



BALAJI INDUSTRIAL CORPORATION LIMITED

27th
Annual Report
2010-11



TWENTY SEVENTH ANNUAL GENERAL MEETING

| | |
|---|---|
| Board of Directors | M Sreenivasulu Reddy V Saravanan M Durga Prasad Reddy |
| Auditors | P A Reddy & Co., Chartered Accountants CNGSN & Associates Chartered Accountants |
| Bankers | Indian Bank Tamilnad Mercantile Bank Ltd Oriental Bank of Commerce Ltd IDBI Bank Ltd (United Western Bank Ltd) Karur Vysya Bank Ltd |
| Registered Office & Works | Chemudugunta Village Venkatachalam Mandal Nellore District Andhra Pradesh Pin code 524 320 |
| Corporate Office | New No.17/1, Old No.9, Bazullah Road, T Nagar Chennai 600 017 |
| Registrar and Share Transfer Agent | Cameo Corporate Services Limited "Subramanian Building" No.1, Club House Road Chennai 600 002 |

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NOTICE

NOTICE is hereby given that the **Twenty Seventh Annual General Meeting** of **BALAJI INDUSTRIAL CORPORATION LIMITED** will be held at the Registered office of the company at **Chemudugunta Village, Venkatachalam Mandal, Nellore District - 524 320 (A.P.)**, on Wednesday, **September 28, 2011 at 12.00 noon** 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, 2011 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 M Durga Prasad Reddy who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

In this connection to consider and if thought fit, to pass with or without modification the following resolution as Special Resolution.

"RESOLVED THAT pursuant to the provisions of section 224A and other applicable provisions, if any, of the companies Act, 1956 the retiring Auditors, M/s P A Reddy & Co., Chartered Accountants, and M/s CNGSN & Associates, Chartered Accountants, be and are hereby appointed as Auditors of the company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration as may be decided by the Board of Directors."

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution.

"RESOLVED THAT Shri. V. Saravanan, whose term of office as an Additional Director of the Company expires at this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company, whose period of office will be liable for retirement by rotation."

By Order of the Board
For BALAJI INDUSTRIAL CORPORATION LIMITED

Place : Chennai
Dated: August 11, 2011

M. SREENIVASULU REDDY
Chairman

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. 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.
3. 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.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 26.09.2011 to 28.09.2011 (both days inclusive)
5. 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.
6. 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.



ANNEXURE TO NOTICE

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

Item No.4

Mr. V Saravanan was appointed as additional director of the company on 11.08.2011. He vacates office at the commencement of the forth coming annual general meeting. Board recommends his re-appointment.

None of the Directors of the company is interested in the said ordinary resolution.

By Order of the Board
For BALAJI INDUSTRIAL CORPORATION LIMITED

Place : Chennai
Dated: August 11, 2011

M. SREENIVASULU REDDY
Chairman



DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting their Twenty-Seventh Annual Report together with the Audited Accounts of the Company for the Financial Year ended March 31, 2011.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Summary of Financial Results (Rs. in Crores)

The financial results of the company for the year ended 31.03.2011 are given below: (Rs. in Crores)

| S.No. | Particulars | 2010-11 | 2009-10 |
|-------|--|----------|----------|
| 1 | Profit/(Loss) before depreciation | 2.90 | 5.60 |
| 2 | Less: Depreciation | 1.28 | 1.39 |
| 3 | Profit/(Loss) before tax & Exceptional items | 1.62 | 4.21 |
| 4 | Provision for Tax | 0.00 | 0.00 |
| 5 | Deferred Tax | 0.16 | 0.16 |
| 6 | Profit/(Loss) after tax | 1.78 | 4.37 |
| 7 | Prior period adjustments | 0.23 | 0.00 |
| 8 | Profit/(Loss) after adjustments | 2.01 | 4.37 |
| 9 | Deficit from previous years | (708.73) | (713.10) |
| 10 | Loss carried to Balance sheet | (706.72) | (708.73) |

2. OPERATIONS:

Your Company had sold 17,174 Metric Tonnes (18,391 MT) of Steel Products earning a gross revenue of Rs.55.46 crores (Rs. 53.63 crores).

