

# **BALAJI INDUSTRIAL CORPORATION LIMITED**



19th  
ANNUAL  
REPORT  
2002-2003



## BALAJI INDUSTRIAL CORPORATION LIMITED

### NINETEENTH ANNUAL GENERAL MEETING

Board of Directors	M Sreenivasulu Reddy R Viswanathan M Durgaprasad Reddy S Srinivasan, Nominee - ICICI Bank Ltd
Auditors	P A Reddy & Co., Chartered Accountants Nellore 524 001
Bankers	Bank of Baroda Limited Bank of India Global Trust Bank Limited HDFC Bank Limited ICICI Bank Limited Indusind Bank Limited State Bank of India Tamilnad Mercantile Bank Limited United Western Bank Limited
Registrar and Share Transfer Agent	Cameo Corporate Services Limited "Subramanian Building" No.1, Club House Road Chennai 600 002
Registered Office & Works	Chemudugunta Village Venkatachalam Mandal Nellore District Andhra Pradesh Pin code 524 320
Corporate Office	No.9, Bazullah Road T Nagar Chennai 600 017

**CONTENTS**

	Page
DIRECTORS' REPORT :	3
REPORT ON CORPORATE GOVERNANCE :	9
AUDITORS' REPORT :	16
BALANCE SHEET :	21
PROFIT AND LOSS ACCOUNT :	22
SCHEDULES TO ACCOUNTS :	23
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE :	37
CASH FLOW STATEMENT :	38



## BALAJI INDUSTRIAL CORPORATION LIMITED

### DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of your Company present their Nineteenth Annual Report together with the audited statement of accounts for the year ended March 31, 2003.

#### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

##### 1. PERFORMANCE HIGHLIGHTS

Your company earned a Gross Revenue of Rs. 13.83 Crores during the year 2002-2003 as against Rs.61.07 Crores in the Previous Financial Year 2001-2002.

##### 2. SUMMARY OF FINANCIAL RESULTS

(Rs. in crores)

Sl. No.	Particulars	2002-2003	2001-2002
1.	Profit / (Loss) before depreciation	(67.09)	(41.98)
2.	Depreciation	5.90	6.04
3.	Profit / (Loss) before tax (PBT)	(61.19)	(48.02)
4.	Provision for tax	—	—
5.	Profit / (Loss) after tax (PAT)	(61.19)	(48.02)
6.	Excess provisions of earlier years Return Back	—	(0.05)
7.	Deferred Tax	15.32	15.03
8.	Surplus/Deficit brought forward from previous year	(73.65)	(40.61)
9.	Accumulated Loss carried in the Balance Sheet	(119.52)	(73.65)

##### 3. OPERATIONS

Your Company had sold 6643 Metric Tonnes (5287 MT) of Steel Products earning a gross revenue of Rs. 10.53 crores (Rs.8.21crores) and earned conversion income amounting to Rs. 2.10 Crores (Rs.1.28 Crores) for conversion of Ingots and Billets into CTD Bars.

The operations of IMFL Manufacturing Unit at Jeedimetla, Hyderabad is not in operation for the entire year. The company is taking continuous effort to re-commence the operations and started

discussions with institutions and banks for the same.

Your company's Steel Manufacturing Unit is continuing its contract with M/s Pinakini Industries Private Limited, Nellore for conversion of Ingots & Billets into CTD bars of various dimensions. The company also doing its own production subject to availability of working capital funds.

The reduction in most of the activities of the company as explained earlier has resulted in fall of revenues as compared to the previous years.

Your company is making efforts to improve its performance and resume the closed operations.

##### 4. DIVIDEND

As the operations of your Company in the current year have resulted in a loss, your Directors do not recommend any dividend for the year.

##### 5. THE YEAR AHEAD

Your Company is making efforts to start / improve production of various divisions. Your Company is also contemplating financial restructuring and approaching the various lenders of the Company for restructuring / waiver of debts. The Company is also approaching banks and financial institutions for one time settlement of dues wherever possible.

##### 6. 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.

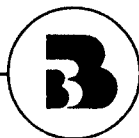
##### 7. ENERGY, TECHNOLOGY, FOREIGN EXCHANGE

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-1.

##### 8. DIRECTORS

During the year, ICICI Bank Limited nominated Shri S. Srinivasan as Director on the Board with effect from 31.01.2003.

Shri R Viswanathan retires by rotation and being eligible offers himself for reappointment.



## BALAJI INDUSTRIAL CORPORATION LIMITED

### 9. 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.

### 10. 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, 2003 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 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, 2003 on a 'going concern' basis.

### 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

Currently your Company's equity shares have been suspended from Trading in Mumbai Stock Exchange.

The Company has already taken steps for Revocation of Suspension.

