

TWENTIETH ANNUAL REPORT 2002 - 2003

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BAMBINO AGRO INDUSTRIES LIMITED

BAMBINO AGRO INDUSTRIES LIMITED**BOARD OF DIRECTORS**

Shri M. Kishan Rao
 Shri M. Subramanyam
 Shri M. Raghuvver
 Shri S. Ramaswamy
 Smt. V. Annapoorani
 Shri D.J. Shukla
 Shri S. Santhanam
 Shri Rajender Pershad
 Shri Mansoor Yar Khan

Chairman and Managing Director
 Wholetime Director
 Director
 Director
 Director (Upto 19.09.2002)
 Director (Upto 31.03.2003)
 Director (Upto 31.03.2003)
 Director (From 30.06.2003)
 Director (From 30.06.2003)

COMPANY SECRETARY

Shri C. Durga Prasad

REGISTERED OFFICE:

Surya Towers, 4th Floor,
 'E' Block, 104, S.P. Road,
 Secunderabad - 500 003.

ADMINISTRATIVE OFFICE

Surya Towers, 2nd Floor,
 F-Block, 104, S.P. Road,
 Secunderabad - 500 003.

MANUFACTURING FACILITIES AT

Bibinagar, Bhongir Mandal
 Nalgonda District,
 Andhra Pradesh.

Begumpur Khatola Village,
 Gurgaon, Haryana.

AUDITORS

PRV ASSOCIATES
 Chartered Accountants,
 Hyderabad - 500 029.

BANKERS

State Bank of India,
 Commercial Branch,
 Bank Street, Koti,
 Hyderabad.

Indian Overseas Bank
 Adarshmagar Branch,
 Hyderabad.

TWENTIETH ANNUAL GENERAL MEETING

Day : Friday
 Date : 26th December, 2003
 Time : 2.30 P.M.
 Place : Bantia Gardens, Bantia Estate,
 207, Sikh Road,
 Secunderabad - 500 003

LISTING OF EQUITY SHARES

The equity shares of the company are listed at the following Stock Exchanges.

1. The Hyderabad Stock Exchange Ltd.
2. The Delhi Stock Exchange Association Ltd.
3. Mangalore Stock Exchange
4. The Stock Exchange, Mumbai
5. Madras Stock Exchange Ltd.

ANNUAL REPORT 2002-2003

Contents	Page No.
Notice of Annual General Meeting	2
Directors' Report	5
Annexure to Directors' Report	7
Report on Corporate Governance	10
Disclosure under Clause 43A(2)	14
Auditor's Certificate on Corporate Governance	17
Auditors' Report	18
Balance Sheet	21
Profit and Loss Account	22
Notes on Accounts	29
Cash Flow Statement	35

BAMBINO AGRO INDUSTRIES LIMITED**NOTICE**

NOTICE is hereby given that the **TWENTIETH ANNUAL GENERAL MEETING** of the Members of **BAMBINO AGRO INDUSTRIES LIMITED** will be held on **Friday, the 26th day of December, 2003 at 2.30 P.M.** at Bantia Gardens, Bantia Estate, 207, Sikh Road, Secunderabad - 500 003, to transact the following business.

ORDINARY BUSINESS:

- 1) To receive and adopt the Balance Sheet as at 30th June, 2003 and the Profit and Loss Account for the 15 months period ended 30th June, 2003 and the Reports of the Board of Directors and Auditors thereon.
- 2) To appoint Director in place of Sri. S. Ramaswamy, who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

- 4) To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT Sri Rajender Pershad, who was appointed by the Board of Directors as Additional Director of the company under Section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and for the appointment of whom the company has received a notice under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as Director of the company whose period of office will be liable to determination by retirement by rotation"

- 5) To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT Sri Mansoor Yar Khan, who was appointed by the Board of Directors

as Additional Director of the company under Section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and for the appointment of whom the company has received a notice under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as Director of the company whose period of office will be liable to determination by retirement by rotation".

- 6) To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution.

"RESOLVED THAT subject to regulatory approvals as may be required, the consent of the Company be and is hereby accorded for delisting of the equity shares of the Company from the Hyderabad Stock Exchange Ltd (Regional Stock Exchange), Madras Stock Exchange Ltd., Delhi Stock Exchange Association Ltd., and Mangalore Stock Exchange".

