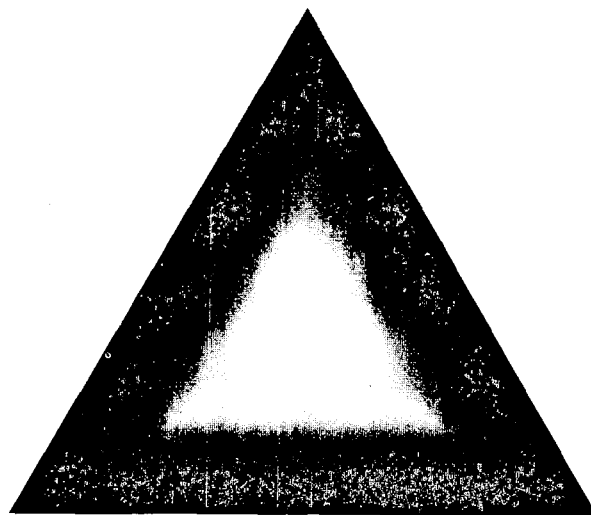




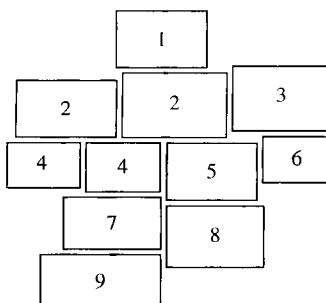
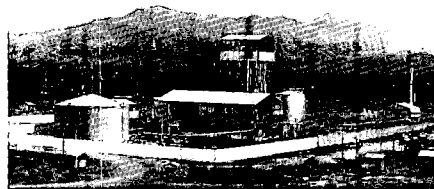
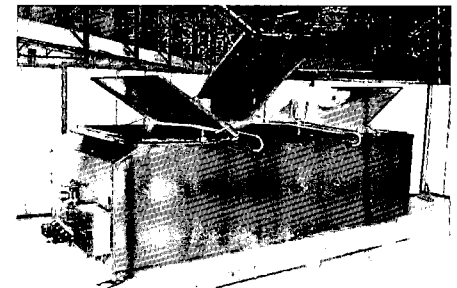
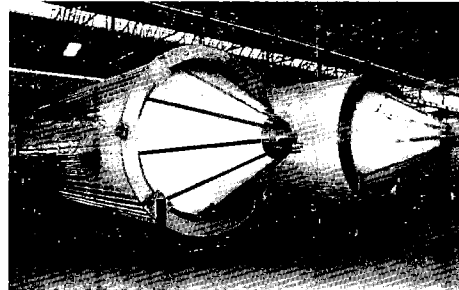
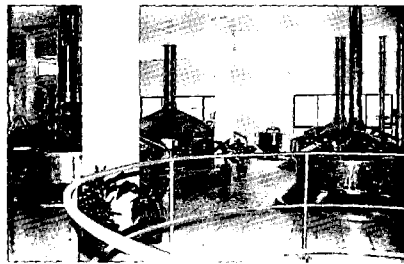
Report  junction.com



**12th Annual Report  
1997 - 98**

# E V E N T S

1 9 9 7 - 9 8



1. 3-Vessel Brewhouse at United Breweries Lanka Limited. Adding fizz to Sri Lankan Beer Market.
2. The new manufacturing facility - Sanaswadi, Pune.
3. A 2300 Litres Bulk Milk Cooling Tank which we have branded as 'RAPICOOL'.
4. A view of Foster's Fermentation Cellars and our team.
5. Lineage - felicitating the veterans.
6. Heat Exchangers for the 21st Century - Corrugated Tube Heat Exchanger.
7. Distillery at Sri Lanka.
8. Chairman's Award in recognition of best performance.
9. The Distillery Complex at Bago, Philippines, commissioned during the year.

## PRAJ INDUSTRIES LIMITED

### BOARD OF DIRECTORS

: Pramod Chaudhari  
Shashank Inamdar  
Anil Deshpande  
Venkatachala Datar  
Berjis Desai  
Khushrooh Byramjee  
Vikas Nadkarni  
Ramesh Shah

*Chairman and Managing Director*  
*Deputy Managing Director*  
*Director-Business Development*

MD	✓		BKC	—
CS	✓		DPY	NA
RO	✓		DIV	✓
TH	NA		AC	✓
ACM	NA		SH	✓
YE	✓	NA		✓

### COMPANY SECRETARY

: Deepak Mogal

### AUDITORS

: B.K. Khare & Company  
Chartered Accountants  
706/708, Sharada Chambers,  
New Marine Lines,  
Mumbai - 400 020.

