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CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		

Balaji Industrial Corporation Ltd.

ANNUAL REPORT
1997-98

BALAJI INDUSTRIAL CORPORATION LTD.**FOURTEENTH ANNUAL REPORT****Board of Directors**

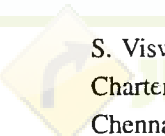
M. Sudhakar Reddy
 M. Sreenivasulu Reddy
 A. Shivkumar Reddy
 M. Kiran Reddy
 S.V. Sudhakar Reddy
 V.R. Mehta (Nominee of ICICI)

Company Secretary

G. Sriraman

Auditors

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

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 S. Viswanathan
 Chartered Accountants
 Chennai - 600 004

Bankers

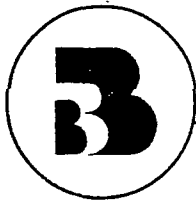
Bank of India
 Bank of Baroda
 Global Trust Bank Ltd.
 HDFC Bank Ltd.
 ICICI Banking Corporation Ltd.
 IndusInd Bank Ltd.
 State Bank of India
 Tamilnad Mercantile Bank Ltd.
 United Western Bank Ltd.
 Times Bank Ltd.

Registered Office & Works

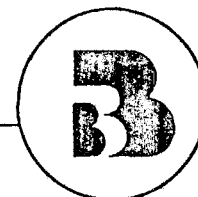
Chemudugunta Village
 Venkatachalam Mandal
 Nellore District
 Andhra Pradesh, Pin - 524 320

Corporate Office

9, Bazullah Road
 T.Nagar
 Chennai- 600 017

**BALAJI INDUSTRIAL CORPORATION LTD.****CONTENTS**

	PAGE
NOTICE :	3
DIRECTORS' REPORT :	8
AUDITORS' REPORT :	13
BALANCE SHEET :	16
PROFIT & LOSS ACCOUNT :	17
SCHEDULES TO ACCOUNTS :	18
BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE :	31
CASH FLOW STATEMENT :	32

BALAJI INDUSTRIAL CORPORATION LTD.**NOTICE OF THE FOURTEENTH ANNUAL GENERAL MEETING**

Notice is hereby given that the Fourteenth Annual General Meeting of BALAJI INDUSTRIAL CORPORATION LIMITED will be held at Raghava Kalyana Mandapam, 8/512, Ranganayakulapeta, Nellore - 524 001, on Monday, the 28th September, 1998 at 4.00 P.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 and the Balance Sheet as at that date and the reports 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 Shri.M. Sudhakar Reddy, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Shri.M. Kiran Reddy, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors and authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to the provisions of sections 198, 269, 309 and other applicable provisions, if any, and Schedule XIII of the Companies Act, 1956, Shri. S.V. Sudhakar Reddy, be and is hereby appointed as Managing Director of the Company for a period of 5 years with effect from 26th June, 1998 on the following terms and conditions."

I. Salary :

Rs.15,000/- per month in the scale of Rs.15,000 - 2,000 - 25,000.

II. Perquisites:

- a) House Rent Allowance :
40% of Basic Salary
- b) Medical Reimbursement :
one month's basic for self and family per annum.
- c) Leave Travel Assistance :
one month's basic for self and family per annum.

III. Provident Fund & Gratuity :

As per relevant statutes applicable to the Company.

IV. Car :

Car with Driver for use of the Managing Director on Company's Business

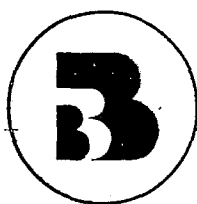
V. Telephone :

Provision of free use of telephone at residence of the Managing Director.

(use of car for private purpose and personal long distance calls on phone shall be billed by the Company)

VI. Minimum Remuneration :

Notwithstanding anything herein above stated where in any financial year during the currency of tenure of Managing Director of the Company, the Company has no profit or its profits are inadequate, the Company shall pay to the Managing Director remuneration in accordance with the provisions of Sec II of part II of Schedule XIII of The Companies Act, 1956.



BALAJI INDUSTRIAL CORPORATION LTD.

