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ANNUAL REPORT AND ACCOUNTS

MARCH 2002

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BINNY LIMITED

ANNUAL REPORT
MARCH - 2002

Executive Chairman	DIRECTORS A. Bhargava A. Nandagopal B. Narayanan S. Narasimhan M.L. Shrinivasan P.H.N. Sridharan V.R. Venkatesachalam Ziauloh Sheikh
MEMBERS OF Government of India	and Chaturvedi, IAS (Alternate Director - P.K. Garg, IAS) Rakesh Dubey, IAS A. Bhargava, IAS
Executive Panel Members	E.H. Viswanathan
ICBI	K. Ramani
SEBI	D. Subramanian
COMPANY SECRETARY	Indian Bank
BANKERS	Central Bank of Commerce The Federal Bank Ltd. Bank of Baroda State Bank of India
AUDITORS	Prayer & Ross
REGISTERED OFFICE	186, Arumugam Street, Chennai - 600 001.

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TEXTILE DIVISION

Manufacturing and marketing of wide range of cotton, silk, man-made fibre, blended fabrics and woollen blended fabrics like sarees. Also manufacturing Angora for Defense Services.

Sales at

Peenbar
Chennai - 600 077.

Agraharam Road,
Bangalore - 560 015.

Regional
Sales Offices at

Cover Chambers
New Marine Lines
Chennai - 600 026.

George Ross Building
18/19, V.L.A. Park Lane,
Kand Nagar,
New Delhi - 110 005.

28, Joseph Chamber Avenue
Colombo - 708 013.

Showrooms at

Bangalore, Calcutta
and Chennai

BHTEX DIVISION

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

106, Armenian Street,
Chennai - 600 081.

SERVICES DIVISION

AGENCY

Marketing of Engineering and miscellaneous products

106, Armenian Street,
Chennai - 600 081.

SHIPPING

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

106, Armenian Street,
Chennai - 600 081.

Branches at

Vandhavasi
Cochin and
Tiruvannamalai

TRAVEL

MAL and ATCC operated Travel Agents

UC Building,
Anna Salai,
Chennai - 600 002.

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NOTICE

NOTICE IS HEREBY GIVEN that the Thirty Third Annual General Meeting of the company will be held at 184, Armenian Street, Chennai - 400 031 on Friday, the 26th November 2000 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 2000, and the Profit and Loss Account for the year ended then taken together with the Auditors' Report thereon.
2. To appoint a Director in place of Mr. B. Haragopal, who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. A. Sengupta, M.D. who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Anil Choudhary, M.D. who was appointed in place of Mr. Sushir Sengupta, M.D. pursuant to Art. 34, 116 of the Articles of Association of the company and retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. Jashish Shetty, who retires by rotation, and being eligible, offers himself for reappointment.
6. To appoint Auditors and fix their remuneration. Messrs. Fraser & Ross, Chartered Accountants, Chennai are the retiring Auditors and are eligible for reappointment.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution:

Resolved that Mr. DRAM. Sped based, appointed as an additional director pursuant to Section 260 of the Companies Act, 1956 who holds office only upto the date of the Annual General Meeting, be and is hereby appointed as a Director of the company liable for retirement by rotation, for which Notice has been given by a notice as required under Section 262 of the Companies Act, 1956 of his intention to move the same as an Ordinary Resolution.

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

Resolved that subject to such conditions, qualifications and approvals as may be required and pursuant to the provisions of Sections 186, 201, 209 and 210 and all other applicable provisions if any read with Schedule XII of the Companies Act, 1956 the company hereby records its approval for the reappointment of Mr. M. Sengupta as a Wholesale Director designated as Executive Director of the Company for a further period of five years commencing from 1st January 2001 upon such terms and conditions as to remuneration by way of salary and perquisites as set out in the Explanatory Statement annexed.

Resolved further that in the event of any relaxation by Central Government in the guidelines or calling in remuneration, the Board of Directors/Remuneration Committee be and are hereby authorized to implement any the remuneration and/or perquisites of Mr. M. Sengupta if they in their absolute discretion think fit, within such guidelines or calling subject to such approvals from the Central Government and in any other authority whenever applicable for which consent of the company is required under various provisions of the Articles be and is hereby granted.

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

Resolved that pursuant to Section 31 and other applicable provisions if any, of the Companies Act 1956, the Articles of Association of the company be and is hereby altered. After Article 4(2) the following new Article 4(3) be inserted.

