

TENTH ANNUAL REPORT 2002-2003

Report  junction.com



Bhagiradha Chemicals & Industries Limited

**BOARD OF DIRECTORS**

D. Ranga Raju

G. Satyanarayana Raju

D. Sadasivudu

S. Koteswara Rao Managing Director

BANKERS

ICICI Bank Limited

AUDITORS

R. Kankaria & Uttam Singhi
Chartered Accountants
Hyderabad - 500 082.

REGISTERED OFFICE

8-2-269/S/3/A,
Sagar Society
Road No.2
Banjara Hills,
Hyderabad - 500 034.

FACTORY

Cheruvukommupalem Village
Yerajarla road
Ongole Mandal
Prakasam District
Andhra Pradesh



NOTICE

Notice is hereby given that the tenth Annual General Meeting of the Shareholders of Bhagiradha Chemicals & Industries Limited will be held at 2.30 P.M. on Saturday, the 27th day of September, 2003 at Hotel Green Park, Ameerpet, Hyderabad to transact the following business:

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Director's Report and the Auditors Report and the Audited Profit & Loss Account for the financial year ended 31st March, 2003 and the Balance Sheet as at that date.
- 2) To appoint a Director in place of Sri G. Satyanarayana Raju who retires by rotation in terms of Article 143 of the Articles of Association of the Company and being eligible, offers himself for reappointment.
- 3) To appoint a Director in place of Sri S. Koteswara Rao who retires by rotation in terms of Article 143 of the Articles of Association of the Company and being eligible, offers himself for reappointment.
- 4) To appoint M/s. R. Kankaria & Uttam Singhi, Chartered Accountants, as Auditors of the company from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Board.

SPECIAL BUSINESS

- 5) To consider, and if thought fit, to pass with or without modifications, the following resolution as a special resolution:

"RESOLVED THAT pursuant to Section 314(1) of the Companies Act, 1956 and subject to the approval at the General Meeting, Mr. S. Chandra Sekhar, son of the Managing Director of the company be and is hereby appointed as a management trainee with a consolidated monthly stipend of Rs.15000/- with effect from 28th September, 2002 for a period of fifteen months."

By Order of the Board

Date : 26-06-2003
Place : Hyderabad

S. Koteswara Rao
Managing Director

**ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT**

As required by Section 173(2) of the Companies Act, 1956, the following explanatory statement sets out material facts relating to the business under item 5 of the accompanying notice.

ITEM 5:

Mr. S. Chandra Sekhar is a chemical engineer holding B.Tech. degree with distinction from Osmania University and M.S. in Chemical Engineering from the University of Illinois at Chicago. It is considered that his association will strengthen the company's efforts in setting up of a research and development facility and also upgrade the abilities in optimization of production processes.

It is considered appropriate that he joins the company as a management trainee to fully acquaint with the requirements of the industry.

Your Directors in their meeting held on 30th January, 2003 have considered the matter and recommended the appointment.

Sri S. Koteswara Rao has interest in the proposed resolution to the extent that Mr. S. Chandra Sekhar is his son. No other Director of the company has any interest or concern in the proposed resolution.

The resolution set out in the accompanying notice together with the explanation should be treated as an extract under Section 302 of the Companies Act, 1956.

The Directors recommend the proposed resolution for approval of the shareholders.

NOTES

- 1) The Register of Members and Share Transfer Books of the Company will remain closed from Monday, the 15th day of September, 2003 to Saturday, the 27th day of September, 2003 (both days inclusive).
- 2) The Equity Shares of the Company are Listed at the following Stock Exchanges :
 - a) The Hyderabad Stock Exchange Limited
3-6-275, Himayatnagar
Hyderabad - 500 029.
 - b) The Stock Exchange, Mumbai
Phiroze Jeejeebhay Towers,
Dalal Street, Mumbai - 400 023.

The company has paid the Annual Listing fees to each of the above Stock Exchanges as per the Listing Agreement.
- 3) The share holders may address their communication to the Registrar and Share Transfer Agent of the company, M/s XL Softech Systems Limited, Plot No.3, Sagar Society, Road No.2, Banjara Hills, Hyderabad - 500 034 or to the Registered office of the company.
- 4) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his / her stead and such proxy need not be a member of the company. The proxy forms should be lodged with the Registered Office of the company not later than 48 hours before the commencement of the meeting.
- 5) Members / Proxies are requested to deposit the enclosed Attendance Slip duly filled in and signed for attending the meeting.



DIRECTORS' REPORT

To
The Share Holders

Your directors have pleasure in presenting their tenth annual report together with the audited accounts of the company for the year ended 31st March, 2003.

