

**CORPORATE INFORMATION**

**BOARD OF DIRECTORS**

**Chairman**

**SRI. M. R. KRISHNAIAH**

**Managing Director**

**SRI. A. PRATHAP REDDY**

**Whole Time Directors**

**SRI. N. RAJESHWAR REDDY**

**SRI. D. RAM REDDY**

**SRI. G. HEMANTH REDDY**

**Directors**

**SRI. T. NAVEENA CHANDRA**

**SRI. S. VISHNU RAO**

**SRI. S. V. PATTABHIRAMAN**

**AUDIT COMMITTEE**

**SRI. T.NAVEENA CHANDRA, Chairman**

**SRI.M.R.KRISHNAIAH, Member**

**SRI S.VISHNU RAO, Member**

**SRI S.V.PATTABHI RAMAN, Member**

**SHARE HOLDERS'/INVESTORS'  
REDRESSAL COMMITTEE**

**SRI.T.NAVEENA CHANDRA, Chairman**

**SRI.S.VISHNU RAO, Member**

**SRI A.PRATHAP REDDY, Member**

**RESEARCH & DEVELOPMENT COMMITTEE**

**SRI.A.PRATHAP REDDY, Chairman**

**SRI.N.RAJESHWAR REDDY, Member**

**SRI.G.HEMANTH REDDY, Member**

**REMUNERATION COMMITTEE**

**SRI.M.R.KRISHNAIAH, Chairman**

**SRI.T.NAVEENA CHANDRA, Member**

**SRI. S.VISHNU RAO, Member**

**REGISTERED OFFICE :**

**BALAJI BHAWAN**

**165/A RAILWAY LINES**

**SOLAPUR**

**MAHARASHTRA-413001**

**ADMINISTRATIVE OFFICE**

**III RD FLOOR**

**KPR HOUSE, SARDAR PATEL ROAD**

**SECUNDERABAD-500 003, A.P.**

**AUDITORS**

**M/S V.SRIDHAR & CO**

**CHARTERED ACCOUNTANTS**

**HYDERABAD.**

**BANKERS**

**STATE BANK OF HYDERABAD**

**STATE BANK OF INDIA**

**ING VYSYA BANK**

**SHARE TRANSFER AGENTS**

**SATHGURU MANAGEMENT**

**CONSULTANTS PVT. LTD.**

**PLOT.NO.15, HINDI NAGAR**

**PUNJAGUTTA, HYDERABAD-500034**

**FACTORY**

**UNIT-I**

**TAMMALWADI (VILLAGE)**

**TULJAPUR (TQ)**

**OSMANABAD DIST**

**MAHARAstra-413623**

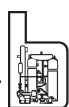
**UNIT-II**

**PLOT NO 4&5**

**BESIDE APSEB SUB STATION-II**

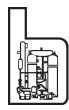
**IDA, BOLLARAM-502325**

**MEDAK DIST. (A.P)**



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## NOTICE

NOTICE is hereby given that the Nineteenth Annual General meeting of the members of BALAJI AMINES LIMITED will be held on Thursday 6th, September 2007 at 11.30 a.m. at the Registered office of the company situated at 165/A, Balaji Bhawan, Railway Lines, Solapur, Maharashtra to transact the following business.

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the financial year ended 31st March, 2007 and Balance Sheet as at that date together with the reports of the Directors and Auditors.
2. To declare dividend on equity shares.
3. To appoint a director in place of Sri. N. Rajeshwar reddy who retires by rotation and being eligible offers himself for re-appointment
4. To appoint a director in place of Sri. D.Ram Reddy who retires by rotation and being eligible offers himself for re-appointment.
5. To consider and if thought fit, to pass with or without modifications the following resolution as an ordinary resolution.

"Resolved that pursuant to the provisions of Section 224 and other applicable provisions, if any, of the companies Act, 1956 M/s. V. Sridhar & Co., Chartered Accountants, Hyderabad, be and are hereby re-appointed as statutory auditors of the company, to hold office from the Conclusion of this Meeting until the conclusion of the next Annual General Meeting of the company, on a remuneration to be fixed by the Managing Director of the company in consultation with them."

### SPECIAL BUSINESS

6. To consider and, approve the voluntary delisting of shares from the Hyderabad Stock Exchange (HSE)  
To consider and if thought fit, to pass with or without modification(s) the  
Following resolution as a special resolution

"Resolved that pursuant to the SEBI (Delisting of Securities) Guide Lines 2003 the consent of the company be and is hereby accorded for voluntarily delisting of the shares of the company from THE HYDERABAD STOCK EXCHANGE and Continue Listing of the company's shares in STOCK EXCHANGE MUMBAI (BSE) and THE NATIONAL STOCK EXCHANGE INDIA LIMITED (NSE)"

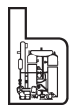
By order of the Board  
For Balaji Amines Limited

Place : Secunderabad  
Date : 20th July, 2007

G.Hemanth Reddy  
Director Finance.

**NOTES:**

- a) The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item no 6 as set out in the Notice is annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE VALID AND EFFECTIVE, MUST BE DELIVERED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- c) The register of members and share transfer books of the company will remain closed from 1st September, 2007 to 6th September, 2007 (both days inclusive). The dividend if approved will be paid to the Members, whose names appear in the register of members as on 6th September, 2007.
- d) (i) Members holding shares in physical form are requested to immediately notify change in their address, if any to the Registrar and Transfer Agents of the company namely M/s Sathguru Management Consultants Private Limited, Plot No 15, Hindi Nagar, Punjagutta, Hyderabad-500 034. quoting their folio Numbers.
- (ii) In order to avoid fraudulent encashment of dividend warrants, Members holding shares in physical forms are requested to send to the Registrar and Transfer Agents of the company, at the address given else where on or before 1st September, 2007, a bank Mandate (providing details of name and address of banker, branch, PIN code and particulars of bank accounts) or changes thereon, if not provided earlier under the signature of the sole / First holders along with the folio numbers. This information will be printed on the dividend warrants. You may avail of the Electronic Clearing Service (ECS) mandate facilities provided by the company.
- e) Members holding shares in dematerialized mode are requested to intimate all changes pertaining to their bank account details. ECS mandates, nominations, power of attorney, change of address/ name etc. to their depository participant only and not to the company or its Registrar and Transfer Agent. The said nominations will be automatically reflected in the Company's records.
- f) Pursuant to the provisions of Section 205C of the Companies Act, 1956 the amount of dividend remaining unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend account of the company is required to be transferred to the Investors Education and Protection Fund (IEPF) established by the Government of India and therefore, no payments shall be made by the company or by the IEPF in respect of such amounts.
- Member's who have not yet encashed their dividend warrants for the financial year ended 31st March, 2001 and subsequent years are requested to submit their claims to the Registrar and Transfer Agent of the company without any further delay.
- g) Consequent upon the introduction of Section 109 A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their request in Form No. 2 B in duplicate to the company.
- h) Pursuant to the requirements on the Corporate Governance under the listing agreement entered into with stock exchanges, the information about the Directors proposed to be appointed/re-appointed is given in the annexure to the notice.
- i) Members desirous of getting any information about the accounts and / or operations of the company are requested to write to the company at least seven days before the date of the meeting to enable the company to keep the information ready at the meeting.
- j) All the documents referred to in the Notice and explanatory statement will be available to the members at the Registered and administrative office of the company between 10.30 A.M to 12.30 P.M on all working days from the date hereof upto the date of the Meeting.



## EXPLANATORY STATEMENT

Explanatory Statement under Section 173 (2) of the Companies Act, 1956

### Item No. 06.

The shares of the company at present are listed on the NSE, BSE and Hyderabad Stock Exchange (HSE). As the trading on HSE of our scrip is negligible it is thought fit to voluntarily delist the shares from the Hyderabad Stock Exchange. The Board of Directors has already approved the delisting subject to the approval of the members in a general meeting.

Hence your directors command the resolution for the approval of members

None of the directors is either interested or concerned in the said resolution

By order of the Board  
For Balaji Amines Limited

Place : Secunderabad  
Date : 20th July 2007

G.Hemanth Reddy  
Director Finance

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PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES, FOLLOWING INFORMATION IS FURNISHED ABOUT THE DIRECTORS PROPOSED TO BE APPOINTED / RE - APPOINTED

a) **Sri. N.Rajeshwar Reddy**

He is the Executive Director - looking after Operations of the company. Aged about 51 years, he is a commerce graduate having over 30 years of business experience in varied fields. He is responsible for the operations of the plant at Sholapur. He has been instrumental in executing the projects in time with lowest cost of investments well within time schedules. He is also responsible for perfecting the process of various products to achieve optimization of cost of raw materials utilities, processes etc.

b) **Sri. D.Ram Reddy**

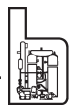
He is the Director - Commercial, he looks after the purchases, sales and exports of the company. Aged about 46 years, he is a graduate having over 27 years of experience in various business aspects. Based at the Redg.office at Sholapur, he is responsible for procurement, sales and logistics activities of the company.

He has been the key marketing person with the company establishing supplier-buyer relationship with leading buyers of specialty chemicals within the country and also in the global markets. The latest achievement was that of finalizing a large contract of supply arrangement with world's leading company in specialty chemicals. This is first of its kind in the country in the specialty chemicals business.

By order of the Board  
For Balaji Amines Limited

Place : Secunderabad  
Date : 20th July 2007

G.Hemanth Reddy  
Director Finance.



## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Nineteenth Annual Report of the company with Audited Statement of Accounts for the year ended 31st March, 2007.

### FINANCIAL RESULTS

The financial highlights for the current year in comparison to the previous year are as under

#### FINANCIAL YEAR 2006-07

(RUPEES IN LAKHS)

Sl.No.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1.	Sales	19729.38	14589.40
2.	Other Income	54.89	72.72
3.	Expenditure	15031.54	10946.29
4.	Profit before interest, depreciation and tax	2573.86	1987.83
5.	Depreciation	373.11	319.84
6.	Profit before interest & tax	2200.75	1667.99
7.	Interest	617.98	441.86
8.	Prior period item	31.03	(18.20)
9.	Profit before tax	1582.77	1207.93
10.	Provision for Income tax (including FBT)	365.70	229.30
11.	Deferred tax	216.68	71.66
13.	Profit after tax	1031.42	906.97
14.	Dividend for the year (including corporate dividend tax)	108.88	171.04
15.	Transfer to reserve	100.00	100.00
16.	Balance carried forward to Balance Sheet	822.54	635.92
17.	Reserves (Excluding revaluation reserves)	3796.69	2917.36
18.	EPS ( Rs)	15.92	30.23

### ISSUE OF BONUS SHARES AND CHANGE IN PAID-UP SHARE CAPITAL

Pursuant to the resolution passed by the members at the Extra ordinary General Meeting of the company held on 12/03/2007 approving the issue and allotment of Bonus Share in the ratio of 1:1, the fully paidup equity shares of the company have increased from 3240100 to 6480200 shares of Re 10/- each.

### DIVIDEND

Your Directors have recommended a dividend of Rs 1.50 per Equity share (15%) on 6480200 equity shares of Rs.10/- each for the financial year ended 31st March, 2007, which if approved at the ensuing Annual General Meeting will be paid to (i) all those members whose names appear in the Register of Members and (ii) all those whose names appears on that date as beneficial owners as furnished by National Securities Depository Limited and Central Depository Services(India) Limited as on the record date.

The dividend pay out for the year under review has been formulated in accordance with the Company's policy of striving to pay stable dividend linked to performance, keeping in view the company's need for capital, for its growth plans and the intention to finance investment plans through internal accruals to the maximum. Your Directors believe that this would increase shareholders value and eventually lead to a higher return and wealth creation to all the stakeholders.

## PERFORMANCE

Your company has performed exceptionally well during the year 2006-07 and has recorded gross turnover of Rs. 197.29 crores as against Rs. 145.89 crores an increase by 35.23% over previous year. The Profit of After Tax posted for the current year Rs. 1031.42 lacs as against Rs. 906.97 lacs, an increase of 13.72%.

## RESEARCH & DEVELOPMENT & EXPANSION / DIVERSIFICATION

Your Company has successfully completed the following projects during the financial year.

01. Modification of R&D Plant for manufacture of Morphine and increasing the capacity
02. Modification of NMP Plant for better quality product and higher productivity.
03. Setting up of plant for manufacture of Co-Enzyme Q 10.

The Management will continue to make efforts in identifying new products, processes for expansion and diversification as R & D initiatives to chalk out a growth oriented future for its stakeholders.

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Management's discussion and analysis Report for the year under review as stipulated under Clause 49 of the Listing Agreement with stock exchanges in India is presented in a separate section forming part of the Annual Report.

## CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of your Company with that of its subsidiary M/s. Bhagyanagar Chemicals Limited. are provided in the Annual Report.

## DIRECTORS

In terms of Article 134 of the Articles of Association of the company Sri N. Rajeshwar Reddy Executive Director. and Sri. D. Ram Reddy Director Commercial will retire by rotation and being eligible, offer themselves for reappointment at the ensuing Annual General Meeting.

Their particulars such as nature of their expertise in specific functional areas and names of companies in which they hold directorship and membership/ chairmanship of the Board committee as stipulated by Clause 49 of the listing agreement with the stock exchange are provided in the Report in Corporate Governance forming part of the Annual Report.

## RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Director's Responsibility Statement, it is hereby confirmed that,

- (i) in the preparation of the annual accounts, applicable accounting standards have been followed.
- (ii) the Directors 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 as at 31st March, 2007 and of the profit of the Company for the year ended on that date;
- (iii) the Directors have taken Proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the company and for preventing and detecting fraud and other irregularities.
- (iv) the Directors have prepared the annual accounts of the company on a going concern basis.

## AUDITORS

M/s V.Sridhar & Co, Chartered Accountants, Statutory Auditors of the company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The company has received letter from the Auditors to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956 and that they are not disqualified from such re-appointment within the meaning of Section 226 of the said Act.

## EMPLOYEES

In terms of the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are required to be set out in the Annexure to the Directors report. However, as per the provisions of Section 219 (1) (b) (iv) of the said

Act, the Annual Report excluding the aforesaid information is being sent to all the members of the company and others entitled thereto.

There are no employees of the company, whose particulars are to be disclosed pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956. Read with companies (particulars of the employees) Rules 1975.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The particulars required in the report of the Board of Directors in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are furnished in the prescribed format and Annexed to this report.

#### **CORPORATE GOVERNANCE**

Your Company is committed to maintain the highest standards of Corporate Governance. Your Directors and senior management team adhere to the requirements set out by the Securities and Exchange Board of India (SEBI) Corporate Governance practices and have implemented the stipulations prescribed. Your Company has also decided to implement several best practices, though not mandatory at present, as part of the Corporate Governance.

Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of this Annual Report.

Certificate from the Auditors of the Company, M/s. V. Sridhar & Co., Chartered Accountants, confirming compliance of the conditions of Corporate Governance as stipulated under the said Clause is annexed to this Report.

#### **CODE OF CONDUCT**

The Board of Directors have already laid down the Code of Conduct for the Directors, Senior Staff who have affirmed and adhering to comply with the same. The Code of Conduct has been placed on the website of the company at [www.balajiamines.com](http://www.balajiamines.com)

#### **SOCIAL RESPONSIBILITY**

Your Company has taken up activities of social importance in and around Solapur, Osmanabad and formed 'Balaji Foundation & Research Centre'. So far, this organisation has taken up the following works as a priority and started in a small way.

01. Health Care / Health Camps in villages
02. Sanitation in villages
03. Initiation to form vocational training institutions for rural youth.
04. Providing basic facilities for educational institutions.
05. Identifying meritorious students to provide scholarships for higher education.

#### **ACKNOWLEDGEMENTS**

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from Banks, Government authorities, Customers, Vendors and members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services of the executives, staff and workers of the company.

**For and on behalf of the Board of Directors**

Place : Secunderabad  
Date : 20th July, 2007

**M.R.KRISHNAIAH**  
Chairman

**ANNEXURE TO THE DIRECTOR'S REPORT:**
**PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988**
**A. CONSERVATION OF ENERGY**
**(a) Energy Conservation Measures taken**

BAL has been conserving energy in all plants and implementing the measures by taking suggestions from all levels. Continuous energy audits and monitoring of consumption of energy is been done and systems have been put in place to implement the measures to conserve energy.

