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**Balmer Lawrie
Freight Containers Limited**

**Annual Report & Accounts
1998-99**

**Balmer Lawrie
Freight Containers Limited**

Notice

NOTICE is hereby given that the Fifth Annual General Meeting of the Members of **Balmer Lawrie Freight Containers Limited** will be held at the Registered Office at 21, Netaji Subhas Road, Calcutta-700 001 on Wednesday the 28th July, 1999 at 4 p.m. to transact the following business :

Ordinary Business :

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 1999, Profit and Loss Account for the period ended on that date and Report of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Dr. C. V. Chandrasekharan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. S. B. Chakraborty, who retires by rotation and being eligible, offers himself for re-appointment.

Special Business :

To consider and if thought fit, to pass, with or without modifications, the following Resolutions :

4. (As an Ordinary Resolution)
"RESOLVED that Mr. C. N. Ramdas be and is hereby appointed a Director of the Company from the date of this Meeting and whose period of Office shall be subject to determination by retirement of Directors by rotation."
5. (As an Ordinary Resolution)
"RESOLVED that net worth of the Company as on 31st March, 1998 has

been eroded by more than 50% of the peak networth of the preceding four years as on 31st March, 1999 was considered and Board of Directors of the Company be and are hereby authorised to report the facts of such erosion of the net worth of the Company to the "Board of Industrial and Financial Reconstruction" pursuant to and in compliance with the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985."

"Further RESOLVED that Board of Directors be and are hereby, authorised to do all such acts, deeds and things as are deemed necessary and expedient for the purpose of giving effect to the Resolution."

6. (As a Special Resolution)

"RESOLVED that pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s Ray & Ray, Chartered Accountants, the retiring Auditors of the Company, be and are hereby re-appointed as Auditors of the Company, to hold office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting of the Company on such remuneration as may be fixed by the Board of Directors in consultation with them and out of pocket expenses at actuals."

7. (As a Special Resolution)

"RESOLVED THAT the Authorised Capital of the Company be Rs. 20 crores (Twenty Crores) divided into 2,00,00,000 (two crores) equity shares

Balmer Lawrie
Freight Containers Limited

of Rs. 10/- each and that resolution No. 5 passed by the Members at the Annual General Meeting of the Company held on 18th September 1998, on increase of the Authorised Capital from Rs. 20 crores to Rs. 50 crores be and is hereby revoked."

8. (As a Special Resolution)

"RESOLVED THAT Clause 3(a) of the Articles of Association of the Company be read as under and that the resolution No. 6 passed by the Members on enhancement of the Authorised Capital from Rs. 20 crores to Rs. 50 crores at the Annual General Meeting of the Company held on 18th September 1998 be and is hereby revoked.

3(a) The Authorised Share Capital of the Company is Rs. 20,00,00,000 (Rupees Twenty Crores only) divided into 2,00,00,000 (Two crores only) Equity Shares of Rs. 10/- (Rupees Ten) each."

9. (As a Special Resolution)

"RESOLVED THAT the resolution No. 8 passed by the Members of the Company at the Annual General Meeting of the Company held on 18th September, 1998 authorising the Board of Directors of the Company to issue and offer Equity Shares and other forms of Securities upto Rs. 50 Crores, under Section 81(1A) of the Companies Act 1956, be and is hereby revoked."

Registered Office :
21, Netaji Subhas Road
Calcutta - 700 001
Dated : 25th June, 1999

By order of the Board
Amit Halder
Secretary

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NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the Meeting.
2. An Explanatory Statement concerning the item of Special Resolutions and Special Business as required under Section 173(2) of the Companies Act, 1956 is annexed hereunto.
3. Members are requested to :
 - (i) notify any change in their address immediately to the Company's Registrars :
 - (ii) communicate with the Registrars on all matters pertaining to their shareholding(s) quoting their respective Ledger Folio Numbers :
 - (iii) bring the copy of the Accounts and Attendance Slip at the meeting.

