

BKV

INDUSTRIES LIMITED

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**TWELFTH ANNUAL REPORT
2004-2005**

BOARD OF DIRECTORS

SRI BOMMIDALA KASIVISWANADHAM, Chairman

SRI BOMMIDALA RAMA KRISHNA, Managing Director

SMT. BOMMIDALA SAROJA DEVI, Director

SMT. BOMMIDALA ANITHA, Director

SRI NELLORE DOLENDRA PRASAD, Director

STOCK EXCHANGES :**The Hyderabad Stock Exchange Ltd.**Admn. Office : 6-3-654,
Adjucent to Erramanjil Bus Stop,
Somajiguda, Hyderabad-500 082**Madras Stock Exchange Ltd.**Post Box No. 183,
II, 2nd Line Beach,
CHENNAI - 600 001.**The Stock Exchange, Mumbai**Rotunda Building, P.J.Towers,
Dalal Street, Fort, MUMBAI - 400 001.**The Calcutta Stock Exchange Association Ltd.**7, Lyons Range,
KOLKATA - 700 001.**The Delhi Stock Exchange Association Ltd.**D.S.E. House, 3/1, Asaf Ali Road,
NEW DELHI - 110 002.**AUDITORS :****M/s. Garlapati & Co.**Chartered Accountants,
15/1, Arundelpet,
GUNTUR - 522 002.**BANKERS :**Andhra Bank
Main Branch,
Near Gowri Sankar Theatre,
Kothapet, Guntur.**REGISTRARS & SHARE TRANSFER****AGENTS :**Karvy Computershare Pvt. Limited
Karvy House, 46, Avenue, 4, Street
No.1,
Banjara Hills, HYDERABAD - 500 034.
Tel : 040 - 23312454, 23320751/752
Fax : 040 - 23311968**REGISTERED OFFICE :**Bommidala House,
5-87-15/A, Lakshmipuram, Main
Road,
GUNTUR - 522 007.

NOTICE

NOTICE is hereby given that the Twelfth Annual General Meeting of the Members of **BKV INDUSTRIES LIMITED** will be held on Wednesday, the 28th day of September, 2005 at 3.00 P.M. at Bommidala Cold Complex, By-pass Road, Lalpura, Guntur – 522 017 to transact the following business.

Ordinary Business :

1. To receive, consider and adopt the Profit and Loss Account for the year ended March, 31 2005 and the Balance Sheet as on that date together with the reports of Directors and Auditors.
2. To appoint a Director in place of Sri N. Dolendra Prasad, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Smt B. Anitha, who retires by rotation and being eligible, offers herself for re-appointment.
4. To re-appoint M/s. Garlapati & Co., Chartered Accountants, as Statutory Auditors of the Company for the period commencing from conclusion of this meeting till the conclusion of the next Annual General Meeting on such remuneration as may be approved by the Board of Directors plus out of pocket expenses.

Special Business :

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

“RESOLVED THAT Shri Kanteti Sridhar, who was appointed as an Additional Director of the Company by the Board of Directors on 12th May, 2005 pursuant to Section 260 of the Companies Act, 1956 and holds office up to the date of this Annual General Meeting be and is hereby appointed as a Director of the Company subject to retirement by rotation under the Articles of Association of the Company.”

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

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311, and other applicable provisions, if any, of the Companies Act, 1956 (The Act) read with Schedule XIII of the Act, approval of the Company be accorded to the revision in remuneration payable to Mr. B. Ramakrishna, Managing Director of the company from 1st April 2005 for his remaining tenure as set out in the explanatory statement attached to the Notice convening this Annual General Meeting.

RESOLVED FURTHER THAT in case of loss or inadequacy of profits in any financial year(s), the remuneration payable to the Managing Director shall be governed by Section II of Part – II of Schedule XIII of the Companies Act, 1956 or any modification thereof”.

By order of the Board of Directors

Place: Guntur
Date: 20-08-2005

B. RAMAKRISHNA
Managing Director

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NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, and vote on a poll, instead of himself / herself and such proxy need not be a Member. The proxy form is enclosed which should be deposited at the Registered Office of the Company duly completed and signed, not later than 48 hours before the commencement of the Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 16th September 2005 to 28th September 2005 (both days inclusive).
3. Members are requested to intimate any change in the address registered with the Company. Members holding shares in dematerialised form are requested to notify any change in address to their respective Depository Participants (DPs).
4. An explanatory statement pursuant to Section 173(2) of the Companies Act., 1956 in respect of special business is annexure here to.

