

# BINNY



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## **ANNUAL REPORT AND ACCOUNTS**

### **SEPTEMBER 2005**

**BINNY LIMITED**

ANNUAL REPORT  
SEPTEMBER - 2005  
(18 Months)

|                    |                                                                                                                                                                                                                  |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Executive Chairman | <b>DIRECTORS</b><br>M. Ethurajan<br>M. Nandagopal<br>R. Narayanan<br>S. Natarajan<br>M. E. Shanmugam<br>V. R. Venkataachalam<br>Natarajan Nandhagopal<br>Arvind Nandagopal<br>K. Sundareswaran<br>V. Rajasekaran |
| NOMINEE OF BIFR    | K. Kannan (upto 27-06-2005)                                                                                                                                                                                      |
| COMPANY SECRETARY  | P. T. Dayanandan                                                                                                                                                                                                 |
| BANKERS            | State Bank of India<br>Canara Bank                                                                                                                                                                               |
| AUDITORS           | CNGSN & Associates<br>20, Raja Street,<br>T. Nagar, Chennai - 600 017.                                                                                                                                           |
| REGISTERED OFFICE  | 106, Armenian Street,<br>Chennai - 600 001.                                                                                                                                                                      |

| <b>CONTENTS</b> |                                             | Page |  |
|-----------------|---------------------------------------------|------|--|
| 1.              | Board of Directors                          | B 1  |  |
| 2.              | Notice to Members                           | B 3  |  |
| 3.              | Directors' Report                           | B 7  |  |
| 4.              | Corporate Governance                        | B 11 |  |
| 5.              | Auditors' Report                            | B 15 |  |
| 6.              | Balance Sheet                               | B 18 |  |
| 7.              | Profit and Loss Account                     | B 19 |  |
| 8.              | Schedules forming part of Accounts          | B 20 |  |
| 9.              | Cash Flow Statement                         | B 31 |  |
| 10.             | Balance Sheet Abstract                      | B 32 |  |
| 11.             | Consolidated Financial Statement            | C 1  |  |
| 12.             | Binny Engineering Ltd. (Subsidiary Company) | BE 1 |  |

**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 Building,  
18/13, W.E.A. Pusa Lane,  
Karol Bagh,  
New Delhi - 110 005.

2B, Ganesh Chandra Avenue  
Calcutta - 700 013.

**Showrooms at**

Bangalore, Calcutta  
and Chennai

**BINTEX DIVISION**

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

106, Armenian Street,  
Chennai - 600 001.

**SERVICES DIVISION****AGENCY**

Marketing of Engineering and miscellaneous products

106, Armenian Street,  
Chennai - 600 001.

**SHIPPING**

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

106, Armenian Street,  
Chennai - 600 001.

**Branches at**

Visakhapatnam  
and  
Cochin

**TRAVEL**

IATA and ITDC approved Travel Agents

106, Armenian Street,  
Chennai - 600 001.

**CONTAINER FREIGHT STATION**

Perambur,  
Chennai - 600 012.

**BINNY****NOTICE**

NOTICE IS HEREBY GIVEN THAT the THIRTY SIXTH ANNUAL GENERAL MEETING of the Company will be held  
 at 106 Armenian Street, Chennai 600 001  
 on Monday, the 31<sup>st</sup> October, 2005  
 at 10.15 a.m.

to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 30<sup>th</sup> September 2005, the Profit and Loss Account for the 18 months period ended on that date, the Auditors' Report and the Directors' Report thereon
2. To appoint a Director in place of Mr. R. Narayanan who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. M. Nandagopal, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Statutory Auditors and fix their remuneration.

"RESOLVED that the retiring Auditors M/s. CNGSN & Associates, Chartered Accountants, Chennai be and are hereby appointed as Statutory 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 such remuneration to be fixed by the Board of Directors of the Company."

**SPECIAL BUSINESS**

5. To pass with or without modifications, the following Resolution as Ordinary Resolution.

"RESOLVED that Mr. Natarajan Nandhagopal in respect of whom the Company has received Notice in writing along with a deposit of Rs.500/- from its Member proposing him as a candidate for the office of the Director under provision of Section 257 of the Companies Act, 1956 and who is eligible for the appointment to the Office of Director be and is hereby appointed a Director of the Company liable to retire by rotation."