**(b) Additional Investments and Proposals for Reduction of Consumption of Energy**

BAL is making all efforts to implement the process automation and recovery of energy at various levels which will result in substantial saving of energy and utilities.

**(c) Impact of the above measures**

The above measures have resulted in savings on account of consumption of power and fuel.

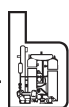
**(d) Total Energy Consumption and energy Consumption per unit of production as per Form 'A' attached hereto**
**B. TECHNOLOGY ABSORPTION (ENCLOSED IN FORM.B)**

Efforts made in technology absorption - as per Form B attached hereto

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

The sustained efforts of the company in exploring export markets have resulted in the growth of exports. The particulars are as under:

Earnings	US Dollars	6152293.40	equivalent to INR 270214884	in Exports
	Euro	645755	equivalent to INR 36615982	in Exports
	GBP	1233180	equivalent to INR 6033000	in Exports
Previous Year				
	US Dollars	3824743.59	equivalent to INR 165620910	in Exports
	Euro	564187.93	equivalent to INR 29766959	in Exports
	GBP	119100.00	equivalent to INR 9250496	in Exports
Outgo	US Dollars	7821424.67	equivalent to INR 350690782	for import of Raw Materials
	US Dollars	30000	equivalent to INR 1323300	for import of Machinery
	US Dollars	32105	equivalent to INR 1452856	for Traveling Expenses
	EURO	854	equivalent to INR 50215	for Traveling Expenses
	SAR	5200	equivalent to INR 64640	for Traveling Expenses
	DIRHAM	3000	equivalent to INR 39000	for Traveling Expenses
	OMNR	300	equivalent to INR 35580	for Traveling Expenses
	CHINA YUN	7219.08	equivalent to INR 42457	for Traveling Expenses
	US Dollars	7139.35	equivalent to INR 325.252	for commission towards sales promotion
	S.Fr.	2395	equivalent to INR 86939	for import of Plant & machinery
	US Dollar	4080	equivalent to INR 188129	Towards Exhibition charges
	EURO	22362.88	equivalent to INR 1332390	Towards Exhibition charges
US Dollar	1090.50	equivalent to INR 48666	Towards Advertisement	
US Dollar	1316.65	equivalent to INR 60203	Towards Freight charges	
EURO	673.22	equivalent to INR 59074	Towards Freight charges	



		Previous year	
US Dollars	7114277.76	equivalent to INR 316792640	for import of Raw Materials
US Dollars	52830.00	equivalent to INR 2362421	for import of Plant & Machineries
US Dollars	18147.20	equivalent to INR 799357	for Traveling Expenses
EURO	1548.50	equivalent to INR 84471	for Traveling Expenses
US Dollars	19335.14	equivalent to INR 859687	for commission towards sales promotion
S.Fr.	7220	equivalent to INR 250390	for import of Plant & machinery

**FORM A**  
Form of Disclosure of particulars with respect to Consumption of Energy

**A. POWER AND FUEL CONSUMPTION**

1.	Electricity		
	a)	Purchased Units	7507052
		Total Amount Rupees	31718032
		Average rate per unit Rupees	4.23
	b)	Own Generation	
		I. Through Diesel Generator	
		Units	519487
		Total amount Rupees	7480613
		Average cost per unit Rupees	14.40
		II. Through Steam turbine/generators	-
		Units	-
		Unit per tonne of coal	
2.	Coal (Specify quality and where used)		
	I.	Coaking Coal for Boiler (MT)	29760.50
		Total Cost Rupees	89735338
		Average rate per MT	3015.24
3.	Furnace Oil		-
4.	Other (Agricultural waste)		
	I.	Bagasse	
		Quantity (MT)	272.955
		Total Cost Rupees	270272
		Average rate per MT	990.17
	II.	Fire wood	-
		Quantity (MT)	
		Total Cost	
		Average rate per MT	
<b>B.</b>	<b>CONSUMPTION PER UNIT OF PRODUCTION</b>		
	I.	Total Production (MT)	
		a) Aliphatic Amines and Derivatives	30124.787
		II. Electricity (KWH)	266.40
		III. Furnace Oil (Liters)	-

**Form B**  
**Form of Disclosure of Particulars with respect to Technology Absorption**

**A. RESEARCH AND DEVELOPMENT**

1. Specific Areas in which the company carries out R&D.

The company has carried out R & D activities in process automation of various plants to reduce the consumption of raw materials and utilities. Improve the productivity and process for manufacture of Morphline developed by R&D Team. The process for manufacture of Co Enzyme Q10 is improved. The company has identified some new products under Natural products and processes are being developed in the R&D plants.

2. **Benefits Derived**

The Company has set up R&D Plant for manufacture of Morphline, the productivity has gone up with various inputs from continuous efforts by process and R&D teams. With the latest addition of process automation in various plants, the consumption of raw material and utilities have come down.

3. **Future course of Action**

The Company is in the process of optimization of all its plants to scale up production. The Company will focus on process automation in various plants to optimize raw material and utility consumption. The company has taken up process development for various derivatives & specialty chemicals and extending to some very new products through R&D initiatives.

4. **Expenditure on R & D**

a.	In capital nature	Rs.	297.17 lacs
b.	In Revenue Nature	Rs.	137.39 lacs
	<b>TOTAL</b>	<b>RS.</b>	<b>434.56 LACS</b>

The total R&D expenditure is 2.20% of gross sales

**B. Technology Absorption, Adoption and Innovation**

**Efforts made**

The R&D plant set up for manufacture of Morphline has been a success. The plant for manufacture of New products as per the R&D Committee are under implementation. Continual improvements in de bottlenecking the plants are on.

**Benefits**

The company has been benefited being the only manufacturer of Morpholine in India and leveraged the first mover advantage. The Company has achieved and set up bench marks in reducing the consumption of utilities in various plants. The company has achieved higher productivity for each plant with de bottlenecking the equipment and achieved being the lowest cost of manufacture & low cost of investment per ton.

## MANAGEMENT DISCUSSION & ANALYSIS

### Industry structure, Development and outlook

BALAJI AMINES LIMITED is one of the leading manufacturers of specialty chemicals i.e., Aliphatic Amines and its derivatives. Balaji Amines Limited has its plant at Tamalwadi Village, Tuljapur Taluka, Osmanabad District, Maharashtra. It has an R & D centre at this location. Its Unit-II is located at Hyderabad, which is focusing on natural products and has Department of Science and Technology, Govt. of India approved R & D centre with highly qualified team of professionals.

The end uses of BAL products are in growth oriented industries across the globe like Pharmaceuticals, Agro Chemicals, water treatment chemicals, Rubber Chemicals, Refineries and Photography Chemicals etc. For some products, BAL is the only manufacturer in India and for others it has competition from both local producers and imports.

### FINANCIAL REVIEW

BAL'S gross turnover increased to Rs.197.29 Crores from Rs 145.89 Crores from the previous year, registering a growth of 35.23%. The Profit After Tax has also gone up by 13.72% from Rs.906.97 lacs of 2005-06 to Rs.1031.42 lacs for 2006-07.

### INTERNAL CONTROL SYSTEM

The company has implemented an Enterprise Resource Planning system which covers major functional heads like, Supply Chain, Customer Relations, Inventory and Finance & Accounts & Human Resource. This ERP System implementation has successfully rolled over operation in all the areas and would result in higher productivity on per employee basis and also reduces the cost of transactions across the enterprise.

The company has installed a good system of internal control in all spheres of its activities. The internal control is supplemented by effective internal audit. The Audit Committee of Directors regularly review the business process and effective steps to implement the suggestions, which are taken and monitored regularly. In the opinion of the Board, an effective internal control system adequate to the size of the company is in place and as and when need arises resources are augmented in these systems.

In production process the company has its own efficient hitech Distributed Control Systems. The system automatically controls all the fluctuations of parameter of manufacturing process and do not give any chance to excessive usage of raw materials and utilities and reduce minimise wastages. It provides the process a continuous flow of working without any interruption by any reasons.

This definitely improved productivity and profitability positively.

### INDUSTRIAL RELATIONSHIP

Industrial relationship during the year under review between the employees at various levels and the management continued to be peaceful Company has introduced a suggestion scheme for continual improvement of productivity, process flow etc. for effective working of the company and to encourage employees' participation. The suggestions from them selected by the management have been implemented and helped in optimising the utilisation of resources and improving the over all performance.

### HUMAN RESOURCES

The Company's human resources philosophy is well established and builds strong relationships on performance and competency driven with greater sense of accountability and responsibility. The company has taken pragmatic steps to strengthen organisational competency through involvement and development of employees as well as installing effective system to improve the quality and accountability at all functional levels. With the changing and turbulent business scenario our basic focus is to impart knowledge at all functional levels to existing human resource. This is achieved by providing appropriate leadership at all levels, motivating them and inspiring them to take challenges with responsibility (Employees are given training for various knowledge processes by professionals through class rooms / seminars / workshops to enhance their skills and knowledge based on training identification system). This has resulted in achieving the goals of the management by setting examples as bench marks and surpassing them regularly.

## SAFETY, HEALTH AND ENVIRONMENT

- a. **Safety:** Safety is accorded high priority and concerted efforts are made to ensure safe working Environment for employees. All incidents are analyzed in safety committee meetings and Corrective and preventive actions are taken immediately. Employees are trained in safe practices to be followed at work place at all the times.
- b. **Health:** Health of employees is taken up with importance; periodic check up of all employees is done to monitor their health from diagnosis to prognosis and prevention. Regular work areas and being monitored to check concentration of chemicals, noise level and quality of ambient air and necessary corrective and preventive actions are taken.
- c. **Environment:** The Company values importance of environment protection and adherence to pollution control norms. In this direction, company has committed to make a difference in people's life by protecting, preserving the environment.
  1. **Air Emissions:** Emissions from various sources are monitored regularly and complied to statutory limits. Measures are taken for reduction of emissions on regular basis.
  2. **Liquid Waste Treatment:** The Company has integrated Effluent Treatment Plant and outlet standards are maintained within the prescribed limits. Continuous efforts are made to minimize the quantity of effluents generated. The company has set up evaporation facilities for the liquid effluents with recovery system. The recovered water is recycled to the process.

The company has made substantial investment in pollution control equipment to Reduce the effluents and to increase the capacity of effluent plant. Your company is also a member of CETP located at Chincholi MIDC, Solapur.
  3. **Solid Waste Management:** The solid waste is sent to common effluent facility at New Mumbai. The manufacturing site is member of the Mumbai Waste Management Limited (Common Hazardous Waste Treatment Storage & Disposal Facility)

## RISKS AND CONCERNS & RISK MITIGATION

The Company has put in place an effective Risk Management policy, which provides for identification of risks, concerns and are resultant activities including its review by the Management for all areas of operations such as, production, process, Human resource Management, supply chain, customers relations etc.

Policy is reviewed by each Head of department from time to time and the challenges are notified to top management with a report. This process also includes identification of new risks perceived, consistent with present business realities. With this report, the management will instigate all the perceived risk and face the challenge with strategic planning, execution and effective feed back on all the fronts.

## FUTURE OUTLOOK

The outlook for margins and profitability depends greatly upon the overall global economic outlook, the industry demand supply scenario, and trends in feedback and product prices.

Over the decade, the company has assimilated the following strategic strengths:

- a) Technical and Managerial capabilities to operate complex chemical plants more Productively.
- b) Sunrise product-mix leading to cost economies as well as flexibilities.
- c) Wide end-product market portfolios to cater to different sectors like pharma, agrochemicals, infrastructure etc for providing in-built resilience from sartorial swings.

Building on these strategic strengths, the company has embarked upon following strategy for growth.

\* Maximisation of the Present \* Expanding the present \* Diversifying from the present

## REPORT ON CORPORATE GOVERNANCE

### A. Company's Philosophy on Corporate Governance

Corporate Governance is a system with which, an organisation is structured. Corporate Governance Integrates multi functions of an organisation to fulfil the objectives with in the frame work of all the Stake holders, society, Law of Government, and people at large.

Your company has integrated the value system in all spheres of activities involving People From all functional areas. Your company has initiated to comply with code of conduct for all the directors, senior staff and functional heads. The main focus is on integrity, transparency responsibility and accountability. It is about Best practices of business to be imbibed in to the culture of the organisation and complying with value systems, ethical business practices, laws and regulations to achieve the main objectives of the company.

Your company respects and provides information to stake holders about the performance and Strives to be ahead of competition by taking all the risk assessment well in advance.

At Balaji Amines Limited the focus is on its core strengths, value systems, hard working and strategic moves to be the leader in the Industry.

Your company has set highest standards of Corporate Governance and implemented the code of Corporate Governance in accordance with clause 49 of the listing agreement with the stock exchanges.

A brief report on the practices and compliances by your company is given below.

### B. Board of Directors

#### Composition

Your company has been one of the front runners in establishing broad based Directors with a balanced composition of Executive Directors to Non executives Independent Directors ever since it went public. All the Non executive directors have rich experience in various fields of industry such as, Manufacturing, Administration, Financial services and Banking.

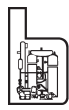
During the period under review, 6 Board Meetings were held on,

28/04/2006.	26/06/2006.	27/07/2006.
23/10/2006.	27/01/2007.	12/03/2007.

The 18th Annual General Meeting (AGM) was held on 06th June'2006.

#### Structure of the Board for the Year ended 31st March, 2007

Name of the Director	Category	No. of other Directorship held	Membership/ Chairmanship held in Committees of other Companies	No. of Board Meetings attended	Attendance at Last AGM held
Sri .M.R.Krishnaiah	Non Executive Independent	-	-	6	No
Sri.A.Prathap Reddy	Executive	2	-	6	Yes
Sri N.Rajeshwar Reddy	Executive	2	-	0	Yes
Sri.D.Ram Reddy	Executive	3	-	0	Yes
Sri. G.Hemanth Reddy	Executive	2	-	6	Yes
Sri. T.Naveena Chandra	Non-Executive Independent	2	-	4	No
Sri. S.Vishnu Rao	Non-Executive Independent	1	-	5	No
Sri. S.V.Pattabhi Raman	Non-Executive Independent	-	-	6	No



### **Board Meetings, its committee Meetings and procedures**

With a view to institutionalise all corporate affairs and establish systems and procedures for proper planning and execution, matters requiring discussion/decisions by the Board, the Company has defined the guidelines for the meetings of the Board and Committees thereof.

#### **Scheduling and Selection of Agenda items for the Board Meetings.**

- (a) Minimum four Board meetings are held in each year, which are pre-scheduled after the end of the each financial year. Apart from the pre schedule Board meetings, additional Board meetings are convened by giving appropriate notice to address the specific needs of the Company.
- (b) The meetings are held at the Company's administrative office at III floor, KPR House, S.P.Road, Secunderabad-500003 or at registered office.
- (c) The information placed before the Board includes
  - Quarterly results for the Company and its operating divisions or business segments
  - Minutes of the meeting of the Audit Committee and other committees of the Board
  - Minutes of the meeting of the Research and Development Committee
  - Non-compliance of any regulatory, statutory nature or listing requirements and shareholders services such as non payment of dividend, delay in share transfer etc.
  - Quarterly summary of all long term borrowings, bank guarantees issued and investments made etc
  - Recommending/Declaring dividend
  - General Notice of Interest of Directors
  - Terms of reference of the Board committees
  - Any material default in financial obligations to and by the Company etc.
  - Review of the over all performance from time to time.

#### **Board materials Distributed in advance**

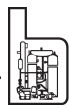
Agenda and Notes on agenda are circulated to the Directors, in advance, in the defined Agenda format. All material information is incorporated in the Notes on Agenda for facilitating meaningful and focussed discussions at the meeting for taking appropriate decisions.

#### **Recording Minutes of proceedings at Board Meeting**

The Director Finance records the minutes of the proceedings of each Board and Committee meetings. Draft minutes are circulated to all the members of the board/committee for their comments. The finalised minutes of proceedings of a meeting are entered in the Minutes Book within 30 days from the conclusion of that meeting.

#### **Compliance**

The Director Finance while preparing the Agenda, Notes on agenda, Minutes etc is responsible for and is required to ensure adherence to all the applicable laws regulations including the Companies Act, 1956 read with the Rules issued there under and to the extent feasible, the Secretarial Standards recommended by the Institute of Company Secretaries of India, New Delhi.