EXPLANATORY STATEMENT U/S 173 (2) OF THE COMPANIES ACT, 1956 & INFORMATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT.

(Pursuant to Clause 49VI(A) of the Listing Agreement with the Stock Exchanges)

Item No. 2

Mr. Dolendra Prasad, aged 47, is a graduate in Arts and a pioneer in intensive shrimp farming in Andhra Pradesh. He had successfully achieved higher targeted production on many occasions in shrimp culture. He got vast exposure and more than 10 years experience in shrimp farming and feed business. His achievements were recognized by MPEDA from time to time. His vast experience in shrimp culture would be an added advantage when the company deals in the merchandise goods.

Mr Dolendra Prasad is a Director is American Bio-Projects & Technologies limited. He is a member of Audit committee constitution by the Company.

Item No. 3

Smt B Anitha, aged 37 years, received a Masters degree in Law and underwent training in Personnel Management. She has rich experience, expertise and knowledge in areas such as legal, banking and HR related activities. Her knowledge of legal aspects will be of great help to the management in complying with various governmental and other institutional rules, procedures and regulations.

Smt B Anitha is not a Director on any other Company's Board. She is a member of Shareholders' / Investors' Grievance Committee, Remuneration Committee and Chairman of the Audit Committee constituted by the Company.

Item No. 5

Mr. Kanteti Sridhar was appointed as an Additional Director on the Board w.e.f. 12.05.2005. In terms of Article 129 of the Articles of Association of the Company. Pursuant to section 260 of the Companies Act, 1956, he holds office upto the date of

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this Annual General Meeting and is eligible for appointment as Director. The Company has received a notice from a shareholder under section 257 of the of the Companies Act., 1956 proposing his name for appointment as Director of the Company.

Mr. Kanteti Sridhar, aged 37 years, is a graduate in Commerce. He has experience in business and is working as Managing Director in Siridi Sai Garments (P) Ltd., for the last 5 years. The Directors consider that the company would be benefited by the advice of Mr. K. Sridhar and recommend the acceptance of the resolution.

None of the Directors is interested in the resolution except Mr. Kanteti Sridhar, the proposed appointee.

Item No. 6

Shri B. Rama Krishna was appointed as Managing Director of the company, by the Board of Directors at their meeting held on 6th March 2004 for a period of 5 years with effect from 10th March 2004 on a remuneration of Rs. 7,500/- per month. Subsequently, the shareholders had, at the annual general meeting held on 29th September 2004, approved the appointment and remuneration of Managing Director. During the year under review, the company has diversified its activities into the business of export of merchandise goods. Mr. B. Rama Krishna has about 15 years of experience, particularly in tobacco and other merchandise goods business with wide public contacts and administrative capabilities. The Board believed that Mr. B. Rama Krishna would, by using his vast experience and expertise knowledge, in merchandise goods turn the Company into a profitable one in view of improved economy. The Board of Directors at it's meeting held on 20-08-2005, has pursuant to the approval of the remuneration Committee and subject to the approval of the members, approved the revision in remuneration payable to Mr. B. Rama Krishna from 1st April, 2005 as detailed below:

SALARY:

Rs.16,000/- per month or Rs. 1,92,000/- per annum including dearness and other allowances.

PERQUISITES:

In addition to the above salary, the Managing Director shall be entitled for the following perquisites broadly classified as below. The total amount of perquisites shall not exceed Rs.1,92,000/ per annum or an amount equal to the annual salary which ever is less.

CATEGORY – A**a) Medical Expenses:**

Expenses incurred by the Managing Director and his family subject to the ceiling of one month's salary or three months salary over a period of three years.

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b) Leave Travel Assistance:

For the Managing Director and his family once in a year in accordance with rules specified by the company

c) Club Fees:

Fees of clubs subject to a maximum of two clubs. This will not include admission fees and life membership fees.

d) Personal Accident insurance:

Premium not exceeding Rs. 5,000/- per annum.

EXPLANATION

For the purpose of Category A, family means spouse, the dependent children and dependent parents of the Managing Director.

CATEGORY - B

a) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent either singly or put together are not taxable under the Income Tax Act, 1961. in addition, he shall be entitled for a gratuity not exceeding half a month's salary for each completed year of service.

b) He shall be entitled for the encashment of leave at the end of his tenure, in accordance with the company's rules.

