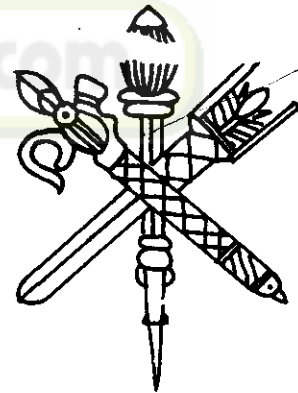


BINNY

ANNUAL REPORT AND ACCOUNTS



MARCH 1999

BINNY LIMITED

ANNUAL REPORT
MARCH - 1999
(18 Months)

Executive Chairman	DIRECTORS M. Ethurajan G.K. Daryanani K.M. Goenka M. Nandagopal R. Narayanan S. Natarajan Niranjan Hiranandani M.E. Shanmugam Syed M. Salahuddin (Alternate Director - Hameed S. Salahuddin) V.R. Venkatachalam Ziaullah Sheriff
NOMINEES OF Government of India	N. Ramakrishnan, IAS (Alternate Director - Shashi Bhushan, IAS)
Karnataka Tamil Nadu	R. Suresh, IAS Smt. Jayanthi, IAS
IDBI	C.K. Lakshminarayanan
COMPANY SECRETARY	D. Kalaiyarasu
BANKERS	Indian Bank Oriental Bank of Commerce The Federal Bank Ltd. Bank of Baroda State Bank of India
AUDITORS	Fraser & Ross
REGISTERED OFFICE	65, Armenian Street, Chennai - 600 001.

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5. Balance Sheet	B 13	11. Binny Engineering Ltd.-1998 (Subsidiary Company)	BE II
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BINNY**BINNY****Textile Division**

Manufacturing and marketing of wide range of cotton, silk, man-made fibre, blended fabrics and woollen blended fabrics like cotswool. Also manufacturing Angola for Defence Services

Mills at

Perambur
Chennai - 600 012.

Agraharam Road,
Bangalore - 560 023.

**Regional
Sales Offices at**

Court Chambers
New Marine Lines
Mumbai - 400 020.

Ganga Plaza
18/13, W.E.A., Karol Bagh,
New Delhi - 110 005.

2B, Ganesh Chandra Avenue
Calcutta - 700 013.

Showrooms at

Bangalore, Mumbai,
Calcutta and Chennai

BINTEX

Marketing of cotton, polyester blended, woollen fabrics and Hosiery other than manufactured / produced by the company

65, Armenian Street,
Chennai - 600 001.

Services Division**AGENCY**

Marketing of Engineering and miscellaneous products

65, Armenian Street,
Chennai - 600 001.

SHIPPING

Shipping, Stevedoring, Clearing & Forwarding Agents, Ship Manning & Management. Also operating Cold Storage Plant at Cochin

Branches at

Visakhapatnam
Cochin and
Tuticorin

TRAVEL

IATA and ITDC approved Travel Agents

LIC Building,
Anna Salai,
Chennai - 600 002.

NOTICE

NOTICE IS HEREBY GIVEN that the Thirtieth Annual General Meeting of the company will be held

at 65, Armenian Street, Chennai - 600 001

on Wednesday, the 29th September 1999

at 10.00 a.m.

to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as at 31st March 1999, the Profit and Loss Account for the 18 months period ended that date and the Auditors' Report thereon.
2. To appoint a Director in place of Mr. N. Ramakrishnan, I.A.S. who was appointed in place of Mr. Ajit Seth, I.A.S. pursuant to Article 116 of the Articles of Association of the company and retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. G.K. Daryanani, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. R. Narayanan, who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. M.E. Shanmugam, who retires by rotation, and being eligible, offers himself for reappointment.
6. To appoint a Director in place of Smt. Jayanthi, I.A.S. who retires by rotation, and being eligible offers herself for reappointment.
7. To appoint Auditors and fix their remuneration. Messrs. Fraser & Ross, Chartered Accountants, Chennai are the retiring Auditors and are eligible for reappointment.

