



PRAJ INDUSTRIES LIMITED

15th Annual Report
2000-2001

PRAJ INDUSTRIES LIMITED

BOARD OF DIRECTORS	:	Pramod Chaudhari Chairman & Managing Director Shashank Inamdar Joint Managing Director Venkatachala Datar Berjis Desai Khushrooh Byramjee
COMPANY SECRETARY	:	Deepak Mogal
AUDITORS	:	B.K.Khare & Co. Chartered Accountants, 706/708, Sharda Chambers, New Marine Lines, Mumbai - 400 020
INTERNAL AUDITORS	:	G.D. Apte & Co. Chartered Accountants, Dream Presidency, 1202/17E, Shivajinagar, Off Apte Road Pune - 411 004
BANKERS	:	Bank of Maharashtra Bank of India The Vysya Bank Limited Canara Bank
REGISTERED OFFICE	:	"PRAJ HOUSE", Mumbai-Bangalore Highway, Opp. HEMRL, Bavdhan, Pune 411 021. INDIA
MANUFACTURING FACILITY	:	S.No.748, Sanaswadi, Pune 412 207
R & D CENTRE	:	"PRAJ HOUSE", Mumbai-Bangalore Highway, Opp. HEMRL, Bavdhan, Pune 411 021. INDIA

DIRECTORS' REPORT

To The Members of Praj Industries Ltd.,

Your Directors wish to present the 15th Annual Report and the Audited Statements of Accounts for the year ended 31st March, 2001, together with the notice of Annual General Meeting.

1. OPERATING PERFORMANCE

In the year under review, your Company has recorded, a total income of Rs. 429.771 million (previous year Rs. 507.080 million) and Operating Profit of Rs.10.912 Million (previous year Rs. 23.489 million). The drop in business is a result of the continuing recession. However, business cycle has picked up in the second half with improvement in trade enquiries in the market. Due to focused efforts, the Company is able to improve order book position which would result in better business performance in the coming years.

2. OPERATIONS

Business volumes are gradually building up as a consequence of liberalization and policy changes. The upswing is expected to continue. Several other business regions where your Company is active, are showing an improved climate, for example, South East Asia, where fuel ethanol programme is being pursued.

3. BUSINESS ORIENTATION

3.1 Business Model

Your Company intends to build a technology and engineering services oriented business model which will contribute to higher profitability. While your Company's existing market demands turnkey approach, increased thrust is being given to value-added services in terms of specialized engineering and project management.

3.2 Technology Edge

Your Company has done pioneering work in the area of lower steam consumption and better operational parameters for distillation. Four plants, based on the in house developed technology are already in operation. Another technological breakthrough is the successful commissioning of the Flubex* based Fermented Molasses Solubles plant. This plant concentrates wastewater from the distillery. Flubex can be utilized very judiciously for distillery waste water applications.

3.3 World Class: International Codes & Standards

Having been awarded the ASME U & H stamp for fabrication of pressure vessels and heating boilers in May, 2000, Praj is positioned to supply equipment for refineries and in Praj's own area of distillery equipment for production of anhydrous alcohol. These standards are universally accepted in the above industry.

3.4 Business Groups

Your Company has carved out Effluent Treatment Systems solutions for distillery and brewery as a separate Technology Group called the Biocycle Solutions Group. The Company will focus on a range of systems for ETP while increasing its range to address other industries as well.

3.5 Research & Development

Research and Development has been given additional thrust in order to strengthen the current market



position, as also to create newer opportunities. A blue print is being prepared to enhance and improve facilities in line with innovation as a goal.

4. HUMAN RESOURCES

Having achieved a turnaround in the previous year, your Company now aspires to be MOVE FORWARD in its areas of operation. Trained and highly motivated manpower are a prerequisite for this. Praj will continue to build its human resources in order to meet tomorrow's challenges.

5. CORPORATE BUSINESS

5.1 Listing Fees :

The Company's shares are listed on National Stock Exchange Ltd., The Stock Exchange Mumbai, The Pune Stock Exchange Ltd. and The Stock Exchange, Ahmedabad. The Annual Listing Fees for 2001-2002 has been paid to all the Stock Exchanges.

5.2 Registrar & Transfer Agents (For Electronic Mode only) :

Intime Spectrum Registry Pvt. Ltd., 260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (W), Mumbai 400 080 are the Company's Registrar & Transfer Agents (for electronic mode of shareholding only). The Company has in-house share transfer department for physical mode of share transfer.

5.3 Electronic Shareholding & Trading :

As on 31st May, 2001, 95.52% of the Company's equity was in electronic mode. SEBI has directed the trading of the Company's script in electronic mode only w.e.f. 15th March, 2000.