6. To pass with or without modifications, the following Resolution as Ordinary Resolution.

"RESOLVED that Mr. Arvind Nandagopal in respect of whom the Company has received Notice in writing along with a deposit of Rs.500/- from its Member proposing him as a candidate for the office of the Director under provision of Section 257 of the Companies Act, 1956 and who is eligible for the appointment to the Office of Director be and is hereby appointed a Director of the Company liable to retire by rotation."

7. To pass with or without modifications, the following Resolution as Ordinary Resolution.

RESOLVED that Mr. K. Sundareswaran in respect of whom the Company has Received Notice in writing along with a deposit of Rs.500/- from its Member proposing him as a candidate for the office of the Director under provision of Section 257 of the Companies Act, 1956 and who is eligible for the appointment to the Office of Director be and is hereby appointed a Director of the Company liable to retire by rotation."

8. To pass with or without modifications, the following Resolution as Ordinary Resolution.

"RESOLVED that Mr. V. Rajasekaran in respect of whom the Company has received Notice in writing along with a deposit of Rs.500/- from its Member proposing him as a candidate for the office of the Director under provision of Section 257 of the Companies Act, 1956 and who is eligible for the appointment to the Office of Director be and is hereby appointed a Director of the Company liable to retire by rotation."

Registered Office:  
 106, Armenian Street  
 Chennai 600 001  
 5th October 2005

BY ORDER OF THE BOARD

P.T. Dayanandan  
 Company Secretary

**NOTES:**

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to vote instead of himself and such proxy need not be a Member. Proxy forms complete in all respects, should be deposited at the Registered office of the Company not later than 48 hours before the commencement of the Meeting.
2. The explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item No.5 to 8 is annexed.
3. The Register of members and the Share Transfer Books of the Company will remain closed from 27.10.2005 to 31.10.2005 (both days inclusive.)

**BINNY**

4. Members are requested to intimate changes, if any in their registered address to the Company immediately.
5. In terms of Clause 49 of the Listing Agreement entered into with the Stock Exchanges, brief particulars of the Directors who are proposed to be reappointed at this meeting are given below.

**DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING REAPPOINTMENT:-**

|                              |                               |                          |
|------------------------------|-------------------------------|--------------------------|
| Name of the Director         | <b>Mr. R Narayanan</b>        | <b>Mr. M. Nandagopal</b> |
| Date of Birth                | 02.07.1929                    | 09.06.1939               |
| Date of appointment          | 30.06.1990                    | 23.03.1996               |
| Qualification                | Degree from Madras University | B.Sc. (Agri)             |
| Expertise in functional area | Former Chairman, LIC of India | Industrialist            |

**Item No.2**

Mr. R. Narayanan, formerly Chairman, Life Insurance Corporation of India associated with the Company as Director with effect from 30.06.1990. He was instrumental and the founder of LIC Housing Finance Corporation and High Power Committee. He is also on the Board of several other companies. The details of his Directorship are as follows:-

| <b>Name of the Company</b>                          | <b>Position held</b>             |
|-----------------------------------------------------|----------------------------------|
| M/s Orchid Chemicals & Pharmaceuticals Ltd.         | Chairman                         |
| M/s Shriram Asset Management Co. Ltd.               | Chairman                         |
| M/s Viswapriya Gold Hire Purchase Ltd.              | Chairman                         |
| M/s Viswapriya Financial Services & Securities Ltd. | Chairman                         |
| M/s Dhanush Lavan Ltd.                              | Chairman                         |
| M/s Adyar Property Holding Co. Ltd.                 | Chairman                         |
| M/s Binny Limited                                   | Director                         |
| M/s ICICI Prudential Life Insurance                 | Director                         |
| M/s Orchid Chemicals & Pharmaceuticals Ltd.         | Member, Share Transfer Committee |
| M/s Orchid Chemicals & Pharmaceuticals Ltd.         | Member, Remuneration Committee   |
| M/s Orchid Chemicals & Pharmaceuticals Ltd.         | Chairman, Audit Committee        |
| West Asia Marine                                    | Chairman, Audit Committee        |
| M/s Mohan Breweries And Distilleries Ltd.           | Chairman, Audit Committee        |

Mr. R. Narayanan is a Member of Audit Committee, Share Transfer and Shareholders' / Investors' Grievance Committee Meeting, Asset Sale Committee and Remuneration Committee of Binny Limited.