FINANCIAL RESULTS

	Rs. in lakhs	
	Year ended 31-03-2003	Year ended 31-03-2002
Sales and Other Income	4232	3204
Profit Before Depreciation	364	208
Less: Depreciation	74	68
Profit Before Tax	290	140
Less: Provision for taxation		
- current year tax (MAT)	21	11
- deferred tax	89	51
Profit After Tax	180	78
Add: Balance brought forward from previous year	(26)	(104)
Profit carried to Balance Sheet	154	(26)

PERFORMANCE

During the year under review, your company has achieved a turnover of Rs.4091 lakhs compared to Rs.3009 lakhs in the previous year. The company has produced 1376 MT's during the current year compared to 950 MT's in the previous year. The focus remains on cost reduction and improved capacity utilisation through implementation of good engineering practices.

NEW PRODUCT

The company has commenced work on the new weedicide product namely triclopyr which is used for control of weeds in pastures, plantations and on vacant land. The product has got good demand in international market and the management is confident to export the entire production. The management is also hopeful to commence the commercial production before the year end.

ENVIRONMENT PROTECTION

The company fully complies with the requirements for environmental protection and meets the statutory norms in this regard.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, a Management Discussion and Analysis Report and a Report on Corporate Governance are annexed.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Your directors confirm:

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) that they have selected such accounting policies and applied them consistently to make judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year ended 31st March, 2003 and of the profit of the company for that year;
- iii) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company; and
- iv) that the annual accounts are prepared on a going concern basis.

INDUSTRIAL RELATIONS

Industrial relations have been cordial during the year. Your directors place on record their appreciation of the dedicated services rendered by the employees.

The company is committed to operational safety and environmental protection and these are given due priority at the company's plant and facilities.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

- **CONSERVATION OF ENERGY**

The products manufactured by the company are material intensive. However, consistent efforts are being made for identifying the potential for energy saving in various operations.

The requisite information with regard to conservation of energy as required under Section 217(1)(e) of the Companies Act, 1956 and the Rules made therein, are given in Annexure which is attached hereto and forms part of the Director's Report.

- **TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

The manufacturing practices are being continuously updated to enhance productivity and bring down the cost of production.

- **FOREIGN EXCHANGE EARNINGS AND OUTGO**

- Earnings	Rs.609.81 lakhs
- Outgo	Rs.449.44 lakhs

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Sri G. Satyanarayana Raju and Sri S. Koteswara Rao are retiring by rotation at the forthcoming Annual General Meeting of the company and being eligible, offer themselves for reappointment.

**AUDITORS**

M/s. R. Kankaria & Uttam Singhi, Chartered Accountants, are due to retire as auditors of the company at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. The company has received a letter from the auditors to this effect u/s 224 (1-B) of the Companies Act, 1956.

FIXED DEPOSITS

The company has not accepted any fixed deposits and therefore, the provisions of Section 58A of the Companies Act, 1956 are not applicable to the company.

STOCK EXCHANGES

The shares of your company have been listed on the Stock Exchanges in Mumbai and Hyderabad and the annual listing fees for these Stock Exchanges have been paid.

PARTICULARS OF THE EMPLOYEES

Particulars of employees in accordance with provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are not given, as none of the employees qualify for such disclosure.

ACKNOWLEDGEMENT

The Board desires to place on record its appreciation of the valuable co-operation and continuous support extended to the company by the Statutory Organisations, ICICI Bank, TIFAC, esteemed customers and members of the company.

For and on behalf of the Board

S. KOTESWARA RAO
Managing Director

D. SADASIVUDU
Executive Director

Place : Hyderabad
Date : 26/06/2003



BHAGIRADHA CHEMICALS & INDUSTRIES LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

FORM - A
(See Rule - 2)

PARTICULRS	For the year ended	
	31-03-2003	31-03-2002
I) ENERGY CONSERVATION		
A) Power and Fuel Consumption		
1) Electricity		
i) Purchased Units (kwh)	45,08,925	37,87,602
- Total Amount (Rs.)	1,67,93,538	1,53,33,284
- Unit Rate (Rs.)	3.72	4.05
ii) Own Generation (on Diesel)		
a) Diesel Consumption (ltrs)	1,21,025	69,165
- Units	3,78,675	2,15,153
- Units per ltr of Diesel Oil	3.13	3.11
- Total Amount (Rs.)	23,19,923	12,01,958
- Cost / Unit (Rs.)	6.12	5.59
b) Steam Turbine Generation		
- Units	NIL	NIL
- Units per ltr of Diesel Oil	NIL	NIL
- Cost / Unit (Rs.)	NIL	NIL
2) 'C' Grade Coal used in Boiler		
- Quantity (MT)	2765.190	2880.400
- Total Amount (Rs.)	59,78,635	62,94,079
- Average Rate / Ltr	2,162	2,185
3) Furnace Oil		
- Quantity (Ltrs)	11,11,116	4,78,644
- Total Amount (Rs.)	1,33,17,690	45,59,713
- Average Rate / Ltr.	11.99	9.53
4) Others / Internal Generation		
- Quantity	NIL	NIL
- Total Amount	NIL	NIL
- Rate / Unit	NIL	NIL
II CONSUMPTION PER TON OF PRODUCTION		
- Electricity purchased / Own Generation (Units)	3550	4210
- Furnace Oil (Ltrs)	807	503
- Coal - Quality 'C' Grade (MT)	2.01	3.03
- Others (Specify)	NIL	NIL