### 12. AUDITORS

M/s S Viswanathan & Co., Chartered Accountants, Chennai have resigned from the Company as Joint Statutory Auditors. Your Board places on record its appreciation for the services rendered by them during their tennure as Joint Statutory Auditors.

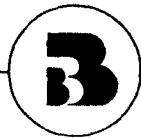
M/s P A Reddy & Co., Chartered Accountants, Nellore hold office until the conclusion of the ensuing Annual General Meeting. Further it is proposed to appoint M/s CNGSN & Associates, Chartered Accountants, Chennai as Joint Statutory Auditor along with the Company Statutory Auditors M/s P A Reddy & Co., Chartered Accountants.

With respect to the various observations of the Auditors in their Report, the Board of Directors wish to express the following views:

- I Your Company has been providing Depreciation under straight line method as per the rates applicable in Schedule XIV of the Companies Act, 1956. As the economic life to the assets given on lease is considerably more than the period for which they are leased out, the rates as per the Companies Act have been adopted.
- II 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.
- III 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.
- IV It has been a consistent practice of the Company to account for gratuity leave encashment payments as and when they arise.
- V 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.



- VI As regards non compliance of section 372A of the companies Act, 1956, your company is of the view that the subject transactions do not fall with in the purview of the section 372A of the Companies Act, 1956. These advances are extended in the ordinary course of business and for the general business purposes and in our opinion, they are recoverable in due course.
- VII Your company is taking steps to regularise and make payment of the unpaid dividend in the coming years subject to availability of funds.
- VIII Your company has deferred the upfront fee over the period of the concerned loan, where the tenor of the loan is more than 5 years. The company is writing off the upfront fee over the period of the tenor of the loan which in the opinion of the company would result in a more appropriate charge to Profit and Loss Account.
- IX The book debts are good in the opinion of your company. However, the company is in the process of ascertaining the recoverability of book debts and made enough provisions in the books of accounts in the current year and would consider making further provisions in the coming years, if found necessary.
- X Your Company is of the opinion that the prospects of the cases of BDA Limited and RSEB filed in the court of law being decided in our favour the Company is confident of realising the entire deposit / lease rentals together with interest.
- XI Your company has obtained confirmation of balances from a significant part of its debtors and creditors, Banks and Financial Institutions and is in the process of following up the cases where such confirmation is pending / not received. The Company is not in a position to get confirmation of balance with banks and institutions where cases have been filed in courts. The Company will be closing the accounts with various banks, which are in operative over the years and the necessary steps are being taken to close the accounts.
- XII Your company is in the process of recovering advances made for acquiring properties and is confident of recovering the full amount in the coming years.
- XIII Your company has not provided for penal interest on income tax liability since the company has applied to the Income tax authorities for waiver of all the penal interests that are levied or may be levied by taking into account the precarious financial position of the company.
- XIV Your company proposes to take up negotiations through court / directly 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, one time settlements, no provisions has been made for interest / charges on such loans.
- XV 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 services. However your company will be finalising and ascertaining the recoverability of such advances and would consider making provision, if found necessary, in the forthcoming years.
- XVI Your company is confident of resuming the operations of the Distillery Division at the earliest and any diminution in the value of stocks would be accounted for in the year in which it is used.
- XVII During the year aggrements for the certain leased assets were expired. In this regard, certain procedural formalities with regard to the Hire Purchase Agreement had to be complied with and the same are being obtained by the Company.
- XVIII With respect of deposit of Rs.2.4 lakhs with United Western Bank Ltd., the Bank has filed a case in DRT for recovery of dues. We are not in a position to ascertain whether the deposit along with interest has been adjusted towards dues of the bank or deposit lies as such.
- XIX As per the terms of lease agreement entered into with various parties for acquiring assets and lease them back, it is the responsibility of the lessee to take insurance coverage for the assets. Moreover, most of the lease agreements have expired and pending certain procedural formalities and resolution of certain matters, the insurance coverage could not be taken.

**BALAJI INDUSTRIAL CORPORATION LIMITED**

- XX Your Company is in the process of updating its fixed assets register and taken necessary steps for physical verification of assets during the year.
- XXI The shares held by promoters were pledged with HDFC Bank Ltd for loan availed by the company. During the year, the bank has sold the pledged shares and the proceeds of sale has been credited to the company's loan account to the extent of Rs.54.66 lacs. The Company has passed necessary entries in the books crediting the promoters account. Your company is of opinion that they are not in the nature of deposits as per Sec 58 A of the Companies Act, 1956.

**13. CORPORATE GOVERNANCE**

A Report on Corporate Governance along with Auditor's Certificate is annexed herewith.

**14. 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: 29.08.2003

**M Sreenivasulu Reddy**  
Chairman

Report  junction.com



## BALAJI INDUSTRIAL CORPORATION LIMITED

## ANNEXURE - I

**PARTICULARS REQUIRED UNDER THE COMPANIES  
(DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS), RULES 1988**

**Form A  
(See Rule 2)**

Form for the disclosure of particulars with respect to conservation of energy.