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

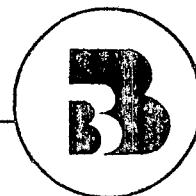
“RESOLVED THAT pursuant to Section 81 (1A) and other applicable provisions, if any, of The Companies Act, 1956 and subject to all norms, guidelines, regulations in force and statutory approval as may be necessary, consents, permissions and/or sanctions of the Government of India, Reserve Bank of India, 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 sanction (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, right basis or otherwise in Indian/ one or more foreign markets, Equity Shares, Cumulative or Non-cumulative Preference Shares, Debentures, Bonds, 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 and/or 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 Legal 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

BALAJI INDUSTRIAL CORPORATION LTD.

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

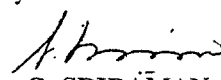
value of the issue, retention of over-subscription, rate of premium/discount, interest or other charges payable or any other matter as may be considered necessary or expedient and/or as may be specified in the Requisite Approvals and to take all such actions as may be necessary or desirable to effect 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.”

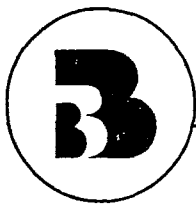
8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

“**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 Ship namely “Balaji Diplomat” 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.”

Registered Office:
Chemudugunta Village
Venkatachalam Mandal
Nellore District - 524 320
Andhra Pradesh.
Date : 24th July, 1998

By Order of the Board


G. SRIRAMAN
Company Secretary



BALAJI INDUSTRIAL CORPORATION LTD.

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on poll, to vote instead of himself. A proxy need not be a member.
2. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 is annexed.
3. 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.
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 will be paid, if approved at the meeting as recommended by the Board of Directors, 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. The unclaimed dividends relating to the Company's financial years 31.03.93, 31.3.94 (Interim Dividend) & 31.03.94 (Final Dividend) have been transferred to the General Revenue Account of the Central Government on 18.11.96, 24.06.97 & 06.10.97 respectively pursuant to Section 205A of the Companies Act, 1956. The Shareholders may prefer their claims for payment to the Registrar of Companies (Andhra Pradesh) by submitting an application in the form prescribed by the Government. Shareholders seeking further details in this regard may write to the Company.
7. Members are requested to send queries, if any, on the accounts, at least seven days in advance 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. 6:

Shri.S.V. Sudhakar Reddy was appointed as Director of the Company on 7th October, 1994. He is a graduate. He has 25 years of experience in all facets of Liquor Trade including Production and Marketing. He has been associating with the Company's growth all along. Considering his contribution to the Company's growth, the Directors have appointed him as Managing Director. His appointment will be subject to the approval of the Shareholders upon the terms and conditions set out in the resolution.

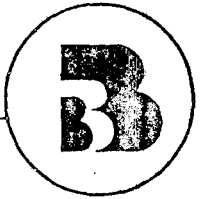
The resolution is to be approved by the members pursuant to provisions of Section 269 of The Companies Act, 1956.

Except Shri.S. V. Sudhakar Reddy none of the Directors is interested in the resolution.

The Board recommends the approval of the resolution by the members.

ITEM NO. 7:

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. As the resolution expires at the

BALAJI INDUSTRIAL CORPORATION LTD.

ensuing Annual General Meeting 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. 8:

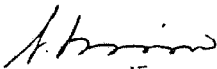
The Company has a ship namely 'Balaji Diplomat' and is 18 years old. The Board is contemplating

selling/leasing/transferring/ otherwise disposing off the Company's Ship. The Board needs to be authorised in terms of Section 293(1)(a) of The Companies Act, 1956 to sell or lease or transfer or otherwise dispose off the said ship.

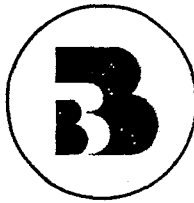
The Board of Directors recommend the ordinary resolution for adoption by the members. None of the Directors of the Company is interested in this resolution.

Registered Office:
Chemudugunta Village
Venkatachalam Mandal
Nellore District - 524 320
Andhra Pradesh.
Date : 24th July, 1998

By Order of the Board


G. SRIRAMAN
Company Secretary

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BALAJI INDUSTRIAL CORPORATION LTD.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the 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 financial year 1997-98 has been satisfactory. The gross income for the year has been Rs.641.44 Crores as against Rs.530.73 Crores in the previous year.

