



SIXTEENTH ANNUAL REPORT

Board of Directors

Shri M Sreenivasulu Reddy

Chairman

Shri S V Sudhakar Reddy Managing Director

Shri V R Mehta (Nominee of ICICI)

Shri M S Ganesh

Shri K Munivelu Mudaliar

Company Secretary

Shri G Sriraman

Auditors

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

S Viswanathan

Chartered Accountants Chennai - 600 004

Bankers

Bank of Baroda

Bank of India

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

Registrar and

Share Transfer Agent

Cameo Corporate Services Ltd. "Subramanian Building"

No.1, Club House Road Chennai - 600 002.

Registered Office & Works

Chemudugunta Village

Venkatachalam Mandal

Nellore District

Andhra Pradesh, Pin - 524 320

Corporate office

9 Bazullah Road

T. Nagar

Chennai 600 017



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NOTICE OF THE SIXTEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Sixteenth Annual General Meeting of BALAJI INDUSTRIAL CORPORATION LIMITED will be held at Raghava Kalyana Mandapam, 8/512, Ranganayakulapeta, Nellore - 524 001, on Friday, the 29th September, 2000 at 1.00 p.m. to transact the following business:

ORDINARY BUSINESS

- To receive, consider and adopt the audited Profit and Loss Account for the financial year ended on 31st March, 2000 and the Balance Sheet as at that date and the reports of the Directors and the Auditors thereon.
- To declare dividend on Preference Shares and Equity Shares.
- To appoint a Director in the place of Shri.K.Munivelu Mudaliar, who retires by rotation and being eligible, offers himself for reappointment.
- To appoint Auditors and authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

 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 Noncumulative Redeemable 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 nonconvertible 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 / Foreign Currency Convertible Bonds 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 Lead Manager(s),



Manager(s), Arranger(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 tradability 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."

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

"RESOLVED THAT the Articles of Association of the Company be and is hereby altered in the manner specified below. After Article No. 83 the following new article be inserted along with the marginal note.

Article No.83-A Notwithstanding anything contained in the Articles of Association, the Company shall be entitled to dematerialise its Equity Shares pursuant to the Depositories Act, 1996 and to offer its

shares, for issue

dematerialised form."

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

"RESOLVED THAT the existing Authorised Share Capital of the Company be modified and reclassified as follows:

The Authorised Share Capital is Rs.108,00,00,000/- (Rupees One Hundred and Eight Crores only) divided into 5,40,00,000/- (Five Crores Forty Lakhs) Equity Shares of Rs.10/- (Rupees Ten Only) each aggregating to Rs.54,00,00,000/- (Rupees Fifty Four Crores Only) and 5,40,00,000 (Five Crores Forty Lakhs) Cumulative Redeemable Preference Shares of Rs.10/- (Rupees Ten Only) each aggregating to Rs.54,00,00,00,000/- (Rupees Fifty Four Crores Only)."

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

"RESOLVED THAT the existing Clause V of the Memorandum of Association of the Company be substituted with the following new clause:

V. The Authorised Share Capital of the Company is Rs.108,00,00,000/- (Rupees One Hundred and

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Eight Crores Only) divided into 5,40,00,000 (Five Crores Forty Lakhs) Equity Shares of Rs.10/- (Rupees Ten Only) each aggregating to Rs.54,00,00,000/- (Rupees Fifty Four Crores only) and 5,40,00,000 (Five Crores Forty Lakhs) Cumulative Redeemable Preference Shares of Rs. 10/- (Rupees Ten Only) each aggregating to Rs. 54,00,00,000/- (Rupees Fifty Four Crores only) with rights, privileges and conditions attached thereto as are provided by the regulations of the Company for the time being and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be provided by the regulations of the Company, subject to the provisions of the Companies Act, 1956."

 To consider and if thought fit, to pass, with or without modification(s), the following resolution as a special resolution: "RESOLVED THAT the existing Article 5(a) of the Articles of Association of the Company be substituted with the following new article:

5. a) The Authorised Share Capital of the Company is Rs. 108,00,00,000/- (Rupees One Hundred and Eight Crores Only) divided into 5,40,00,000 (Five Crores Forty Lakhs) Equity Shares of Rs. 10/- (Rupees Ten Only) each aggregating to Rs. 54,00,00,000/- (Rupees Fifty Four Crores only) and 5,40,00,000 (Five Crores Forty Lakhs) Cumulative Redeemable Preference Shares of Rs. 10/- (Rupees Ten Only) each aggregating to Rs. 54,00,00,000/- (Rupees Fifty Four Crores only) with power to increase or reduce the capital in accordance with the provisions of the Companies Act, 1956."