SPECIAL BUSINESS

8. To consider and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

"Resolved that pursuant to the provisions of Section 372A and other applicable provisions if any, of the Companies Act, 1956 the Board of Directors of the company be and is hereby authorised to give / issue guarantee or provide any security in favour of the Indian Bank, IF Branch, Chennai 600 008 in connection with the loan / advance / credit facilities given to BINNY LORZE LIMITED, 65 Armenian Street, Chennai 600 001 for an amount not exceeding Rs. 37.54 Crores subject to the approval of the public financial institutions referred to in Section 4A of the Companies Act, 1956 wherever any term loan subsisting is obtained and other banks wherever necessary, such guarantee being valid till the approval of the Rehabilitation package by BIFR.

Registered Office:
65, Armenian Street
Chennai 600 001
1st September 1999

BY ORDER OF THE BOARD

D. KALAIYARASU
COMPANY SECRETARY

BINNY**NOTES:**

1. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and on a poll to vote instead of himself and the proxy so appointed need not be a member of the company. In order to be effective, the proxies must reach the Registered Office not later than 48 hours before the Meeting.
3. **The Register of Members and the Share Transfer Books of the company will remain closed from Thursday the 16th September 1999 to Wednesday the 29th September 1999 (both days inclusive).**
4. Members are requested to intimate their change of address, if any, quoting their Folio Numbers.
5. Members holding shares in identical names in more than one folio are requested to forward all the share certificates for consolidation.

Members who have not yet surrendered their old Equity / Preference Share Certificates are requested to forward the same to the Company immediately for exchange of new Share certificates of face value Rs. 10 each.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No. 8**

The company proposes to issue guarantee on behalf of Binny Lorze Ltd. to Indian Bank, IF Branch, Chennai 600 008 in connection with advance / loan / credit facilities extended to it for the purchase of imported machinery to set up an export oriented unit. The company proposes to take over the assets and liabilities of Binny Lorze Ltd. as per the rehabilitation proposal submitted to the IDBI (Operating Agency). The Indian Bank seeks the guarantee of Binny Limited to the extent of the liabilities of Binny Lorze Ltd. till the approval of BIFR package. The Board of Directors has passed necessary resolutions to issue guarantee to Indian Bank for an amount not exceeding Rs. 37.54 crores subject to the approval of the financial institutions / bank wherever necessary and the shareholders at their Annual General Meeting. As the monetary limit of guarantee proposed to be issued exceeds the limits prescribed in sub-section (1) of Section 372A of the Companies Act, 1956 i.e. 60% of the paid up capital and free reserves or 100% of the free reserves whichever is more, the company seeks the approval of the shareholders for the issue of guarantee to Binny Lorze Limited.

Messrs. M. Ethurajan, K.M. Goenka, G.K. Daryanani, S. Natarajan, V.R. Venkatachalam, Niranjana Hiranandani and Ziaullah Sheriff are interested in this resolution as they are also Directors in Binny Lorze Ltd.

Registered Office:
65, Armenian Street
Chennai 600 001
1st September 1999

BY ORDER OF THE BOARD

D. KALAIYARASU
COMPANY SECRETARY

DIRECTORS' REPORT

Your Directors present the Thirtieth Annual Report of the company for the 18 months period ended 31st March 1999.

The summary of the financial results for the 18 months period ended 31st March 1999 along with the previous accounting year are given below :

	Rs. in lakhs	
	1997-99 (18 months)	1996-97 (12 months)
Operating Profit/(Loss)	(2943.32)	(1171.16)
Interest and Finance charges	1813.06	1217.69
Loss before Depreciation & Tax	(4756.38)	(2388.85)
Depreciation	233.86	191.89
Voluntary retirement scheme	5545.80	—
Profit/(Loss) for the year	(10536.04)	(2580.74)
Deferred Revenue Expenditure	438.59	294.51
Arrears of cumulative preference shares dividend upto 14.06.1998	62.57	—
Net Profit/(Loss)	(11037.20)	(2875.25)
Loss brought forward from previous year	(6023.83)	(3148.58)
Loss carried to Balance Sheet	(17061.03)	(6023.83)

REVIEW OF OPERATIONS

Services Division

The performance of this division during the period under review is satisfactory.

Container Freight Services

The company has got a licence from the Government of India to put up a container freight station at Perambur in B & C Mills complex. The company has taken necessary steps to implement the project and started civil construction work.

