 to 28th August, 1998 (both days inclusive).
4. Members are requested to intimate any change in their address, if any, to the Company's share department at Pune immediately.
5. Members who hold shares in identical order of names in more than one folio are requested to write to the Company to enable consolidation of their holdings in one folio.
6. Members desiring any information on Accounts are requested to write to the Company at least seven days before the meeting so as to enable the Management to keep the information ready at the meeting.
7. Members / Proxies are requested to bring their copies of the Annual Report to the meeting and the attendance slip duly filled in for attending the meeting.

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Balaji Foods And Feeds Limited



**EXPLANATORY STATEMENTS PURSUANT TO THE PROVISIONS OF SECTION 173(2)
OF THE COMPANIES ACT, 1956, FORMING PART OF THE NOTICE DATED JUNE 30, 1998**

ITEM NO. 7 & 8**INCREASE IN AUTHORISED CAPITAL**

The Company proposes to issue shares to the extent of about Rs.5,00,00,000/- (Rupees five crores) through private placement route to augment its financial resources. The existing authorised capital of Rs.30,00,00,000/- (Rupees thirty crores) divided into 2,50,00,000 equity shares of Rs.10/- (Rupees ten) each and 5,00,000 preference shares of Rs.100/- (Rupees one hundred) each is proposed to be enhanced to Rs.35,00,00,000/- (Rupees thirty five crores) divided into 3,00,00,000 equity shares of Rs.10/- (Rupees ten) each and 5,00,000 preference shares of Rs.100/- (Rupees one hundred) each.

The consequential alterations to the Memorandum of Association and the Articles of Association of the Company to reflect the proposed change in the Authorised Share Capital require approval of the members in general meeting.

None of the Directors of the Company is interested in the proposed Resolution as it is in the nature of a contingent provision.

Your Directors commend passing of the Resolution.

ITEM NO. 9**ISSUE OF SHARES THROUGH PREFERENTIAL OFFER AND/OR PRIVATE PLACEMENT**

The Company's management is taking several steps to restructure its various divisions, functions and also the share capital with a view to strengthen its financial position, concentrate on its core competence and to augment its resources. In the process of implementing the above scheme, the Company may be required to issue equity shares on private placement basis also.

None of the Directors of the Company is interested in the Resolution in its present form.

Your Directors commend passing of the Resolution.

ITEM NO. 10**LEASE / DISPOSAL OF THE COMMERCIAL LAYER FARM DIVISION**

The cash losses incurred by the Company in 1997-98 and the current inventory level in respect of egg powders have adversely affected the liquidity of the Company and the Company has been forced to reduce its egg processing plant operations considerably.

The Company is exploring restructuring of its operations by hiving off its commercial layer farm which will serve the twin objectives of enabling it to concentrate on its core area of egg powder and also to raise funds to pay all overdues of institutions and Banks, thereby reducing interest cost significantly.

With this in view, it has been decided to either lease or dispose off the commercial layer farm division situated at Hyderabad to such party and upon such conditions as may be decided by the Board of Directors in the best interest of the Company. This requires approval of the members in terms of section 293(1)(a) of the Companies Act, 1956.

None of the Directors of the Company is interested in the proposed Resolution in its present form.

Your Directors commend passing of the Resolution.

By Order of the Board of Directors

Place : Pune
Date : June 30, 1998

P.L. SHETTIGAR
Company Secretary

DIRECTORS' REPORT

To :
The Shareholders,

Your Directors are pleased to present the Twentyfourth Annual Report and Audited Accounts of the Company for the year ended 31st March, 1998.

FINANCIAL RESULTS

	(Rs. in lakhs)	
	<u>1997-98</u>	<u>1996-97</u>
Profit / (Loss) for the year	<u>(1032.49)</u>	10.01
Add/Less: Prior period adjustments	<u>—</u>	0.28
	<u>(1032.49)</u>	<u>10.29</u>
Balance of profit/(loss) brought forward from previous year	<u>(134.18)</u>	(144.47)
Profit/(Loss) carried to Balance Sheet	<u>(1166.67)</u>	<u>(134.18)</u>

OPERATIONS**a. Egg Powder Division (EPD)**

The production of egg powder products during the year was 2,311 tonnes as against 2,832 tonnes in the last year. Sales were lower at 1,580 tonnes as against 2,788 tonnes in the previous year. The price realisation was also lower. All these factors resulted in an abnormal loss of about Rs.11.00 crores.

There has been a general glut in the world market which has affected the marketing of your Company's egg powder products. Such gluts are not uncommon and are part of the trade cycle and generally the market picks up after glut, but the unprecedented and continuing crisis in the Far East countries such as the Indonesian crisis and the dumping of eggs by Thailand, one of the largest egg producers in the world, into the Middle East countries, coupled with the dumping of large-sized eggs by Syria and Turkey into the CIS countries - that too at throw-away prices, has shrunk the demand for egg powder products leading to a drastic fall in egg powder market. As such, the European and the Middle East countries are reluctant to buy egg powder products from India when they are able to procure eggs at throw-away prices from the neighbouring

countries. The crisis is still continuing and we hope that things will look up from November, 98 - the start of the peak season. Your Company is trying its level best to market its products in the Russian, European, Latin American, Australian and Japanese markets against all odds and factors beyond its control.

During the year under review, the Company has been awarded "Export House" status by the Director General of Foreign Trade.

b. Feed Division

During the year under report, the Feed Division sold 12,093 MTs of feed worth of Rs.1,107 lakhs, as compared to Rs. 858 lakhs in the previous year.

The new feed mill, as already informed, has commenced production and produced 7,400 MTs of feed which was supplied to the Company's commercial layer farm at Veljerla-III, Mahaboobnagar District, on captive basis.

FUTURE PROSPECTS**(I) Egg Powder Division**

As already stated, the Company hopes to improve its performance from November, 1998, as the egg product prices improve by then.

Lysozyme

Food Engineering Services, USA, who supplied the egg powder plant were not able to demonstrate production of 40 kgs lysozyme per day as promised by them. The Company is now taking all necessary steps including inspection by an independent foreign consultant to ensure regular production of lysozyme at the desired quantity. Once this is achieved the Company will be able to augment its export earnings considerably as there is a good demand in Asian and European markets for this product.

(II) Feed Division

The quality of the Company's feed has been well accepted in the market and we are planning to expand our markets with the present limited area of operations.