**C Board Committees.**

**1. Audit Committee**

The Board has constituted Audit Committee, comprising Four Non- Executive Independent Directors. All the members of the Audit Committee posses financial / accounting expertise. The constitution of audit committee meets the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing agreement.

The primary objective of the audit committee is to monitor and effectively supervise the Company's financial reporting.

During the year, The Audit Committee Has met four times. The dates on which the meetings are held:  
28-04-2006                      27-07-2006                      23-10-2006                      27-01-2007

**a) Terms of Reference**

- 1) To provide direction and to oversee the operations of the audit functions of the Company
- 2) To review the internal control and audit systems with special emphasis on their quality and effectiveness in reporting all material facts.
- 3) To review Quarterly , Half yearly and Annual financial results before submission to the Board
- 4) To investigate into any matter in relation to the items specified in Section 292A of the Companies Act, 1956 or referred by the Board.
- 5) To have full access to information contained in the records of the Company and external advice, if necessary.
- 6) To review matters required to be included in the Directors' responsibility statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.

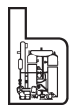
**The Constitution of the Audit Committee and the attendance of each member of the said committee are as under:**

Name	Designation	Status	Qualification	No. of Meetings attended.
Sri. T. Naveena Chandra	Chairman	Non-Executive Independent Director	Chartered Accountant	4
Sri. M. R.Krishnaiah	Member	Non-Executive Independent Director	Management Consultant	4
Sri. S. Vishnu Rao	Member	Non-Executive Independent Director	Management Consultant	4

**2. Remuneration Committee**

The Board has Constituted the remuneration Committee comprising three Non Executive Independent Directors namely Sri M.R. Krishnaiah, Chairman, Sri T.Naveena Chandra, Member and Sri S.Vishnu Rao, Member.

The Remuneration Committee has been constituted to recommend/ review remuneration of the Managing Director and Whole time Directors, based on their performances and terms of appointment.



Details of remunerations paid/payable to directors for the year ended 31st March, 2007 is as under;

Name	Relationship with Company	Loans From Company Rs	Sitting Fees Rs	Salary & perks Rs	Commis-ssion Rs	Total Rs
Sri M.R.Krishnaiah	None	NIL	26000	-	-	26000
Sri. A.Prathap Reddy	Promoter Director	NIL	-	1275000	5900488	7175488
Sri. N.Rajeshwar Reddy	Promoter Director	NIL	-	1050000	2950244	4000244
Sri. D.Ram Reddy	Promoter Director	NIL	-	1050000	2950244	4000244
Sri. G.Hemanth Reddy	Promoter Director	NIL	-	975000	1471527	2446527
Sri. T.Naveena Chandra	None	NIL	20000	-	-	20000
Sri. S.Vishnu Rao	None	NIL	20000	-	-	20000
Sri. S.V.Pattabhi Raman	None	NIL	24000	-	-	24000

Besides this, The Managing Director and The Whole time Directors are also entitled to Company's Contribution to Provident Fund, Superannuation fund, to the extent not taxable and gratuity and encashment of leave at the end of tenure as per the rules of the company and to the extent not taxable.

Apart from the sitting fees, there were no other pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the Company.

### 3. Shareholders/ Investors Redressal Committee

#### a) Terms of reference

The Board has constituted Shareholders'/ Investors' Redressal Committee, to look into grievance/ issue of share holders/investors relating to non-receipt of dividend, non-receipt of Annual Reports, Shares sent for transfer etc.

The Directors periodically review the investors complaints received and redressed. The committee also monitors the implementation and compliance of the Company's Code of Conduct for all the Directors, senior staff and Head of the department

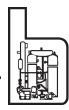
The committee also review the performance of share transfer agent and recommend improving overall quality services to share holders.

#### Composition

Name	Designation	Status
Sri. T. Naveena Chandra	Chairman	Non-Executive Independent Director
Sri. S. Vishnu Rao	Member	Non-Executive Independent Director
Sri. A. Prathap Reddy	Member	Managing Director

Details of status of the references / complaints received and replied / resolved during the year are given in the following statements

Sl.No	Nature of Reference/ Complaints	Received (in No)	Resolved (in No)	Pending (in No)
1.	Change of Address	8	8	Nil
2.	Bank mandates	9	9	Nil
3.	Transfer/ Transmission	1	1	Nil
4.	Others	16	16	Nil



4. **Research and Development Committee**

a) **Terms of reference**

The Board has constituted Research and Development Committee, to carry out the Research and Development initiations. The R & D committee has been instrumental in identifying various new products and initialised the process development in the pilot plants.

The Directors periodically reviewed the Research and Development initiatives. The committee also monitors the implementation of new plants, identifying the new products, improving the Processes etc. to optimise the usage of utilities and raw materials etc.,

**Composition**

Name	Designation	Status
Sri. A. Prathap Reddy	Chairman	Managing Director
Sri. N. Rajeshwar Reddy	Member	Whole time Director
Sri. G. Hemanth Reddy	Member	Whole time Director

To monitor the operations of Research and Development initiatives in an effective manner the Committee formed the sub- committee named as Research and Development Sub-Committee at the unit level which comprises of the following members.

**For Unit- 1:**

Sri. A. Prathap Reddy  
Sri. N. Rajeshwar Reddy  
Sri. V. Ramchandra  
Sri. P. B. Choudhury

**For Unit-II**

Sri. A. Prathap Reddy  
Sri. G. Hemanth Reddy  
Dr. Shyam Rao

**D General Body Meeting**

Location, date and time of the Annual General Meeting held during the preceding 3 years are as follows.

Year	AGM/EGM	Location	Date	Time
2003-2004	AGM	165/A Balaji Bhavan, Railway Lines, Solapur-413001	29-09-2004	10.30A.M
2004-2005	AGM	165/A, Balaji Bhavan, Railway Lines, Solapur-413001	29-09-2005	11.00 A.M
2005-2006	AGM	165/A, Balaji Bhavan, Railway Lines, Solapur - 413001.	08-06-2006	11.30AM

At the ensuing Annual General Meeting also there is no resolution proposed to be passed through postal ballot.

## E Disclosures

There are no transactions of material nature undertaken by the company with its promoters, directors, their relatives or the management that may have a potential conflict with the interest of the company.

Disclosure on transactions with related party as required under Accounting Standard 18 has been incorporated in the notes on Accounts forming part of the Annual Report.

Details of non-compliances, penalties, strictures by Stock Exchanges/ SEBI / Statutory Authorities on Any matter related to capital markets during the period 2006-07: None.

The Company circulated the Code of Conduct among all the Board members and senior management personnel and affirm that they are complying with the code on an annual basis. The total text of the Code of Conduct is posted on the company's website. Viz. [www.balajiamines.com](http://www.balajiamines.com)

The Managing Director certified that the company has complied with the provision of clause 49 (V) of the listing agreement.

### Means of Communications

#### Quarterly /Half yearly results

Quarterly / Half yearly results are published in Economic Times Mumbai and Hyderabad in English and Lokmat Times & Dainik Pujari in Marathi published in Maharashtra

#### News Releases, Presentations etc

Official news releases, analysis and information to investors, etc are displayed on the company's website [www.balajiamines.com](http://www.balajiamines.com) after duly complying with the provision of listing agreement by informing the stock Exchanges and media.

#### Website

The company's website [www.balajiamines.com](http://www.balajiamines.com) contains separate dedicated section 'Investor information' Full Annual Report is also available on the website in a user-friendly and downloadable format.

#### Annual Report

Annual Report containing inter alia Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors Report and other important information is circulated to Members and others entitled thereto, along with the Management Discussion and Analysis (MD & A) Report forming part of the Annual Report.

#### SEBI EDIFAR

Annual results, Shareholding pattern etc., of the company are posted on the SEBI EDIFAR

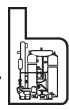
Web site: [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in)

## F General Shareholder Information

19th Annual General Meeting Date, Time and Venue	6th September 2007, 11.30 A.M, 165/A Balaji Bhavan, Railway Lines, Solapur - 413001, Maharashtra
Financial calendar ( tentative )	1st Quarter Third week of July, 2007 2nd Quarter Last week of October, 2007 3rd Quarter Last week of January, 2008 4th Quarter Last week of April, 2008
Date of Book Closure	1st September, 2007 to 6th September, 2007 (both days inclusive) for payment of dividend
Dividend payment date	As per the Companies Act, 1956 and subject to the approval of shareholders at the ensuing Annual General Meeting.

## G Company's shares are listed in the following Stock Exchanges

- i) The Stock Exchange  
Mumbai (BSE)  
Phrioze jee jee bhoy Towers  
Dalal Street, Mumbai-400001



- ii) The National Stock Exchange India Limited  
Exchange Plaza, Bandra - Kurla Complex.  
Bandra (E), Mumbai - 400 051
- iii) Hyderabad Stock Exchange Limited  
6-3-654, Somajiguda  
Hyderabad-500 082

Annual listing fees for the year 2007-08 (as applicable) have been paid by the company to the respective stock exchanges.

**H Registrar and Share Transfer Agents**  
Sathguru Management Consultants Private Limited  
Plot No 15, Hindi Nagar  
Punjagutta  
Hyderabad-500034  
Phone No 91-40-23356507  
Email: sta@sathguru.com

**I Share Transfer System**

Presently, the share transfers which are received in physical form are processed and the share certificates returned within 15 days from the date of receipt, subject to the documents being valid and complete in all respects.

The Board has delegated the authority for approving transfer, transmission etc of the company's securities to the Executive Director. A summary of share transfer/ transmission of the securities of the company so approved by the Executive Director are placed at every Board Meeting.

The company obtains half yearly Certificate of Compliance with the Shares Transfer formalities as required under clause 47 (C) of the Listing Agreement with Stock exchanges from a Company Secretary in practice and same is submitted to the Stock Exchange within the period prescribed.

**J Dematerialisation**

95.40% of the Company's paid-up equity share capital has been dematerialised as on 31st March, 2007. The trading in the Equity shares of the company is permitted only in dematerialised form as per the notification issued by SEBI.

**K Stock Code**

Bombay Stock Exchange  
Scrip code : 530999  
Scrip ID : BALAJIAM

National Stock Exchange of India Ltd.  
Scrip ID : BALAMINES

**L Demat ISIN in NSDL & CDSL for Equity Shares**

ISIN: INE050E01019

**M Stock market data**

Market price data - High / Low during each month of the financial year 2006-07.

Month & year	Open Rs.	High Rs.	Low Rs.	Close Rs.
April,2006	212.00	315.60	212.00	283.90
May,2006	294.90	300.00	216.00	224.60
June,2006	230.00	238.90	155.00	184.25
July,2006	180.00	249.45	160.00	232.30
August,2006	231.00	323.80	188.20	270.80
September,2006	273.90	323.00	254.00	299.05
October,2006	303.00	395.00	292.00	364.10
November,2006	360.10	383.90	335.00	351.45
December,2006	352.90	392.85	308.05	380.35
January,2007	388.00	425.00	377.00	390.70
February,2007	382.00	409.00	341.00	351.25
March,2007	360.00	360.00	125.00*	131.10*

\* Due to Ex-bonus the price has been reduced.

**N. Distribution of Shareholding as on 31st March, 2007**

Equity Share holding of nominal value	Equity Share Holders		Equity Share Amount	
	Number	% to	In Rs.	% of
(1)	(2)	(3)	(4)	(5)
1 - 5000	3987	93.57	3745120	11.56
5001 - 10000	120	2.82	955050	2.95
10001 - 20000	67	1.57	1011800	3.12
20001 - 30000	24	0.56	608280	1.88
30001 - 40000	13	0.31	477240	1.47
40001 - 50000	12	0.28	549250	1.70
50001 - 100000	9	0.21	781120	2.41
100001 - Above	29	0.68	24273140	74..91
Total	4261	100	32401000	100.00

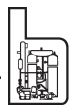
\* Bonus shares in ratio 1:1 were allotted on 12/03/2007. The said shares were credited to the individual share holders in April. After duly obtaining the required approvals from BSE.

**O. Locations of Manufacturing facilities**
**Unit-I**

Tammalwadi,(V)  
Tuljapur (Tq)  
Osmanabad (Dist)  
Maharashtra-413623

**Unit-II**

Plot No 4 & 5  
Besides APSEB Sub-Station-II  
IDA, Bollaram-502325  
Jinnaram Mandal  
Medak Dist  
Andhra Pradesh



**P. Address for Correspondence**

**(i) Investor Correspondence**

For transfer / dematerialisation of shares, payment of dividend on shares and any other query relating to the shares of the company

**For shares held in physical form**

M/s Sathguru Management Consultants Pvt. Limited

Plot No 15, Hindi Nagar

Panjagutta, Hyderabad-500034

Phone No 91-40-23356507

**For shares held in Demat form**

To the Investors' Depository Participant(s) and/ or Sathguru Management Consultants Pvt Ltd.

**Any query on Annual Report**

Secretarial Department

Balaji Amines Limited

165/A, "Balaji Bhavan"

Railway Lines

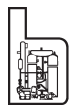
Solapur-413001

Email: [cs@balajiamines.com](mailto:cs@balajiamines.com)

**Q. Compliance Certificate of Auditors**

Certificate from Auditors of the Company M/s V. Sridhar & Co confirming compliance with the conditions of Corporate Governance as stipulated under clause 49 of the listing Agreement is annexed to the Directors' Report forming part of the Annual Report.

This Certificate has been forwarded to the Stock Exchange where the securities of the company are listed.



## ANNEXURE TO THE DIRECTORS REPORT

### CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

The Board of Directors  
Balaji Amines Limited,  
Solapur.

We have examined the compliance of conditions of Corporate Governance by Balaji Amines for the year ended 31st March, 2007 as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchange in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

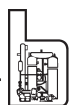
In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement, as required under sub-clause 1(A) of Clause 49 of the Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2007, no investor grievances are pending against the Company exceeding one month as per records maintained by the Company which are presented to the Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For V. Sridhar & Co.,  
Chartered Accountants

VEMULAPATI SRIDHAR  
Proprietor  
Membership No. 202337  
Secunderabad. July 20, 2007



## AUDITOR'S REPORT

To the Members of M/s. Balaji Amines Limited.  
Solapur.

1. We have Audited the attached Balance Sheet of M/s. Balaji Amines Limited, as at March 31, 2007, the Profit and Loss account and also the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the Accounting Principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of sub-section (4A) of Section 227 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.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) 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;
  - (ii) 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 those books
  - (iii) The Balance Sheet, Profit and Loss account and the Cash Flow statement dealt with by this report are in agreement with the books of accounts
  - (iv) In our opinion, Balance Sheet, Profit and Loss account and the Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the Directors, as on March 31, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;
    - b) in the case of the Profit and Loss account, of the Profit for the year ended on that date and
    - c) in the case of the Cash Flow statement, of the cash flows for the year ended on that date.

For V.Sridhar & Co.,  
Chartered Accountants

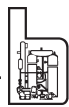
VEMULAPATI SRIDHAR  
Proprietor  
Membership No : 202337  
Secunderabad. July 20, 2007

## ANNEXURE TO THE AUDITOR'S REPORT

Re : Balaji Amines Limited, Year Ended March 31, 2007

Referred to in paragraph 3 of our report of even date.

- (i)
  - a. The company is maintaining proper records showing full particulars including quantitative particulars and situation of fixed assets.
  - b. The management of the Company, during the year, at reasonable intervals has physically verified the fixed assets. According to information and explanations given to us no material discrepancies were noticed on such verification.
  - c. The Company has not disposed off substantial part of fixed assets during the year
- (ii)
  - a. The inventory has been physically verified by the management and the frequency of such verification is reasonable.
  - b. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
  - c. The Company is maintaining proper records of inventory and according to information and explanations given to us no material discrepancies have been noticed on such physical verification
- (iii)
  - a. The company has taken, in earlier year, loans from two companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Nil. The company has granted loan of an amount of Rs50.00 lacs to Bhagyanagar Chemicals Limited (a subsidiary). The maximum balance in the account during the year was Rs.84.21 lacs and the year end balance was Rs.81.35 lacs.
  - b. In our opinion the rates of interest and other terms and conditions taken/granted as above are not prima facie prejudicial to the interests of the company.
  - c. The payments by the company and to the company in respect of these loans are regular and as per the terms agreed to by the parties.
  - d. The company has repaid in total the amounts taken by it and in respect of the loan granted there are no over due amounts.
- (iv) In our opinion and according to the information and explanations given to us there is adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit we have not observed any continuing failure to correct major weaknesses in the internal control.
- (v)
  - a. According to the information and explanations given to us we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
  - b. We are of the opinion that each of these transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The company has not accepted deposits from public.
- (vii) In our opinion the company has an internal audit system commensurate with its size and nature of business.
- (viii) The Central Government has not prescribed maintenance of cost records to the company.
- (ix)
  - a. The company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax,



Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it.