"RESOLVED FURTHER THAT Board of Directors of the Company be and are hereby authorised to take the necessary steps for delisting of equity shares"

BY ORDER OF THE BOARD

C. DURGA PRASAD
COMPANY SECRETARY

Place: Secunderabad

Date: 27th November, 2003

NOTES:

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXY IN ORDER TO BE EFFECTIVE MUST BE LODGED WITH THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- 2) The Register of Members will remain closed from 19th December, 2003 to 26th December, 2003 (both days inclusive). The



BAMBINO AGRO INDUSTRIES LIMITED

transfer books of the Company will also remain closed for the above said period.

- 3) Members are requested to intimate the Company or Registrar, the details or clarifications, if any, required in relation to this Annual Report, atleast 7 (Seven) days before the Meeting to enable the Management to keep the information ready at the Meeting.
- 4) As a measure of economy, Members/ proxies are requested to bring their copies of Annual Report to the Meeting and the attendance slip duly filled in for attending the Meeting. Copies of Annual Reports will not be provided at the Meeting.
- 5) Unclaimed dividend of the year 1995-96 has been transferred to the Investor Education & Protection Fund of the Central Government and the unclaimed dividend for the subsequent years will be transferred to the said fund as under.

Financial Year	Date of Declaration	Due Date of Transfer
1996-97	26.09.1997	25.09.2004
1997-98	30.09.1998	29.09.2005

Members who have not encashed their dividend warrants pertaining to these years may have their warrants revalidated by sending them to the Registered Office of the Company. It may be noted that once the unclaimed dividend is transferred to the Investor Education and Protection Fund, no claim shall lie against the company.

- 6) The company's shares are now available for trading in demat form. Investors are requested to open an account with a depository participant to trade in the dematerialised form.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO.4

Mr. Rajender Pershad was appointed by the Board of Directors as an Additional Director with effect from 30th June, 2003. As per the provisions of Section 260 of the Companies Act, 1956 and Article 104 of the Articles of Association, an Additional Director appointed by the Board shall hold office only upto the date of the ensuing Annual General Meeting of the company.

The company has received a notice in writing from a member proposing the candidature of Mr. Rajender Pershad for the office of the Director along with the requisite deposit.

None of the Directors of the company except Mr. Rajender Pershad may be deemed to be concerned or interested in the resolution.

ITEM NO.5

Mr. Mansoor Yar Khan was appointed by the Board of Directors as an Additional Director with effect from 30th June, 2003. As per the provisions of Section 260 of the Companies Act, 1956 and Article 104 of the Articles of Association, an Additional Director appointed by the Board shall hold office only upto the date of the ensuing Annual General Meeting of the company.

The company has received a notice in writing from a member proposing the candidature of Mr. Mansoor Yar Khan for the office of the Director along with the requisite deposit.

None of the Directors of the company except Mr. Mansoor Yar Khan may be deemed to be concerned or interested in the resolution.

ITEM NO.6

Securities and Exchange Board of India (SEBI) has issued guidelines called "Securities and Exchange Board of India (Delisting of Securities Guidelines) 2003". These guidelines permit the Company for voluntary delisting of equity shares from one or more stock exchanges where the shares of the Company are listed. Pursuant to these guidelines, if the shares of the Company are

BAMBINO AGRO INDUSTRIES LIMITED

listed on the Stock Exchange having nation-wide trading terminals i.e., Stock Exchange, Mumbai and National Stock Exchange, an exit opportunity need not be given to the shareholders.

The company's equity shares are listed on the following stock exchanges.

1. Hyderabad Stock Exchange Ltd. (Regional Stock Exchange),
2. Madras Stock Exchange Ltd.,
3. Delhi Stock Exchange Association Ltd.,
4. Mangalore Stock Exchange
5. The Stock Exchange, Mumbai (BSE)

The company's shares are not being traded in a material way regularly at the listed stock exchanges. The trading volumes of the company's equity shares on Hyderabad Stock Exchange has been extremely low while the trading in other stock exchanges viz., Madras Stock Exchange Ltd, Delhi Stock Exchange Association Ltd and Mangalore Stock Exchange has been zero. With extensive network of BSE terminals to other cities, the investors have access to trade and deal in the company's equity shares across the

country. It is therefore felt that continued listing with the above mentioned stock exchanges except The Stock Exchange, Mumbai does not provide any significant advantage to the members of the company. On the other hand, delisting of the company's shares from the aforesaid stock exchanges except BSE would enhance administrative convenience and save cost of listing fee etc. It is therefore proposed to delist the equity shares of the company as set out in item 6. The company's shares would continue to be listed on BSE.