4 (3) Buy back of shares/resurchases

The company is permitted to buy back its shares/resurchases in accordance with the provisions of Section 77A, 77AA and 77B and such other existing applicable provisions of the Companies Act 1956, Rules, procedure and regulatory provision and any amendments thereto issued thence from time to time.

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

Resolved that pursuant to Section 30 and other applicable provisions if any, of the Companies Act 1956,

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the Director of Companies of the company to which the said shares were issued, for the necessary stamp fee to be inserted.

Article 82A Postal Ballot.

There as provided in Section 189 of the Act, the company may and in case of resolutions relating to such business, as the Central Government may by notification, declare to be conducted only by postal ballot shall get any resolution passed by means of postal ballot, instead of transacting the business in a General Meeting of the company in accordance with the provisions of Section 173A of the Act, any rules thereunder including any statutory modification or amendments therein for the time being in force or any amendments made thereto from time to time.

Registered Office:
106, Armenian Street
Chennai 600 084
31st October 2002

BY ORDER OF THE BOARD

D. KALAFARIED
CHAIRMAN SECRETARY

NOTES:

1. Explanatory Statement pursuant to Section 173(1) 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 proxy 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 Wednesday, the 26th November 2001 to Friday, the 29th November 2001 (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.
6. Members who have not yet surrendered their old Equity Preference share certificates of ₹4, Rs. 100 each are requested to forward their share certificates immediately for exchange of new subdivided share certificates of ₹4, Rs. 10 each.
7. Members can use email facility of nomination in respect of shares held by them pursuant to the amendment under Section 109(A) of the Companies Act 1956. Members desiring to avail this facility, may send their Nomination in Form 2B filed in to the company by quoting their respective folio numbers.

EXPLANATORY STATEMENT

Explanatory Statement as required under Section 173(2) of the Companies Act 1956.

Item No. 2

The Board of Directors appointed Mr. PRAM. Sreedharan representing ESM Group (ESG-promoted) as an additional Director of the company on 31st October 2002. As per Section 248 of the Companies Act 1956 he holds office only upto the date of the ensuing Annual General Meeting and is eligible for reappointment. Notice has been received from a Member as required under Section 217 of the Companies Act 1956 proposing him for appointment as a Director of the company liable to retire by rotation. ESM Group is a conglomerate of different business enterprises having wide experience and expertise in the fields of real estate, textiles and other business lines. His induction to the Board will be of beneficial to the company. Accordingly, necessary resolution is placed before the Members for approval.

Mr. PRAM. Sreedharan is interested in the resolution relating to his appointment.

Item No. 3

The Members of the company appointed Mr. M. Bhuvanjan as a Nominative Director designated as Executive Chairman for a period of five years with effect from 11th January 1998.

Subject to the approval of the Company in General Meeting, and prior approval of the Central Government, the Board of Directors/Nomination Committee in their meetings held on 31st October 2002 have approved the reappointment of Mr. M. Bhuvanjan as Nominative Director designated as Executive Chairman of the company for a further period of five years with effect from 1st January 2003 and the terms of appointment and remuneration payable are specified hereunder. Necessary resolutions are being proposed to the shareholders for their approval.

(a) Salary Rs. 15,000 p.m.

(b) Perquisites:

Perquisites will be allowed in addition to salary and staff, towards (i) reduced to an amount equal to the annual salary or Rs.1,20,000 per annum whichever is less.

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- i) Heating, lighting, electricity, water and furnishings.
 - ii) The Executive Chairman will be reimbursed for all out of the pocket expenses incurred by him in the course of his duties, subject to the condition that the expenditure incurred by the Company on his behalf in respect of such reimbursement will be added to a ceiling of 50% of the salary and shall not exceed 10% payable by the Executive Chairman himself.
 - iii) The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules.
 - iv) In the event of the company not providing accommodation for the Executive Chairman, House Rent allowance may be paid by the Company to the Executive Chairman in accordance with the clause (ii) above. Where accommodation in a company-owned house is provided, 10% of the salary will be deducted by the Company.
 - v) Medical reimbursement expenses incurred by self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years, for self and family over a year incurred in accordance with the rules specified by the company.
 - vi) Club fees: Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
 - vii) Personal Accident Insurance: Premium not to exceed Rs.1000 per annum.
 - viii) Provident Fund/Gratuity Fund: Contribution to Provident Fund and Gratuity Fund as per the company's Rules.
 - ix) Gratuity: Gratuity payable shall not exceed half month's salary for every completed year of service subject to a ceiling of Rs.1,00,000.
 - x) Pension shall be as per company's business and telephone expenses.
- ii) Medical reimbursement
- iii) House Rent Allowance
- iv) Club fees
- v) Personal Accident Insurance
- vi) Provident Fund/Gratuity Fund
- vii) Gratuity

This may be treated as an abstract of the terms and conditions governing the appointment of and remuneration payable to the Executive Chairman pursuant to Section 301 of the Companies Act 1956.