*Noted*

### INTERNAL AUDITOR

: M/s S.R. Salvekar, Chartered Accountants,  
Kamal kunj, Narayan Peth, Pune - 411 030.

### BANKERS

- : ● Bank of Maharashtra  
● Bank of India  
● Union Bank of India  
● The Vysya Bank Limited  
● ANZ Grindlays Bank

### REGISTERED OFFICE

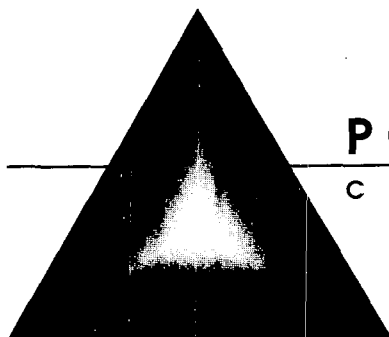
: "Praj House", Mumbai-Bangalore Highway  
Opp. HEMRL, Bavdhan, Pune 411 021. India

### MANUFACTURING FACILITY

- : ● J-44, 'S' Block, M.I.D.C., Bhosari, Pune 411 026.  
● 102, Survey No. 50/7, Vadgaonsheri, Pune 411 014.  
● S.No. 748, Sanaswadi, Pune 412 207

### R & D CENTRE

: W-155, 'S' Block, M.I.D.C. Bhosari, Pune 411 026.



# POSITIONING FOR STRENGTH

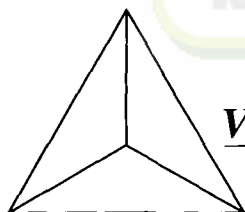
## CHAIRMAN'S STATEMENT

The past year has been a year of mixed results. This just goes to show that market forces are taking grip over Organizations. Some performance parameters have been good and some, not so encouraging. PRAJ has not escaped this reality. However, we are not discouraged. While market forces will prevail, it is the 'will' of an Organization and its 'sense of purpose' that will outpace these forces. PRAJ has always defied market forces. And, it will continue to do so.

The future belongs to those who are 'prepared'. To those who have got their focus right and who are willing to take on various innovative challenges in the chosen area of activity. And, to those who have the skills to build upon for the future; To those, who can see beyond the millennium date-line; To those who are **positioning for strength**, today, by creating value chain that extends beyond the Organization.

**VISION, PRODUCT, PROCESS and PEOPLE are the four main links in our value chain.**

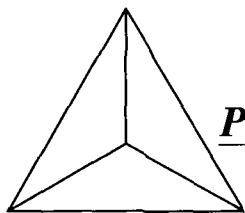
PRAJ has drawn up a vision which is aimed at creating a position of strength for enduring the competitive pressures.



### VISION

***"By the Year 2001, we shall be***

- *No. 1 in Alcohol Technology, globally.*
- *Amongst the top 5 in Brewery Plant & Equipment, globally.*
- *Leading process Equipment and Systems Supplier in India and neighbouring area.*
- *Power House of Process Engineering."*



### PRODUCT

**B**uilding upon its vision, PRAJ has undertaken various activities. The keyword is to deliver innovative technologies that change the way we look at a certain product, solution or service.

Some areas that need special mention are FUEL ALCOHOL; ALCOHOL TECHNOLOGY THINK TANK (AT3), a new initiative in finding more rugged solutions for alcohol production; Distillery waste water utilization schemes; Value engineering for brewery plant and equipment.

Alcohol, predominantly linked to the potable sector, is now finding newer applications. **Fuel Alcohol.** World over, a lot of interest is being generated over this exciting new fuel source. Brazil and Mexico have

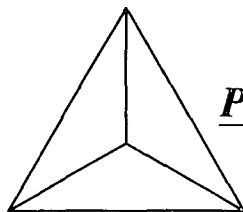
already experienced some mixed success; Cuba, which had adopted this route quite some time ago and; in India, we continue to debate over this issue. However, the concept will definitely gain momentum as we draw closer to the fuel crisis and to the ozone layer. For PRAJ, the challenge will be to create an economically viable proposition. And, that is exactly what is being done, today.