Your Directors recommend the resolution for your approval.

None of the Directors are deemed to be concerned or interested in the above resolution except as members.

BY ORDER OF THE BOARD

C.DURGA PRASAD
COMPANY SECRETARY

Place: Secunderabad

Date: 27th November, 2003

BAMBINO AGRO INDUSTRIES LIMITED



DIRECTORS' REPORT

TO
THE MEMBERS

Your directors present the 20th Annual Report for the financial period ended 30th June, 2003. The Financial period under review was extended by three months from 31st March, 2003 to 30th June, 2003 and therefore the Accounts of the Company presented are for a period of fifteen months from 1st April, 2002 to 30th June, 2003.

FINANCIAL PERFORMANCE

(Rupees in Lakhs)

	Period ended 30.06.2003 (15 months)	Year ended 31.03.2002
Sales and other income	8525.66	7344.20
Profit before Interest, Depreciation and Tax	257.85	699.34
Less: Interest	364.91	783.95
Profit/(Loss) after Interest but before Depreciation & Tax	(107.06)	(84.61)
Less: Depreciation	337.33	282.62
Profit/(Loss) before tax	(444.39)	(367.23)
Less: Taxation		
(a) Current Tax	—	—
(b) Deferred Tax Asset	42.40	148.97
Profit/(Loss) after tax	(401.99)	(218.26)

The fast moving consumer goods sector under performed during the period under review due to difficult business conditions. The negative growth witnessed in the food processing segments is due to variety of factors. Falling rural income was one of the major factors which contributed to subdued demand. This coupled with increased competitive activity in the organised sector impacted the realisations of fast moving consumer goods. The performance

of the company is to be viewed against the backdrop of the overall Industry Scenario. Despite these difficult market conditions, your company could sustain the volumes. However, the margins were under severe pressure due to low price competition. The company is working out a financial restructuring scheme, with financial institutions seeking restructuring of the debt and grant of certain reliefs and concessions. After the approval and implementation of the financial restructuring supported by other envisaged proactive initiatives to drive volume growth and effective management of cost and expenses, the company is hopeful of improving its overall financial performance.

DIVIDEND:

In view of loss incurred for the 15 months period ended 30th June, 2003, your Directors regret their inability to recommend any dividend.

MANAGEMENT DISCUSSION, ANALYSIS AND CORPORATE GOVERNANCE:

Reports of the Management discussion, analysis and status report on compliance of corporate governance are annexed and forms part of this report.

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors confirm that:-

1. in preparation of the Accounts under review, the applicable accounting standards have been followed;
2. appropriate accounting policies have been applied consistently. Judgement and estimates which are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at the end of 15 months period, 30th June, 2003 and of the profit/loss of the Company for the period under review.
3. 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;

BAMBINO AGRO INDUSTRIES LIMITED

4. the Accounts for the period under review have been prepared on a "going concern" basis.

BOARD OF DIRECTORS:

In accordance with the provisions of Companies Act, 1956 and Company's Articles of Association Mr. S. Ramaswamy retire by rotation and being eligible offer himself for reappointment.

Mr. D.J. Shukla and Mr. S. Santhanam had resigned from the Board with effect from 1st April, 2003. The Board places on record its appreciation for the services and valuable guidance rendered by them during their tenure as Directors.

Mr. Rajender Pershad and Mr. Mansoor Yar Khan have been appointed as additional Directors on the Board on 30.6.2003 and holds office upto the date of the ensuing Annual General Meeting. Notices have been received under Section 257 of the Companies Act, 1956 proposing their candidature to the office of Director of the Company. The Directors of your company recommended their appointment.

REPLIES TO AUDITORS OBSERVATION

Observation under clause 2(f) of their report.