None of the Directors other than Mr. M. Bhargava, Mr. M. Hanumanth and Mr. M.S. Shanmugam is interested or concerned in the said Resolutions.

Item No. 2

As per the newly inserted provisions of Section 235A read with Section 235A and 235B of the Companies Act 1956 a company may purchase its own shares and securities (hereinafter referred to as "the buy back") if it complies with certain conditions, that includes that the buy-back proposal should be authorized by its Articles of Association.

The present Articles of Association of the company do not have this provision in view of this, it is proposed to insert a new clause 42 in the Articles of Association of the company to give effect to the said provision in the Articles and to pass Special Resolution for this purpose.

The Board recommends to the shareholders to adopt the proposed Resolution as a Special Resolution.

None of the Directors of the company is concerned or interested in the Special Resolution.

Item No. 30

As per the newly inserted provisions of Section 192A of the Companies Act, 1956 the company may pass such a Resolution by Postal Ballot in the manner prescribed therein.

However, the present Articles of Association of the company do not have any provision authorizing Postal Ballot. In view of this, it is proposed to insert a new Article 83(A) in the Articles of Association of the company to give effect to the said provisions by passing a Special Resolution.

The Board recommends to the shareholders to adopt the proposed Resolution as a Special Resolution.

None of the directors of the company is concerned or interested in the Special Resolution.

BY ORDER OF THE BOARD

Chairman: 900/001
31st October 2002

D. KALANIASU
Company Secretary

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DETAILS OF DIRECTORS AS AT 31st MARCH AND MISSING DISAPPOINTMENT

In pursuance of clause 49 of the Listing Agreement

Name of the Director	No. of Shares	No. of Shares, 00	No. of Shares, 00	No. of Shares, 00	No. of Shares, 00
Date of birth	17/07/57	101,000	101,000	101,000	101,000
Date of appointment	24/04/00	101,000	101,000	101,000	101,000
Qualification	BA	BA	BA	BA	BA
Director in functional area	Finance & Operations	Finance & Operations	Finance & Operations	Finance & Operations	Finance & Operations
Other Directorships held	None	None	None	None	None

DETAILS OF OTHER DIRECTORSHIPS

Name of the company

Mr. S. MANIVELU

Services World Reg. Co. Ltd.

Co. Manager, Chennai Ltd.

Shankar Capital (Private) Ltd.

Shankar Capital Services & Securities Ltd.

Shankar Gold Jewellery Ltd.

Shankar Chemicals & Pharmaceuticals Ltd.

Shankar Housing Finance Corp. Ltd.

Shankar Property Holding Co. Ltd.

Shankar Securities & Services Ltd.

Shankar Auto Services Ltd.

Mr. A. ELANGOVI, MS

Shankar Textile Corp. of India Ltd., Coimbatore

Shankar Textile Development Corp. Ltd.

Mr. J. JAYARAJ, MS

Shankar Textile Corp. of India Ltd., Coimbatore

Shankar Textile Development Corp. Ltd.

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Shankar Textile Development Corp. Ltd.

Director held

Committee type

Membership status

Chairman

Audit

Member

Chairman

Audit

Member

Chairman

Audit

Member

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Member

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DIRECTORS' REPORT

Our Directors present the Thirty Third Annual Report and audited Accounts of the company for the year ended 31st March 2007.

FINANCIAL RESULTS

Operating Profit/(Loss)

Income and Finance charges

Loss before Depreciation & Tax
Depreciation

Profit/(Loss) for the year

Capital reserve reflected in Note of Asset

Rs. in lakhs	
2001-2002	2002-2003
(883.36)	(905.33)
2185.77	1855.85
(1481.33)	(2458.35)
139.85	142.48
(1739.38)	(2291.87)
0.30	—
(1739.08)	(2291.87)
2198.87	(1849.02)
(14817.94)	(2109.87)

Loss brought forward from previous year

Loss carried to Balance Sheet

REVIEW OF OPERATIONS

Services Division

B & C Mills

The Mills continue to remain closed during the year under review also.