- b. According to information and explanations given to us, no undisputed amounts in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, and Cess were in arrear as on March 31, 2007 for a period of more than six months from the date they became payable.
- (x) The company does not have any accumulated losses.
- (xi) The company has not defaulted in repayment of dues to financial institution or banks. The Company has not issued debentures.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other such securities.
- (xiii) The Company is not a chit fund or a nidhi /mutual fund / society.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to information and explanations given to us the company has not given any guarantees for loans taken by others from banks or financial institutions.
- (xvi) In our opinion the term loans have been applied for the purpose for which they have been obtained.
- (xvii) According to information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investments. No long term funds have been used to finance short term assets except permanent working capital.
- (xviii) The company had at the Extraordinary General Meeting held on February 11, 2004 passed a resolution under section 81(1A) of the Companies Act, 1956 authorizing the Board of Directors to issue shares under preferential allotment to persons including those listed in the register maintained under section 301 of the Act. Subsequently warrants were issued as per applicable SEBI Regulations. These warrants were converted during the year and 2,40,000 equity shares of Rs10/- each have been allotted. In our opinion the price issued is not prejudicial to the interest of the Company.
- (xix) The company has not issued any debentures.
- (xx) The company has not raised any monies from public issues in the year under review.
- (xxi) According to information and explanations given to us no fraud on or by the company has been noticed or reported during the course of our audit.

For, V.SRIDHAR & CO.  
Chartered Accountants

VEMULAPATI SRIDHAR  
Proprietor

Secunderabad. July 20, 2007

**BALANCE SHEET AS AT 31ST MARCH, 2007**

Particulars	Schedule	As at 31st March, 2007		As at 31st March, 2006	
		Rupees	Rupees	Rupees	Rupees
<b>I. SOURCES OF FUNDS</b>					
<b>Shareholders funds</b>					
Share Capital	1		64802000		30001000
Share Application Money			0		3048000
Reserves and surplus	2		379669639		291736708
Deferred Tax Liability			117787976		96213966
<b>Loan Funds</b>					
Secured Loans	3		664176428		535410656
			<u>1226436043</u>		<u>956410330</u>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block			805163102		723343257
Less : Depreciation	4		<u>211572277</u>		<u>174426792</u>
Net block			593590825		548916465
Capital Work in Progress			0		3886898
Investments	5		10242397		7242397
Deferred Tax Assets			0		94422
<b>Current Assets, Loans &amp; Advances ( a )</b>					
Inventories	6		321293190		225495344
Sundry Debtors	7		402297501		289899911
Cash & Bank Balances	8		43937773		20711739
Other Current Assets	9		3491618		3458476
Loans & Advances	10		109793823		58883464
			<u>880813905</u>		<u>598448934</u>
Less					
<b>Current Liabilities &amp; Provisions ( b )</b>					
Liabilities	11		210491241		161933238
Provisions	12		47719843		40245548
			<u>258211084</u>		<u>202178786</u>
Net Current Assets ( a - b )			622602821		396270148
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)			0		0
<b>TOTAL</b>			<u>1226436043</u>		<u>956410330</u>
Notes forming part of accounts	19				

As per our report of even date  
for V. Sridhar & Co.,  
Chartered Accountants,

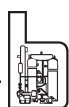
for and on behalf of the Board of Directors

Vemulapati Sridhar  
Proprietor  
Membership No.202337

A. Prathap Reddy  
Managing Director

G. Hemanth Reddy  
Director-Finance

Secunderabad. July 20, 2007



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007**

Particulars	Schedule	As at 31st March, 2007		As at 31st March, 2006	
		Rupees	Rupees	Rupees	Rupees
<b>I. INCOME</b>					
Sales	13	1972938441		1458940138	
Less:- Excise Duty		<u>217887312</u>	1755051129	<u>172800348</u>	1286139790
Other Income	14		5489298		7271850
Increase / (-) Decrease in stocks	15		89860900		9728324
<b>TOTAL</b>			<u>1850401327</u>		<u>1303139964</u>
<b>II. EXPENDITURE</b>					
Raw Materials consumed	16		1139076187		773040278
Manufacturing, selling & Administrative Expenses	17		391639471		298097496
Interest and Finance Charges	18		61798690		44185889
Sales Tax \ Value Added Tax			62299017		33219536
Depreciation	4		37311247		31983842
<b>TOTAL</b>			<u>1692124612</u>		<u>1180527041</u>
Balance			158276715		122612923
<b>Prior Period Items</b>					
(Excess provision of Income Tax written back)			3103315		1819923
<b>Profit before Tax</b>			161380030		120793000
<b>Provision for:-</b>					
Deferred Tax Liability (Originating during the year)		21574010		7071661	
Deferred Tax Assets - Adjusted		94222		94419	
Provision for Taxation - Current		35872000		22300000	
Fringe Benefit Tax		698000	58238232	630000	30096080
<b>Profit available for appropriation</b>			<u>103141798</u>		<u>90696920</u>
<b>Less:- Appropriations</b>					
a. Transfer to General Reserve			10000000		10000000
b. Proposed Dividend on Equity Shares			9540300		15000500
c. Dividend Distribution Tax			1347567		2104000
<b>Balance after appropriations</b>			82253931		63592420
Balance in Profit & Loss account brought forward			226535203		162942783
Balance carried to balance sheet			<u>308789134</u>		<u>226535203</u>
Earning per share - Basic Rupees (Profit after Tax / No. of Equity Shares) (Current Year on post bonus capital)			15.92		30.23
Notes forming part of accounts	19				

As per our report of even date  
for V. Sridhar & Co.,  
Chartered Accountants,

for and on behalf of the Board of Directors

Vemulapati Sridhar  
Proprietor  
Membership No.202337

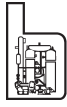
A. Prathap Reddy  
Managing Director

G. Hemanth Reddy  
Director-Finance

Secunderabad. July 20, 2007

**SCHEDULES TO THE BALANCE SHEET**

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
<b>Schedule 1</b>		
<b>SHARE CAPITAL</b>		
Authorised 90,00,000 Equity shares of Rs. 10/- each	<u>90000000</u>	<u>90000000</u>
Issued subscribed and paid up 64,80,200 Equity shares of Rs. 10/- each fully paid up (Including 240000 equity shares of Rs. 10/- each fully paid up being allotted on conversion of warrents and 32,40,100 shares on account of 1:1 bonus issue)	<u>64802000</u>	<u>30001000</u>
<b>Total</b>	<u><b>64802000</b></u>	<u><b>30001000</b></u>
<b>Schedule 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
State subsidy	3000000	3000000
Share premium Account	56961000	28881000
Capital Reserves (profit on re-issue of forfeited shares)	620505	620505
General Reserve	<u>42700000</u>	<u>32700000</u>
	103281505	65201505
Profit & Loss A/c.	308789134	226535203
Less : Capitalised on Issue of 32,40,100 Equity Shares of Rs. 10/- each as Bonus Shares	<u>(32401000)</u>	<u>0</u>
	276388134	226535203
<b>Total</b>	<u><b>379669639</b></u>	<u><b>291736708</b></u>
<b>Schedule 3</b>		
<b>SECURED LOANS</b>		
State Bank of Hyderabad	23647020	8275000
State Bank of India	159437804	195204879
[Term Loan Secured by first charge on fixed assets of the company, both present and future and mortgage by deposit of the land title deeds]		
State Bank of Hyderabad	234673014	185482847
State Bank of India	182885964	145322928
ING Vysa Bank Ltd.	63380369	0
[Towards working capital limits, secured by way of hypothecation of stocks and book debts and second charge on all fixed assets of the company, both present and future] (The above borrowings are also supported by personal guarantee of directors of the company Viz : Sri A. Prathap Reddy, Sri N.Rajeshwar Reddy, Sri D. Ram Reddy and Sri G.Hemanth Reddy)		
Hire purchase Loans	<u>152257</u>	<u>1125002</u>
<b>Total</b>	<u><b>664176428</b></u>	<u><b>535410656</b></u>



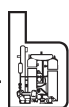
**SCHEDULES TO THE BALANCE SHEET**

**Schedule 4  
FIXED ASSETS**

Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.2006	Additions	Deduction	As at 31.03.2007	Up to 31.03.2006	For the Period	Deduction	Up to 31.03.2007	As at 31.03.2006	As at 31.03.2007
<b>UNIT - I</b>										
Land	4,243,959	45,452		4,289,411	0	0		0	4,243,959	4,289,411
Land - MIDC Chincholi	5,290,110	178,950		5,469,060	0	0		0	5,290,110	5,469,060
Land - Hotgi Road	0	19,505,080		19,505,080	0	0		0	0	19,505,080
Buildings	72,634,769	6,109,873		78,744,642	10,659,584	2,550,146		13,209,730	61,975,185	65,534,912
Wind Electric Generator	26,744,500	0		26,744,500	5,648,780	1,412,110		7,060,890	21,095,720	19,683,610
Plant & Machinery	450,520,021	15,662,112		466,182,133	146,574,205	24,144,291		170,718,496	303,945,816	295,463,637
Morpholine (R&D Division)	57,460,265	7,109,751		64,570,016	0	3,138,422		3,138,422	57,460,265	61,431,594
Amines R & D Division	0	17,616,001		17,616,001	0	83,010		83,010	0	17,532,991
Furniture & Fixtures	3,535,093	109,056		3,644,149	788,736	228,100		1,016,836	2,746,357	2,627,313
Office Equipment	3,852,834	628,378		4,481,212	1,240,315	269,386		1,509,701	2,612,519	2,971,511
Vehicle	7,461,046	276,954	387,743	7,350,257	2,075,654	717,415	165,762	2,627,307	5,385,392	4,722,950
Weigh Bridge	2,339,509	0		2,339,509	645,795	123,526		769,321	1,693,714	1,570,188
Others	2,878,466	1,372,859		4,251,325	691,089	206,047		897,136	2,187,377	3,354,189
Eff. T. Equipment	5,860,729	0		5,860,729	731,829	309,446		1,041,275	5,128,900	4,819,454
Fire Hydrant System	0	3,351,771		3,351,771	0	16,037		16,037	0	3,335,734
<b>Total</b>	<b>642,821,301</b>	<b>71,966,237</b>	<b>387,743</b>	<b>714,399,795</b>	<b>169,055,987</b>	<b>33,197,936</b>	<b>165,762</b>	<b>202,088,161</b>	<b>473,765,314</b>	<b>512,311,634</b>
<b>UNIT II</b>										
Buildings	14,354,831	900,109		15,254,940	732,628	470,912		1,203,540	13,622,203	14,051,400
Land	657,045	0		657,045	0	0		0	657,045	657,045
R & D Equipments	2,309,848	5,032,062		7,341,910	127,313	375,442		502,755	2,182,535	6,839,155
Plant & Machinery	62,889,675	2,491,225		65,380,900	4,456,600	3,151,031		7,607,631	58,433,075	57,773,269
Furniture & Fixtures	10,158	70,283		80,441	897	2,948		3,845	9,261	76,596
Computers	233,400	607,205		840,605	51,245	37,515		88,760	182,155	751,845
Vehicle	0	1,108,900	0	1,108,900	0	70,230		70,230	0	1,038,670
Office Equipment	20,585	4,400		24,985	840	1,581		2,421	19,745	22,564
Safety Equipments	46,414	27,167		73,581	1,282	3,652		4,934	45,132	68,647
<b>Total</b>	<b>80,521,956</b>	<b>10,241,351</b>	<b>0</b>	<b>90,763,307</b>	<b>5,370,805</b>	<b>4,113,311</b>	<b>0</b>	<b>9,484,116</b>	<b>75,151,151</b>	<b>81,279,191</b>
<b>Total (Unit I &amp; II)</b>	<b>723,343,257</b>	<b>82,207,588</b>	<b>387,743</b>	<b>805,163,102</b>	<b>174,426,792</b>	<b>37,311,247</b>	<b>165,762</b>	<b>211,572,277</b>	<b>548,916,465</b>	<b>593,590,825</b>

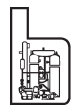
**SCHEDULES TO THE BALANCE SHEET**

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
<b>Schedule 5</b>		
<b>INVESTMENTS</b>		
<b>In Subsidiaries</b>		
12,99,300 equity shares of Rs.10/- each fully paid up in Bhagyanagar Chemicals Ltd. Amount to 99.95% of the total capital of the company. The investment is unquoted and the same is treated at cost of acquisition	7071200	7071200
<b>Other Investment</b>		
500 equity shares of Rs.100/- each fully paid up in Solapur Janata Sahakari Bank - unquoted at cost	50000	50000
National Saving Certificate	121197	121197
300000 Equity Shares of Rs. 10/- each fully paid up in Balaji Sourcings private limited - unquoted at cost	3000000	0
<b>Total</b>	<u>10242397</u>	<u>7242397</u>
<b>Schedule 6</b>		
<b>INVENTORIES</b>		
(As verified, valued and certified by the Management)		
Finished Goods	137516881	69723814
Stock in process / plant	57900491	35832658
Raw Materials	103411009	101923177
Stores and Spares	15882740	14495740
Others - Fuel etc.	5690298	3519955
<b>Total</b>	<u>320401419</u>	<u>225495344</u>
<b>Schedule 7</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured; considered good)		
Over Six months	2168328	988808
Others	400129173	288911103
<b>Total</b>	<u>402297501</u>	<u>289899911</u>
<b>Schedule 8</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	363953	408799
Cash with schedule banks -		
In current accounts	21588345	7546698
In margin money account	21985475	12756242
<b>Total</b>	<u>43937773</u>	<u>20711739</u>



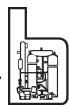
SCHEDULES TO THE BALANCE SHEET

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
<b>Schedule 9</b>		
<b>OTHER CURRENT ASSETS</b>		
Deposit with Government Departments	3117220	3042220
Other Deposits	374398	416256
<b>Total</b>	<b>3491618</b>	<b>3458476</b>
<b>Schedule 10</b>		
<b>LOANS &amp; ADVANCES</b>		
(Unsecured : considered good)		
Advances to employees	169404	120699
Advances recoverable in cash or in kind or for value to be received	24682728	27002078
Advances for Capital Goods	40257911	726112
Advance Taxes	36262562	22613357
Advance to Subsidiary Co.	8421218	8421218
<b>Total</b>	<b>109793823</b>	<b>58883464</b>
<b>Schedule 11</b>		
<b>CURRENT LIABILITIES</b>		
Creditors for raw materials	163069672	122152238
Creditors for expenses	39992653	25202725
Retention Money from Machinery Suppliers	7428916	14578275
<b>Total</b>	<b>210491241</b>	<b>161933238</b>
<b>Schedule 12</b>		
<b>PROVISIONS</b>		
Income Tax	35872000	22300000
Fringe Benefit Tax	698000	630000
Provident Fund	261976	211048
Proposed Dividend	9540300	15000500
Dividend Distribution Tax	1347567	2104000
<b>Total</b>	<b>47719843</b>	<b>40245548</b>
<b>Schedule 13</b>		
<b>SALES</b>		
Aliphatic Amines, Derivatives, Natural Products & Export Benefits	1972938441	1458940138
<b>Total</b>	<b>1972938441</b>	<b>1458940138</b>