**Item No.3**

Mr. M. Nandagopal is the Chairman of M/s Mohan Breweries and Distilleries Ltd. He is also on the Board of several other companies. The details of his Directorship are as follows:-

| <b>Name of the Company</b>                | <b>Position held</b> |
|-------------------------------------------|----------------------|
| M/s Mohan Breweries And Distilleries Ltd. | Chairman             |
| M/s Sagar Sugars & Allied Products Ltd.   | Chairman             |
| M/s Thirumagal Mills Ltd.                 | Director             |
| M/s Artos Breweries Ltd.                  | Director             |
| M/s S.V. Sugar Mills Ltd.                 | Director             |
| M/s Vestaj RRB Indian Ltd.                | Director             |
| M/s Mira Textiles & Inds. (India) Ltd.    | Director             |
| M/s Global Housing Finance Corpn. Ltd.    | Director             |
| M/s Mysore Fruit Products Ltd.            | Director             |
| M/s Hindustan Petroleum Corpn. Ltd.       | Director             |
| M/s Binny Engineering Ltd.                | Director             |
| M/s Srinivasa Distilleries Pvt. Ltd.      | Director             |
| M/s Clean Power Ltd.                      | Director             |
| M/s Anandha Real Estate & Finance         | Partner              |

Mr. M Nandagopal is not a Member of any Committee of the Company.

**BINNY****Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.****Item No.5**

The Board of Directors at their Meeting held on 25.03.2005 co-opted Mr. Natarajan Nandhagopal as Director of the Company with effect from 25.03.2005. He is aged 36 Years and a graduate in Business Administration from the University of California and possesses vast business experience. He is the Managing Director of M/s Mohan Breweries and Distilleries Limited and interested in textile, sugar, breweries, chemicals and granites. He has been associated with several other companies. The details of his Directorship are as follows:-

| <b>Name of the Company</b>              | <b>Position held</b> |
|-----------------------------------------|----------------------|
| M/s Mohan Breweries & Distilleries Ltd. | - Managing Director  |
| M/s Sagar Sugars & Allied Products Ltd. | - Director           |
| M/s T.C.P. Limited                      | - Director           |
| The Thirumagal Mills Ltd.               | - Director           |
| M/s Balaji Breweries Ltd.               | - Director           |

Mr. Natarajan Nandhagopal is a Member of Audit Committee, Share Transfer and Shareholders' / Investors' Grievance Committee Meeting, Remuneration Committee and Asset Sale Committee of Binny Limited.

A Notice under Section 257 of the Companies Act, 1956 has been received from a Member along with a deposit of Rs.500/- proposing his candidature for the office of Director. The Directors commend the resolutions for adoption.

Excepting Mr. M. Nandagopal and Mr. Arvind Nandagopal none of the Directors may be deemed to be interested in the resolution.

**Item No.6**

The Board of Directors at their Meeting held on 25.03.2005 co-opted Mr. Arvind Nandagopal as Director of the Company with effect from 25.03.2005. He is aged 30 Years and a Commerce Graduate and possesses vast business experience. He is the Executive Director of M/s Mohan Breweries and Distilleries Limited and Director in many of the leading Companies with industrial experience in the field of sugar and its allied products, chemical products etc. The details of his Directorship in other Companies are as follows:-

|                                         |                      |
|-----------------------------------------|----------------------|
| M/s Mohan Breweries & Distilleries Ltd. | : Executive Director |
| M/s Sagar Sugars & Allied Products Ltd. | : Director           |
| M/s T C P Limited.                      | : Director           |
| The Thirumagal Mills Ltd.               | : Director           |
| M/s Golden Eagle Communications Ltd.    | : Director           |
| M/s S.V. Sugar Mills Ltd.               | : Director           |
| M/s Balaji Breweries Ltd.               | : Director           |
| M/s Gayatri Sugar Complex Ltd.          | : Director           |

Mr. Arvind Nandagopal is not a Member of any Committee of the Company.