B.M. Mills

The six teams have been working with minimum capacity and all other services have been closed.

Rural Estate Division

The BPR has purchased site of three properties for a total consideration of Rs. 450.50 lakhs. The sale proceeds of two of these properties have been received and returned to B&B Operating Agency.

Services Division

Due to continuous harassment, BPR, this division was unable to achieve the desired results.

Customer Enquiry Service Division

This division commenced its business operations on 26th May 2002 and has potential to grow in future.

BPR

Members are aware that the company continues to be under the purview of BPR. The BPR's order of Scheme of Rehabilitation dated 20.10.2001 was placed before the shareholders at the 10th Annual General Meeting which, inter alia, directed the promoters and co-promoters to bring Rs. 127 crores for discharging the liabilities of secured creditors, Bonds and redeem shares. The amount of Rs. 75.50 crores brought in by the promoters was utilized for discharging the dues of B & C Mills workers who opted under FR. However the Scheme could not be implemented as per the schedule laid down. Consequently the BPR in their order dated 1.7.2002 concluded that the company is not likely to become viable on a long term basis and issued a show cause notice to wind up the company posing the case to be heard on 28.10.2002 and also directed the promoters / co-promoters to file a revised help meet on friendly viable scheme of rehabilitation to Operating Agency. Accordingly a revised draft Rehabilitation Scheme was filed before the Operating Agency. The Operating Agency conveyed its findings on 15.10.2002 with all the parties concerned to the Scheme and forwarded their recommendation to the BPR for consideration which was considered by the BPR at their meeting held on 28th October 2002 and further time was given till 20th November 2002.

DIRECTORS

Mr. B. Manojkumar, Mr. A. Rangaraj, Mr. M. Abdul Gani, and Mr. S. Sankar Shetty retire by rotation and offer themselves for re-election.

Mr. M. Manojkumar, Executive Chairman has, as in the year ended his re-election for the year ended 31st March 2002.

The Board of Directors has agreed to the appointment of the shareholders and the Government of India, under

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The financial statements of the companies listed below are available for download in the library of the year from 1st January 2000 are the same form and conditions.

Industrial Development Board of India withdrew its nomination of Mr. G. Pappaswami on the Board of Directors and appointed Mr. K.M. Narasimhan in his place with effect from 15th May 2002.

The Government of Tamil Nadu withdrew their nominee Mr. Jayaram M and in his place appointed Mr. A. Chinnappa M with effect from 25th January 2002.

The Government of Karnataka withdrew their nominee Mr. R. Suresh M and in his place appointed Mr. D. Narayanaswamy Rao M with effect from 25th January 2002 who was subsequently replaced by Mr. Mohan Lalal M with effect from 27th April 2002.

Government of India withdrew their nominee Mr. Sufir Bhargava M as Director and Mr. T.R. Singh M as alternate Director on the Board of Directors of the company with effect from 31st October 2002 and in their place appointed Mr. Anil Chaturvedi M, Joint Secretary, Ministry of Textiles as Director and Mr. R. Gera M, Director, Ministry of Textiles, as Alternate Director.

The following Directors viz. Mr. K.M. Ganesan, Mr. G.K. Chennayal, Mr. Manojan Hiramanand, and Mr. Syed M. Sahabuddin, Directors resigned from the Board of Directors of the company. Consequently, Mr. Mohan Lal Sahabuddin will cease to be the alternate director for Mr. Syed M. Sahabuddin of the company.

Four Directors place on record their deep appreciation of the splendid services rendered by Mr. K.M. Ganesan, Mr. G.K. Chennayal, Mr. Manojan Hiramanand, Mr. Syed M. Sahabuddin, Mr. G. Pappaswami, Mr. Jayaram M, Mr. R. Suresh M, Mr. D. Narayanaswamy Rao M, Mr. Sufir Bhargava M as Directors and Mr. T.R. Singh M and Mr. Mohan Lal Sahabuddin as Alternate Directors during their respective tenures.

BIRLY ENGINEERING LTD.

The Audited accounts for the year ended 31st March 2002 and other Reports of the wholly owned subsidiary company as required under Section 213 of the Companies Act, 1956 are attached.