**Grain Alcohol. Alcohol from Cane Juice. Alcohol from Cassava.** PRAJ has successfully translated technologies for these raw materials into plant & equipment that are installed across the globe. Recently, we completed two grain based plants and one Cassava based plant in India. Our skill in handling various grain based plant is growing.

Waste water solutions are plenty. But, **waste water utilization** is another story. PRAJ is currently engaged in finding answers for converting distillery waste water into value-added products like cattle feed additives, binding material, steam source, etc. Be it grain alcohol plants or molasses based plants, the possibilities are many. PRAJ's R&D Centre and Business Groups are busy chasing each one of them.

Value engineering for brewery plant & equipment is a major initiative taken on this year. Water is consumed in abundance in a brewery, hence, we have focused on water recycling systems. PUB Brewery is yet another initiative we have launched this year. Ofcourse, in India, this concept is yet to take shape, but in South East Asia, the investment crunch would create a sizable market for this concept. For overseas markets like Africa, developing systems for sorghum/maize beer is also a project we are working on.

In process equipment and systems, we have always taken pride in introducing innovative technologies. Be it our drying system wherein we introduced Ring Dryer for difficult to dry products, or flubex evaporation system as an answer to scaling medium, and now, corrugated tube heat exchangers for viscous and fibrous media to replace to conventional tubular heat exchangers. When it comes to difficult-to-find solutions, we have always taken the bull by the horn and shown the way. Like every new solution, it takes time to build the market. It requires patience and perseverance to find new answers and get them accepted.



## PROCESS

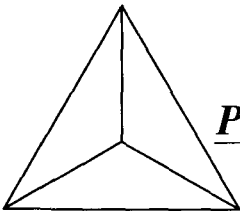
Cost-reduction, right sizing and many other techniques have been employed the world-over for meeting the challenges of the new world order. At PRAJ, we are 'right focusing' our technologies, instead. Reducing project delivery cycle time is yet another aspect which we are following up on. Incorporating good workmanship in our equipment to



meet world standards has been a constant drive. In the domestic market too, customers are expecting superior engineering. We are happy to give in to their expectations, as we always wanted an opportunity to demonstrate our true strength. Only by building our domestic industry to world-class standards can we expect to compete in the global market. With this belief, we have put a lot of mechanism in motion. Better and more equipped manufacturing facility was the first step towards strengthening Production Planning and Control. Creating a delayed Organization for facilitating better flow of information was another step. We continue to strengthen our processes, internally.

Noteworthy amongst these activities is quality of response towards customers. I am glad to say that not only we have stepped up our response in handling customer queries, grievances and other aspects related to technology, but we have forged a new kinship and trust. In fact, last year, we created a special resource group for handling this aspect of customerization of our services.

And finally, there is new way to being present in the market. 'Networked Organization'. PRAJ would be creating a 'Networked Organization' along with Companies who have complimentary products, technologies or management. We see this as adding value to the customer, as he will be getting a truly complete solution. These alliances could be in the domestic market or in the global market. This will also improve our presence and reach, significantly.



## PEOPLE



At PRAJ, 'people are our most important asset' is not a mere rhetoric. The success of any process, product or purpose depends upon the PEOPLE and their initiative. We have focused on this with the firm belief that the accumulated knowledge of the employees will see us gaining new grounds in our chosen areas of activities.

*And finally, this year we have also adopted productivity and value-addition as the new 'Mantra' for ourselves. It creates a new environment, commitment and focus. A focus which will see **PRAJ POSITIONING FOR STRENGTH.***

**Pramod Chaudhari**  
Chairman & Managing Director

## Report of the Board of Directors

To The Members,

Your Directors wish to present the performance of the Company during the financial year 1997-98 in this 12th Annual Report along with the audited accounts for the year:

### 1. OPERATING PERFORMANCE

In the year under review your Company recorded a total income of Rs. 772.40 Million (previous year Rs. 534.28 Million). The Operating Profits have shown an increase of 50% at Rs 83.84 Million (previous year Rs 55.14 Million) However, the net profits have been under some pressure at Rs. 15.75 Million (previous year Rs. 23.94 Million). The increase in sales volume over the previous financial year shows that your Company has been actively seeking and pursuing business opportunities.