Registered Office: Chemudugunta Village Venkatachalam Mandal Nellore District - 524 320

Date: 29th June, 2000

Andhra Pradesh.

By Order of the Board

G. SRIRAMAN COMPANY SECRETARY



NOTES

- 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 of the Company.
- 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 hereto.
- 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.
- The Register of Members and Share Transfer Books of the company will remain closed from 22.09.2000 to 29.09.2000 (both days inclusive).
- 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 29.09.2000.
- Members are requested to notify immediately any change in their address.

- Dividends declared upto the financial year ended 31.3.1995 and unclaimed have been transferred to the General Revenue Account of the Central Government.
- Members are hereby informed that "Cameo Corporate Services Limited", situated at Subramanian Building, No. 1, Club House Road, Chennai 600 002, Phone: 8460390, Fax: 8460129, E-mail: cameosys@satyam.net.in, will act as the Registrar and Share Transfer Agent with effect from 1.8.2000.
- 9. The Securities and Exchange Board of India vide its notification has stated that the trading in shares of the Company would be compulsorily in dematerialised form with effect from 26.12.2000. Any information in this regard can be obtained from the Registrar and Share Transfer Agent, "Cameo Corporate Services Limited".
- 10. 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 requisite 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 Fifteenth Annual General Meeting held on 29th September, 1999. As the resolution passed on 29th September, 1999 has become outdated, the Directors recommend adopting the 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 Securities and Exchange Board of India through its Circular No.SMDRP/Policy/Cir-23/2000 dated 29th of May 2000 had stated its decision that the trading of securities of the Company would be compulsorily in demateralised form with effect from 26th of December, 2000. In order to ensure trading of securities in dematerialised form and so as to comply with the circular issued by the Securities and Exchange Board of India, the Board has decided to insert a new clause in the Articles of Association. Accordingly the resolution is placed for approval of the Shareholders as a Special Resolution in terms of Section 31 of the Companies Act, 1956.



None of the Directors is concerned or interested in the resolution.

ITEM NOS. 7, 8, & 9

The present Authorised Share Capital of the Company consists of 6,30,00,000 Equity Shares of Rs.10/- each aggregating to Rs.63,00,00,000/- and 4,50,00,000/- Cumulative Redeemable Preference Shares of Rs.10/-each aggregating to Rs.45,00,00,000/-.

It is felt by the Board that urgent financial requirements of the Company can be met by raising subscription

from Banks, Financial Institutions on a private placement basis by allotment of Cumulative Redeemable Preference Shares.

Accordingly the Board has decided to reclassify the Authorised Share Capital which is subject to the approval of the Shareholders. Upon reclassification consequent amendments are to be effected in the Memorandum and Articles of Association.

None of the Directors is interested in the resolution.

The Board recommends the adoption of resolutions by the members.

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

Date: 29th June, 2000

By Order of the Board

G. SRIRAMAN COMPANY SECRETARY

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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, 2000.

1. PERFORMANCE HIGHLIGHTS:

Your Company has posted a healthy growth in its profits during the financial year under review. Despite a decrease in gross revenue, profits after tax rose to Rs. 12.65 crores from Rs. 5.00 crores in the previous year.

2. SUMMARY OF FINANCIAL RESULTS:

A EARNINGS

3. OPERATIONS

a. Earnings			
	(Rs.	in crores)	
	1999-2000	1998-99	
1. Profit before depreciation	23.76	15.20	
2. Depreciation	9.46	9.62	
3. Profit before tax (PBT)	14.30	5.58	
4. Provision for tax	1.65	0.58	
5. Profit after tax (PAT)	12.65	5.00	
6. Excess provision of earlier year written back			
7. Prior period Income Tax	(0.04)	(0.72)	
8. Prior period adjustment			
9. Surplus brought forward from previous year	21.12	<mark>2</mark> 9.87	
Amount available for Appropria <mark>tion</mark>	33.73	34.15	
B. APPROPRIATION (Rs. in crores) 1999-2000 1998-99			
1 Proposed Dividend	.,,, 2000	.,,,,,,	

	(Ks. III crores)	
	1999-2000	1998-99
1. Proposed Dividend		
- Preference	6.27	2.47
- Equity	1.68	1.19
2. Transfer to General Reserve	9.00	9.00
3. Dividend Tax	1.61	0.37
Balance carried forward	15.17	21.12
•	33.73	34.15

Your Company has during the year under review, undertaken an operational restructuring exercise with a view to improve its long term profitability. As a part of this exercise, your Company has decided to concentrate on its profitable activities viz. IMFL manufacture and distribution and Steel manufacture and to cease to pursue with unviable activities viz. Shipping, Steel distribution and Metal Printing. Your

Directors are confident that this exercise undertaken by your Company will pay rich dividends in the future.