5.4 Change of Name :

As already communicated, your Company's name was proposed to be changed to PRAJ BIOTECH SYSTEMS LIMITED. Your Company has evaluated various facets of biotechnology related businesses in synergy with its existing biotech efforts in terms of 'biomass conversion' technologies. For this purpose, a reputed Corporate Consultancy Firm have been retained as consultants. The Company shall freeze its options based on the outcome of the report of findings and under the guidance of the Board of Directors. In view of this, your Company thought it was prudent to postpone the decision to adopt the new name and an application was made to The Registrar of Companies, Maharashtra. They have granted permission for postponement till 28th September, 2001.

5.5 Subsidiary Company :

Your Company has increased its holding in Praj Far East Pte. Ltd. (PFE), Singapore, subsequent to 31st March, 2001. As a result PFE has become subsidiary of your Company from that date.

6. ACCOUNTS

In conformity with the mandatory accounting standards, the significant accounting policies have been included in Schedule 20 (Item 1) of the accounts.

7. FIXED DEPOSITS

The Company has not accepted / renewed any deposits after 25th September, 1998. Deposits of Rs.19,000/- due for repayment on or before 31st March, 2001 were not claimed by depositors, as on that date.

8. 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, 2001 is given below :

EMPLOYED THROUGHOUT THE YEAR

Sr. No.	Name & Age	Qualification	Date of Commencement of employment	Designation (Nature of Duties)	Gross Remuneration (Rs.)	Last Employment & the period (Years)	Experience in Years
1	Mr. Pramod Chaudhari (51 Years)	B. Tech (Mech)	08.11.1985	Chairman & Managing Director	17,60,086/-	Rapicut Carbides Ltd (2)	29
2	Mr. Shashank Inamdar (46 Years)	B. Tech (Chem)	13.12.1985	Joint Managing Director	14,34,192/-	GIA Consultants (3)	22

NOTES :

- 1) Gross Remuneration shown above includes Basic Salary, Services, R. F. A., Attire, Ex- Gratia, Superannuation, Employer's Contribution to P. F.
- 2) No Director is related to any other Directors.

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, metalworking and finishing of a variety of equipment.

9.2 Technology Absorption, Adaptation, Innovation :

Your Company has introduced many new technologies and commercialized the same within a short span. This includes the vacuum/multipressure distillation system for ethanol production, the flubex fluidized bed heat exchanger, a technology which has been commissioned during the year and the introduction of automation tools for better process control and remote intervention which will set the direction for enhanced customer service.

10. FOREIGN EXCHANGE EARNINGS & OUTGO

Particulars regarding the foreign exchange earnings are presented in Schedule 20 (Item 17) and outgo are presented in Schedule 20 (Item 15 & 16) 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 he being eligible offers himself for re-appointment.



Subsequent to year ending March 2001, Mr. K. R. Bharat, Director resigned from the Board due to other pressing commitments. The Board of Directors wish to place their sincere appreciation for the contributions made by him during his association with the Company and wish him all the best.

12. DIRECTORS RESPONSIBILITY STATEMENT

The Directors confirm :

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- b) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are 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 of the Company for that period;
- c) that they have 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;
- d) that they have prepared the annual accounts on a going concern basis.

13. AUDITORS

13.1 Internal Auditors

The Internal Auditors M/s G. D. Apte & Co., Chartered Accountants, Pune have conducted the audit periodically and submitted reports which have been considered while finalising the accounts of the Company by statutory auditors and audit committee.

13.2 Statutory Auditors

The Auditors, M/s B. K. Khare & Co., Chartered Accountants, 706/708, Sharda Chambers, New Marine Lines, Mumbai 400 020 retire at the conclusion of the 15th Annual General Meeting. They are eligible for re-appointment and have expressed their willingness to continue as Auditors, if re-appointed.

14. ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the support which the Company has received from the Government Agencies, Financial Institutions, Bankers, Suppliers and most importantly, the Employees.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

PRAMOD CHAUDHARI

CHAIRMAN & MANAGING DIRECTOR

Mumbai, 26th June, 2001



AUDITORS' REPORT

To,
The Members of
PRAJ INDUSTRIES LIMITED

We have audited the attached Balance Sheet of **PRAJ INDUSTRIES LIMITED** as at 31st March, 2001, and the Profit and Loss Account of the Company for the year ended on that date.

We report as follows:

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph (1) above :
 - (a) We have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books and proper returns adequate for the purpose of our audit have been received from branches not visited by us.
 - (c) The Profit and Loss Account and Balance Sheet dealt with by this Report, are in agreement with the books of account.
 - (d) In our opinion, the Profit & Loss Account and Balance Sheet comply with the Accounting Standards specified under sub-section (3C) of section 211 of the Companies Act, 1956.
 - (e) On the basis of the written representations received from the directors as on 31st March, 2001, and taken on record by the Board of Directors, We report that none of the directors is disqualified as on 31st March, 2001, from being appointed as a director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
 - (f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, read with the notes thereon particularly note no. 7 of schedule 20 give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2001 and
 - ii) in the case of the Profit and Loss Account, of the Profit of the Company for the Year ended on that date.