A Notice under Section 257 of the Companies Act, 1956 has been received from a Member along with a deposit of Rs.500/- proposing his candidature for the office of Director. The Directors commend the resolutions for adoption.

Excepting Mr. M. Nandagopal and Mr. Natarajan Nandhagopal none of the Directors may be deemed to be interested in the resolution.

**Item No.7**

The Board of Directors at their Meeting held on 25.03.2005 co-opted Mr. K. Sundareswaran as Director of the Company with effect from 25.03.2005. He is aged 45 Years and a graduate in Arts and Law, began his career as an Advocate after

**BINNY**

practicing law for some years, now vigorously involved in textiles business. He is instrumental in setting up of Dignity Innovations (Garment Manufacturers & Exporters). He is also on the Board of Trustees of Sri Ramachandra Educational and Health Trust. The details of his Directorship and Partnership are as follows:-

|                                                         |                    |
|---------------------------------------------------------|--------------------|
| M/s Egmore Benefit Society Ltd.                         | : Director         |
| Sri Ramachandra Educational and Health Trust            | : Trustee          |
| Dignity Innovations (Garment Manufacturers & Exporters) | : Managing Partner |

Mr. K. Sundareswaran is a Member of Audit Committee of Binny Limited.

A Notice under Section 257 of the Companies Act, 1956 has been received from a Member along with a deposit of Rs.500/- proposing his candidature for the office of Director. The Directors commend the resolutions for adoption.

None of the Directors may be deemed to be concerned or interested in the resolution.

**Item No.8.**

The Board of Directors at their Meeting held on 25.03.2005 co-opted Mr. V. Rajasekaran as Director of the Company with effect from 25.03.2005. He is aged 53 Years and a Post-graduate in Chemical Engineering and M.B.A. with specialisation in Financial Management & Foreign Trade with 29 years of industrial experience in various fields of Erection, Commission and Management of Chemical & Power Plants. Presently, he is the Executive Director of M/s T C P Limited. The details of his Directorship in other Companies are as follows:-

|                                     |                      |
|-------------------------------------|----------------------|
| M/s T C P Limited                   | : Executive Director |
| Tanchem Imports & Exports Pvt. Ltd. | : Director           |
| Egmore Benefit Society Ltd.         | : Director           |
| Viceroy Chennai Hotels Pvt. Ltd.    | : Director           |

Mr. V. Rajasekaran is Chairman of Audit Committee and Member of Share Transfer and Shareholders' / Investors' Grievance Committee, Remuneration Committee and Asset Sale Committee of Binny Limited.

A Notice under Section 257 of the Companies Act, 1956 has been received from a Member along with a deposit of Rs.500/- proposing his candidature for the office of Director. The Directors commend the resolutions for adoption.

None of the Directors may be deemed to be concerned or interested in the resolution.

**Inspection of Documents :**

The documents referred to in the Notice and the Explanatory Statement are available for inspection at the Registered Office of the Company on any working day between 10.00 a.m. and 12.00 noon up to the date of the 36<sup>th</sup> AGM.

Registered Office:  
106, Armenian Street  
Chennai 600 001  
5th October 2005

BY ORDER OF THE BOARD

PT. Dayanandan  
Company Secretary

**BINNY****DIRECTORS' REPORT**

Your Directors present the Thirty Sixth Annual Report and Audited Accounts of the Company for the 18 months period ended 30<sup>th</sup> September, 2005. The Company has obtained necessary permission from the Registrar of Companies under Section 210 (4) of the Companies Act, 1956 for the extension of the financial year of the Company vide their letter dated 25.07.2005.

**FINANCIAL RESULTS**

|                                         | <b>Rs. in Lakhs</b>              |                  |
|-----------------------------------------|----------------------------------|------------------|
|                                         | <b>2004-2005<br/>(18 months)</b> | <b>2003-2004</b> |
| Operating Profit / (Loss)               | <b>(324.41)</b>                  | 3524.25          |
| Interest and Finance Charges            | —                                | 248.12           |
| Profit before Depreciation & Tax        | <b>(324.41)</b>                  | 3276.40          |
| Depreciation                            | <b>161.60</b>                    | 146.06           |
| Profit / (Loss) for the year            | <b>(486.01)</b>                  | 3130.34          |
| Extra ordinary Items                    | <b>(3501.56)</b>                 | —                |
| Withdrawal of capital reserve           | —                                | 653.24           |
| Profit / (Loss) for the year            | <b>(3987.57)</b>                 | 3783.58          |
| Loss brought forward from previous year | <b>(7281.29)</b>                 | (11064.87)       |
| Loss carried to Balance sheet           | <b>(11268.86)</b>                | (7281.29)        |

**REVIEW OF OPERATIONS****TEXTILE DIVISION****B&C Mills**

The textile mill continues to remain closed during the year under review also.