CATEGORY - C

He shall be provided with a car for use on company's business and telephone at residence. However, personal long distance calls on telephone and use of car for private purpose shall be paid by him to the company.

The agreement dated 20-08-2005 entered between the company and Sri. B. Ramakrishna in respect of the revision of remuneration may be inspected at corporate office during the working hours.

The Board of Directors commend the resolution for your approval.

All the Directors except Shri N. Dolendra Prasad and Mr. K. Sridhar are interested or concerned in the resolution.

By order of the Board of Directors

Place: Guntur

Date: 20-08-2005

B.RAMAKRISHNA
Managing Director

DIRECTOR'S REPORT TO THE MEMBERS

Your Directors have pleasure in presenting you the Twelfth Annual Report together with Audited Accounts for the year ended 31st March, 2005

PERFORMANCE OF THE COMPANY

(Rs. in Lakhs)

	For the year ended 31.03.2005	For the year ended 31.03.2004
Sales and Other Income	122.84	43.46
Depreciation	21.29	26.39
Impairment of Fixed assets	9.19	—
Net Profit / (Loss)	(26.77)	(70.01)

OPERATIONS:

- A. Farm: No culture is carried out during the year, due to paucity of working capital and restrictions imposed by the Government authorities.
- B. Hatchery: No seed is produced during the year 2004 - 2005. However shrimp is produced about 11.05 Tones in ponds situated at Hatchery and achieved a Turnover of Rs. 20.42 lakhs. During the year, your company out of business prudence, diversified into commodity export business and endeavours to strengthen the operations and performance of the company. The Company has exported 118.80 tons of tobacco to other countries and achieved an export turnover of Rs 98.32 lakhs. The total turnover & other income during the year is Rs. 122. 84 lakhs.

Dividend: In view of continuing losses, question of dividend does not arise.

The auditors have given a disclaimer in view of discontinuance of operations in Hatchery and

Farm and due to the uncertainty associated with the issue, since the proceedings are pending before the Supreme Court. The note No. "C" to the notes to accounts (Schedule 18) is self explanatory in nature. Due to urgency in executing the export order the Company had purchased material from one of the companies falling under the purview of Section 297 of the Companies Act., 1956. An application was filed for compounding of the offence with the concerned authorities.

Future Prospects

As stated in the previous year the company had commenced merchandise activity and exported tobacco during the year. The company will continue merchandise activity in future to improve the financial position and performance.

CAPITAL RESTRUCTURING:

You may be aware that your company incurred severe losses over a period of time and there has not been any scope for revival for a long time. However due to persistent efforts of your directors, most of the liabilities of your company have been wiped out pursuant to the payment of dues to the bank on behalf of the company by your

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directors out of their personal resources. As already mentioned opportunity has come to your company to undertake certain trading activities. Keeping in mind the futuristic requirements, your Board has thought it fit to reorganize the capital of your company by introducing a Scheme of Arrangement. The Scheme involves reduction of capital to remove the losses by writing off the capital to substantial amount and conversion of certain loans into equity. This process could be termed as the first financial re-jigging undertaken by your Board for the purpose of giving a facelift to the Balance Sheet of your company. This involves approvals by Stock exchanges and your approval coupled with the sanction of the Andhra Pradesh High Court. At the appropriate time, with necessary directions from the said High Court, your approval for the Scheme of Arrangement will be sought and the Board of Directors of the company take this opportunity to seek your support for the Scheme.

PARTICULARS REGARDING ENERGY CONSERVATION etc. :

Information regarding Energy Conservation and Technology Absorption required to be disclosed under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is enclosed as Annexure-I.

BOARD:

As per Article 145 of Articles of Association of the Company, Smt. B. Anitha retires by rotation at the Annual General Meeting and being eligible offers herself for re-appointment.

As per Article 145 of Articles of Association of the Company, Sri. N.Dolendra Prasad retires by rotation at the Annual General Meeting and being eligible offers himself for re-appointment.

During the year under review Mr. Kanteti Sridhar was appointed as additional director by the Board and hold office up to the ensuing Annual General Meeting. The company has received notice from a member under section 257 of the Companies Act 1956 proposing his appointment as director of the company.

PARTICULARS OF EMPLOYEES:

None of the employees of your company was in receipt of remuneration exceeding the limit prescribed under section 217 (2) (A) of the Companies Act, 1956 during the year.