Balmer Lawrie
Freight Containers Limited

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

ITEMS NO. 4

Mr. C. N. Ramdas was appointed as Additional Director of the Company w.e.f. 21st December, 1998 in terms of Section 260 of the Companies Act, 1956.

Mr. C. N. Ramdas vacates his office at this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956. Due notice under Section 257 of the Companies Act, 1956 have been received from Members proposing the appointment of Mr. C. N. Ramdas as Director of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation. Mr. C. N. Ramdas has filed requisite consent pursuant to Section 264(1) of the Companies Act, 1956 to act as director, if appointed.

Mr. C. N. Ramdas is interested individually in the above Resolution concerning his appointment. The Board recommends this Resolution for your approval.

ITEM NO. 5

The Company has incurred a loss of Rs. 169.45 lakhs during the year 1998-99 and cumulative loss as on 31.03.99 was Rs. 331.79 lakhs. This has resulted in erosion of net worth as on 31.03.99 by more than 50% of the peak net worth during the four preceding years.

Losses recorded for the financial year 1998-99 are primarily due to the following reasons :

- a) Slump in export growth of containerised cargo from India resulting in lower demand for empty containers.
- b) Complete stoppage of buying by leasing companies from India due to predatory pricing policy of Chinese manufacturers where selling prices are lower than material cost of Indian manufacturers.
- c) Unabated inflow of empty containers from China positioned into India by various Leasing / Shipping Companies.
- d) Excessive positioning cost to various inland locations.

ITEM NO. 6

Section 224A of the Companies Act, 1956 provided, inter alia, that in case not less than twenty five percent of the subscribed share capital of a Company is held by Government Companies, then the appointment of Auditors at the Annual General Meeting should be made by passing a Special Resolution. Since more than twenty five percent of the subscribed capital of your Company is held by Government Companies, the reappointment of Auditors is proposed as a Special Resolution. None of the Directors of your Company is concerned or interested in the aforesaid resolution.

Balmer Lawrie
Freight Containers Limited

ITEM NO. 7, 8 & 9

The Members of the Company at the Annual General Meeting held on 18th September 1998 had passed three Special Resolutions being item Nos. 5, 6 and 7 of the Notice dated 22nd August, 1998 convening the said general meeting concerning (a) to increase the Authorised Capital of the Company from Rs. 20 crores to Rs. 50 Crores; (b) to alter clause 3(a) of the Articles of Association to give effect of the increase in Authorised Capital & (c) to delegate authorities to the Board of Directors to issue and offer Equity Shares, and other forms of securities upto Rs. 50 crores. These resolutions were passed essentially for infusing capital into the Company under a restructuring proposal.

However, with the continued paucity in

demand for new containers slow down in the Indian exports coupled with the poor state of the primary Capital Market in India the Company could not go through with the restructuring plan as envisaged.

With further erosion in the networth of the Company, the Company needs to report the facts of such erosion to BIFR as a 'Potentially sick' Company and work out a suitable rehabilitation proposal in consultation with various agencies.

Since raising of Capital is not immediately possible and hence not envisaged, the Directors recommend annulment of these resolutions.

None of the Directors is concerned or interested in these resolutions.

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Balmer Lawrie
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BOARD OF DIRECTORS

Dr. C. V. Chandrasekharan — Chairman
Mr. H. Shankar — Managing Director
Mr. Heinz Rode
Prof. Ramaswamy P. Aiyar
Mr. S. B. Chakravarty
Mr. C. N. Ramdas

COMPANY SECRETARY

Mr. Amit Halder

**REGISTERED OFFICE &
COMPANY SECRETARY'S OFFICE**

21, Netaji Subhas Road
Calcutta - 700 001

PLANT AND CORPORATE OFFICE

Plot No. D-6
Madras Export Processing Zone
Tambaram (West)
Madras - 600 045

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BANKERS

State Bank of Travancore
HDFC Bank Ltd.
ABN Amro Bank NV
Indus Ind Bank

AUDITORS

Messrs Ray & Ray
Chartered Accountants

SHARE REGISTRARS

ABC Computers Private Limited
National Council of Education Building
Jadavpur University Campus
Jadavpur, Calcutta - 700 032

Balmer Lawrie
Freight Containers Limited

DIRECTORS' REPORT

The Board of Directors hereby present the fifth Annual Report of the Company for the year ended 31st March, 1999 together with the Balance Sheet as on that date and the Profit and Loss Account for the year ended 31st March, 1999.