ANNEXURE MANAGEMENT DISCUSSION AND ANALYSIS

a) INDUSTRY STRUCTURE AND DEVELOPMENTS

The company's operations are classified into Agro Chemicals and comprises of manufacture and sale of chlorpyrifos. Presently, there are five manufacturers of chlorpyrifos in India and all of them have increased their capacity significantly over the past several years. The structure of the industry is still oligopolistic with a few major players ruling the market and making this industry more commoditised through bulk selling focused on volume rather than on value addition.

b) OVERALL REVIEW

The growth of agrochemical industry is mainly dependent on favourable climatic conditions and the general economic environment. Financial year 2002-2003 was a difficult year for the industry due to the adverse climatic conditions in India as well as in several other parts of the world. This has resulted in a significant pressure on the volume and profitability of the business. The entire year has witnessed a period of uncertainty which called for a reorientation of business strategies for many players.

Despite adverse conditions, the company has performed reasonably well and enhanced its market share in a difficult year. The company envisages to consolidate its position further through product diversification and strategic alliance with global trading companies to improve its reach to the world market.

c) FINANCIAL REVIEW

(Rs. In lakhs)

Particulars	2002-2003	2001-2002	% of Change (+/-)
i) Net Sales	4091	3009	36%
ii) EBITD	531	357	49%
iii) PAT	180	78	131%
iv) Finance Charges	167	148	13%
v) Gross Fixed Assets	1544	1485	4%
vi) Debt Equity Ratio	0.92	1.23	(25%)

d) OPPORTUNITIES AND THREATS

India being predominantly an agro based country, offers several opportunities to agro chemical industry with significant potential for growth and investment.

The WTO agreement which stipulates gradual reduction in import duty to achieve the target rate by the year 2005 will have a notable impact. Far reaching changes in the regulatory and technological environment will make the local manufacturers more exposed to greater competition from large integrated overseas players because of introduction of newer products into the Indian market. The company is fully conscious of these dictates and is responding to these changes with as much of broad basing as possible and by arranging strategic cooperation to enhance its reach to world markets.

e) RISKS AND CONCERNS

There is growing concern in the industry for shift in preferences and product obsolescence. The company is exploring every opportunity to evolve a product range that ensures a reasonable share for it in the Indian as well as in the global market.



BHAGIRADHA CHEMICALS & INDUSTRIES LIMITED

Financial risks include growing pressure on prices and profits, as well as credit risk dependent on declining financial condition of company's customers. The company is addressing to mitigate the financial risks by discharging its liabilities on time and keeping its borrowings at the minimum level.

All the assets of the company including plant and machinery, buildings, equipments etc. have been adequately insured as a part of its overall risk management strategy.

f) INTERNAL CONTROL SYSTEM

The company maintains an adequate and effective internal control systems and suitable monitoring procedures with regard to the purchase of raw materials, stores, plant & machinery, equipment and other assets as well as for sale of goods. The finance and commercial functions have been structured to provide adequate support and controls for the business of the company.

The company believes that these internal control systems provide, among other things, a reasonable assurance that transactions are executed with management authorization and that they are recorded in all material respects to permit preparation of financial statements in conformity with established accounting principles and that the assets of the company are adequately safe-guarded.

g) ENVIRONMENT AND SAFETY

The company's environment policy follows strict compliance with the environmental legislations for prevention of pollution of air and water and to make continuous efforts for improvement in such environmental friendly performance. The company believes that its resources are conserved by minimization of process wastes and also by having an efficient environmental management system for treatment and safe disposal of such wastes. The company provides safe work place within the organization and ensures that safety consciousness is spread amongst all the employees.

h) INDUSTRIAL RELATIONS AND HUMAN RESOURCE DEVELOPMENT

The company considers that its relationship with its employees as vital and ensures that employees feel valued and is endeavoring to create an environment and culture within which every employee can put his best efforts and maximize his contribution. The company's approach and efforts are thus directed towards creating a congenial work atmosphere for individual growth, creativity and greater dedicated participation in organizational development.

The company ensures that all its employees remain competent through education, skills, training and experience as necessary. The initiatives taken by the management in this direction will help in attaining professional and productive culture by a blend of technology and highly skilled manpower. The company has employed 142 persons as on 31st March, 2003.

i) CAUTIONARY STATEMENT

Statements in the Management's Discussion & Analysis Report which seek to describe the company's objectives, projections, estimates, expectations or predictions may be considered to be "forward looking statements" and are stated as required by applicable laws and regulations. Actual results could differ from those expressed or implied. Many factors including global and domestic demand - supply conditions, prices, raw materials availability, technological changes, changes in government regulations, tax laws and other statutes that may affect the actual results, which could be different from what the Director's envisage in terms of future performance and outlook.