

B A L A J I
I N D U S T R I A L
C O R P O R A T I O N
L I M I T E D

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17th
ANNUAL
REPORT
2000-2001

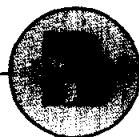
**SEVENTEENTH ANNUAL REPORT**

Board of Directors	Shri M Sreenivasulu Reddy Chairman
	Shri M S Ganesh Managing Director
	Shri S V Sessa Reddy (Alias) Shri S V Sudhakar Reddy
	Shri K Munivelu Mudaliar
	Shri S Srinivasan (Nominee of ICICI)
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 India
	Global Trust Bank Ltd.
	HDFC Bank Ltd.
	ICICI Bank 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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BALAJI INDUSTRIAL CORPORATION LIMITED

NOTICE OF THE SEVENTEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Seventeenth Annual General Meeting of BALAJI INDUSTRIAL CORPORATION LIMITED will be held at Raghava Kalyana Mandapam, 8/512, Ranganayakulapeta, Nellore - 524 001, on Friday, the September 28, 2001 at 10.15 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 on March 31, 2001 and the Balance Sheet as at that date and the reports of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Shri S V Sessa Reddy (Alias) Shri S V Sudhakar Reddy who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors and authorise the Board of Directors to fix their remuneration by means of a special resolution as required under section 224A of the Companies Act, 1956.

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 pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, and Schedule XIII of the Companies Act, 1956, Shri M.S. Ganesh, be and is hereby appointed as Managing Director of the Company for a period of 5 years with effect from April 21, 2001 on the following terms and conditions:

- I) **Basic Salary:** Rs.32,000/- per month. The Scale of pay is Rs.32,000- 4,000 - 40,000 - 5,000 - 60,000.
- II) **Perquisites:**
 - a) **Housing:** Rent free furnished accommodation will be provided to the Managing Director. In case no accommodation is so provided by the

Company, rent not exceeding Rs.9,000/- per month shall be paid.

- b) **Medical Reimbursement:** One month's basic salary for self and family per annum.
- c) **Leave Travel Assistance:** One month's basic salary for self and family per annum.
- d) **Books & Periodicals:** Eligible for Rs.2,400/- per annum.
- e) **Bonus:** To be paid as per the Company's norms.
- f) **Contribution to Provident Fund and Super-Annuation fund:** To the extent the same are not taxable under the Income Tax Act, 1961.
- g) **Gratuity:** As per the provisions of the Payment of Gratuity Act, 1972 or by contribution to Group Gratuity Scheme of Life Insurance Corporation of India.
- h) **Motor Car:** Motor Car with driver for use on Company's business.
- i) **Telephone:** Provision of Telephone at residence and reimbursement of expenses thereof.
- j) **Unavailed Leave:** To be allowed to be encashed as per the rules of the Company.
- k) **Professional Body Fees:** Membership fee of one Professional Body.
- l) **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 profits or its profits are inadequate, the Company shall pay to the Managing Director remuneration in accordance with the provisions of Section II of part II of Schedule XIII of the Companies Act, 1956.
- m) **Powers and Duties:** As may be delegated by the Board from time to time.
- n) **Place of Posting:** The Managing Director will be head quartered at Chennai."



5. 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.118,00,00,000/- (Rupees one hundred and eighteen crores only) divided into 7,80,00,000 (Seven crores eighty lakhs) Equity Shares of Rs.10/- each (Rupees Ten only) each aggregating to Rs.78,00,00,000/- (Rupees seventy eight crores only) and 4,00,00,000 (Four crores) Cumulative Redeemable Preference Shares of Rs.10/- (Rupees ten only) each aggregating to Rs.40,00,00,000/- (Rupees forty crores only)."

6. 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.118,00,00,000/- (Rupees one hundred and eighteen crores only) divided into 7,80,00,000 (Seven crores eighty lakhs) Equity Shares of Rs.10/- (Rupees ten only) each aggregating to Rs.78,00,00,000/- (Rupees seventy eight crores

only) and 4,00,00,000 (Four crores) Cumulative Redeemable Preference Shares of Rs.10/- (Rupees ten only) each aggregating to Rs.40,00,00,000 (Rupees forty 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."