2. SUMMARY OF FINANCIAL RESULTS:

A. EARNINGS (Rs.in crores)

	1997-98	1996-97
1. Profit before depreciation	25.27	29.03
2. Depreciation	9.39	8.79
3. Profit before tax (PBT)	15.88	20.24
4. Provision for tax	1.67	3.00
5. Profit after tax (PAT)	14.21	17.24
6. Excess provision of earlier year written back	0.13	—
7. Prior period adjustment	0.01	0.01
8. Surplus brought forward from previous year	29.31	25.28
Amount available for appropriation	<u>43.66</u>	<u>42.53</u>

B. APPROPRIATION: (Rs.in crores)

1. Proposed dividend - Pref. Equity	1.94	1.85
	2.38	2.38
2. Transfer to general reserve	9.00	9.00
3. Dividend Tax	0.47	—
Balance carried forward	29.87	29.30
	<u>43.66</u>	<u>42.53</u>

3. OPERATIONS:

The Company's Distillery Division at Hyderabad recommenced its operations on 26th May, 1997 consequent to lifting of prohibition in the State of Andhra Pradesh. Considering the fact that the unit

was shutdown for more than 2 years, the Division has acquitted itself creditably in the year under review manufacturing 8,75,751 cases generating a gross revenue of Rs.84.11 crores. This was in spite of stiff competition from more than 30 Distilleries in the State. The Company also sold 1,12,539 metric tonnes of Steel Products earning a gross revenue of Rs.286.05 crores. The Shipping Division contributed a revenue of Rs.8.18 crores. Despite a sliding Baltic Freight Index (BFI) and depressed conditions in the Handymax segment, the Company has managed to retain its earnings. The IMFL Trading Operations were also on satisfactory lines with a volume of 11,03,425 cases, yielding a gross revenue of Rs.220.95 crores. The Company's profitability on the whole was marginally lower than that of the previous year owing to lower margins in the trading division.

4. DIVIDEND:

Your Board of Directors recommend a dividend of 10% on the paid-up Equity Shares and 19.5% on Preference Shares for the financial year ended 31st March, 1998.

5. THE YEAR AHEAD:

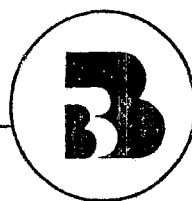
The Company is seeking to achieve a dominant position in the Liquor Industry in Andhra Pradesh and based on the present trend, the Company is expected to achieve success in this regard. The Company also expects to improve the performance in all other Divisions during the current financial year barring unforeseen circumstances.

6. INDUSTRIAL RELATIONS:

The company had harmonious industrial relations at all levels of the organisation. It will be the endeavour of the Company to continue to maintain the good industrial climate.

7. ENERGY, TECHNOLOGY, FOREIGN EXCHANGE:

Information in accordance with the provisions of Section 217(1)(e) of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure.

BALAJI INDUSTRIAL CORPORATION LTD.**8. DIRECTORS:**

Shri. P.V. Prasanna Reddy resigned from the office of Director and also as Managing Director of the Company, owing to personal reasons.

Your Board places on record its appreciation for the services rendered by him during his tenure.

Shri. S. V. Sudhakar Reddy has been appointed as Managing Director of the Company w.e.f. 26th June, 1998. He has vast experience relating to the businesses carried on by the Company.

Shri. M. Sudhakar Reddy and Shri. M. Kiran Reddy retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

9. PARTICULARS OF EMPLOYEES:

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

Registered Office:

Chemudugunta Village
Venkatachalam Mandal
Nellore District - 524 320
Andhra Pradesh.

Date : 24th July, 1998

10. AUDITORS:

M/s.P.A. Reddy & Co., Chartered Accountants, Nellore and M/s.S. Viswanathan, Chartered Accountants, Chennai, the Company's Auditors, hold office until the conclusion of the ensuing Annual General Meeting. Your Board recommends their reappointment for the next financial year.

11. AUDITORS' REPORT:

In respect of the observations made by the Auditors in their report, the note nos.1(viii) and 12 referred therein are self explanatory.

12. ACKNOWLEDGEMENT:

Your Directors acknowledge the support received from various Governments and their Agencies, Financial Institutions, Banks, Shareholders, Debentureholders, Customers and Employees of the Company.

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On behalf of the Board

M. SREENIVASULU REDDY
Chairman