

25th
Annual Report
1998-99



Balaji Foods And Feeds Limited

**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, Apollo Bunder
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.

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NOTICE

NOTICE is hereby given that the Twentyfifth Annual General Meeting of the members of the Company will be held on Friday, the 10th September, 1999 at 10.00 a.m. at Hari Hara Kala Bhavan, Sardar Patel Road, Secunderabad - 500 003, to transact the following business :

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1999 and the Profit and Loss Account for the year ended as on that date together with the Auditor's Report and the Directors' Report thereon.
- 2) To appoint a Director in place of Mr.P.S.Nandakumar who retires by rotation and, being eligible, offers himself for reappointment.

- 3) To appoint a Director in place of Mr.V.N.Dubey who retires by rotation and, being eligible, offers himself for reappointment.
- 4) To appoint a Director in place of Mr.P.D.Parkhi who retires by rotation and, being eligible, offers himself for reappointment.
- 5) To appoint a Director in place of Mr.R.D.Pawar 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.

For and on behalf of the Board of Directors

Place : Pune
Date : 28th May, 1999

ANURADHA J. DESAI
Chairperson

NOTES

1. 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.
2. The Register of Members of the Company will remain closed from 20th July, 1999 to 30th July, 1999 (both days inclusive).
3. Members are requested to intimate any change in their address, if any, to the Company's share department at Pune immediately.
4. Members who hold shares in identical order of names in more than one folio are requested to write to the Company for consolidation of their holdings in one folio.
5. 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.
6. 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.

Balaji Foods And Feeds Limited**DIRECTORS' REPORT**

To :

The Shareholders,

Your Directors present the Twentyfifth Annual Report and Audited Accounts of the Company for the year ended 31st March, 1999.

FINANCIAL RESULTS

| | (Rs.in lakhs) | |
|---|------------------|------------------|
| | <u>1998-99</u> | <u>1997-98</u> |
| Profit/(Loss) for the year | <u>(1009.65)</u> | (1032.49) |
| | <u>(1009.65)</u> | <u>(1032.49)</u> |
| Balance of Profit/(Loss) brought forward from previous year | (1166.68) | (134.19) |
| Profit/(Loss) carried to Balance Sheet | <u>(2176.33)</u> | <u>(1166.68)</u> |

OPERATIONS

During the year under review the Company's income was Rs.19.98 crores as against Rs.34.06 crores in the previous year. Operating loss i.e. loss before interest and depreciation was contained at previous year's level at Rs.3.56 crores. Depreciation was lower than the previous year as the egg powder plant was operated on a single shift basis as against the three shifts operations in the previous year.

DIVISIONAL PERFORMANCE**A. EGG POWDER DIVISION**

There has been a severe glut in the world egg powder market which has affected the marketing of your company's egg powder products. The Company drastically curtailed its production as a result of heavy accumulation of stocks. There is no let up in the crisis situation and it may take a long time before the market recovers.

B. FEED DIVISION

The feed division continued to perform well and during the year under review, the Division has sold 12,308 Mt.tons of feed worth Rs.10.38 crores as compared to Rs.9.84 crores in the previous year.

FINANCIAL RESTRUCTURING

During the year under review, your company negotiated with ICICI, a financial restructuring package. As per the package, all the foreign currency loans have been converted into rupee loans. The rate of interest on the rupee loans has been brought down by ICICI to 15% from 19.5%. Further, ICICI has also subscribed to 3,00,000 - 13.5% Redeemable Preference Shares of Rs. 100 each aggregating to Rs. 3.00 crores. These preference shares are to be redeemed in two equal annual installments on January 15, 2005 and January 15, 2006. The proceeds from the above issue have been utilized to pay off the term loans availed from ICICI.

Further, during the year under review, Venkateshwara Hatcheries Limited, the promoter company has also infused Rs.9.70 crores in the Company. These funds have been utilised to bring down ICICI borrowings. The above steps have brought down the outstanding loan to Rs.10.44 crores as on January 1999. Loan repayment has been rescheduled and would now start from April, 2001.

SALE OF COMMERCIAL LAYER FARM DIVISION

During the year under review your company has hived off the Commercial Layer Farm Division to Venkateshwara Hatcheries Limited for a lumpsum consideration of Rs 5.00 crores. The amount has been received in full and has been utilized to clear the outstanding loans availed from ICICI. This would also enable your company to concentrate on egg powder production and marketing. The sale has resulted in a profit of Rs.1.00 crores.

FUTURE PROSPECTS

The severe glut in egg powder market witnessed over the last two years continues unabated. The current prices do not even cover the material cost and therefore, the utilisation of egg powder plant continues to be poor. Cash losses incurred over the last two years have resulted in a severe liquidity crunch which has started affecting adversely the profitable feed business.

FIXED DEPOSITS

The company has not accepted any deposits from the public in terms of the Provisions of section 58 A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975, as amended.