Real Estate Division

In view of the closure of B & C Mills and partial closure of Bangalore Mills, the company could not activate the real estate business.

Textiles Division

B & C Mills

As Reported in the last year Report, the management declared a lock out on 7th July 1997 following the violent incidents before the B & C Mills. The Labour Unions contested this as an industrial dispute and the Government of Tamil Nadu prohibited the lock out and referred the matter to the Industrial Tribunal. While litigation was pending at various levels, several joint meetings between the management and the unions took place under the Chairmanship of the Hon.ble Chief Minister of Government of Tamil Nadu and a final settlement was reached between the management and the unions on 28.3.1998.

Pursuant to this, 3879 workmen (including trainees), have been relieved accepting their application submitted under VRS. In order to facilitate VRS disbursement the promoters have brought in Rs. 23 crores and compensation has been paid in full to about 1000 workmen including trainees and part payment has been made to other workmen. An amount of approximately Rs. 40 crores is due to other employees in this respect.

The company has approached the consortium of banks for a loan of Rs. 40 crores to discharge the VRS claim. In order to facilitate the sanction of loan by the consortium of banks, the Government of Tamil Nadu has been kind enough to offer a guarantee for Rs. 40 crores in favour of the consortium of banks.

Bangalore Woollen Mills

While implementing the BIFR Rehabilitation package as per order dated 13th June 1994 many corrective measures have been taken to make the mill viable. Despite the best efforts of the management, the mill is continuously incurring losses. In order to make the mill viable certain sections of the Mill like carding, open end spinning, cotton weaving and certain other departments were closed with effect from 16.2.1998 which resulted in surplus workmen, both permanent and badli employed in the respective sections.

The management negotiated with the employee union and a settlement was reached between the management and the union on 20.8.1998. Consequent to the settlement, 607, workmen have been relieved under VRS. As

BINNY

per the settlement reached, the management agreed to pay compensation at the rate of 15 days wages besides ex gratia payment of 3 days wages for every completed year of service of the workmen and a lumpsum of Rs. 20000 as goodwill amount. Payment of Rs. 256 lakhs has so far been made under VRS and a balance of Rs. 825 lakhs (approximately) is due to the workmen. The mill now is partially working.

Binny Engineering Limited

The audited statement of accounts of the company's wholly owned subsidiary, together with the Reports of the Directors and Auditors for the years ended March 31, 1998 and March 31 1999 as required under section 212 of the Companies Act, 1956, are attached.

B I F R

It may be recalled that BIFR had sanctioned a package in 1994 but the company was subsequently released from the purview of BIFR vide its order dated 12.1.1996. This order of the BIFR was challenged by the unions before High Court of Madras. The High Court admitted the appeal and, as the management had no objection, quashed the order dated 12.1.1996 of the BIFR. Pursuant to the above order of the High Court of Madras, BIFR passed an order on 17.4.1998 and directed the company to submit a rehabilitation proposal to IDBI. In the light of this order and the settlement concluded with the unions in the presence of Hon.ble Chief Minister of Tamilnadu, the company formulated a proposal and submitted in July 1998. After examining the proposal, the IDBI requested the company to submit a revised proposal and the same was submitted to them in November 1998. Again after examination and discussion with the consortium of banks, the BIFR asked for further revision of the scheme. This proposal was submitted to the IDBI in August 1999. The salient features of this proposal are as under :

1. Bifurcation of some of the assets in Bangalore to co-promoters along with the liabilities due to the financial institutions, State Bank of India, Government of India amounting to Rs. 45 crores, transfer of unsecured loans brought in by the co-promoters and transfer of advances received against the sale of properties to be taken over by the co-promoters in lieu of their share capital and premium brought into Binny Limited.
2. Discharge of all outstanding liabilities of the Consortium of Banks including L/C liabilities over a period of 3 years by sale and development of some of the surplus properties in Chennai and Bangalore, sale of old machinery and compensation to be received from the Insurance Company.
3. The entire Textile Division at Chennai along with all immovable properties, Services Division in Chennai and Textile Division in Bangalore will be retained by Binny Limited and Binny Engineering Ltd. will be continued to be a subsidiary of Binny Limited.
4. Shifting of the Textile mill from Chennai to Singaperumal Koil and restart the operations with our newly purchased machines after discharging the liabilities of the Banks.