The company has approached the Financial Institutions for Restructuring of debt which involves granting of certain concessions/waiver of interest. Pending approval from Financial Institutions, no provision has been made towards interest on term loans. The company is following up with Financial Institutions for early sanction of the restructuring proposal.

AUDITORS:

M/s.PR.V Associates, Chartered Accountants, Hyderabad, the Company's Auditors retire at the conclusion of the Annual General Meeting and are eligible for re-appointment.

PARTICULARS OF EMPLOYEES:

As none of the employees of the Company has received remuneration in excess of the prescribed limits, the statement required under Sub-section 2A of Section 217 of the Companies Act, 1956 and pursuant to the

Companies (Particulars of Employees) Rules, 1975 is not given.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND:

In terms of Section 205C of the Companies Act, 1956, an amount of Rs.4,64,346/- being the unclaimed dividend for more than 7 years was transferred to the Investor Education and Protection Fund.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO.:

The requisite information pursuant to the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are given in the annexed statement.

INDUSTRIAL RELATIONS:

During the year under review, the industrial relations at both the units of the company continue to be cordial and peaceful.

ACKNOWLEDGEMENTS:

The Directors wish to acknowledge and record their appreciation of the support received from company's Bankers and term lending financial institutions. Your Directors also place on record their appreciation of the contribution made by the employees at all levels.

Your Directors also wish to express their thanks to the shareholders, suppliers, stockists, selling agents and customers for the confidence reposed in the company and the support extended by them.

FOR AND ON BEHALF OF THE BOARD

M. KISHAN RAO
CHAIRMAN & MANAGING DIRECTOR.

PLACE : SECUNDERABAD
DATE : 27th NOVEMBER, 2003

BAMBINO AGRO INDUSTRIES LIMITED



ANNEXURE TO DIRECTORS' REPORT

Additional information as required under the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1998

CONSERVATION OF ENERGY.

a) Energy conservation measures taken:

- i) Energy efficient systems adopted to improve energy conservation.
- ii) Use of Light Diesel Oil (LDO) in place of High Speed Diesel (HSD) Oil to reduce energy cost.

b) Additional investment and proposal being considered for reduction of consumption of energy:

Conversion of systems for switching over from high cost fuel to low cost fuel planned.

c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

The benefits of the measures at (a) and (b) have partly accrued and additional benefits are expected to be realized in the coming years.

FORM - A

Form for Disclosure of particulars with respect to conservation of Energy

A. Power and Fuel Consumption		2002-2003 (15 Months period)	2001-2002 (12 Months period)
1. Electricity			
a) Purchased Units		45,59,057	30,72,135
Total Amount (Rs)		1,90,35,057	1,34,63,511
Rate/Unit (Rs)		4.18	4.38
b) Own Generation.			
(i) Through diesel generator (Units)		22,84,426	20,99,595
Units per-ltr. of diesel Oil(Units)		3.40	3.02
Cost/Unit (Rs)		5.31	5.41
2. Coal		N	N
Quantity (tones)		O	O
Total Cost (Rs.)		T	T
Average Rate (Rs.)			
3. Furnace Oil		A	A
Quantity (tones)		P	P
Total Amount (Rs.)		P	P
Average Rate (Rs)		L	L
		I	I
4. Other/internal generation		C	C
Quantity		A	A
Total Cost (Rs)		B	B
Rate/Unit (Rs)		L	L
		E	E
B. Consumption per unit of production			
Production-Pasta and Wheat Products (MTS)		43,756	34,676
Electricity (Units/Ton)		156.40	148.75
Diesel Oil (Ltrs/Ton)		25.30	30.95

BAMBINO AGRO INDUSTRIES LIMITED**FORM B**

Form for disclosure of particulars with respect to absorption

Research and development (R & D)

- | | | |
|--|---|---|
| 1. Specific areas in which R & D carried out by the Company | : | New product development and development of new pasta variants |
| 2. Benefits derived as a result of the above R & D | : | Cost reduction and drive in volumes growth. |
| 3. Future plan of action | : | Varied product offerings at affordable price. |
| 4. Expenditure on R & D | | |
| (a) Capital | } | |
| (b) Recurring | } | NEGLIGIBLE |
| (c) Total | } | |
| (d) Total R & D expenditure as a percentage of total turnover: | } | |