Y2K PREPAREDNESS

Your Company has taken effective and appropriate steps to be Y2K compliant by September, 1999.

The cost to the Company on this account is estimated at Rs.10 lakhs. The Company has adequate contingency plan to cover any eventuality of breakdown in Hardware or Software systems.

PARTICULARS OF EMPLOYEES

The Company does not have any employee whose remuneration exceeds the prescribed limit under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS /OUT GO

Information regarding conservation of energy, technology absorption and foreign exchange earnings/outgo, required under section 217(1)(e) of the companies Act, 1956, is annexed and forms part of the Report.

DIRECTORS

Mr. P. S. Nandakumar, Mr. V. N. Dubey, Mr. P. D. Parkhi and Mr. Rajendra D. Pawar, Directors retire by rotation at the conclusion of the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment.

AUDITORS

M/s Sudit K. Parekh & Co., Chartered Accountants, 12-A, Suleman Chambers, 2nd Floor, 4 Battery Street, Bombay-400 001 hold office upto the conclusion of the ensuing Annual General Meeting and being eligible and available, offer themselves for re-appointment.

INSURANCE

All the properties and insurable interest of the Company including buildings, plant & machinery and stocks, wherever necessary and to the extent required have been adequately insured.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to thank ICICI and ICICI Banking Corporation Ltd for their financial assistance and co-operation. The Directors thank the shareholders and customers of the Company for their valued support and patronage. The Directors also thank the employees of the Company for their valuable services to the Company.

For and on behalf of the Board of Directors

Place : Pune

Date : 28th May, 1999

ANURADHA J. DESAI

Chairperson

Balaji Foods And Feeds Limited



ANNEXURE - I

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO

A. Conservation of Energy:

Total energy consumption and energy consumption per unit of production:

FORM - A
(See Rule 2)

| | Current Year 1998 - 99 | Previous Year 1997 - 98 |
|--|---------------------------|----------------------------|
| a. Power and Fuel consumption | | |
| 1 Electricity | | |
| (a) Purchased : | | |
| Units | 8,58,946 | 20,41,256 |
| Total Amount (Rs.) | 34,03,135 | 74,35,398 |
| Rate/Unit (Rs.) | 3.96 | 3.65 |
| (b) Own Generator | | |
| Through diesel generator | | |
| Units | 1,23,021 | 17,77,030 |
| Units per litre of diesel oil | 2.10 | 2.71 |
| Cost/Unit (Rs.) | 3.83 | 2.60 |
| 2 Coal | — | — |
| 3 Furnace oil | | |
| (Quantity in Litres) | 1,51,500 | 15,75,975 |
| Total Amount (Rs. in lacs) | 8.85 | 100.34 |
| Average Rate (Rs./litre) | 5.84 | 6.42 |
| b. Consumption per unit of production | | |
| Production : | | |
| Egg Powder (MTs) | 131 | 2,311 |
| Consumption : | | |
| Electricity (Units) | 7.50 | 1.65 |
| Furnace Oil (Litres) | 1.16 | 0.68 |
| Diesel (Units) | 0.94 | 0.77 |

B. Technology Absorption:

The Company does not have any technical collaboration. The Company's personnel have been trained by overseas machinery supplier in the operation and maintenance of the plant and process techniques.

C. Foreign Exchange Earnings and Outgo:

Foreign exchange earnings Rs. 4,44,94,508
Foreign exchange outgo Rs. 30,29,383

AUDITORS' REPORT

To,
The Members of
Balaji Foods And Feeds Limited

We have audited the attached balance sheet of Balaji Foods And Feeds Limited, as at 31 st March, 1999 and the profit and loss account for the year ended on that date annexed thereto and report that:

1. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order;
2. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
3. In our opinion proper books of accounts as required by law have been kept by the Company so far as appears from our examination of such books;
4. The balance sheet and profit & loss account are in agreement with the books of accounts;

5. In our opinion, the Profit and Loss Account and Balance Sheet comply with the accounting standards referred in Sub-Section (3C) of Section 211 of the Companies Act, 1956;
6. In our opinion and to the best of our information and explanations given to us, the said balance sheet and profit and loss account read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view;
 - i) In case of the balance sheet, of the state of affairs of the Company at 31st March, 1999 and
 - ii) In the case of profit and loss account, of the loss for the year ended on that date.