BIRLY REAL ESTATE & ASSET DEVELOPERS (PRIVATE) LTD.

All the seven shareholders of this company holding 10 equity shares of Rs. 10 each fully paid up gifted their shares to Birly Limited in April 2002. By virtue of the acceptance of the gift, Birly is holding the entire paid up share of this company and thereby this company become a wholly owned subsidiary of Birly Limited with effect from 15th April 2002.

FUTURE PROSPECTS

Your directors are meeting the requirement of substantial shareholding by 30th Sept 2002 to place the company again in a financially viable position.

STATUTORY REQUIREMENTS

As per the requirements of Section 217(2)(g) of the Companies Act 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1958 the information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are given in Addendum to this Report.

The provisions required under Section 217(2)(a) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules 1975 are not applicable as none of the employees is coming under the purview of this Section.

As required under Section 217(2)(a) of the Companies Act 1956 the Directors state as follows:

- That in the preparation of annual accounts for the financial year ended 31st March 2002, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review.
- That the directors had 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.
- That the directors had prepared the accounts for the financial year ended 31st March 2002 on a 'going concern' basis.

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COST AUDITOR

As required under Section 232(B) of the Companies Act 1956 Messrs. S. Mohodewar & Company has been appointed as the Cost Auditor to audit the cost accounts of the Textile Division for the year ending 31st March 2003.

CORPORATE GOVERNANCE

The report Corporate Governance forms part of Annexure to Directors' Report.

DELISTING OF SECURITIES IN STOCK EXCHANGE, MUMBAI

The resolutions passed by the shareholders for delisting the company's securities were forwarded to the Stock Exchanges, Mumbai seeking their approval for complying with procedures stipulated by the SEB. However, the Stock Exchange informed that they had not yet formulated the procedures as per SEBI guidelines. Company awaits to hear from them further.

DIRECTORS' OBLIGATIONS TO THE AUDITORS' BOARD

A. AUDITORS' REPORT

In regard to the qualification remarks in the Auditors' Report, your directors wish to clarify as under :

2(a) As per the revised Rehabilitation Scheme submitted by the company to the BPR, the Directors are hopeful to realize requisite funds for the rehabilitation of the company to make it viable.

2(b) & 2(c) As mentioned in para 1(i) of the Resolving Policy laid down in January 14, 1992 and buildings held as stock in trade for property development are stated at market value as at 31st March 1994 and is the opinion of the directors appropriate.

2(d) & 2(e) As per the revised Rehabilitation Scheme, the Management is hopeful of getting certain reliefs and concessions from the BPR.

2(f) & 2(g) Few offices in the joint Development project at Bangalore have been provided alternate flats. In respect of other pending cases, the Company is pursuing and efforts are being taken to settle these cases also.

2(h) & 2(i) to 2(j) The position has been explained in the negative Notes on Accounts referred to in these sub-para.

B. Annexure to the Auditors' Report

14. The company will make an endeavour to settle all dues of Bangalore Mills after the final order of BPR. The company has requested the BPR in the Scheme of Rehabilitation to waive damages, interest, penalties and other charges for the default committed at 21 and 22 to the respective authorities.

15. In respect of outstanding dues of Sides Top and Tery Top relating to the company, these items are either under litigation or under dispute or refers to those for which reliefs & concessions are sought from the respective Governments in the Rehabilitation Scheme.

C. Corporate Governance

The Scheme of Rehabilitation submitted before the BPR is under consideration which inter alia includes restructuring of Board after demerger of Bony Limited and Bony Komatsu Ltd. and proposal of refinancing of plants. Therefore the terms and conditions laid down in the Corporate Governance as per the Listing Agreement have been generally complied with wherever possible. The other conditions if any would be implemented after the BPR's final order.

AUDITORS

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

ACKNOWLEDGMENTS

Your directors acknowledge the co-operation and assistance extended by the Government of India, Government of Tamil Nadu, Government of Karnataka, CCEA, ICOR, P.D., State Bank of India, Indus Bank, Oriental Bank of Commerce, The Federal Bank Ltd. and Bank of Baroda and pass on warmest thanks, appreciation and gratitude to them. The Directors also thank the creditors, debenture holders, suppliers and dealers for their continued co-operation.

BY ORDER OF THE BOARD

Chairman BCC 001
21st October 2002

M. Bhaskaran
Executive Chairman