SCHEDULES TO THE BALANCE SHEET

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
<b>Schedule 14</b>		
<b>OTHER INCOME</b>		
Interest	1670473	1209680
Foreign Exchange Fluctuations	3766172	3779332
Sales Tax Rebate	0	2234974
Misc.Income	52653	47864
<b>Total</b>	<b>5489298</b>	<b>7271850</b>
<b>Schedule 15</b>		
<b>INCREASE / (-) DECREASE IN STOCK</b>		
<b>Opening Stock</b>		
Finished goods	69723814	75209936
Stock in process / plant	35832658	20618212
<b>Total (a)</b>	<b>105556472</b>	<b>95828148</b>
<b>Closing stock</b>		
Finished goods	137516881	69723814
Stock in process / plant	57900491	35832658
<b>Total (b)</b>	<b>195417372</b>	<b>105556472</b>
<b>Increase / (Decrease) in Stock (a-b)</b>	<b>89860900</b>	<b>9728324</b>
<b>Schedule 16</b>		
<b>RAW MATERIAL CONSUMED</b>		
<b>Opening Stock</b>	<b>101923177</b>	<b>46244461</b>
Add : Purchase	1140564019	828718994
<b>Sub Total</b>	<b>1242487196</b>	<b>874963455</b>
Less : Closing stock	103411009	101923177
<b>Consumed</b>	<b>1139076187</b>	<b>773040278</b>



**SCHEDULES TO THE BALANCE SHEET**

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
<b>Schedule 17</b>		
<b>MANUFACTURING, SELLING &amp; ADMINISTRATION EXPENSES</b>		
Salaries, Wages & Other employee benefits	30190546	25713389
Bonus	1638430	1347543
Gratuity and provident fund	3070698	2445013
Employees Group Insurance	2161694	233589
Directors Group Insurance	36430	24167
Remuneration to Directors including allowances	4350000	3750000
Commission to Directors	13243744	12008193
Stores & Spares & Packing Materials	69802142	45831428
Power & Fuel	151320465	114492971
Repairs & Maintenance - Plant & Machinery	7783494	6399651
Repairs & Maintenance - Wind Electric Generator	373901	283011
Rent, Rates & Taxes	3704486	2969825
Insurance	3518780	3737622
Carriage Outward	40210120	34340079
Others	59076704	43493178
Keyman Insurance	712837	712837
Remuneration to Auditors		
As auditors	345000	215000
Tax Matters	100000	100000
<b>Total</b>	<b>391639471</b>	<b>298097496</b>
<b>Schedule 18</b>		
<b>INTEREST &amp; FINANCE CHARGES</b>		
Interest	51411345	36288568
Bank Charges	8697865	5533218
Hire Charges	0	25236
Processing charges	1689480	2338867
<b>Total</b>	<b>61798690</b>	<b>44185889</b>

## SCHEDULES TO THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

### Schedule 19

#### Notes forming part of accounts.

1. The Accounts of the Company were audited and report of auditors submitted on 30-4-2007. Subsequently the accounts were revised to incorporate transfers provided for proposed dividend and general reserves, and re-submitted to auditors,

Except the provision for proposed dividend and transfers to general reserves there is no change in accounts

2. **Significant accounting policies**

(A) **Accounting convention:** The accompanying financial statements have been prepared in accordance with historical cost convention.

(B) **Fixed Assets and Depreciation:** Fixed assets are valued at cost less depreciation provided on straight line basis at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. In respect of additions made during the year, depreciation is provided on pro-rata basis.

(C) **Investments;** Investments are stated at cost.

(D) **Inventories:**

a) Finished goods are valued at lower of cost or Net Realisable Value. Cost for the arrived at on Absorption costing basis.

b) Stock in process/plant is valued at cost.

c) Stock of raw materials, Stores and Spares and packing materials are valued at cost.

d) Stock of Finished products (R & D) are valued at Net Realisable Value.

(E) **Staff Benefits :**

a. Provident Fund Contributions are accounted on accrual basis.

b. The company has taken a policy of Group Gratuity Scheme of LIC. All contributions made are charged to revenue.

(F) **Research and Development:** Revenue expenditure on research and development is charged to profit and loss account in the year in which it is incurred. Capital expenditure on research and development is treated at par with fixed assets and depreciated as such.

(G) **Deferred Taxation:** Accounting treatment in respect of deferred taxation is in accordance with Accounting Standard 22 - "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

(H) **Sales Tax Benefits:** Shortfall / increase in sales tax benefits accruing to the company are accounted for in the year in which the final assessment by the concerned authorities is completed.

(I) **Borrowing Costs:** Costs in respect of borrowings for the purpose of expansion / additional fixed investments including R & D projects are capitalized to such investments.

(J) **Foreign Currency Transactions:** Transactions in foreign exchange which are covered by forward contracts are accounted for at contract rate, the difference between the forward rate and the exchange rate at the date of the transaction being recognized in the profit and loss account over the life of the contract. Transactions other than those covered by the forward contracts are recorded at pre-determined standard exchange rates which are reviewed periodically. Gains or losses arising out of such periodic revisions of such standard rates and also on realization are accounted for accordingly.

3. **Contingent Liabilities:** NIL

4. During the year receivables amounting to Rs.7.57 lacs were written off as the amount due from a company in liquidation.

5. **Computation of profits for the purpose of commission payable to Directors under section 198 of the Companies Act, 1956**

		RUPEES
Salaries and allowances to Directors		43,50,000
Commission		1,32,43,744
	Total	<u>1,75,93,744</u>
Profit Before Tax as per Profit and Loss Account		15,82,76,715
Add :		
a. Remuneration to Directors as above	1,75,93,744	
b. Depreciation debited to profit and loss account	3,73,11,247	
c. Capital loss debited to profit and loss account	66,980	
		<u>5,49,71,971</u>
	Total	<u>21,32,48,686</u>
Less : Depreciation under section 350		<u>3,73,11,247</u>
Profit for the purpose of commission		<u>17,59,37,439</u>
		1,75,93,744

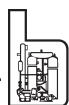
	Current Year Rupees	Previous year Rupees
<b>6. Remuneration to Directors;</b>		
a) A. Prathap Reddy, Managing Director		
-- Salary	10,20,000	9,60,000
-- Allowances	2,55,000	2,40,000
b) N. Rajeshwar Reddy, Executive Director		
-- Salary	8,40,000	7,80,000
-- Allowances	2,10,000	1,95,000
c) D. Ram Reddy, Commercial Director		
-- Salary	8,40,000	7,80,000
-- Allowances	2,10,000	1,95,000
d) G.Hemanth Reddy - Director - Finance		
-- Salary	7,80,000	4,80,000
-- Allowances	1,95,000	1,20,000
<b>7. Auditors Remuneration</b> (Exclusive of applicable taxes)		
As auditors	3,45,000	2,15,000
Towards Income tax matters	1,00,000	1,00,000
<b>8. Quantitative particulars</b>		
a) <b>Licensed Capacity (TPA)</b> [The company's products do not require any licenses hence not applicable]	-	-
b) <b>Installed Capacity (TPA)</b> [Being technical in nature certified by management and accepted by Auditors]		
Aliphatic Amines and Derivatives of Amines		44500
Natural Products		48
c) <b>Production (MT)</b>		
Aliphatic Amines and Derivatives of Amines	30124.787	24348.497

**9. Sales (MT)**

	Current Year		Previous Year	
	Quantity	Value (Rupees)	Quantity	Value (Rupees)
Aliphatic Amines and Derivatives (Excluding captive consumption and transfer to reprocess)	22238.354	197,11,05,784	20246.406	1406082530
Natural Products		18,32,657	3.040	52857608
<b>10. Closing stock</b>				
Aliphatic Amines and Derivatives	1410.945	12,42,56,881	574.947	41109806
Natural Products	2.210	1,32,60,000	2231.80	28614008
<b>11. Raw material - Consumption</b>				
1. Methyl / Ethyl alcohols	21483.55	52,71,31,348	23874.63	411344642
2. Industrial gases	5965.330	11,64,78,146	5070.83	86696942
3. Others			-	34613073
4. Solvents / Others			-	240385621

**12. Foreign exchange earnings and outgo**

Earnings	US Dollars	6152293.40	equivalent to INR 270214884	in Exports
	Euro	645755	equivalent to INR 36615982	in Exports
	GBP	1233180	equivalent to INR 6033000	in Exports
			Previous Year	
	US Dollars	3824743.59	equivalent to INR 165620910	in Exports
	Euro	564187.93	equivalent to INR 29766959	in Exports
	GBP	119100.00	equivalent to INR 9250496	in Exports
Outgo	US Dollars	7821424.67	equivalent to INR 350690782	for import of Raw Materials
	US Dollars	30000	equivalent to INR 1323300	for import of Machinery
	US Dollars	32105	equivalent to INR 1452856	for Traveling Expenses
	EURO	854	equivalent to INR 50215	for Traveling Expenses
	SAR	5200	equivalent to INR 64640	for Traveling Expenses
	DIRHAM	3000	equivalent to INR 39000	for Traveling Expenses
	OMNR	300	equivalent to INR 35580	for Traveling Expenses
	CHINA YUN	7219.08	equivalent to INR 42457	for Traveling Expenses
	US Dollars	7139.35	equivalent to INR 325.252	for commission towards sales promotion
	S.Fr.	2395	equivalent to INR 86939	for import of Plant & machinery
	US Dollar	4080	equivalent to INR 188129	Towards Exhibition charges
	EURO	22362.88	equivalent to INR 1332390	Towards Exhibition charges
	US Dollar	1090.50	equivalent to INR 48666	Towards Advertisement
	US Dollar	1316.65	equivalent to INR 60203	Towards Freight charges
	EURO	673.22	equivalent to INR 59074	Towards Freight charges
			Previous year	
	US Dollars	7114277.76	equivalent to INR 316792640	for import of Raw Materials
	US Dollars	52830.00	equivalent to INR 2362421	for import of Plant & Machineries
	US Dollars	18147.20	equivalent to INR 799357	for Traveling Expenses
	EURO	1548.50	equivalent to INR 84471	for Traveling Expenses
	US Dollars	19335.14	equivalent to INR 859687	for commission towards sales promotion
	S.Fr.	7220	equivalent to INR 250390	for import of Plant & machinery



**13. Related party disclosures**

Name of related party	Bhagyanagar Chemicals Limited	APR Holdings & Investments (P) Ltd. Balaji Cement Products (P) Ltd.
Relationship	A subsidiary company	Company in which the Managing Director and his relatives are substantially interested.
Nature of Transaction	a. Lease Rentals b. Loan given	a) Loan taken b) repaid
Transaction value	a. Rs.1,20,000 b. Rs.84,21,218	50,00,000 / 50,00,000 NIL / 5,00,000
Balance outstanding - Receivable / (-) Payable as on Balance Sheet date	a. (-) Rs.2,83,412 b. Rs.84,21,218	NIL 7,70,167
Amount written off / back	Nil	Nil

14. The names of the Small Scale Industrial undertakings to whom the company owes more than Rs.1,00,000 outstanding for more than 30 days are given in the annexure hereto. The information in respect of the dues to small scale industries has been determined to the extent such parties have been identified on the basis of the information available with the company.

15. The company is in the process of receiving confirmations from debtors and creditors. The confirmations so far received have been reconciled. In view of all confirmations not having been received, the balances are subject to reconciliations or adjustments, if any.

16. Previous year's figures have been regrouped wherever considered necessary.

Signatories to schedules '1' to '19'

As per our report of even date  
for **V. Sridhar & Co.,**  
Chartered Accountants,

for and on behalf of the Board of Directors

**Vemulapati Sridhar**  
Proprietor  
Membership No.202337

**A. Prathap Reddy**  
Managing Director

**G. Hemanth Reddy**  
Director-Finance

Secunderabad. July 20, 2007

**CASH FLOW STATEMENT FOR THE YEAR 2006-2007**

(Rupees in lacs)

	As at 2006-07	As at 2005-06
<b>A. Cash flows from operating activities</b>		
Profit Before Interest and Tax, after prior period items	2,231.79	1,649.79
Less : Other income considered	-54.89	-72.72
Add : Depreciation	373.11	319.84
Add : Increase in Current Liabilities	486.09	133.75
Less : Increase in Inventories	-957.97	-686.18
Less : Increase in Debtors	-1,123.98	-674.21
Less : Increase in Other Current Assets, Loans & Advances	-509.44	-59.37
Less : Income tax, FBT & dividend distribution tax	-250.34	-175.25
Cash flow from Operating activities	<u>194.37</u>	<u>435.65</u>
<b>B. Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets	-780.98	-1151.96
Long term investments made	-30.00	-38.87
Other Income	54.89	72.72
Cash flow from Investing activities	<u>-756.09</u>	<u>-1,118.11</u>
<b>C. Cash Flow From Financing Activities</b>		
Secured loans	1,287.66	1,738.09
Share premium received on conversion of warrants and allotment of 2,40,000 shares of Rs.10 each at a premium of Rs.117 per share	274.32	-
Repayment of Unsecured Loans		-525.90
Interest paid	-617.99	-441.86
Dividend paid	-150.01	-90.00
Cash flow from Financing activities	<u>793.98</u>	<u>680.33</u>
Net increase/(decrease) in cash and cash equivalents (A + B + C)	232.26	-2.13
Cash and cash equivalents (beginning of year)	207.12	209.25
Cash and cash equivalents (end of year)	439.38	207.12

As per our report of even date  
for V. Sridhar & Co.,  
Chartered Accountants,

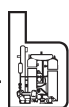
for and on behalf of the Board of Directors

Vemulapati Sridhar  
Proprietor

A. Prathap Reddy  
Managing Director

G. Hemanth Reddy  
Director-Finance

Secunderabad. July 20, 2007



**BALANCE SHEET EXTRACT OF THE COMPANY'S GENERAL PROFILE**  
AS PER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956.

**Registration Details**

Registration Number : 11-49387 State code 11  
Balance Sheet Date : 31-3-2007

**Capital raised during the year**

(Amount in Rupees Thousands.)

Public issue Nil Rights Issue Nil  
Bonus issue 3002400 Private Placement 240

**Position of the Mobilization and Deployment of Funds**

(Amount in Rupees Thousands.)

Total Liabilities 1226436 Total Assets 1226436

**Sources of Funds**

Paid up capital 64802 Reserves and Surplus 379669  
Secured loans 664176 Unsecured Loans 0  
Deferred tax liability 117787 Share application money 0

**Applications of funds**

Net Fixed Assets 593590 Capital work-in-progress 0  
Net Current Assets 622602 Investments 10242  
Deferred tax assets 0 Miscellaneous Expenditure 0  
Accumulated Losses 0

**Performance of the Company**

(Amount in Rupees Thousands.)

Turnover 1755051 Total expenditure 1692124  
(+) Profit / (-) Loss Before Tax (+) Profit / (-) Loss After Tax  
Earning per share (Rupees) 15.92 Dividend 9540

**Generic Name of three principal products or services of the company**

Item Code 292111.00  
Product description Methyl Amines  
  
Item Code 292111.00  
Production description Ethyl Amines  
  
Item Code 292111.00  
Production description Derivatives

As per our report of even date  
for V. Sridhar & Co.,  
Chartered Accountants,

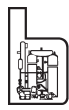
for and on behalf of the Board of Directors

Vemulapati Sridhar  
Proprietor  
Membership No.202337

A. Prathap Reddy  
Managing Director

G. Hemanth Reddy  
Director-Finance

Secunderabad. July 20, 2007



## AUDITORS' REPORT

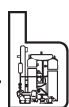
To the Members of M/s.Balaji Amines Limited.  
Solapur.

1. We have audited the attached consolidated Balance Sheet of M/s.Balaji Amines Limited, and its subsidiary Bhagyanagar Chemicals Limited as at March 31, 2007, the consolidated profit and Loss account and also the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the management of Balaji Amines Limited in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, and other applicable standards issued by the Institute of Chartered Accountants of India.
4. In our opinion and to the best of our information and according to the explanations given to us, the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a. in the case of the consolidated balance sheet, of the state of affairs of the Balaji Amines Limited and its subsidiary Bhagyanagar Chemicals Limited as at March 31, 2007;
  - b. in the case of the consolidated profit and loss account, of the profit for the year ended on that date and
  - c. in the case of the cash flow statement, of the cash flows for the year ended on that date.