### 2. DIVIDEND AND RESERVES

Your Directors recommend a dividend of 20% on paid-up capital of Rs. 39.9 Million. The dividend outgo on capital would be Rs. 87,92,635 (including dividend tax).

As per the requirements of Section 205 of the Companies Act, 1956, your Company has transferred Rs. 1.20 million (previous year Rs. 2.50 million) to General Reserve Account. Further, Rs. 7.50 million (previous year Rs. 4.80 million) have been transferred to Foreign Project Reserve Account.

### 3. OPERATIONS

#### 3.1 Business Outlook

Your Company has taken cognisance of the fact that economic outlook, both domestic and international, is likely to be very challenging in the coming year. In view of this, your Company has taken several measures to increase its market-orientation. With the lifting of ban of alcoholic products in Haryana and Andhra Pradesh, your Company is experiencing a renewed business vigour in the domestic market. As on date, your Company has 'orders on hand' worth Rs. 500 Million.

#### 3.2 Business Orientation:

##### 3.2.1 Consolidation:

During the year, your Company undertook a business consolidation exercise. In view of certain developments relating to its international collaborators, your Company had to relook at some of the related technology dependent businesses, namely, Plate Heat Exchangers, Separators and Centrifugal Decanters. Your Company took the decision to withdraw its operations in these areas, for the time being. Simultaneously, your Company successfully introduced other innovative technologies and product lines in keeping with its core competence, like Corrugated Tube Heat Exchangers in technical collaboration with M/s. HRS of U.K. Market for this product line is fairly large and, in time to come, it should become a self-sustaining line for the Company.

##### 3.2.2 Increased Focus on Alcohol and Brewery Plant & Equipment:

Acknowledging Alcohol and Brewery Plant & Equipment as its core focus areas, your Company has activated various forums for positioning itself as an undisputed leader in these areas.

##### 3.2.3 Alcohol Technology Initiative:

To provide its Alcohol technology with a definite edge, your Company has undertaken a series of technology initiatives which aim at improving quality of end-product, enhancing yield and a rugged technology, thus offering value-for-money to its customers and increasing the Company's competitiveness in the global market.

##### 3.2.4 Strategic Business Unit:

The Brewery Plant & Equipment business of your Company has been accorded an SBU ( Strategic Business Unit ) status to prepare the unit as a self-sustaining business entity. This will ensure that the focus on the market is sharpened and resources are utilized in an effective manner. Your Company aims to achieve its vision of being counted amongst the leading Brewery Engineering and Plant Manufacturing Companies, world-wide.

Your Company is also pursuing business opportunities in futuristic technology lines like BIO-PHARMA and FRUIT PROCESSING plant & equipment. For Bulk Milk Cooling Systems, your Company has effected a technical collaboration with PACKO Inox, Belgium and commenced manufacturing of these tanks indigenously. Your Company has already procured repeat orders from a leading Multi-National Company.





## 12th Annual Report 1997-98

### 3.3 Exports

During the year your Company successfully commissioned its first turnkey brewery in Sri Lanka. With this plant going on stream and with another plant in the domestic market, your Company is confident of handling bigger projects for international brewing Companies.

Distillery plants in Philippines and Sri Lanka have also been commissioned successfully, during the year.

Market development activities in Russia and the CIS have been launched with an exhibition wherein your Company achieved a noteworthy presence and has since developed several vehicles to bring in business. Although Russia and the CIS are difficult markets in terms of penetration, your Company has made sufficient progress in the time span of one year, with several leads in hand. However, in Russian market your Company will proceed very cautiously. Similarly, business prospects in the South American region are also developing satisfactorily and your Company is pursuing an identified strategy for the region.

Your Company has already set-up operations in Africa with an office in Nairobi. During the course of the year, your Company will further strengthen its presence in this region.

Although, the signals from South East Asia are mixed, enquiries are being pursued with the same zeal. Your Company is assessing the situation and drawing up a plan to target countries which are not so adversely affected by the Asian crisis or those showing early signs of recovery.