The above proposal is under consideration of IDBI. After examination of this proposal and in consultation with the consortium of banks, IDBI will forward its recommendations on the scheme to BIFR for consideration and clearance.

Insurance Claim

The insurance company and your company have submitted all documents and completed the arguments before the arbitrator Hon. Justice Mr. A.M. Ahmadi, former Chief Justice of India. The arbitration award is expected shortly.

Directors

Mr. N.P.V. Ramasamy Udayar one of the promoter directors on the Board, passed away on 14th December 1998. Your management places on record its deep appreciation of the valuable services rendered by him as one of the promoters and a director of the company.

Mr. K.M. Goenka, ceased to be the Executive Deputy Chairman of the company with effect from 30th July 1999 but continues to be a Director on the Board of this company. The Board of Directors place on record their appreciation of the valuable services rendered by Mr. K.M. Goenka as Executive Deputy Chairman.

State Bank of India withdrew their nominee Director, Mr. P.B. Lahiri with effect from the close of 31st July 1998. Mr. R.K. Bhatia IAS, nominee Director of Government of Karnataka was replaced by Mr. R. Suresh IAS on 28th September 1998.

Mr. Ajay Prasad, IAS Nominee Director of Government of India and Mr. R.R. Singh, IAS (Alternate Director for Mr. Ajay Prasad) were replaced by Mr. Ajit Seth, IAS and Mr. Charan Dass, IAS respectively on 29th June 1998 who were subsequently replaced by Mr. N. Ramakrishnan, IAS Joint Secretary, Department of Textiles, Government of India and Mr. Shashi Bhushan, IAS (as Alternate Director for Mr. N. Ramakrishnan, IAS) with effect from 28th September 1998.

The Board places on record their appreciation of the valuable services rendered by Mr. P.B. Lahiri, Mr. Ajay Prasad, IAS, (Mr. R.R. Singh - Alternate Director) Mr. Ajit Seth, IAS (Mr. Charan Dass Alternate Director) and Mr. R.K. Bhatia, IAS during their tenures of office.

Mr. N. Ramakrishnan, IAS, Mr. G.K. Daryanani, Mr. R. Narayanan, Mr. M.E. Shanmugam and Smt. Jayanthi, IAS retire by rotation and offer themselves for reappointment.

Mr. M. Ethurajan, Executive Chairman has, as in the past, waived his remuneration for the period ended 31st March 1999.

Cost Auditor

Pursuant to Section 233 (B) of the Companies Act, 1956, Mr. A.N. Raman has been appointed as the Cost Auditor to audit the cost accounts of the Textile Division for the period upto 31st March 2000.

Companies (Disclosure of information in Directors' Report) Rules 1988

The information required as per Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of information in the Directors' Report) Rules 1988 is given in Annexure forming part of this Report.

Particulars of Employees

There is no employee whose particulars are to be given under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975.

Auditors

Messrs. Fraser & Ross, Chartered Accountants, retire at the conclusion of the Annual General Meeting and are eligible for reappointment.

Y2K Problem

Your company had made necessary arrangements to satisfy the Y2K problems.

Acknowledgments

Your Directors acknowledge the co-operation and assistance extended by the Government of India, Government of Tamil Nadu, Government of Karnataka, IDBI, ICICI, IFCI, State Bank of India, Indian Bank, Oriental Bank of Commerce, The Federal Bank Ltd., and Bank of Baroda and place on record their appreciation and gratitude to them. The Directors also thank the shareholders, employees, suppliers and dealers for their continued co-operation.