**BWM Mills**

Bangalore Woollen Mills Unit at Bangalore is not in operation since 11<sup>th</sup> March 2003 due to non-availability of working capital. The Management and Workers' Union of Bangalore Unit have had various bilateral talks as well as talks before the Deputy Labour Commissioner, Bangalore for the settlement of the pending issues. In the meanwhile, the Company has purchased 14.50 acres of land at Apparel Park, Doddabellapur, Bangalore, Karnataka for the purpose of shifting the Bangalore Silk Unit at a new place in terms of the Sanctioned Scheme of BIFR and paid Rs.252.02 Lakhs towards cost of the land.

The Management and Workers' Union have signed a settlement under section 12 (3) of the I D Act on 30.06.2005 before the Deputy Labour Commissioner, Bangalore thereby majority of workers have opted for VRS and got relieved from the services of the Company after taking their full and final settlement of dues.

**Real Estate Division**

As per the Sanctioned Scheme of BIFR, some of the real estate has to be disposed in order to raise source of funds to meet the liabilities of the Company. However, the workers union have obtained interim injunction from the Hon'ble High Court of Madras restraining the Company from any manner disposing of the properties of the Company. The Workers' Union later had withdrawn their case since the settlement under section 12 (3) of the I D Act has been signed before the Deputy Labour Commissioner, Bangalore on 30-06-2005. Therefore the Company could not make any active sale/development of real estate during the period under review.

**Services Division**

The performance of the Container Freight Service is satisfactory. Due to the prevailing market condition and paucity of working capital, the other Division has not been able to make a higher turnover.

**BIFR**

For shifting the Chennai Mill as per the Sanctioned Scheme, the Company has already purchased 50 acres of land at Kancheepuram District. As already informed in the last Annual Report your Board considered it prudent to take Expert opinions on the viability of operations after such shifting. The Company requested Ahmedabad Textile Industries Research Association (ATIRA) to undertake technical viability study in this regard. In view of the adverse findings of ATIRA on the proposed shifting of operations of Chennai Mills, the management took further opinion of a Committee consisting of three Experts to verify and confirm the findings of ATIRA and suggest alternative strategies. The Three Member Committee's recommendation for the restoration of viability to the operations of the Company as a whole would be in various phases viz. relocating the Silk Unit at Bangalore; setting up a Processing Unit and finally explore the possibility of running the available looms.

The Board is in full agreement with the conclusions of the Expert Committee. The Company has therefore submitted an application under Section 18 (9) of the Sick Industrial Companies (Special Provisions) Act 1985 for the modification to the Sanctioned Scheme vide its letter dated 23.07.2004 followed by another letter dated 23.02.2005 for not proceeding further with the shifting of the Chennai Mill to the Kancheepuram District. Suitable modification to the earlier order dated 24.09.2003 has also been filed in the Hon'ble High Court of Madras.

Further the BIFR has passed an order dated 04.08.2005 without calling for any hearing from the Company stating inter alia that the Company's case before the BIFR stands abated and the case would no longer be dealt by the BIFR especially as some of the Company's

## BINNY

assets have already been acquired under Section 13 (4) of Securitisation and Reconstruction of Financial Assets Security Interest Act, 2002 (SARFAESI Act), 2002 by Indian Bank. Hence the Company after necessary legal consultations moved the Hon'ble High Court of Madras and obtained an interim stay of operation of the said BIFR Order and therefore the Company continues to be under the purview of the BIFR as of date.