During the year the company has earned Rs.17.14 crores (Rs.26.87 crores) from sale of Empty Bottles, Corrugated Boxes / Partitions, Printed Labels & PP Caps used in IMFL Industry.

The IMFL Manufacturing Unit at Jeedimetla, Hyderabad is not in operation.

3. DIVIDEND:

Your directors do not recommend dividend this year in view of the carried forward accumulated losses.

4. FUTURE OUTLOOK / PLANS:

Your Company could not restart various closed operations due to lack of funds and litigations. The entire future planning depends on the decision of BIFR and the financial support and co-operation of the Banks / Financial Institutions.

5. REFERENCE TO BIFR:

The Hon'ble Board for Industrial and Financial Reconstruction (BIFR) has declared your company as a Sick industrial company within the meaning of Clause (o) of the sub-section (1) of the Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 vide its order dated 07.03.2007 on the basis of

company's reference registered with the said Hon'ble BIFR as Case Nos.13/2004 and 22/2005. Further the Hon'ble BIFR has appointed IFCL as Operating Agency for formulating revival package. The revival process is in progress. During the year your Company has settled dues to some of banks under one time settlement. So far, your Company has settled dues of more than 80% of the secured creditors. Your Company has given improved OTS offer to remaining unsettled creditors.

6. INDUSTRIAL RELATIONS:

Your Company maintains harmonious industrial relations at all levels in the organization. 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:

Shri R Viswanathan, resigned from the Board with effect from 11/08/2011. Board records their appreciation for the services rendered by him during his tenure as director of the company.

Shri M Durga Prasad Reddy, director of the company, retire by rotation at the forth coming annual general meeting and being eligible offers himself for reappointment. Board recommends his re-appointment.

Shri. V Saravanan was appointed as an additional director of the company with effect from 11/08/2011 and he vacates office at the commencement of the forth coming Annual General Meeting and the Board recommends his re-appointment.

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 (Particulars 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:

- that in the preparation of the annual accounts for the year ended March 31, 2011 the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that in 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 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, 2011 on a 'going concern' basis.

11. LISTING OF SHARES WITH STOCK EXCHANGES:

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

- o The Hyderabad Stock Exchange Limited
- o The Madras Stock Exchange Limited
- o The BSE limited, Mumbai
- o The Ahmedabad Stock Exchange Limited, Ahmedabad

Company's equity shares have been suspended from Trading in Mumbai Stock Exchange due to non compliance of Clause 41 of the Listing Agreement and non-payment of Listing Fees.

12. AUDITORS:

M/s P A Reddy & Co., Chartered Accountants, Nellore and M/s CNGSN & Associates, Chartered Accountants, Chennai, Statutory Auditors of the company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

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

- I. It has been a consistent practice of the Company to account for gratuity / leave encashment payments as and when they arise. The Company has settled Gratuity for the left employees of the company and the closed division. However, the company has ascertained the liability and will be included in the Rehabilitation scheme as per the direction of BIFR. [Refer SI No.4(d) of Auditor's Report].
- II. The company has huge accumulated losses; hence the company was not in a position to redeem the preference shares / debentures on the due dates and is initiating negotiations with the bankers for redemptions of the said

securities at the earliest. [Refer SI No.4(e) of Auditor's Report].

- III. It has been a consistent practice of the Company to account for gratuity / leave encashment payments as and when they arise. The Company has settled Gratuity for the left employees of the company and the closed division. However, the company has ascertained the liability and will be included in the Rehabilitation scheme as per the direction of BIFR. [Refer SI No. 4(f)(a) of Auditor's Report].
- IV. Your company has initiated negotiations as per the proposed scheme submitted to Operating Agency appointed by BIFR 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. The Company has settled majority of the banks and institutions outstanding through one time settlement. The company is hopeful of settling all institutional/banks dues whereby the said non provision of interest will not arise in future. [Refer SI No.4(f)(b) of Auditor's Report].
- V. The Company has already closed most of the bank accounts, which are inoperative over the years. Some of the bank accounts have been attached by Income Tax Department. Hence the Company is not in a position to close such accounts. However, the necessary steps will be taken to close the accounts which are not in operation over the years. [Refer SI No.4(f)(c) of Auditor's Report].
- VI. As informed in earlier years, with respect of deposit of Rs.2.40 lakhs with IDBI Bank (Erstwhile United Western Bank Limited), 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. [Refer SI No.4(f)(d) of Auditor's Report].
- VII. Your company proposes to take up negotiations as per the proposed scheme submitted to Operating Agency as directed by BIFR for waiver / concessions in interest / principal in respect of some Hire Purchase Agreements where payment of interest / principal is in arrears. The Company has settled majority of the Lenders outstanding through one time settlement scheme. [Refer SI No.4(f)(e) of Auditor's Report].