BY ORDER OF THE BOARD

Chennai 600 001
1st September 1999

M. ETHURAJAN
Executive Chairman

Addendum to the Directors' Report

In regard to qualificatory remarks of the auditors to the shareholders, your directors wish to clarify as under:

2. (e) The rationale behind the change in the basis for preparing for gratuity has been explained in Note No. 7(a) of Accounting policy.
2. (f) (viii) This additional liability is not provided as this is not quantifiable at present.
12. As B & C Mills is not in operation, the Internal Audit Department is not functioning. However, the management has initiated steps to ensure adequate internal audit of the operations of the company.
14. The Board of the company is aware of the outstanding dues of Provident Fund, Employees Pension Fund and ESI and the liquidity crunch. The management has approached the consortium of banks for a loan of Rs. 40 crores for facilitating the completion of workers dues under the VRS and other liabilities. Immediately after the loan is released, the dues to the Employees Provident Fund will be paid on a priority basis. The management has also reported to the concerned authorities the circumstances under which the company has not been able to remit these dues so far.

BY ORDER OF THE BOARD

Chennai 600 001
1st September 1999

M. ETHURAJAN
Executive Chairman

BINNY**FORM 'A'****A) Power and Fuel Consumption**

	Current period		Previous year	
	Chennai Mills	Bangalore Mills	Chennai Mills	Bangalore Mills
1. Electricity				
a) Purchased				
Units (lakhs)*	0.26	38.79	5.57	49.06
Total amount (Rs. lakhs)	2.25	185.82	83.48	208.15
Rate/Unit Rs.	8.65	4.79	14.98\$	4.25
b) Own Generation **				
i) Through Diesel Generator Unit	Nil	6.96	0.13	26.87
Unit per ltr of Diesel oil	Nil	28.00	3.20	3.07
Cost/Unit	Nil	4.02	3.50	2.61
ii) Through Steam	Nil	Nil	Nil	Nil
Turbine/Generator Units (lakhs)				
iii) Units per ltr of fuel oil/Gas	Nil	Nil	Nil	Nil
Cost/Unit	Nil	Nil	Nil	Nil
2. Coal (Specify quantity and where used)				
Qty. (Tonnes)	Nil	Nil	155.00	Nil
Total Cost (Rs. lakhs)	Nil	Nil	2.79	Nil
Ave. Rate (Tonnes)	Nil	Nil	1800.00	Nil
3. Furnace oil				
Qty. (K. Ltrs)	Nil	504.00	Nil	832.36
Total amount (Rs. lakhs)	Nil	39.05	Nil	60.35
Average Rate (Rs.)	Nil	6687.00	Nil	7250.00
B. Consumption per unit of production				
Products (Textiles) (Lakh Mtrs)	Nil	48.17	Nil	64.78
Electricity Units/Mtrs	Nil	0.95	Nil	1.17
Coal Kg/Mtrs	Nil	Nil	Nil	Nil
Furnace oil (ltrs./Mtrs)	Nil	0.08	Nil	0.13

* Temporary connection from 10.9.98 onwards.

** In addition to temporary connection, minimum contracted demand charges (Rs. 37.11 lakhs)

\$ As the mill was not working the contracted demand charges were levied

Form "B"

Technology Absorption

B & C Mills

Since the Mills is not functioning due to floods, this is not applicable.

B W Mills

- The Mill was partially working during the period. However, efforts are on to save energy wherever possible.

Statement Pursuant To Section 212 of the Companies Act 1956. Relating to Subsidiary Company

Name of the Subsidiary Company	Financial Year of the subsidiary ending on	Number of equity shares held by Binny Ltd. and / or its nominees in the subsidiary	Extent of holding	For financial year of the subsidiary		For the previous financial years since it became a subsidiary	
				Profits/(Losses) so far it concerns the members of the holding company and not dealt with in the books of Accounts of the holding company.	Profits/(Losses) so far it concerns the members of the holding company and dealt with in the books of Accounts of the holding company.	Profits/(Losses) so far it concerns the members of the holding company and not dealt with in the books of Accounts of the holding company.	Profits/(Losses) so far it concerns the members of the holding company and dealt with in the books of Accounts of the holding company.
Binny Engineering Ltd.	31.3.1998	60,00,000	100%	Rs. Lakhs (665.59)	—	Rs. Lakhs (95.58)	—
	31.3.1999	60,00,000	100%	(354.36)	—	(665.59)	—

M. ETHURAJAN
Executive Chairman

R. NARAYANAN
Director

D. KALAIYARASU
Company Secretary

for FRASER & ROSS
Chartered Accountants

Chennai
1st September 1999

K.N. RAMASUBRAMANIAN
Partner

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