### DIRECTORS

The BIFR vide its letter Ref: F No.36/2005/SD/BIFR dated 28.06.2005 informed about the cessation of Directorship on attaining the age of Superannuation by the Directors nominated by the BIFR as Special Director on the Board of various Companies. Mr. K Kannan Special Director-BIFR attained the age of Superannuation and hence ceased to be Director of the Company with effect from 28-06-2005. The Board placed on record its appreciation of the valuable services rendered by Mr. K Kannan during his tenure as special Director – BIFR.

Mr. R. Narayanan and Mr. M. Nandagopal, the Directors retire by rotation and offer themselves for reappointment. In terms of Section 260 of the Companies Act, 1956, i) Mr. Natarajan Nandagopal, ii) Mr. Arvind Nandagopal, iii) Mr. K. Sundareswaran and iv) Mr. V. Rajasekaran were co-opted as Directors on the Board of the Company whose particulars are included in the explanatory statement to Notice of the 36<sup>th</sup> AGM available elsewhere in the 36<sup>th</sup> Annual Report. The above Directors have vast and rich experience in various fields and they are also Directors on the Board of several other Companies. Mr. Ethurajan, Executive Chairman has, as in the earlier years, waived his remuneration for the 18 months period ended 31<sup>st</sup> September, 2005.

### EGM

The Authorized Share Capital of the company was Rs. 100 crores only. The Promoters and their Nominees have already brought in or propose to bring in advance towards issue of Cumulative Redeemable Preference Shares / unsecured Loan for implementing the Scheme of Rehabilitation and expressed their intention to convert the said unsecured Loan into Cumulative Redeemable Preference Shares for an amount not exceeding Rs. 175 Crores (Rupees One hundred and Seventy Five Crores only).

The Authorized Share Capital and the classifications of shares were not sufficient to issue cumulative Redeemable Preference Shares to the Promoters and their Nominees to the extent of Rs. 175 Crores (Rupees One hundred and Seventy Five Crores). Therefore it has become necessary to increase the Authorized Share Capital of the Company and to reclassify the existing Authorised Share Capital as set out in the EGM Notice. Consequently the Authorised Share capital Clause V of the Memorandum of Association and existing Articles 3 of Articles of association of the Company has been amended accordingly.

The Members have earlier accorded consent for issue up to 15,80,00,000 Cumulative Redeemable Preference Shares of Rs.5/- each only. In supersession of the earlier resolution passed by the Members, the Company at its EGM held on 24<sup>th</sup> September, 2005 has passed necessary resolution as required under section 81 (IA) of the Companies Act, 1956 to issue and allot not more than 35,00,00,000 fully paid up redeemable cumulative preference shares of Rs.5/- each amounting to Rs. 175 Crores to the promoters and their nominees and their Associate Companies / Bodies Corporate on private placement basis against the unsecured Loan which the promoters had already brought in or proposed to bring into the company as unsecured loan to rehabilitate the company.

### Allotment of 9% Cumulative Redeemable Preference Shares of Rs.5/- each full paid:

Pursuant to the Special Resolution as required under section 81 (IA) of the Companies Act, 1956 passed by the Company at its last EGM held on 24-09-2005 the Board at its Meeting held on 30/09/2005 has allotted 30,00,00,000 9% Cumulative Redeemable Preference Shares of Rs.5/- each to the Promoters, their nominees and their Associate Companies / Bodies Corporates to the extent of Rs.150 crores (Rupees one hundred and fifty crores only) against their unsecured Loan brought (as per the BIFR order) into the Company.

In this connection 15,00,00,000 each of 9% Cumulative Redeemable Preference Share of Rs.5/- each have been allotted to (i) M/s TCP Limited, (ii) M/s. Mohan Breweries & Distilleries Limited towards adjustment of their Unsecured Loan/advances given to the Company.

### Binny Engineering Limited (BEL)

The Audited Accounts for the 18 months period ended 30<sup>th</sup> September, 2005 and other reports of this Company as required under Section 212 of the Companies Act are attached. M/s. Binny Engineering Limited, Meenambakkam have also obtained necessary permission from the Registrar of Companies under Section 210 (4) of the Companies Act, 1956 for the extension of their financial year vide R O C Letter dated 08-07-2005. Consequent to the Sanctioned Scheme, the Company has appointed Industrial and Technical Consultancy Organisation of Tamilnadu Ltd. (ITCOT) for studying viability of operations of BEL. As per the study of ITCOT, the bankers have to provide working capital facilities and Bank guarantees for the purpose of reviving the Company after rescheduling the present borrowings as per RBI Guidelines.