Financial Results	Rs. Million
Production (TEUs)	3019
Total Income	229.15
Materials and Stocks	182.24
General Expenditure	97.97
Surplus/(Deficit) before Depreciation, Amortization and Interest	(51.06)
Depreciation and Amortization	25.76
Interest	92.63
Surplus/(Deficit)	(169.45)

Overview

Demand for new built empty containers (the product of the Company) in a location is a function of the aggregate of demand for containers generating out of the demand for containerizable exports from that geographical location and its hinterland, partially met by containerizable imports into that location and empty container repositionings into that location by users of containers, i.e., Shipping Lines. Drop in demand for containerizable exports and increase in containerizable imports coupled with empty repositionings will adversely affect the requirement of new built empty containers.

The demand for new built containers out of India plummeted drastically on account of continued depression in Indian exports coupled with unrestricted dumping/positioning of empty containers by China and multinational Shipping and Leasing Companies. All operating manufacturing plants in India were plagued by low capacity utilisation arising out of paucity of demand which had an adverse financial performance.

Market

The Indian Freight Container Manufacturing Industry continues to be in a state of turmoil as Chinese manufacturers continue to supply containers at prices which are vastly unremunerative presumably with the aid of subsidies and other forms of support available from the Chinese Government. The Shipping Industry continues to suffer from the global economic recession and consequently upliftment of new containers by Shipping Companies have drastically fallen. In fact the limited requirements of empty container demands for export purposes were largely met through the unrestricted imports of empty containers into India by users like Shipping Lines. Industry representations to Government of India for relief in this regard are yet to yield results and business was impossible to be concluded in any meaningful volume in the second half of the year due to the depleted demand of Indian built containers.

Balmer Lawrie Freight Containers Limited

With the Indian export scenario not very promising and in order to utilise its idle capacities, the Company shifted its focus to the domestic opportunities and embarked on certain new products for the Indian market. This development exercise has made some progress.

Operations :

The Company successfully concluded a Long term Settlement with the Workmen's Union during July 1998. With the total drying up of business from the Company's traditional customers, owing to their own internal resource problems and market scenario, the Company has been partially able to offset the adverse impact with a few small orders from new customers.

The Company successfully reduced the working capital utilisation. Coupled with rate reductions in interest, the Company has also pegged the interest cost reasonably even after incurring substantial losses during the year. Had the Company continued to receive financial support from its bankers, the operations would have resulted in reduced losses during the year.

The Company has also embarked on stringent cost reduction exercises, including downsizing of operations, essentially to keep losses under control.

Industrial Relations

With the conclusion of Long Term Settlement, substantial improvement in productivity was rendered possible. However, with the decline in market, the Company is not able to employ all the workmen fully and the management is addressing this issue.

Future Prospects

Prospects for the current financial year is focused on domestic market as well. The Company is hopeful that the product diversification strategy will rescue and keep the operations going till Indian exports and consequently, the demand for containers for maritime trade picks up.

Potential Sickness

The Company has become "Potentially Sick" in terms of provisions of Section 23 of Sick Industrial Companies (Special Provisions) Act, 1985 and hence further statutory formalities are being complied with.

Disclosure under Listing Agreement

Comparison of actual Financial performance and the Utilisation of Funds for the year 1998-99 with Prospectus dated 2nd March 1995 is as follows :

	(Rs./Lacs) Prospectus	(Rs./Lacs) Actuals (1998-99)
Net Sales/Income	12100	2292
Net Profit	1389	(1695)
Fund Utilisation	4400	4863