For **B.K.KHARE & COMPANY**
Chartered Accountants

Place : Mumbai
Date : 26th June, 2001

U.B.JOSHI
Partner



ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our Report of even date)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. All the assets have not been physically verified by the management during the year but there is a regular programme of verification, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. The Company is in process of reconciliation of Physical Inventory of Fixed Assets with book records.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified during the year by the management, except in respect of stocks lying with sub-contractors and fabricators from whom confirmations have been obtained. In our opinion, the frequency of verification is reasonable.
4. According to the information and explanations given to us, in our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on physical verification of stocks as compared to the book records were, in our opinion, not material.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper, in accordance with the normally accepted accounting principles and is on the same basis as in the preceding years.
7. The Company has not taken / granted any loans from / to Companies, firms or other parties listed in the Register maintained under Section 301 of Companies Act, 1956 and/or from / to Companies under the same management, as defined under the then applicable section 370 (1-B) of the Companies Act, 1956.
8. Parties to whom loans and advances in the nature of loans have been given are repaying the principal amount as stipulated and are also regular in payment of interest, where applicable.
9. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to the sale of goods.
10. There are transactions in respect of services rendered / received, made in pursuance of the contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- (Rs. Fifty Thousand only) or more in respect of each party. As informed to us, such services are of specialised nature, hence the comparative prices are not ascertainable.
11. As explained to us the Management has reviewed the stocks of stores, raw materials and finished goods and based on technical evaluation in respect of its usability for unserviceable or damaged items, no provision has been made during the year
12. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975, with regard to the deposits accepted from the public.

13. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. As explained to us, the manufacturing process of the company does not generate any by-products.
14. The Company has internal audit system which is commensurate with the size of the Company and nature of its business.
15. The Central Government has not prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 for any of the products of the Company.
16. According to the records of the Company, Provident Fund and Employees State Insurance dues have been generally, regularly deposited during the year with the appropriate authorities.
17. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding as on 31st March, 2001 for a period of more than six months from the date they became payable.
18. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
19. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
20. In respect of service activities :-

The Company has a reasonable system of recording receipts, issues and consumption of materials and stores commensurate with the size and the nature of its business. The system provides for a reasonable allocation of materials to the relative jobs but it is not considered necessary by the management to allocate man-hours consumed to the relative jobs. In our opinion, there is a reasonable system for authorisation at proper levels, with necessary controls on the issue of stores and allocation of stores and labour to jobs. There is an adequate system of internal control commensurate with the size of the Company and the nature of its business.

21. All investments are held by the Company in its own name.
22. In respect of the trading activity of the Company there were no damaged goods in closing stocks.

For B.K.KHARE & COMPANY
Chartered Accountants

Place : Mumbai
Date : 26th June, 2001

U.B. JOSHI
Partner

BALANCE SHEET**as at 31 March 2001**

	Schedule	As at 31/03/2001		As at 31/03/2000	
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS :					
Shareholders Funds :					
Share Capital	1	64,966,520		64,966,520	
Reserves and Surplus	2	121,528,534		114,315,266	
			186,495,054		179,281,786
Loan Funds :					
Secured Loans	3	108,907,850		105,532,569	
Un-secured Loans	4	1,500,000		63,000	
			110,407,850		105,595,569
TOTAL		296,902,904		284,877,355	
APPLICATION OF FUNDS :					
Fixed Assets :					
Gross block	5	162,688,923		175,796,220	
Less : Depreciation		53,422,226		47,346,224	
Net Block		109,266,697		128,449,996	
Capital Work In Progress		12,661,541		9,541,187	
			121,928,238		137,991,183
Investments	6		2,171,060		2,171,060
Current Assets, Loans and Advances :					
Inventories	7	44,416,819		45,831,615	
Contracts in Progress		1,264,000		1,839,000	
Sundry Debtors	8	160,742,884		131,127,284	
Cash and Bank balances	9	31,170,814		57,438,096	
Loans and advances	10	118,630,426		53,168,275	
		356,224,943		289,404,270	
Less: Current Liabilities & Provisions					
Liabilities	11	182,752,495		146,036,492	
Provisions	12	668,842		790,909	
		183,421,337		146,827,401	
Net current assets		172,803,606		142,576,869	
Miscellaneous Expenditure					
(to the extent not written-off or adjusted)	13		—		—
Profit and Loss Account	14		—		2,138,243
TOTAL		296,902,904		284,877,355	
Notes forming part of Accounts	20				

Schedules and notes referred to herein form part of the Balance Sheet as per our report of even date.

M/s B.K.KHARE & CO.
CHARTERED ACCOUNTANTSPRAMOD CHAUDHARI
CHAIRMAN & MANAGING DIRECTORSHASHANK INAMDAR
JOINT MANAGING DIRECTORU. B. JOSHI
PARTNER
Mumbai, 26th June, 2001DEEPAK MOGAL
COMPANY SECRETARY