Your Company sold 68,008 metric tonnes of Steel Products earning a gross revenue of Rs.105.42 crores.

The distillery division at Hyderabad manufactured 15,92,190 cases and sold 15,82,461 cases generating a gross revenue of Rs.107.84 crores. Your Company is slowly and surely improving its market share in the Andra Pradesh liquor market.

The IMFL Trading Operations were also satisfactory when compared to the previous year. A total of 12,67,455 cases were sold yielding a gross revenue of Rs.269.50 crores.

As a consequence to discontinuance of certain activities, your Company's gross revenue declined to Rs.508.32 crores from Rs.593.53 crores in the previous year. However, the net revenue registered a marked improvement with profit after tax going upto Rs.12.65 crores from Rs.5.00 crores in the previous year.

4. CLOSURE OF SHIPPING DIVISION

Your Company sold its ship "M.V.Balaji Diplomat" during April, 2000 and closed down its Shipping Division. The above decision was prompted by continuing losses on account of recession in the shipping industry and consequent to unviable charter rates.

5. DIVIDEND

Your Board of Directors recommend a dividend of 5 % on 2,37,88,700 paid-up Equity Shares of Rs.10/- each; a pro-rata dividend of 5 % on 1,18,94,350 Bonus Equity Shares allotted on 5th June, 1999; a dividend of 19.5% on 1,00,00,000 19.5% Cumulative Redeemable Preference Shares of Rs.10/- each; a dividend of 12.5% in respect of 1,00,00,000 12.5% Cumulative Redeemable Preference Shares of Rs.10/-each and a pro-rata dividend of 13.5% on 2,50,00,000 13.5% Optionally Convertible Cumulative Preference Shares of Rs.10/- each for the financial year ended 31st March, 2000.

6 THE YEAR AHEAD

Your Company will strive to improve its position in the liquor market in Andhra Pradesh. Your Company also expects to improve the performance in the other divisions during the current financial year barring unforeseen circumstances.

7. INDUSTRIAL RELATIONS

Your Company maintains harmonious industrial relations at all levels of the organisation. It will be the constant endeavour of your Company to continue to maintain the good industrial climate.



8. 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.

9. DIRECTORS

Shri. K. Munivelu Mudaliar retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for reappointment.

10. PARTICULARS OF EMPLOYEES

Particulars of employees drawing remuneration attracting the Provisions of Section 217 (2A) of the Companies Act, 1956 during the financial year 1999-2000 is annexed.

11. LISTING OF SHARES WITH STOCK EXCHANGES

The shares of your Company are listed with the following Stock Exchanges:

The Hyderabad Stock Exchange Limited The Madras Stock Exchange Limited The Stock Exchange, Mumbai The Stock Exchange, Ahmedabad

There is no outstanding amount by way of annual listing fees payable to the above Stock Exchanges.

12. 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.

13. BOARD'S EXPLANATION TO THE QUALIFICATION GIVEN IN THE AUDITORS' REPORT

The Board of Directors wish to express the following views in relation to the Auditors' observations made in paragraphs 2(e)(i), 2(e)(ii), 2(e)(iii), 2(e)(iv) and 2(e)(v) respectively:

 The Company has valued its closing stock of workin-progress at net realisable value which is in line with the valuation as per banking practices.

- It has been a consistent practice of the Company to account for gratuity payments as and when they arise.
- 3) Your Company is following a policy of deferring any fluctuation in exchange rates over the period of the loan concerned where the loan is not for acquisition of fixed assets and where their tenor is more than 5 years. In the opinion of the Company this would result in a more appropriate charge to Profit and Loss Account.
- 4) Your Company has obtained an expert legal opinion and is given to understand on the basis of the same that the prospects of the case filed in the court of law being decided in its favour are very bright and is hence confident of realising the entire deposit together with interest provided for till date.
- 5) The quoted and unquoted 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.

14. CORPORATE GOVERNANCE

The Securities and Exchange Board of India has announced guidelines on Corporate Governance by which listed Companies have been directed to follow a uniform code of Corporate Governance. As the guidelines are applicable to your Company with effect from the financial year 2001-2002, the management is contemplating implementation of the guidelines in a phased manner so as to ensure that the Company is fully compliant by 31st March, 2002.

15. ACKNOWLEDGEMENT

The Directors acknowledge the support received from various Governments and their Agencies, Financial Institutions, Banks, Shareholders, Debenture holders and Customers. The Directors have pleasure in placing on record their heartfelt appreciation to all the Employees of the Company who strive uncompromisingly to achieve the objectives of your company.

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

Date: 29th June, 2000

For and on behalf of the Board

M. SREENIVASULU REDDY
CHAIRMAN