For **Sudit K. Parekh & Co.**
Chartered Accountants

Place : Mumbai
Date : 28th May, 1999

(S.V. JILLA)
Partner

ANNEXURE TO THE AUDITORS' REPORT
(Referred to in paragraph 1 of our report of even date)

Ref: BALAJI FOODS AND FEEDS LIMITED

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. No material discrepancies have been noted on such verification.
2. None of the fixed assets have been revalued during the year.
3. In our opinion, physical verification has been conducted by the management at reasonable intervals in respect of finished goods, stores, spare parts, and raw materials.
4. In our opinion, the procedures of physical verification of stock followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
5. No material discrepancies were noticed on physical verification of stocks as compared to books of records.
6. In our opinion, the valuation of stock is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the previous year.
7. The company has not taken any loan, secured or unsecured, from companies, firms

Balaji Foods And Feeds Limited

- or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, or from companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956, which are prima facie prejudicial to the interest of the company.
8. The company has not granted any loan, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 or to companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956, which are prejudicial to the interest of the company.
 9. The Company has not granted any Loans Advance in the nature of loans and hence the question of timely payment of interest and repayment of principal according to Schedule does not arise.
 10. In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purpose of stores, raw materials, plant and machinery, equipments and other assets and for the sale of goods.
 11. In our opinion and according to the information and explanations given to us the transaction of purchase of goods and material and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000 or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or prices at which transactions for similar goods and services have been made with other parties.
 12. As explained to us, the company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Necessary adjustments have been made in the accounts for the loss arising on the items so determined.
 13. The company has not accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956.
 14. In our opinion, the company has maintained reasonable records for the sale and disposal of realisable by-products and scrap.
 15. In our opinion the company has an internal audit system commensurate with the size and nature of its business.
 16. We are informed that Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the company's products.
 17. According to the records of the Company, the Provident Fund and the Employees' State Insurance dues have generally been regularly deposited with the appropriate authorities.
 18. According to the information and explanations given to us no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding as at 31 st March, 1999 for a period more than six months from the date they become payable.
 19. According to information and explanations given to us, no personal expenses have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
 20. The company is not a sick industrial company within the meaning of clause (O) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For **Sudit K. Parekh & Co.**
Chartered Accountants

Place : Mumbai
Date : 28th May, 1999

(S.V. JILLA)
Partner

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BALANCE SHEET AS AT 31ST MARCH, 1999

| | Schedule | Rupees | As at 31.03.1999 Rupees | As at 31.03.1998 Rupees |
|--|----------|---------------------|-------------------------------|-------------------------------|
| SOURCES OF FUNDS | | | | |
| SHAREHOLDERS' FUNDS | | | | |
| Share Capital | 1 | 27,75,20,403 | | 24,71,98,452 |
| Reserves and Surplus | 2 | 20,00,000 | 27,95,20,403 | 17,50,000 |
| LOAN FUNDS | | | | |
| Secured Loans | 3 | 15,41,32,451 | | 28,69,15,228 |
| Unsecured Loans | 4 | 16,35,34,174 | 31,76,66,629 | 5,13,44,282 |
| TOTAL | | | 59,71,87,032 | 58,72,07,962 |
| APPLICATION OF FUNDS | | | | |
| FIXED ASSETS | | | | |
| Gross Block | 5 | 42,98,61,862 | | 45,89,97,237 |
| Less: Depreciation | | 7,17,31,543 | | 5,64,64,609 |
| Net Block | | 35,81,30,319 | | 40,25,32,628 |
| Capital Work in Progress | | 19,47,338 | | 36,92,892 |
| Pre-operative expenditure pending allocation | 6 | — | 36,00,77,657 | 40,62,25,520 |
| INVESTMENTS | 7 | | 39,07,650 | 77,05,750 |
| CURRENT ASSETS, LOANS AND ADVANCES | | | | |
| Inventories | | 6,45,00,752 | | 12,71,14,262 |
| Sundry Debtors | | 3,44,62,115 | | 4,70,11,052 |
| Cash and Bank Balances | | 9,36,219 | | 42,49,321 |
| Other Current Assets | | 1,09,95,684 | | 80,94,948 |
| Loans and Advances | | 48,46,446 | | 68,93,787 |
| TOTAL | | 11,57,41,216 | | 19,33,63,370 |
| Less: CURRENT LIABILITIES AND PROVISIONS | | | | |
| Liabilities | | 11,48,13,232 | | 14,39,48,024 |
| Provisions | | 29,78,682 | | 29,37,573 |
| TOTAL | | 11,77,91,914 | | 14,68,85,597 |
| NET CURRENT ASSETS | | | (20,50,698) | 4,64,77,773 |
| Miscellaneous Expenditure (to the extent not written off) | 10 | | 1,76,19,477 | 1,01,31,163 |
| PROFIT AND LOSS ACCOUNT | | | 21,76,32,946 | 11,66,67,756 |
| TOTAL | | | 59,71,87,032 | 58,72,07,962 |
| Notes on Accounts | 14 | | | |

As per our attached
report of even date

For **Sudit K Parekh & Co.,**
Chartered Accountants,

(S.V.JILLA)

Partner

Place : Mumbai,

Date : 28th May, 1999

ANURADHA J. DESAI

Chairperson

Place : Pune,

Date : 28th May, 1999

For and on behalf of the Board of Directors

B.VENKATESH RAO

Vice - Chairman

JITENDRA M. DESAI

Director