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

"RESOLVED THAT Article 5(a) of the Articles of Association of the Company be substituted with the following new article:

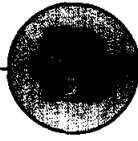
5.a) The Authorised Share Capital of the Company is Rs.118,00,00,000/- (Rupees one hundred and eighteen crores only) divided into 7,80,00,000 (Seven crores eighty lakhs) Equity shares of Rs.10/- (Rupees ten only) each aggregating to Rs.78,00,00,000/- (Rupees seventy eight crores only) and 4,00,00,000 (Four crores) Cumulative Redeemable Preference Shares of Rs.10/- (Rupees ten only) each aggregating to Rs.40,00,00,000/- (Rupees forty crores only) with power to increase or reduce the capital in accordance with the provisions of the Companies Act, 1956."



By Order of the Board

Place : Chennai
Date : 31-07-2001

G. SRIRAMAN
Company Secretary

**BALAJI INDUSTRIAL CORPORATION LIMITED****NOTES**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote, instead of himself and the proxy need not be a member of the Company.
2. 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.
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. 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.
5. 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).
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 requisite information can be made available at the meeting.

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ANNEXURE TO THE NOTICE

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

ITEM NO. 3

As the combined shareholding of the public financial institutions in the company exceeds 25% of the subscribed share capital of the company, the Auditors are to be appointed/re-appointed by means of a special resolution as per section 224A of the Companies Act, 1956.

The special resolution is commended for approval by the members.

ITEM NO. 4

Shri M S Ganesh was appointed as Director of the Company on 23.07.1999. He is a Fellow Member of the Institute of Chartered Accountants of India, having vast experience in the areas of finance, accounts and general administration. He has been associated with the Company for over a decade. Considering his contribution to the Company's growth, the Directors have appointed him as Managing Director on April 21, 2001. 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 M S Ganesh none of the Directors is interested in the resolution.

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

ITEMS NO. 5, 6 & 7

The Present Authorised Share Capital of the company consists of 6,40,00,000 Equity Shares of Rs.10/- each aggregating to Rs.64,00,00,000/- and 5,40,00,000 Cumulative Redeemable Preference Shares of Rs.10/- each aggregating to Rs. 54,00,00,000.

The Company has issued fully convertible debentures to IFCI Limited and Tourism Finance Corporation of India Limited. As per the terms of issue the said debentures are to be convertible into equity shares of the Company.

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 these resolutions.

The Board recommends the adoption of these resolutions by members.

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By Order of the Board

Place : Chennai
Date : 31-07-2001

G. SRIRAMAN
Company Secretary



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 March 31, 2001.

1. PERFORMANCE HIGHLIGHTS:

Your company earned a Gross Revenue of Rs.405.31 Crores during the year 2000-2001 as against Rs.501.75 Crores in the Previous Financial Year 1999-2000.

2. SUMMARY OF FINANCIAL RESULTS:

A. EARNINGS

	(Rs. in crores)	
	2000-2001	1999-00
1. Profit/(Loss) before depreciation	(48.55)	23.76
2. Depreciation	6.84	9.46
3. Profit/(Loss) before tax	(55.39)	14.30
4. Provision for tax	—	1.65
5. Profit/(Loss) after tax	(55.39)	12.65
6. Income Tax relating to earlier years	(0.39)	(0.04)
7. Surplus brought forward from previous year	15.17	21.12
Amount available for Appropriation	(40.61)	33.73

B. APPROPRIATION

	2000-2001	1999-00
1. Proposed Dividend		
- Preference	—	6.27
- Equity	—	1.68
2. Transfer to General Reserve	—	9.00
3. Dividend Tax	—	1.61
Balance carried forward	(40.61)	15.17
	(40.61)	33.73

3. OPERATIONS

The Company sold 17,006 Metric Tonnes (68,008 MT) of Steel Products earning a gross revenue of Rs.25.47 crores (Rs.105.42 crores).

The Distillery Division at Hyderabad manufactured 12,46,485 cases (15,92,190 cases) and sold 12,61,758 cases (15,82,461 cases) generating a gross revenue of Rs.78.64 Crores (Rs. 107.84 crores).