For V.Sridhar & Co.,  
Chartered Accountants

Vemulapati Sridhar  
Partner  
Membership Number 202337

Secunderabad. July 20, 2007


**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007**

Particulars	Schedule	As at 31st March, 2007		As at 31st March, 2006	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders funds</b>					
Share Capital	1	64,802,000		30,001,000	
Share Application Money		0		3,048,000	
Reserves and surplus	2	376,897,782		292,008,592	
Deferred Tax Liability		117,787,976		96,213,966	
<b>Loan Funds</b>					
Secured Loans	3	664,176,428		535,410,656	
		<u>1,223,664,186</u>		<u>956,682,214</u>	
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block		826,102,280		744,282,435	
Less : Depreciation	4	<u>226,942,247</u>		<u>189,236,058</u>	
Net block		599,160,033		555,046,377	
Capital Work in Progress		0		3,886,898	
Investments	5	3,271,197		271,197	
Deferred Tax Assets		0		94,422	
<b>Current Assets, Loans &amp; Advances ( a )</b>					
Inventories	6	321,293,190		225,495,344	
Sundry Debtors	7	402,297,501		289,899,911	
Cash & Bank Balances	8	43,942,854		20,716,820	
Other Current Assets	9	3,491,618		3,458,476	
Loans & Advances	10	<u>101,518,743</u>		<u>50,608,384</u>	
		<u>872,543,906</u>		<u>590,178,935</u>	
Less :					
<b>Current Liabilities &amp; Provisions ( b )</b>					
Liabilities	11	210,241,389		161,779,621	
Provisions	12	<u>47,719,843</u>		<u>40,245,548</u>	
		<u>257,961,232</u>		<u>202,025,169</u>	
Net Current Assets ( a - b )		614,582,674		388,153,766	
Miscellaneous Expenditure (to the extent not written off or adjusted)		6,650,282		9,229,554	
<b>TOTAL</b>		<u>1,223,664,186</u>		<u>956,682,214</u>	
Notes forming part of accounts	19				

As per our report of even date  
for V. Sridhar & Co.,  
Chartered Accountants,

for and on behalf of the Board of Directors

Vemulapati Sridhar  
Proprietor  
Membership No.202337

A. Prathap Reddy  
Managing Director

G. Hemanth Reddy  
Director-Finance

Secunderabad. July 20, 2007

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007**

Particulars	Schedule	As at 31st March, 2007		As at 31st March, 2006	
		Rupees	Rupees	Rupees	Rupees
<b>I. INCOME</b>					
Sales	13	1,972,938,441		1,458,940,138	
Less:- Excise Duty		<u>217,887,312</u>	1,755,051,129	<u>172,800,348</u>	1,286,139,790
Other Income	14		5,489,298		7,271,850
Increase / ( - ) Decrease in stocks	15		89,860,900		9,728,324
<b>TOTAL</b>			<u>1,850,401,327</u>		<u>1,303,139,964</u>
<b>II. EXPENDITURE</b>					
Raw Materials consumed	16		1,139,076,187		773,040,278
Manufacturing, selling & Administrative Expenses	17		391,543,236		297,999,849
Interest and Finance Charges	18		61,798,690		44,185,889
Sales Tax \ Value Added Tax			62,299,017		33,219,536
Depreciation	4		37,871,951		32,621,327
Goodwill written off			2,307,388		2,307,388
<b>TOTAL</b>			<u>1,694,896,469</u>		<u>1,183,374,267</u>
Balance			155,504,858		119,765,697
<b>Prior Period Items</b>					
(Excess provision of Income Tax written back)			3,103,315		1,819,923
<b>Profit before Tax</b>			158,608,173		117,945,774
<b>Provision for:-</b>					
Deferred Tax Liability (Originating during the year)		21,574,010		7,071,661	
Deferred Tax Assets - Adjusted		94,222		94,419	
Provision for Taxation		35,872,000		22,300,000	
Fringe Benefit Tax		698,000	58,238,232	630,000	30,096,080
<b>Profit after tax available for appropriation</b>			100,369,941		87,849,694
<b>Less:- Appropriations</b>					
a. Transfer to General Reserve			10,000,000		10,000,000
b. Proposed Dividend on Equity Shares			9,540,300		15,000,500
c. Dividend Distribution Tax			1,347,567		2,104,000
<b>Balance after appropriations</b>			79,482,074		60,745,194
Minority Interest in Subsidiary					0
Balance after minority interest in Subsidiary			79,482,074		60,745,194
Balance in Profit & Loss account brought forward			226,535,203		166,061,893
Balance carried to balance sheet			<u>306,017,277</u>		<u>226,807,087</u>
Earning per share - Basic Rupees (Profit after Tax / No. of Equity Shares) (Current Year on Post Bonus Capital)			15.49		29.28
Notes forming part of accounts	19				

As per our report of even date  
 for V. Sridhar & Co.,  
 Chartered Accountants,

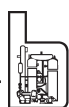
for and on behalf of the Board of Directors

Vemulapati Sridhar  
 Proprietor  
 Membership No.202337

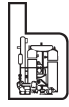
A. Prathap Reddy  
 Managing Director

G. Hemanth Reddy  
 Director-Finance

Secunderabad. July 20, 2007


**SCHEDULES TO THE CONSOLIDATED BALANCE SHEET**

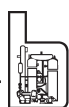
	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
<b>Schedule 1</b>		
<b>SHARE CAPITAL</b>		
Authorised		
90,00,000 Equity shares of Rs. 10/- each	<u>90,000,000</u>	90,000,000
Issued subscribed and paid up		
64,80,200 Equity shares of Rs. 10/- each fully paid up (Including 32,40,100 shares on account of 1:1 bonus issue & 240000 equity shares of Rs. 10/- each fully paid up being allotted on conversion of warrents)	<u>64,802,000</u>	30,001,000
<b>Total</b>	<u><u>64,802,000</u></u>	<u><u>30,001,000</u></u>
<b>Schedule 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
State subsidy	3,000,000	3,000,000
Share premium Account	56,961,000	28,881,000
Capital Reserves (profit on re-issue of forfeited shares)	620,505	620,505
General Reserve	<u>42,700,000</u>	<u>32,700,000</u>
	103,281,505	65,201,505
Profit & Loss A/c.	306,017,277	226,807,087
Less :Capitalised on Issue of 32,40,100 Equity Shares of Rs. 10/- each as Bonus Shares	<u>-32,401,000</u>	0
<b>Total</b>	<u><u>376,897,782</u></u>	<u><u>292,008,592</u></u>
<b>Schedule 3</b>		
<b>SECURED LOANS</b>		
State Bank of Hyderabad	23,647,020	8,275,000
State Bank of India	159,437,804	195,204,879
[Term Loan Secured by first charge on fixed assets of the company, both present and future and mortgage by deposit of the land title deeds]		
State Bank of Hyderabad	234,673,014	185,482,847
State Bank of India	182,885,964	145,322,928
ING Vysa Bank Ltd.	63,380,369	0
[Towards working capital limits, secured by way of hypothecation of stocks and book debts and second charge on all fixed assets of the company, both present and future] (The above borrowings are also supported by personal guarantee of directors of the company Viz : Sri A. Prathap Reddy, Sri N.Rajeshwar Reddy, Sri D. Ram Reddy and Sri G.Hemanth Reddy)		
Hire purchase Loans	<u>152,257</u>	1,125,002
<b>Total</b>	<u><u>664,176,428</u></u>	<u><u>535,410,656</u></u>



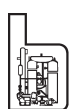
**SCHEDULES TO THE CONSOLIDATED BALANCE SHEET**

**Schedule 4  
FIXED ASSETS**

Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01/04/2006	Additions	Deduction	As at 31.03.2007	Upto 01.04.2006	For the Period	Deduction	Up to 31.03.2007	As at 01/04/2006	As at 31.03.2007
Land	5,334,401	45,452		5,379,853	0	0		0	5,334,401	5,379,853
Land - MIDC Chincholi	5,290,110	178,950		5,469,060	0	0		0	5,290,110	5,469,060
Land - Hotgi Road	0	19,505,080		19,505,080	0	0		0	0	19,505,080
Buildings	91,553,495	7,009,982		98,563,477	13,335,832	3,152,072		16,487,904	78,217,663	82,075,573
Wind Electric Generator	26,744,500	0		26,744,500	5,648,780	1,412,110		7,060,890	21,095,720	19,683,610
Plant & Machinery	528,911,689	18,153,337		547,065,026	163,552,360	27,709,901		191,262,261	365,359,329	355,802,765
Morpholine (R & D Division)	59,770,113	12,141,813		71,911,926	127,313	3,513,864		3,641,177	59,642,800	68,270,749
Amines R & D Division	0	17,616,001		17,616,001	0	83,010		83,010	0	17,532,991
Furniture & Fixtures	3,616,696	179,339		3,796,035	836,938	235,417		1,072,355	2,779,758	2,723,680
Office Equipment	3,912,262	632,778		4,545,040	1,261,539	274,308		1,535,847	2,650,723	3,009,193
Vehicle	7,461,046	1,385,854	387,743	8,459,157	2,075,654	787,645	165,762	2,697,557	5,385,392	5,761,620
Weigh Bridge	2,339,509	0		2,339,509	645,795	123,526		769,321	1,693,714	1,570,188
Others	3,487,885	2,007,231		5,495,116	1,020,018	254,615		1,274,633	2,467,867	4,220,483
Eff. T. Equipment	5,860,729	0		5,860,729	731,829	309,446		1,041,275	5,128,900	4,819,454
Fire Hydrant System	0	3,351,771		3,351,771	0	16,037		16,037	0	3,335,734
<b>Total</b>	<b>744,282,435</b>	<b>82,207,588</b>	<b>387,743</b>	<b>826,102,280</b>	<b>189,236,058</b>	<b>37,871,951</b>	<b>165,762</b>	<b>226,942,247</b>	<b>555,046,377</b>	<b>599,160,033</b>

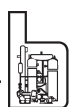

**SCHEDULES TO THE CONSOLIDATED BALANCE SHEET**

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
<b>Schedule 5</b>		
<b>INVESTMENTS</b>		
In Subsidiaries		
1000 shares ( unquoted) Rs.100/- each fully paid up in Progressive Effluent Treatment Plant Ltd	100,000	100,000
Other Investment		
500 equity shares of Rs.100/- each fully paid up in Solapur Janata Sahakari Bank - unquoted	50,000	50,000
National Saving Certificate	121,197	121,197
300000 Equity Shares of Rs. 10/- each in Balaji Sourcings Pvt. Ltd at cost - unquoted	3,000,000	0
<b>Total</b>	<u>3,271,197</u>	<u>271,197</u>
<b>Schedule 6</b>		
<b>INVESTMENTS</b>		
(As verified, valued and certified by the Management)		
Finished Goods	137,516,881	69,723,814
Stock in process / plant	57,900,491	35,832,658
Raw Materials	103,411,009	101,923,177
Stores and Spares	15,882,740	14,495,740
Others - Fuel etc.	5,690,298	3,519,955
<b>Total</b>	<u>320,401,419</u>	<u>225,495,344</u>
<b>Schedule 7</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured; considered good)		
Over Six months	2,168,328	988,808
Others	400,129,173	288,911,103
<b>Total</b>	<u>402,297,501</u>	<u>289,899,911</u>
<b>Schedule 8</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	363,953	408,799
Cash with schedule banks -		
In current accounts	21,593,426	7,551,779
In margin money account	21,985,475	12,756,242
<b>Total</b>	<u>43,942,854</u>	<u>20,716,820</u>



**SCHEDULES TO THE CONSOLIDATED BALANCE SHEET**

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
<b>Schedule 9</b>		
<b>OTHER CURRENT ASSETS</b>		
Deposit with Government Departments	3,117,220	3,042,220
Other Deposits	374,398	416,256
<b>Total</b>	<u>3,491,618</u>	<u>3,458,476</u>
<b>Schedule 10</b>		
<b>LOANS &amp; ADVANCES</b>		
(Unsecured : considered good)		
Advances to employees	169,404	120,699
Advances recoverable in cash or in kind or for value to be received	24,828,866	27,874,328
Advances for Capital Goods	40,257,911	
Advance Taxes	36,262,562	22,613,357
Advance to Subsidiary Co.	0	
<b>Total</b>	<u>101,518,743</u>	<u>50,608,384</u>
<b>Schedule 11</b>		
<b>CURRENT LIABILITIES</b>		
Creditors for raw materials	163,069,672	121,982,091
Creditors for expenses	39,742,801	25,219,255
Retention Money from Machinery Suppliers	7,428,916	14,578,275
<b>Total</b>	<u>210,241,389</u>	<u>161,779,621</u>
<b>Schedule 12</b>		
<b>PROVISIONS</b>		
Income Tax	35,872,000	22,300,000
Fringe Benefit Tax	698,000	630,000
Provident Fund	261,976	211,048
Proposed Dividend	9,540,300	15,000,500
Dividend Distribution Tax	1,347,567	2,104,000
<b>Total</b>	<u>47,719,843</u>	<u>40,245,548</u>
<b>Schedule 13</b>		
<b>SALES</b>		
Aliphatic Amines , Derivatives, Natural Products & Export Benefits	1,972,938,441	1,458,940,138
<b>Total</b>	<u>1,972,938,441</u>	<u>1,458,940,138</u>


**SCHEDULES TO THE CONSOLIDATED BALANCE SHEET**

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
<b>Schedule 14</b>		
<b>OTHER INCOME</b>		
Interest	1,670,473	1,209,680
Foreign Exchange Fluctuations	3,766,172	3,779,332
Sales Tax Rebate	0	2,234,974
Misc.Income	52,653	47,864
<b>Total</b>	<b>5,489,298</b>	<b>7,271,850</b>
<b>Schedule 15</b>		
<b>INCREASE / (-) DECREASE IN STOCK</b>		
Opening Stock		
Finished goods	69,723,814	75,209,936
Stock in process / plant	35,832,658	20,618,212
<b>Total</b>	<b>105,556,472</b>	<b>95,828,148</b>
Closing stock		
Finished goods	137,516,881	69,723,814
Stock in process / plant	57,900,491	35,832,658
	195,417,372	105,556,472
<b>Increase / Decrease in Stock</b>	<b>89,860,900</b>	<b>9,728,324</b>
<b>Schedule 16</b>		
<b>RAW MATERIAL CONSUMED</b>		
Opening Stock	101,923,177	46,244,461
Add : Purchase	1,140,564,019	828,718,994
<b>Sub Total</b>	<b>1,242,487,196</b>	<b>874,963,455</b>
Less : Closing stock	103,411,009	101,923,177
Consumed	1,139,076,187	773,040,278

**SCHEDULES TO THE CONSOLIDATED BALANCE SHEET**

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
<b>Schedule 17</b>		
<b>MANUFACTURING, SELLING &amp; ADMINISTRATION EXPENSES</b>		
Salaries, Wages & Other employee benefits	30,190,546	25,715,889
Bonus	1,638,430	1,347,543
Gratuity and provident fund	3,070,698	2,445,013
Employees Group Insurance	2,161,694	233,589
Directors Group Insurance	36,430	24,167
Remuneration to Directors including allowances	4,350,000	3,000,000
Commission to Directors	13,243,744	12,008,193
Stores & Spares & Packing Materials	69,802,142	45,831,428
Power & Fuel	151,320,465	114,492,971
Repairs & Maintenance - Plant & Machinery	7,783,494	6,399,651
Repairs & Maintenance - Wind Electric Generator	373,901	283,011
Rent , Rates & Taxes	3,584,486	3,601,825
Insurance	3,518,780	3,737,622
Carriage Outward	40,210,120	34,340,079
Others	59,083,939	43,493,178
Keyman Insurance	712,837	712,837
Remuneration to Auditors		
As auditors	361,530	231,530
Tax Matters	100,000	101,323
<b>Total</b>	<b>391,543,236</b>	<b>297,999,849</b>
<b>Schedule 18</b>		
<b>INTEREST &amp; FINANCE CHARGES</b>		
Interest	51,411,345	36,288,568
Bank Charges	8,697,865	5,533,218
Hire Charges	0	25,236
Processing charges	1,689,480	2,338,867
<b>Total</b>	<b>61,798,690</b>	<b>44,185,889</b>

**NOTES ON ACCOUNTS IN CASE OF CONSOLIDATED BALANCE SHEET****Schedule 19****NOTES FORMING PART OF ACCOUNTS****1. Significant accounting policies**

- A. **Accounting convention :** The accompanying financial statements have been prepared in accordance with historical cost convention.
- B. **Fixed Assets and Depreciation:** Fixed assets are valued at cost less depreciation provided on straight line basis at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. In respect of additions made during the year, depreciation is provided on pro rata basis.
- C. **Investments :** Investments are stated at cost.
- D. **Inventories:**
- Finished goods are valued at cost arrived at by following absorption costing method.
  - Stock in process/plant is valued at cost.
  - Stock of raw materials, Stores and spares and packing materials are valued at lower of cost or net realizable value.
- E. **Staff Benefits :**
- Provident Fund Contributions are accounted on accrual basis.
  - The company has taken a policy of Group Gratuity Scheme of LIC. All contributions made are charged to revenue.
- F. **Research and Development:** Revenue expenditure on research and development is charged to profit and loss account in the year in which it is incurred. Capital expenditure on research and development is treated at par with fixed assets and depreciated as such.
- G. **Deferred Taxation:** Accounting treatment in respect of deferred taxation is in accordance with Accounting Standard 22 - "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India. However no effect is given in case of Bhagyanagar Chemicals Limited in view of the uncertainty of the future profits considering the present level of operations.
- H. **Sales Tax Benefits:** Shortfall / increase in sales tax benefits accruing to the company are accounted for in the year in which the final assessment by the concerned authorities is completed.
- I. **Borrowing Costs:** Costs in respect of borrowings for the purpose of expansion / additional fixed investments including R & D projects are capitalized to such investments.
- J. **Foreign Currency Transactions:** Transactions in foreign exchange which are covered by forward contracts are accounted for at contract rate, the difference between the forward rate and the exchange rate at the date of the transaction being recognized in the profit and loss account over the life of the contract. Transactions other than those covered by the forward contracts are recorded at pre-determined standard exchange rates which are reviewed periodically. Gains or losses arising out of such periodic revisions of such standard rates and also on realization are accounted for accordingly.
- K. **Amortization of Goodwill :** The goodwill arising out of the consolidation of the financial statements of the holding and subsidiary companies is written off in five equal annual installments commencing from the financial year 2005-06.