### 3.4 Manufacturing and Quality Control

An enhanced/upgraded manufacturing facility was inaugurated during the year. All operations have been shifted effectively. This new manufacturing facility will place your Company in a better position to cater to concentrated manufacturing load, a characteristic of Project Business.

A fresh initiative for ISO certification of the entire manufacturing facility is being undertaken. Having been awarded ISO certification for plate heat exchangers and quality systems being in place for virtually all its product lines, it will not be very difficult to achieve the ISO certification standards.

Under the PATSER scheme of DSIR (Department of Scientific and Industrial Research, Govt. of India) your Company has availed of an Assistance Programme for setting up pilot plant facilities. Additional pilot plants will be set up at the Company's R&D centre which will further enhance the technology edge.

### 3.5 Gateway to Europe

In the face of volatile global economic scenario, your Company has deferred its plans for EURO-PRAJ. These efforts will be renewed when the markets are more favourable.

## 4. HUMAN RESOURCES

To increase the competitiveness of the professionals, your Company undertook several training initiatives. These include general management oriented programmes, technical programmes and general skills upgradation sessions. Your Company has rationalised its manpower policy in keeping with its business quantum and it has focused on improved productivity.

## 5. CORPORATE BUSINESS

### 5.1 Amalgamation

Under the Scheme of Amalgamation, Praj Finance Limited has been amalgamated with your Company vide order of High Court of Judicature at Bombay dated 16.10.1997

Consequent to amalgamation and allotment of shares to the shareholders of erstwhile Praj Finance Limited, Praj Engineering Limited has become the Holding Company.

### 5.9 Term Loan:

Your Company availed of Term Loan of Rs. 35 Million from ICICI Ltd., instead of Nonconvertible Debentures, as previously proposed.

### 5.3 Dematerialization of Shares :

The Shareholders of your Company have initiated dematerialisation of shares, thus, more than 50% of the shareholding of your Company is in electronic mode.



**6. ACCOUNTS**

In conformity with the mandatory accounting standards, the significant accounting policies have been indicated in Schedule 21 (Item 20) of the accounts.

**7. PARTICULARS OF EMPLOYEES**

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 for the year ended 31st March, 1998 is given in the Annexure which is to be treated as part of this report.

**8. DEPOSITS**

Your Company has been inviting and accepting deposits from the public, shareholders and others. Deposits totalling Rs. 6.34 Lacs due for repayment on or before 31st March, 1998 were not claimed by the depositors on that date.

**9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ADAPTATION, INNOVATION****9.1 Conservation of Energy:**

The manufacturing operations of your Company are not energy intensive as the operations are limited to machining, metal working and finishing a variety of equipment.

**9.2 Technology Absorption, Adaptation, Innovation:**

Your Company has been very innovative, right from inception. Several innovations in the field of waste water treatment, including the award winning Sprannihilator, Flubex, fluidized bed evaporator and a new wastewater scheme for distilleries are being actively promoted by your Company. Your Company is constantly adapting its collaborators' technology for customizing solutions for the domestic market.

**10. FOREIGN EXCHANGE EARNINGS & OUTGO**

Particulars regarding the foreign exchange earnings and outgo are presented in Schedule 21 (Items 10 & 11) of the Audited Accounts. Your Company has retained its status as a net forex earner.

**11. DIRECTORS**

Mr. Khushrooh Byramjee retires by rotation in terms of Article 82 and Article 83 of the Articles of Association of the Company and being eligible offers himself for reappointment.

The term of office of Dr. Vikas Nadkarni, appointed as Additional Director on 13th November, 1997 will expire at the commencement of the ensuing Annual General Meeting and he being eligible, offers himself for re-appointment.

The term of office of Mr. Ramesh Shah, appointed as Additional Director on 10th July, 1998 will expire at the commencement of the ensuing Annual General Meeting and he being eligible, offers himself for re-appointment.

**12. AUDITORS**

The Auditors, M/s. B.K. Khare and Company, Mumbai retire at the conclusion of the 12th Annual General Meeting and are eligible for re-appointment and have expressed their willingness to continue as Auditors, if re-appointed.