**(A) POWER AND FUEL CONSUMPTION**

		<b>Current Year 2002-2003</b>	<b>Previous Year 2001-2002</b>
<b>1. ELECTRICITY</b>			
a) Purchased Units		<b>4,431,598</b>	2,541,113
Total Amount	Rs.	<b>62,042,372</b>	35,194,415
Rate / Unit	Rs.	<b>14.00</b>	13.85
b) Own Generation			
(i) Through Diesel Generator			
Units (KWH)		<b>Nil</b>	Nil
Units per Ltr. of Furnace Oil		<b>Nil</b>	Nil
Average Cost / Unit	Rs.	<b>Nil</b>	Nil
(ii) Through Steam Turbine / Generator		<b>Nil</b>	Nil
<b>2. COAL (Specify quality and where used)</b>			
Quantity	MT.	<b>Nil</b>	Nil
Total Amount	Rs.	<b>Nil</b>	Nil
Average Rate	Rs.	<b>Nil</b>	Nil
<b>3. FURNACE OIL</b>			
Quantity	Ltrs.	<b>1,367,736</b>	961,354
Total Amount	Rs.	<b>16,330,768</b>	8,738,871
Average Rate	Rs.	<b>11.94</b>	9.09
<b>4. OTHERS</b>			
(Please give details)			
Quantity	MT.	<b>Nil</b>	Nil
Total Amount	Rs.	<b>Nil</b>	Nil
Rate / Unit	Rs.	<b>Nil</b>	Nil

**(B) CONSUMPTION PER UNIT OF PRODUCTION**

	Standard (If any)		
<b>1. PRODUCTS</b>			
a) Furnace Division			
Scrap	MT.	<b>Nil</b>	Nil
b) Rolling Division			
i) Ingots, Billets & Blooms	MT.	<b>1.064</b>	1.064
ii) Re-rollable scrap	MT.	<b>1.100</b>	Nil





## BALAJI INDUSTRIAL CORPORATION LIMITED

**2. ELECTRICITY**

a) Furnace Division	Units	Nil	Nil
b) Rolling Division	Units	249	190

**3. FURNACE OIL**

Rolling Division	Ltrs.	77	77
------------------	-------	----	----

**4. COAL (Specify quality)**

Nil	Nil
-----	-----

**5. OTHERS (Specify quality)**

Nil	Nil
-----	-----

**TECHNOLOGY ABSORPTION  
RESEARCH & DEVELOPMENT**

Specific Area in which R & D is carried out by the Company		Nil	Nil
Benefits derived as a result of above R & D		Nil	Nil
Future plan of action		Nil	Nil
Expenditure on R & D		Nil	Nil
Efforts made towards technology absorption etc.		Nil	Nil

**FOREIGN EXCHANGE EARNINGS & OUTGO**

Foreign exchange earnings	Rs.	Nil	Nil
Foreign exchange outgo	Rs.	Nil	Nil



## BALAJI INDUSTRIAL CORPORATION LIMITED

### REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR ENDED 31.03.2003

The report on Corporate Governance forms part of the Directors Report.

#### COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The essential elements of Corporate Governance are fairness, transparency, accountability and responsibility to which your Company continues to remain committed. The Company will endeavour to improve on these aspects on an ongoing basis.

#### BOARD OF DIRECTORS

Composition of the Board of Directors and other details

Sl. No.	Name of the Director	Category	No. of Meetings Attended#	Attendance of Last AGM	No. of Outside Directorship Held	No. of Membership / Chairmanship in other Board Committees
1.	M Sreenivasulu Reddy	Promoter Executive Director	5	—	7	2
2.	T. Mallikarjuna Reddy*	Independent Executive	3	—	14	—
3	R. Viswanathan	Independent Non-Executive Director	4	Y	1	—
4.	M. Durgaprasad Reddy	Independent Non-Executive Director	2	Y	11	—
5.	S Srinivasan Nominee - ICICI Bank Ltd.)	Independent Non-Executive Director	1	—	6	—

# Attendance at Board Meeting relevant to the period when appointment as Director of the Company.

\* Resigned from the Board on 21.10.2002.

Five Board Meetings were held during the year from 01.04.2002 to 31.03.2003. The dates on which the meetings were held are as follows : 27.05.2002; 28.06.2002; 30.09.2002; 21.10.2002 and 31.01.2003.

Necessary steps are being taken to broad base the Board so as to ensure optimum combination of executive and Non-Executive Directors.

#### PARTICULARS OF RETIRING DIRECTORS

R Viswanathan is a Director since 28.06.2002. He has about 10 years of experience in Finance, Accounts and EDP. He is also a Director of M/s. Sowjanya Investments and Estates Private Limited.