Technology absorption, adaptation

- | | | |
|---|---|--|
| 1. Efforts, in brief, made towards technology absorption, adaptation and innovation | : | Technology Absorbed |
| 2. Benefits derived as a result of the above efforts, eg., product improvement cost reduction, product development, import substitution, etc. | : | Indigenous spares developed for several imported parts/ components |
| 3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished: | } | |
| a) Technology imported: | } | |
| b) Year of import: | } | NOT APPLICABLE |
| c) Has technology been fully absorbed? | } | |
| d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action. | } | |

FOREIGN EXCHANGE EARNINGS/OUTGO	:	Earnings	:	Rs.50,60,351
		Out go	:	Rs. 5,78,678

BAMBINO AGRO INDUSTRIES LIMITED**MANAGEMENT DISCUSSION AND ANALYSIS****INDUSTRIAL SCENARIO:**

The Processed Food Industry in India remains a mixed field of rural and urban players. Increase in market penetration is critical to growth of the industry. There is a tremendous focus on the lower price points in this market. Food processing sector plays an important role in the performance of the economy as a whole. Recognizing the importance of the food processing industry, the Government of India is encouraging investments in the sector through pragmatic policies. Encouraged by these policy initiatives, substantial investments were made in private sectors which is contributing substantial to GDP growth. The company is primarily engaged in the manufacture and sale of Vermicelli, Macaroni, and other pasta products, a part of the food business in the food processing segment. All these products are sold under the brand name "BAMBINO", which has acquired high degree of popularity with consumers. The total size of the industry is estimated to be around Rs.225 crores and the company is the market leader. The products are characterized by impulsive buying and hence brand image, attractive packaging, product quality, trade and consumer offers, competitive pricing are key factors to the success. In the past few years, the growth of pasta sector witnessed intense competition from both organized and unorganized sectors. This situation has led to low priced competition thereby affecting the price realizations.

OPPORTUNITIES:

In FMCG Sector, growth is not given, but growth has to be created. To achieve this, focus should be on product innovation and changing consumer behaviour. The trend of increased rural consumption of pasta products affords tremendous opportunity for this sector to grow. Also the per capita consumption of pasta products in India is less compared to developed countries. However, there are new players in the organized sector who have already entered into this segment leading to vigorous competition. Though the initial impact will be felt by the company, however the company with its inherent strength supported by strong brand image is confident of driving growth in the future. The biggest opportunity lies in increasing the depth and width of the market by the introduction of varied product offerings and innovating sales and marketing plans and the

company would be focussing on these aspects to exploit this opportunity.

RISKS AND CONCERNS:

The Company's profitability to a large extent is dependent on the vagaries of nature as the price of most of the agriculture-based raw materials depends on the performance of the monsoon. Increased spends on education, consumer durables, entertainment, travelling, changing food habits, low price competition, spurious/counterfeit products, change in fiscal benefits and unfavourable raw material prices might affect the business of this sector. Also the strengthening of the Rupee against Dollar may have a negative impact on export realizations.

INTERNAL CONTROL SYSTEMS:

Your Company has an adequate internal control in place, which ensures that all the transactions of the Company are duly authorized and properly recorded. There is proper safeguard of assets through internal control system, which prevents any wastage, loss and unauthorized use of an asset.

There is an effective and independent internal audit department operating in the Company, which is responsible for implementing and review of the adequate internal control system within the organization and to suggest the corrective measures wherever necessary. The Audit Committee of the Board periodically reviews the internal control system of the Company.

FINANCIAL RESULTS:

The company during the 15 months period under review achieved a turnover of Rs.8475 lakhs resulting in a loss of Rs.402 lakhs. The losses are on account of difficult market conditions leading to lower sales realisations. The company is working out a financial restructuring scheme with financial institutions which is expected to bring down the finance charges substantially and also leading to improved overall performance.

HUMAN RESOURCES:

The Company believes on the philosophy that skills contribute to the quality of the product, best utilization of resources, higher yields and productivity. The Management gives special emphasis on continuous upgradation of skills and to keep abreast the employees with latest changes in their respective areas.

The Company has maintained cordial relations with the employees throughout the period under review.