A total of 11,77,935 cases (12,67,455 cases) were sold in the IMFL Trading Division, Mumbai yielding a gross revenue of Rs.290.53 crores (Rs.269.50 crores).

Your Company has earned a profit of Rs.35.71 crores before extraordinary items, interest, depreciation and tax. After taking into account extraordinary items, interest, depreciation and tax, the net loss for the year amounted to Rs.55.39 crores. A major part of this loss has been on account of the extraordinary item viz. loss on sale of the Company's ship M V Balaji Diplomat amounting to Rs.28.83 Crores.

During the year under review the sales and profitability of the Company's Distillery Division at Hyderabad had a substantial fall, as the Company decided to stop production of its certain major products, protesting against the decision of Andhra Pradesh Beverages Corporation Limited (APBCL), which decided to reduce the rates of major IMFL products produced by the Company in line with a policy of comparable pricing vis-a-vis neighboring states. However, the Company contested the above decision of APBCL in court and the case was decided in Company's favour.

The stoppage of certain activities as explained last year has also contributed to fall in revenues. On the whole, even though in the year under review, there has been a drop in the gross revenue and net revenue due to the reasons outlined above, your Company is confident of improving its performance in the coming years.

4. SHARE CAPITAL

During the year under review, the paid-up equity share capital has increased from Rs. 35.68 crores to 43.98 crores on account of allotment of 83,04,000 equity shares on preferential basis.

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

Your company has allotted 38,40,000 and 4,30,000 zero coupon unsecured Fully Convertible Debentures (FCD's) of face value of Rs. 100/- each on a preferential basis to IFCL Limited and Tourism Finance Corporation of India Limited respectively on April 21, 2001.

5. 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.

6. THE YEAR AHEAD

Your Company would be making continuous and consistent efforts to improve its position in the IMFL market in Andhra Pradesh. Your Company is also contemplating financial restructuring and to this end, is discussing with Financial Institutions / Banks.

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 S V Sessa Reddy (Alias) S V Sudhakar Reddy resigned from the post of Managing Director, but continues to be a Director of the Company.

Shri M S Ganesh has been appointed as Managing Director of the Company with effect from 21.04.2001. He has been associated with the Company for over a decade. Considering his contribution to the Company's growth, your Directors have appointed him as the Managing Director of the Company.

ICICI Limited has appointed Shri Sanjay Kumar Maheshka in the place of Shri V R Mehta effective from 31.01.2001 and subsequently has appointed Shri S Srinivasan in place of Shri Sanjay Kumar Maheshka effective from 29.06.2001. The Board records its appreciation for the valuable advice and guidance given by Shri V R Mehta and Shri Sanjay Kumar Maheshka to the Company during the tenure of their office as Nominee Directors of the Company.

Shri S V Sessa Reddy (Alias) S V Sudhakar Reddy, Director, who retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for reappointment.

10. PARTICULARS OF EMPLOYEES

During the year, there were no employees drawing remuneration as per limits specified under section

217(2A) of the Companies Act, 1956, read with Companies (Particular of Employees) Rules, 1975.

11. 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:

- i) that in the preparation of the annual accounts for the year ended March 31, 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 March 31, 2001 on a 'going concern' basis.

12. 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.

13. 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.



14. BOARD'S EXPLANATION TO THE QUALIFICATIONS 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) to 2(e) (xi):-

- 1) The Company has revised its valuation of closing stock as per the Accounting Standard - 2 issued by Institute of Chartered Accountants of India. As stated in Auditors' Report, there is no impact on the Profit and Loss Account.
- 2) 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) 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.
- 5) Even though the book debts are good in the opinion of your company, 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.
- 6) Your Company has obtained an expert legal opinion and was 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.*
- 7) Your Company is in the process of gathering the information regarding the constitution of its creditors. As the 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.

- 8) 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.
- 9) 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 provisions has been made for interest /charges on such loans.
- 10) Your Company is of the opinion that the advances in cash or kind are good and 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.
- 11) Your Company is taking necessary steps to regularise the unpaid dividend account in the current year.

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 March 31, 2002.

16. AUDIT COMMITTEE

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

17. 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.

For and on behalf of the Board

Place : Chennai
Date : 31-07-2001

M. SREENIVASULU REDDY
CHAIRMAN