AUDITORS:

M/s. Garlapati & Co, Chartered Accountants, who are the present statutory auditors of the company retire at the conclusion of the twelfth Annual General Meeting and being eligible offer themselves for re-appointment as Statutory Auditors of the Company. The company has received a letter from them to the effect that appointment, if made, would be within the prescribed limits under section 224 (1B) of the Companies Act, 1956.

LISTING AGREEMENT WITH STOCK EXCHANGES :

Pursuant to a recent requirement of the Listing Agreement, the Company declares that it's

securities are listed on the Stock Exchanges of Mumbai, Delhi, Kolkata, Chennai and Hyderabad. The company confirms that it has paid annual listing fees to all the above Stock Exchanges for the year 2005-2006

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DIRECTOR'S RESPONSIBILITY STATEMENT:

The Directors confirm :

- that in the preparation of the annual accounts for the year ended 31st March, 2005, the applicable Accounting Standards have been followed and that no material departures have been made from the same.
- that the Directors have selected such accounting policies and applied them consistently and made judgements and that estimates are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that year.
- that 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 safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- that the Directors have prepared the annual accounts on a going concern basis.

APPRECIATION :

The Board appreciates the valuable co-operation and support extended by all the employees and shareholders of the Company.

Place : Guntur

By Order of the Board

Date : 20-08-2005.

B. Kasiviswanadham
Chairman

ANNEXURE - I TO THE DIRECTOR'S REPORT

Annexure to the Director's Report under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the report of Board Of Directors) Rules, 1988 and forming part of Director's Report.

- | | |
|--|--------------------|
| A. Conservation of Energy: | - Not Applicable - |
| B. I) Technology Absorption, Adaptation & Innovation | - Not Applicable - |
| II) Research and Development (R&D) | - Not Applicable - |
| C. Foreign Exchange Earnings & Outgo: | |

	Rs. in Lakhs	U.S. \$
i) Foreign Exchange earnings	98.32	226908
ii) Foreign Exchange outgo in respect of Raw Materials	NIL	NIL
iii) Others		NIL
iv) Capital Goods	NIL	NIL

By Order of the Board

Place : Guntur

Date : 20-08-2005

B.Kasiviswanadham
Chairman

A Report on Corporate Governance is enclosed.

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ANNEXURE- II TO THE DIRECTORS' REPORT**CORPORATE GOVERNANCE REPORT**

Pursuance to Clause 49 of the Listing Agreement with the Stock Exchanges, your Directors present below a detailed Compliance Report on Corporate Governance for the year ended 31st March 2005.

1. Company's philosophy on code of Governance

Corporate Governance refers to adherence to a combination of laws, regulations, procedures, implicit rules and voluntary practices that enable companies to attract financial and human capital, with a view to maximise long term value for shareholders, while respecting the aspect of multiple stake holders, including the society at large.

At BKV Industries, we are committed to Good Corporate Governance to ensure that all functions of the company are discharged in a professionally sound and competent manner, which leads to increasing employee and customer satisfaction and shareholder value.

2. Board of Directors

The strength of the Board of Directors as on 31/03/2005 is 5. The Board comprises of Executive and Non-Executive Directors. The Non-Executive Directors bring external and wider perspective in the Board's deliberations and decisions. The Board comprises of one Managing Director and four Non-Executive directors, including Chairman of the Company.

No. of Board Meetings held during the year along with the dates of the Meetings

During the financial year ended March 31, 2005 six Board Meetings were held on 30th June 2004, 29th July 2004, 30th August 2004, 29th October 2004, 6th December, 2004 and 29th January 2005.

Attendance of each Director at the Board Meetings, last Annual General Meeting (AGM) and the number of Companies and Committees where he is Director / Member.

Name of the Director	Category of Directorship	No. of Board Mtgs.attended	Attendance at last AGM	No. of Other Director ships*	No. of committees in position held in other public Ltd. Com.	
					Chairman	Member
Shri Bommidala Kasiviswanadham	Non-Executive Chairman	6	Yes	NIL	NIL	NIL
Shri Bommidala Rama Krishna	Managing Director	6	Yes	NIL	NIL	NIL
Smt. Bommidala Saroja Devi	N.E.D	5	No	NIL	NIL	NIL
Smt. B. Anitha	N.E.D	6	yes	NIL	NIL	NIL
Smt. N. Dolendra Prasad	N.E.D	4	No	1	NIL	NIL

N.E.D – Non-Executive Director.

* Excludes alternate directorships, directorship in Indian Private Limited Cos. & Foreign Company.