2. In accordance with the General Clarification (GC) - 5/2002 - Accounting Standards 21 Consolidated Financial Statements issued by the Institute of Chartered Accountants of India, additional statutory information disclosed in the separate financial statements of the subsidiary and / or parent company having no bearing on the true and fair view of the consolidated financial statements is not again disclosed in the consolidated financial statements
3. Minority interest in the losses of the subsidiary (current Rs.232 and previous year Rs.270) are absorbed by the parent company. The same will be recovered against the minority interest in future profits of the company.
4. Previous year's figures have been recast wherever considered necessary.

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Signatories to Schedules 1 to 19

As per our report of even date  
for **V. Sridhar & Co.,**  
Chartered Accountants,

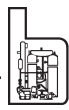
for and on behalf of the Board of Directors

**Vemulapati Sridhar**  
Proprietor.

**A. Prathap Reddy**  
Managing Director

**G. Hemanth Reddy**  
Director-Finance

Secunderabad. July 20, 2007



**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR 2006-07**

(Rupees in lacs)

	As at 2006-07	As at 2005-06
<b>A. Cash flows from operating activities</b>		
Profit Before Interest and Tax, after prior period items	2,204.08	1,621.22
Less : Other income considered	-54.89	-72.72
Add : Depreciation	378.72	326.21
Add : Increase in Current Liabilities	486.03	132.78
Less : Increase in Inventories	-957.97	-686.18
Less : Increase in Debtors	-1,124.94	-674.21
Less : Increase in Other Current Assets, Loans & Advances	-509.44	-59.27
Less : Income tax, FBT & dividend distribution tax	-250.34	-175.25
Add : Goodwill written off (Non Cash Charge)	23.07	23.07
Cash flow from Operating activities	<u>194.32</u>	<u>435.65</u>
<b>B. Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets	-780.98	-1151.96
Long term investments made	-30.00	-38.87
Other Income	54.89	72.72
Cash flow from Investing activities	<u>756.09</u>	<u>-1,118.11</u>
<b>C. Cash Flow From Financing Activities</b>		
Secured loans	1,287.66	1,738.09
Share premium received on conversion of warrants and allotment of 2,40,000 shares of Rs.10 each at a premium of Rs.117 per share	274.32	-
Repayment of Unsecured Loans		-525.90
Interest paid	-617.99	-441.86
Dividend paid	-150.01	-90.00
Cash flow from Financing activities	<u>793.98</u>	<u>680.33</u>
Net increase/(decrease) in cash and cash equivalents (A + B + C)	232.21	-2.13
Cash and cash equivalents (beginning of year)	207.17	209.30
Cash and cash equivalents (end of year)	439.38	207.17

As per our report of even date  
for V. Sridhar & Co.,  
Chartered Accountants,

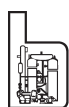
for and on behalf of the Board of Directors

Vemulapati Sridhar  
Proprietor

A. Prathap Reddy  
Managing Director

G. Hemanth Reddy  
Director-Finance

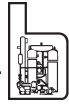
Secunderabad. July 20, 2007



**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT.1956  
RELATING TO SUBSIDIARY COMPANIES.**

1.	Name of the subsidiary	<b>Bhagyanagar chemicals limited</b>
2.	Financial period ended	31/03/2007
3.	Holding company's interest	99.95%
4.	The net aggregate of profits or losses for the Current period of the subsidiary so far as it concerns the members of the holding company	
	a. dealt with or provided for in the account of the holding company	NIL
	b. not dealt with or provided for in the account of the holding company	NIL
5.	The net aggregate of profits or losses for previous Financial years of the subsidiary so far as it concerns The members of the holding company	
	a. Dealt with or provided for in the accounts of the holding company	NIL
	b. Not dealt with or provided for in the accounts of the holding company	NIL

NOTE: Bhagyanagar Chemicals Limited became subsidiary of Balaji Amines Limited in the last week of March, 2004.



**BHAGYANAGAR CHEMICALS LIMITED**

**NINETEENTH ANNUAL REPORT  
2006-2007**

**BOARD OF DIRECTORS  
(As on 30.04.2007)**

**Sri A. Prathap Reddy**  
Chairman

**Sri Ch. Narsimha Reddy**  
Director

**Sri G. Hemanth Reddy**  
Director

**Auditors**

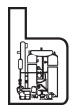
**V. Sridhar & Co.**  
Chartered Accountants  
Hyderabad

**Registered Office**

III Floor, KPR House  
Sardar Patel Road  
Secunderabad - 500 003 (A.P.)

**Factory**

Plot No. 5  
Beside APSEB Sub Station - II  
IDA, Bollaram, Jinnaram Mandal  
Medak District (A.P.)-502 325



## NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of the members of Bhagyanagar Chemicals Limited will be held on Monday 23.07.2007 at 03.30 P.M. at 3rd Floor, KPR House, S.P. Road, Secunderabad, Registered office of the Company, to transact the following business.

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet and Profit & Loss Account for the year ended 31st March 2007 and the Report of the Auditors and Directors thereon.
2. To appoint a Director in place of Sri CH. Narshima Reddy who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Statutory Auditors and fix their remuneration and if thought fit to pass with or without modifications the following resolution as an Ordinary Resolution.

"RESOLVED that M/s. V.Sridhar & Co., Chartered Accountants, and Hyderabad the retiring auditors of the Company be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of the Nineteenth Annual General Meeting till the conclusion of the next Annual General Meeting and the Chairman Sri. A.Prathap Reddy, be and is hereby authorized to fix their remuneration in consultation with them".

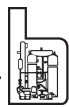
4. To appoint Secretarial Auditors and fix their remuneration and if thought fit to pass with or without modifications the following resolution as an Ordinary Resolution.

"RESOLVED that T.Subba Rao, Company Secretary in Practice. Hyderabad the retiring Secretarial Auditor of the Company be and are hereby re-appointed as Secretarial auditors of the Company to hold office from the conclusion of the Nineteenth Annual General Meeting till the conclusion of the next Annual General Meeting and the Chairman Sri. A.Prathap Reddy, be and is hereby authorized to fix their remuneration in consultation with them".

By order of the Board

Place : Secunderabad  
Date : 30.04.2007

(A.PRATHAP REDDY)  
CHAIRMAN



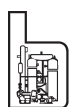
**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING CAN APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORMS MUST REACH TO THE COMPANY'S REGISTERED OFFICE AT LEAST 48 HOURS PRIOR TO THE TIME OF THE HOLDING OF THE MEETING.

**By order of the Board**

Place : Secunderabad  
Date : 30.04.2007

**(A.PRATHAP REDDY)**  
**CHAIRMAN**



## DIRECTORS' REPORT

To

The members,

Your Directors have pleasure in presenting the Nineteenth Annual Report together with Audited Accounts of the Company for the year ended 31.03.2007.

### FINANCIAL RESULTS:

The financial performance for the current year in comparison to the previous year is as under

SL.NO.	Particulars	Year ended 31st March, 2007 Rs.	Year ended 31st March, 2006 Rs.
1.	Income	1,20,000	1,20,000
2.	Expenditure	5,84,469	6,59,838
3.	Profit/ (Loss) Before tax	(-)4,64,469	(-) 5,39,838
4.	Provision for Income tax	-	-
5.	Profit/ ( Loss ) after tax	(-)4,64,469	(-) 5,39,838
6.	Balance Profit / ( Loss ) brought forward	(-)1,48,86,470	(-) 1,43,46,632
7.	Balance carried forward to Balance Sheet	(-)1,53,50,939	(-) 1,48,86,470

### OPERATIONS:

The undertaking of the Company continues to be as lease to Balaji Amines Limited.

### DIRECTORS:

Sri G.Hemanth Reddy Director retire by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

### AUDITORS :

Your Company's Auditors, M/s. V. Sridhar & Co., Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

### COMPLIANCE CERTIFICATE

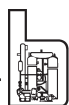
Compliance Certificate as per the provision of Section 383A of the Companies Act, 1956 issued by Mr T. Subba Rao, Company Secretary In Practice is annexed hereto for the information of the Members.

### MERGER

Board of Director at their meeting held on 25th January, 2006 gave the approval in principle for the merging of your company with Balaji Amines Limited after evaluating the various options.

### ENERGY CONSERVATION, TECHNOLOGY, ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

As the undertaking of the Company is as lease to Balaji Amines Limited, the provision of law in respect of Energy conservation etc. are not applicable.



**DIRECTOR'S RESPONSIBILITY STATEMENT:**

As required under Section 217(2AA) of the Companies Act, 1956, your Directors state that:

- a) In the preparation of the annual accounts , the applicable accounting standards have been followed
- b) The accounting policies selected and applied are consistent and judgments and estimates made are reasonable and prudent, so as to give a true and fair view of the affairs of the Company as at end of the financial year and of the loss for the said year.
- c) Proper and sufficient care has been taken 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) The annual accounts have been prepared on a going concern basis.

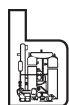
**EMPLOYEES:**

There are no employees whose particulars are required to be disclosed in the Directors' Report as per the provisions of Section 217 (2A) of the Companies Act, 1956.

**For and on behalf of the Board**

Place : Secunderabad  
Date : 30.04.2007

**(A. Prathap Reddy)**  
Chairman



## COMPLIANCE CERTIFICATE

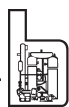
(Issued under the Companies (Compliance Certificate) Rules, 2001)

Registration No. of the Company : 01-09027  
 Paid-up Capital : Rs. 1,30,00,000

To  
 The Members,  
**Bhagyanagar Chemicals Limited,**  
 4th Floor, KPR House  
 S.D. Road,  
 Secunderabad - 500 003.

I have examined the registers, records, books and papers of M/s. **Bhagyanagar Chemicals Limited** (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2007. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid financial year:

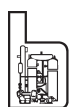
1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed, the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made there under.
3. The company being a public limited company, comments are not required.
4. The Board of Directors duly met Four times respectively on 5th April, 2006, 10th July, 2006, 24th October, 2006, and 20th March, 2007 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
5. The Company has not closed its Register of Members during the financial year.
6. The Annual General Meeting for the financial year ended on 31st March, 2006 was held on 27th of April, 2006 after giving due notice to the members of the company and the resolutions passed there at were duly recorded in Minutes Book maintained for the purpose.
7. No extra ordinary general meeting was held during the financial year under review after giving due notice to the members of the company and the resolutions passed there at were duly recorded in the Minutes Book maintained for the purpose.
8. The Company has not advanced any loan to its directors or persons or firms or companies referred to under Section 295 of the Act, during the financial year.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act during the financial year.
10. The Company has made required entries in the register maintained under Section 301 of the Act during the financial year.
11. As there were no instances falling within the purview of Section 314 of the Act during the financial year, the company has not obtained any approvals from the Board of Directors, members or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13. (i) There was no allotment/transfer/transmission of securities during the financial year.  
 (ii) The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.  
 (iii) The Company was not required to post warrants to any member of the company as no dividend was declared during the financial year.



- (iv) There were no amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years.
- (v) The company has duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. There was no appointment of additional directors, alternate directors and directors to fill casual vacancy during the financial year.
15. The Company has not appointed any Managing Director/Whole-time Director/Manager during the financial year.
16. The Company has not appointed any sole selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and / or such authorities prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued any shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. The company has no preference shares or debentures.
22. There were no transactions necessitating the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited / accepted any deposits including unsecured loans from public falling within the purview of Section 58A during the financial year.
24. The Company has not made any borrowings during the financial year.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the company's registered office from one State to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the financial year.
31. There were no prosecutions initiated against or show cause notices received by the company and no fines or penalties or any other punishment was imposed on the company during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has no Provident Fund of its own as contemplated under section 418 of the Companies Act, 1956.

Place : Hyderabad  
Date : 30th April, 2007

Signature:  
Name of the Company Secretary : T. SUBBA RAO  
C. P. No: 3801



## REGISTERS AS MAINTAINED BY THE COMPANY

## Statutory Registers

1. Register of Members u/s 150
2. Register of Directors u/s 303
3. Books of Accounts u/s 209
4. Register of Directors Shareholdings u/s 307
5. Minutes of Board and General Meetings u/s 193
6. Register of Loans, Guarantees and Investments u/s 372A
7. Register of Contracts u/s 301
8. Register of Charges u/s 143

## Other Registers

1. Members Attendance Register - for General Meetings
2. Directors' Attendance Register - For Board Meetings

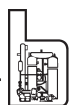
The Company has not maintained the following registers as it was informed that there were no transactions to be recorded therein:

1. Register of Investments not held in Company's name u/s 49
2. Index of Members u/s 151
3. Register of Debenture holders u/s 152
4. Foreign Register of Members u/s 157

## ANNEXURE B

Forms and Returns filed by the Company with Registrar of Companies during the financial year ending 31st March, 2007

Sl. No.	Form No./Return	Filed under Section	Date of filing	Whether filed within prescribed time Yes/No	If delay in filing whether requisite additional fee paid Yes/No
1.	Annual Accounts	220	17.05.2006	Yes	No delay
2.	Annual Return	159	17.05.2006	Yes	No delay
3.	Compliance Certificate	383A	17.05.2006	Yes	No delay



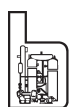
## AUDITORS' REPORT

To the Members of Bhagyanagar Chemicals Limited

1. We have audited the attached Balance Sheet of Bhagyanagar Chemicals Limited, as at March 31, 2007, the Profit and Loss account and also the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of sub-section (4A) of section 227 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.
4. Further to the comments in the Annexure referred to above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) 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 those books
  - (iii) The balance sheet and the profit and loss account dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the balance sheet and the profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the balance sheet, of the state of affairs of the company as at March 31, 2007,
    - (b) in the case of the profit and loss account, of the loss for the year ended on that date, and
    - (c) In the case of the cash flow statement, of the cash flows of the company for the year ended on that date.