The Bankers have insisted for one time Settlement of their dues and therefore the same has been fully settled by the Company. The Management and the Workers' Union have signed before the Joint Commissioner of Labour a settlement under Section 12 (3) of the ID Act on 11.04.2005 thereby majority of workers have opted for VRS and got relieved from the services of the Company after receiving their full and final settlement of dues.

### Statutory Requirements

As per the requirements of Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rule 1988, the information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are given in Annexure to this Report.

The particulars are required under Section 217 (2A) 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.

### Directors' Responsibility Statement:

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

- i) That in the preparation of annual accounts for the 18 months period ended 30<sup>th</sup> September, 2005 the applicable accounting standards had been followed along with proper explanation relating to material departures.

**BINNY**

- ii) 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 18 months period ended 30<sup>th</sup> September, 2005 and of the profit or loss of the Company for the said period under review.
- iii) 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.
- iv) that the Directors had prepared the accounts for the 18 months period ended 30<sup>th</sup> September, 2005 on a "going concern" basis.

**Cost Auditor:**

As per the reference made to the Central government by the Company for non-requirement of complying with the provision of Sec.233 (B) of the Companies Act 1956 since there is no production of the product "textile" under reference for cost audit for the financial years 2002-2003 and 2003 - 2004, the Central Government has granted exemption for the said period. Similarly the exemption for the year 2004-2005 is being submitted and the same is expected from the Central Government.

**Corporate Governance**

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

**De-listing:**

The shares of the Company are listed in Madras and Mumbai Stock Exchanges. The Members are informed that the Bangalore Stock Exchange Limited has already delisted our securities with effect from 28.03.2005 vide their Ref. No.03/2005/1462, dated 28.03.2005.

**Directors' clarifications to Auditors remark****A) Auditor's Report**

In regard to the remarks in the Auditor's Report, your Directors wish to clarify as under:

- 4 (d) In future, as and when sale takes place from the Stock-in-trade Account the amount of unrealized income in earlier years as referred to in the Auditors' Report will get nullified. The company has not provided for any possible impairment of loss in view of the pending approval of the Modification sought for from the BIFR and Hon'ble High Court.
  - 4 (f) (i) Land and building held as Stock-in-Trade for the property are stated at market value as on 31<sup>st</sup> March 1996 and in the opinion of the Directors appropriate.
  - (ii) Company is disputing the said liability and is taking the matters with the respective appropriate authorities.
  - (iii) Investment in Binny Engineering Ltd. the wholly owned subsidiary of the Company, and the Loan to the Subsidiary is held on long term basis and final decision pending from the Operating Agency & BIFR.
  - (iv) As has been explained, the management is of the opinion that dues stated would be realized in the ordinary course of business. However, efforts are being made to confirm the balance in Sundry Creditors, Sundry Debtors, Loans and Advances and Deposit Accounts and unsecured Loans.
- Attention is drawn to the auditors report that the net worth of the Company as at 30.09.2005 is positive after considering the above audit observations.

- 4 (g) The amount due to small scale and ancillary industries as at the close of the financial year is not material.

**B. Annexure to the Auditors' Report:**

- 1. (a) & (b) Efforts are being made for up-dating physical verification of fixed assets.
- 3 (e) Efforts are being made to confirm the balances.
- 6. The Company has approached BIFR for suitable directions for the said exemption.
- 7. Internal Audit System for the rest of the Company would be strengthened as and when the activity commences.
- 9 (a) The Company has approached the appropriate authorities for remitting the other outstanding dues in installments.

**Auditors:**

M/s CNGSN & Associates, Chartered Accountants, Chennai 600 017 retire at the conclusion of this Annual General Meeting and are eligible for reappointment.

**Acknowledgement**

Your Directors acknowledge the co-operation and assistance extended by the Government of India, Government of Tamilnadu, Government of Karnataka, IDBI and Indian Bank, Oriental Bank of Commerce, 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

M. ETHURAJAN  
Executive Chairman

Chennai 600 001  
5th October 2005