**13. ACKNOWLEDGEMENTS**

Your Directors place on record their sincere appreciation of services rendered by the employees of the Company and are grateful to the Government Agencies, Financial Institutions and Banks for their contribution. Your Directors are also grateful to the shareholders, collaborators, customers and suppliers of the Company for their continued support.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Pune

Dated : 29th July, 1998

PRAMOD CHAUDHARI  
 CHAIRMAN & MANAGING DIRECTOR



## 12th Annual Report 1997-98

### ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217 (2A) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 1998.

Sr. No.	Name and Age	Qualification	Date of Commencement of employment	Designation (Nature of Duties)	Gross Remuneration Rs.	Last Employment and the period (Years)	Experience in Years (Years)
<b>A) EMPLOYED THROUGHOUT THE YEAR</b>							
1	Mr. Pramod Chaudhari (49 Years)	B.Tech (Mech)	08.11.85	Chairman and Managing Director	1,093,904	Rapicut Carbides Ltd ( 2 )	27
2	Mr. Anil Deshpande (49 Years)	B.Tech P.G.D.M.	01.09.87	Director (Business Development)	625,631	Thermax India Ltd ( 15 )	26
3	Mr. Dilip Deshpande (45 Years)	M.Tech (Mech.)	03.07.95	Associate Vice President	344,550	Toyo Engg. India Ltd ( 14 )	20
4	Mr. Jayant Godbole (36 Years)	B.Chem	05.10.87	Associate Vice President	324,270	Solapur Chemicals P. Ltd ( 1 )	13
5	Mr. Shashank Inamdar (43 Years)	B.Tech (Chem)	13.12.85	Deputy Managing Director	955,798	GIA Consultants (3)	21
6	Mr. Vikas Kakade (42 Years)	B.Chem, M.Chem MBA	01.11.88	Vice President	451,839	Indian Organic Chemicals Ltd ( 7 )	20
7	Mr. Pramod Kulkarni (46 Years)	B.E (M), M.E.	01.09.92	Associate Vice President	387,882	Thermax Ltd ( 8 )	20
8	Mr. Anand Kelkar (40 Years)	AMIE	02.05.95	Sr. Manager	336,984	Westfalia Separators ( 5 )	21
9	Mr. Deepak Mogal (42 Years)	B.Com, C.A., C.S., ICWA	15.06.93	Company Secretary and Legal Advisor.	364,890	Litaka Pharma ( 1 )	18
10	Mr. I.N.Malikarjun (40 Years)	B.Tech	31.08.97	Associate Vice President	353,368	Dhake Dyes & Chemicals ( 4 )	17
11	Mr. Nandkumar Pradhan (51 Years)	B.Chem	05.04.89	Vice President	494,395	Alfa Laval India Ltd (2)	28
12	Mr. Anil Patwardhan (40 Years)	B.Com, C.A.	15.05.95	Divisional Manager	340,591	J.K.Chemicals Ltd ( 4 )	14
13	Mr. K.Srinivasan (47 Years)	B.A., DBM	18.12.92	Divisional Manager	314,580	Thermax Ltd (21)	26
14	Mr. G.Sankaran (43 Years)	DME	21.02.96	Product Manager	316,168	Alfa Laval Ltd ( 14 )	23
15	Ms. Veena Yadav (44 Years)	B.A., M.A.	03.05.93	Chief Facilitator	315,838	Symbiosis ( 13 )	18
<b>B) EMPLOYED PART OF THE YEAR</b>							
1	Mr. Vinod Kumar Bhatnagar (57 Years)	DME., B.Sc (Mech.)	21.07.97	Vice President (Works)	200,160.00	Mather & Platt. (I) Ltd. ( 26 )	36
2	Mr. Abhay Chaudhari (37 Years)	B.Sc (Engg.)	01.09.97	Divisional Manager	146,550.00	Amcane Praj (I) Ltd ( 2 )	15

#### NOTES :

- Gross Remuneration shown above includes Basic Salary, HRA, Rent, Educational Allowance, LTA, Medical, Attire, contribution towards P.F., Superannuation, Lunch & books, Leave Encashment etc.
- All appointments are contractual and terminable by notice on either side.
- The employees are subject to rules and regulations of the Company in force from time to time.
- No Director is related to any other Director. None of the above employees is related to any Director of the Company.