VIII. The Company has extended Corporate Guarantees to the Group Companies and one guarantee given by the Company has been invoked. The Company is confident that as per the Settlement Scheme offered by the Group Company to their lenders, the amount due as per the guarantee will be adjusted/settled. Hence, the Company has not made any provisions for the same. [Refer Sl.No.4(f)(f) of Auditor's Report]

IX. The Company is confident that the loans availed from banks and Financial Institutions will be restructured as per the directions of Hon'ble BIFR and mutual discussions with the lenders. As such, the existing securities offered by the Company to the various lenders will be adequate to the proposed liabilities included in the scheme. [Refer Sl.No.4(f)(g) of Auditor's Report]

X. The effect of Audit qualifications has been summarized. [Refer Sl No.4(f)(h) of Auditor's Report].

XI. As regards to the undisputed Income Tax & Sales Tax, the company has appealed before various forums and the company is confident that would be in its favour and the same has been included in the scheme as directed by Hon'ble BIFR. The company is seeking certain reliefs / concessions from Central / State Government. [Refer Sl No. ix(b)&(c) of Annexure to Auditor's Report].

13. CORPORATE GOVERNANCE:

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

14. ACKNOWLEDGEMENT:

The Board hereby acknowledges the support from various Government Departments and their Agencies, Hon'ble BIFR, 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.

For and on behalf of the Board
For BALAJI INDUSTRIAL CORPORATION LIMITED

Place : Chennai
Dated: August 11, 2011

M. SREENIVASULU REDDY
Chairman



**Particulars Required under the Companies
(Disclosure of Particulars in the Report of the Board of Directors), Rules 1988**

**Form A
(See Rule 2)
Steel Division**

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

(A) Power and Fuel Consumption

| | | Current Year 2010-2011 | Previous Year 2009-2010 |
|---|-------|-----------------------------------|------------------------------------|
| 1. Electricity | | | |
| a) Purchase Units | Units | 5,289,570 | 5,994,390 |
| Total Amount | Rs. | 21,934,261 | 23,138,779 |
| Rate / Unit | Rs. | 4.15 | 3.86 |
| b) Own Generation | | | |
| (i) Through Diesel Generator Units (KWH) | Units | - Nil - | - Nil - |
| Units per litre of Furnace Oil | | - Nil - | - Nil - |
| Average Cost / Unit | Rs. | - Nil - | - Nil - |
| ii) Through Steam Turbine / Generator | | - Nil - | - Nil - |
| (ii) Through Steam Turbine / Generator | | - Nil - | - Nil - |
| 2. Coal (Specify quality and where used) | | | |
| Quantity | M.T | 3,981.246 | 4,008.886 |
| Total Amount | Rs. | 18,831,025 | 15,999,905 |
| Average Rate | Rs. | 4729.93 | 3,991.11 |
| 3. Furnace Oil | | | |
| Quantity | Ltrs | 282,761 | 348,446 |
| Total Amount | Rs. | 7,555,032 | 7,285,354 |
| Average Rate | Rs. | 26.72 | 20.91 |
| 4. Others | | | |
| (Please give details) | | | |
| Quantity | MT. | Nil | Nil |
| Total Amount | Rs. | Nil | Nil |
| Rate / Unit | Rs. | Nil | Nil |

(b) Consumption per Unit of Production
(Standard If any)

1. Products

Rolling Division

| | | | |
|---------------------|------|-------|-------|
| i) Ingots & Billets | M.T. | 1.120 | 1.121 |
|---------------------|------|-------|-------|