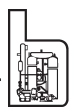
For V. Sridhar & Co  
Chartered Accountants

Vemulapati Sridhar  
Proprietor  
Membership No.202337  
Secunderabad. 30th April, 2007

**ANNEXURE TO THE AUDITOR'S REPORT****Re : Bhagyanagar Chemicals Limited**

Referred to in paragraph 3 of our report of even date,

- (i) (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The undertaking of the company is on a term lease to Balaji Amines Limited, the holding company. We are informed that as per the terms and conditions of the lease the fixed assets are the responsibility of the lessor viz. Balaji Amines Limited, during the tenure of the lease. The lessor has certified that the physical verification of the fixed assets have been conducted at reasonable intervals and no material discrepancies were noticed on such verification.
- (c) The company has not disposed off any part of its assets during the year under review.
- (ii) The company did not carry any inventory.
- (iii) (a) The company had taken unsecured loan from Balaji Amines its holding company in an earlier year. The maximum amount involved during the year and the year-end balance of the loan taken from the holding company was Rs.84.21 lacs. The company has not granted any loans.
- (b) The said loan is interest free and In our opinion, the rate of interest and other terms and conditions on which the loan has been taken are not, prima facie, prejudicial to the interest of the company.
- (c) The payment by the company in respect of the loan is as per the terms agreed by the parties.
- (d) There is no overdue amount in respect of the loans taken and the amounts outstanding, as per information and explanations given to us is being repaid as per the agreement/ understanding between the parties.
- (iv) 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 the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any major weaknesses in internal controls.
- (v) The company has not entered into any transactions that need to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956. The lease of the undertaking of the company to its holding company entered into in an earlier year is continued in the year under review also as per the terms of lease.
- (vi) The company has not accepted deposits within the meaning of Section 58A of the Companies Act, 1956.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed maintenance of cost records to the company.
- (ix) (a) During the year under review the company did not have any employees. The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at March 31, 2007 for a period of more than six months from the date they became payable.
- (x) The company has accumulated losses at the end of the financial year amounting to more than 50% of its net worth. However it has not incurred cash losses either in the year ended March 31, 2007 or in the previous year.

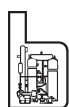


- (xi) The company does not have any borrowings from financial institutions or banks. The company did not raise monies through debentures.
- (xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not a chit fund or a nidhi / mutual benefit fund / society.
- (xiv) The company is not dealing in or trading in shares, securities, debentures and other investments.
- (xv) According to information and explanations given to us, the company has not given any guarantees for loans taken by others from banks or financial institutions.
- (xvi) The company has not obtained any term loans during the year under review.
- (xvii) The company has not raised any funds short term or long term, during the year.
- (xviii) The company has not made any preferential allotments during the year under review.
- (xix) The company has not issued any debentures.
- (xx) The company has not raised any monies from public issue during the year under review.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For V. Sridhar & Co  
Chartered Accountants

Vemulapati Sridhar  
Proprietor  
Membership No.202337  
Secunderabad. April 30, 2007

Secunderabad. April 30th, 2007  
or reported during the course of our audit.



## BALANCE SHEET AS AT 31ST MARCH, 2007

Particulars	Schedule	As at 31st March, 2007		As at 31st March, 2006	
		Rupees	Rupees	Rupees	Rupees
<b>I. SOURCES OF FUNDS</b>					
1. Shareholders' Funds					
Share Capital	1		1,30,00,000		1,30,00,000
2. Loan Funds					
a. Secured Loans			-		-
b. Unsecured Loans			84,21,218		84,21,218
<b>TOTAL</b>			<b>2,14,21,218</b>		<b>2,14,21,218</b>
<b>II. APPLICATION OF FUNDS</b>					
1. Fixed Assets	6				
a. Gross Block			2,09,39,178		2,09,39,178
b. Less : Depreciation			15,369,970		1,48,09,266
c. Net Block			55,69,208		61,29,912
2. Investments			1,00,000		1,00,000
3. Current Assets, Loans and Advances					
a. Inventories			-		-
b. Sundry debtors	2		2,66,382		1,70,147
c. Cash and Bank balances	3		5,081		5,081
d. Loans and advances	4		1,46,138		1,46,138
<b>Total (A)</b>			<b>4,17,601</b>		<b>3,21,366</b>
Less : Current Liabilities and Provisions	5				
a. Current liabilities			-		-
b. Provisions			16,530		16,530
<b>Total (B)</b>			<b>16,530</b>		<b>16,530</b>
Net Current Assets (A-B)			4,01,071		3,04,836
4. Miscellaneous Expenditure (to the extent not written off or adjusted).					
a. Profit and Loss Account			1,53,50,939		1,48,86,470
<b>Total</b>			<b>2,14,21,218</b>		<b>2,14,21,218</b>
5. Notes forming part of accounts	10				

As per our report of even date  
for V. Sridhar & Co.,  
Chartered Accountants,

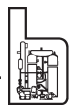
for and on behalf of the Board of Directors

Vemulapati Sridhar  
Proprietor

A. Prathap Reddy  
Chairman

G. Hemanth Reddy  
Director

Secunderabad. April 30, 2007



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007**

Particulars	Schedule	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
<b>I. INCOME</b>			
a. Lease rental		1,20,000	1,20,000
b. Other income	7	-	-
Total		<u>1,20,000</u>	<u>1,20,000</u>
<b>II. EXPENDITURE</b>			
a. Salaries & allowances	8	-	-
b. Administrative & other expenses	9	23,765	22,353
c. Depreciation	6	5,60,704	6,37,485
Total		<u>5,84,469</u>	<u>6,59,838</u>
Loss before tax		(-) 4,64,469	(-) 5,39,838
Provision for Income-tax		-	-
Loss after tax		(-) 4,64,469	(-) 5,39,838
Balance in Profit & Loss account brought forward		(-) 1,48,86,470	(-) 1,43,46,632
Balance carried forward to Balance sheet		(-) 1,53,50,939	(-) 1,48,86,470
Notes forming part of Accounts	10		

As per our report of even date  
for V. Sridhar & Co.,  
Chartered Accountants,

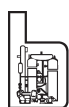
for and on behalf of the Board of Directors

Vemulapati Sridhar  
Proprietor

A. Prathap Reddy  
Chairman

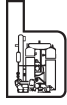
G. Hemanth Reddy  
Director

Secunderabad. April 30, 2007



## SCHEDULES TO THE BALANCE SHEET

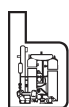
	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
<b>Schedule 1</b>		
<b>SHARE CAPITAL</b>		
Authorized		
15,00,000 equity shares of Rupees 10/- each	1,50,00,000	1,50,00,000
Issued, subscribed and paid up		
13,00,000 equity shares of Rupees 10/- each fully paid-up	<u>1,30,00,000</u>	<u>1,30,00,000</u>
<b>Schedule 2</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured, considered good)		
Outstanding for more than 6 months	-	-
Other Debts	2,66,382	1,70,147
<b>Total</b>	<u>2,66,382</u>	<u>1,70,147</u>
<b>Schedule 3</b>		
<b>CASH &amp; BANK BALANCES</b>		
Cash on hand	-	-
Cash at Banks (in Scheduled banks, in current accounts)	5,081	5,081
<b>Total</b>	<u>5,081</u>	<u>5,081</u>
<b>Schedule 4</b>		
<b>LOANS &amp; ADVANCES</b>		
Loans & Advances	1,46,138	1,46,138
<b>Total</b>	<u>1,46,138</u>	<u>1,46,138</u>
<b>Schedule 5</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Liabilities</b>		
<b>Total</b>	<u>-</u>	<u>-</u>
<b>Provisions</b>		
Audit fee	16,530	16,530
<b>Total</b>	<u>16,530</u>	<u>16,530</u>



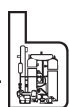
**SCHEDULES TO THE BALANCE SHEET**

**Schedule 6  
FIXED ASSETS**

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 31.03.2006	Additions/ deletions	As at 31.03.2007	Up to 31.03.2006	For the period	Upto 31.03.2007	As at 31.03.2007	As at 31.03.2006
1. Land	433,397	-	433,397	-	-	-	433,397	433,397
2. Buildings	4,563,895	-	4,563,895	1,943,620	131,014	2,074,634	2,489,261	2,620,275
3. Plant & Machinery	15,501,993	-	15,501,993	12,521,555	414,579	12,936,134	2,565,859	2,980,438
4. Office equipment	38,843	-	38,843	20,384	3,341	23,725	15,118	18,459
5. Furniture & Fixtures	71,445	-	71,445	47,305	4,369	51,674	19,771	24,140
6. Others	329,605	-	329,605	276,402	7,401	283,803	45,802	53,203
	20,939,178	-	20,939,178	14,809,266	560,704	15,369,970	5,569,208	6,129,912


**SCHEDULES TO THE PROFIT AND LOSS ACCOUNT**

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
<b>Schedule 7</b>		
<b>OTHER INCOME</b>		
Interest on Income tax refund	-	-
Other interest	-	-
Written off account	-	-
<b>Total</b>	<u>-</u>	<u>-</u>
<b>SCHEDULE 8</b>		
<b>SALARIES &amp; ALLOWANCES</b>		
Provident fund	-	-
<b>Total</b>	<u>-</u>	<u>-</u>
<b>SCHEDULE 9</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Bank charges	-	-
Bonus	6,735	-
Filing fee	500	1500
General expenses	-	-
Professional tax	-	2,500
Registration and renewals	-	500
Remuneration to Auditors	16,530	16,530
Secretarial Expenses	-	1,323
Write off	-	-
<b>Total</b>	<u>23,765</u>	<u>22,353</u>



## SCHEDULES 10 : NOTES ON ACCOUNTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### a) GENERAL

Financial Statements are prepared under Historical cost basis.

#### b) FIXED ASSETS AND DEPRECIATION

Fixed Assets are stated at their cost of acquisition less depreciation charged on Written Down Value Basis at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

#### c) INVESTMENTS

Investments are stated at cost.

#### d) DEFERRED TAXATION

In view of the uncertainty in realization of adequate profits in the coming years from the present scale of operations of the company no effect is given in respect of deferred taxation as per AS 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

#### e) INCOME AND EXPENDITURE

Income and expenditure are accounted on accrual basis.

	<u>2006-07</u>	<u>2005-06</u>
2. Managerial Remuneration	NIL	NIL
3. Auditors' Remuneration	Rs.16,530	Rs. 16,530
4. In view of the undertaking of the company being on lease the disclosure requirements of quantitative particulars under Part II Schedule VI to the Companies Act, 1956 are not applicable.		
5. The company did not employ any personnel during the year and as such did not incur any expenditure on employees.		
6. Amount due for more than 30 days to Small Scale Industrial undertakings where such dues exceeds Rs. 1.00 Lakhs are : NIL.		
7. Foreign Exchange Transactions - NIL -.		
8. Previous Year's figures are re-grouped wherever considered necessary		

As per our report of even date  
for V. Sridhar & Co.,  
Chartered Accountants,

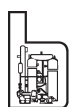
for and on behalf of the Board of Directors

Vemulapati Sridhar  
Proprietor

A. Prathap Reddy  
Chairman

G. Hemanth Reddy  
Director

Secunderabad. April 30, 2007



## CASH FLOW STATEMENT FOR THE YEAR 2006-2007

(Rupees in lacs)

	As at 2006-07	As at 2005-06
<b>A. Cash flows from operating activities</b>		
Net loss before tax	(-)4,64,469	(-)5,39,838
Less : Interest income considered	-	-
Add : Depreciation & non cash charges	5,60,704	6,37,485
Less : Decrease in Current Liabilities	-	-
Less : Increase in Debtors	(-) 96,235	(-) 97,647
Add : Decrease in Other Current Assets, Loans & Advances	-	-
Cash flow from Operating activities (A)	0	0
<b>B. Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets	-	-
Interest income received	-	-
Cash flow from Investing activities (B)	0	0
<b>C. Cash Flow From Financing Activities</b>		
Repayment of loans unsecured	-	-
Cash flow from Financing activities (C)	0	0
Net increase/(decrease) in cash and cash equivalents (A + B + C)	0	0
Cash and cash equivalents (beginning of year)	5,081	5,081
Cash and cash equivalents (end of year)	5,081	5,081

As per our report of even date  
for V. Sridhar & Co.,  
Chartered Accountants,

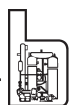
for and on behalf of the Board of Directors

Vemulapati Sridhar  
Proprietor

A. Prathap Reddy  
Chairman

G. Hemanth Reddy  
Director

Secunderabad. April 30, 2007



**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**  
AS PER PART IV THE SCHEDULE VI OF THE COMPANIES ACT, 1956

<b>I. Registration Details</b>			
Registration Number : 11-09027		State code	01
Balance Sheet Date : 31-3-2007			
<b>II. Capital raised during the year (Amount in Rupees Thousands.)</b>			
Public issue	Nil	Rights Issue	Nil
Bonus issue	Nil	Private Placement	Nil
<b>III. Position of the Mobilization and Deployment of Funds (Amount in Rupees Thousands.)</b>			
<b>Total Liabilities</b>	<b>21421.218</b>	<b>Total Assets</b>	<b>21421.218</b>
<b>Sources of Funds</b>			
Paid up capital	13000.000	Reserves and Surplus	0.000
Secured loans	0.000	Unsecured Loans	8421.218
<b>Applications of funds</b>			
Net Fixed Assets	6129.912		
Net Current Assets	304.836	Investments	100.000
Miscellaneous Expenditure	Nil		
Accumulated Losses	14886.470		
<b>IV. Performance of the Company (Amount in Rupees Thousands.)</b>			
<b>Turnover</b>	<b>120.000</b>	<b>Total expenditure</b>	<b>659.838</b>
(+) Profit / (-) Loss Before Tax	(539.838)	(+) Profit / (-) Loss After Tax	(539.838)
Earning per share (Rupees)	-	Dividend	-
Signatories to schedules '1' to '10'		for and on behalf of the Board of Directors	

As per our report of even date  
for V. Sridhar & Co.,  
Chartered Accountants,

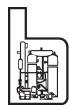
for and on behalf of the Board of Directors

Vemulapati Sridhar  
Proprietor

A. Prathap Reddy  
Chairman

G. Hemanth Reddy  
Director

Secunderabad. April 30, 2007



**FORM FOR ECS MANDATE / BANK MANDATE**

Sathguru Management Consultants Private Limited  
A/C BALAJI AMINES LIMITED  
Plot No. 15, Hindi Nagar,  
Punjagutta,  
Hyderabad - 500 034

Dear Sir,

I/We.....do hereby authorize Balaji Amines Limited to

- Credit my dividend amount directly to my Bank Account as per details furnished below by Electronic Clearing Services (ECS) - ECS Mandate.\*
- Print the details of my Bank account as furnished below, on my dividend warrant which will be mailed to me-Bank Mandate\*  
(\* Strike out whichever is not applicable)

Folio No.....

DP ID.....

(For Shares held in physical form)

Client ID.....

- A. Name of First holder .....
- B. Bank Name .....
- C. Branch Name .....
- D. Branch Address (for ECS Mandate only) .....
- E. Bank Account Number .....
- F. Account Type (Saving / Current) .....
- G. 9 Digit Code Number of the bank & branch .....

Appearing on the MICR cheque  
(for ECS Mandate only)

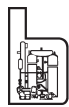
I hereby declare that particulars given above are current and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied as above, Balaji Amines Limited will not be held responsible.

\_\_\_\_\_  
Signature of first named shareholder  
(as per specimen lodged with the Company)

**Note:** Please attach a blank cancelled cheque or a photocopy of a cheque issued by your Bank relating to your above account.



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**BALAJI AMINES LIMITED**

Regd. Office: 165-A, Balaji Bhavan, Railway Lines,  
Solapur - 413 001.

**FORM OF PROXY**

I/We.....  
of .....  
being a member/members of M/s. BALAJI AMINES LIMITED hereby appoint.....  
of.....  
.....or failing him.....  
.....of.....

as my/our proxy to vote for me/us and on my / our behalf of as indicated below at the Ninteenth Annual General Meeting of the Company to be held at 11-30 a.m. on Thursday the 6th September, 2007 and at any adjournment thereof.

Agenda Item	Vote *	Agenda Item	Vote *
No.1		No.2	
No.3		No.4	
No.5		No.6	

Signed this the ..... day of ..... 2007.

\* Please state in this column whether 'in favour of' or 'against'

NOTE: Proxy Form duly completed must reach the Company's Corporate Office at least 48 hours before the commencement of the meeting.

Affix  
Re.1/-  
Revenue  
Stamp



**BALAJI AMINES LIMITED**

Regd. Office: 165-A, Balaji Bhavan, Railway Lines,  
Solapur - 413 001.

**ATTENDANCE SLIP**

DP. Id No : .....

Master Folio No : .....

Client Id : .....

No.of Shares : .....

NAME AND ADDRESS OF THE SHAREHOLDER

I hereby record my presence at the Ninteenth Annual General Meeting of the Company, being held on Thursday the 6th September, 2007 at 11-30 a.m. at the Registered Office of the Company.

Signature(s) of the member(s) or proxy present.



