

# BKV INDUSTRIES LIMITED

**FIFTEENTH ANNUAL REPORT**  
**2007 - 2008**

## 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
Sri KANTETI SRIDHAR	Director

## STOCK EXCHANGES :

### The Hyderabad Stock Exchange Ltd.

Admn. Office : 6-3-654,  
Adjacent to Erramanjil Bus Stop,  
Somajiguda, HYDERABAD - 500 082

### Madras Stock Exchange Ltd.

Post Box No. 183,  
II, 2nd Line Beach,  
CHENNAI - 600 001.

### Bombay Stock Exchange Ltd.,

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 (P) Limited  
# 17-24, Vittalrao Nagar,  
Madhapur,  
HYDERABAD - 500 081  
Tel : 040 - 23420815 - 28

### REGISTERED OFFICE :

Bommidala House  
5-87-15/A, Lakshmpuram,  
Main Road,  
GUNTUR - 522 007

**BKV INDUSTRIES LIMITED**

**Regd. Office:** Bommidala House,  
D.No.5-87-15/A Lakshmipuram Main Road, Guntur.

**MEETING OF EQUITY SHARE HOLDERS**

**Date :** 15th, Sep. 2008

**Time :** 11 AM

**Venue :** Bommidala Cold Complex, Lalpuram, Guntur.

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IN THE HIGH COURT OF JUDICATURE AT ANDHRA PRADESH  
(ORIGINAL JURISDICTION)  
C.A. NO. 866 of 2008

**In the matter of Scheme of Arrangement of**

**B.K.V INDUSTRIES LIMITED**  
with  
**THE SHARE HOLDERS AND SECURED CREDITORS OF**  
**B.K.V INDUSTRIES LIMITED**

<b>BKV INDUSTRIES LIMITED</b> Rep by its Managing Director <b>Mr.B. Rama Krishna,</b> <b>Regd Office:</b> Bommidala House, D.No.5-87-15/A Lakshmipuram Main Road, Guntur - 522 007.	<b>Applicant Company</b>
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**Notice convening Meeting of Equity shareholders**

Take notice that by an order dated the 19 day of August, 2008, the Court has directed that a meeting of the equity shareholders of the Applicant Company be held at **Bommidala Cold Complex, Lalpuram, Guntur, Andhra Pradesh** on Monday the 15<sup>th</sup> September 2008, at 11 AM, for the purpose of considering, and if thought fit, approving, with or without modification, the Scheme of Arrangement proposed to be made between the Applicant Company and its shareholders.

Take further notice that in pursuance of the said order, a meeting of the equity shareholders of the Applicant Company will be held at Bommidala Cold Complex, Lalpuram, Guntur, Andhra Pradesh on Monday the 15<sup>th</sup> September 2008, at 11 AM, at which time and place, you are requested to attend.

Take further notice that you may attend and vote at the meeting in person or by proxy, provided that a proxy in the prescribed form, duly signed by you, is deposited at the registered office of the company Bommidala House, D.No.5-87-15/A Lakshmipuram Main Road, Guntur, not later than 48 hours before the meeting.

The Court has appointed **Mr. Bathula Rajkiran**, Advocate to be the Chairman of the said meeting.

A copy each of the Scheme of Arrangement the Statement under Section 393 of the Companies Act, 1956 and a form of proxy and attendance slip are enclosed.

Dated at Hyderabad this 20<sup>th</sup> day of August, 2008.

Sd/-  
**BATHULA RAJKIRAN**  
Chairman appointed for the meeting.

IN THE HIGH COURT OF JUDICATURE AT ANDHRA PRADESH  
(ORIGINAL JURISDICTION)  
C.A. NO.866 of 2008

In the matter of Scheme of Arrangement of

**B.K.V INDUSTRIES LIMITED**

with

**THE SHARE HOLDERS AND SECURED CREDITORS OF  
B.K.V INDUSTRIES LIMITED**

<b>BKV INDUSTRIES LIMITED</b> Rep by its Managing Director <b>Mr. B. Ramkrishna,</b> <b>Regd Office:</b> Bommidala House, D.No.5-87-15/A Lakshmiapuram Main Road, Guntur.	<b>Applicant Company</b>
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**EXPLANATORY STATEMENT UNDER SECTION 393 OF THE COMPANIES ACT, 1956**

**1. The Scheme**

The Scheme of Arrangement (hereinafter called "the Scheme" or "this Scheme" as the context may admit) provides for the reconstruction of the capital of the BKV Industries Limited (hereinafter referred to as Applicant Company / Company) by reducing the paid-up value of each equity share from Rs.10/- to Rs.1/- and to convert a portion of the secured loans granted to the Company by the promoter directors into equity shares.

**2. Approval of Board of Directors**

The Board of Directors of the Applicant Company approved the said Scheme on 29<sup>th</sup> January, 2008.

**3. Objectives and Benefits of the Scheme**

**Background and Objectives:**

The company was incorporated on 25/01/1993 inter alia for carrying on the business of prawn culture, manufacture and to deal in sea foods etc. The company went public during the year 1994 and the shares of the company is listed at the stock exchanges at Mumbai (BSE), Delhi, Calcutta, Hyderabad and Madras. Pursuant to the Judgment of Hon'ble Supreme Court of India dated 11<sup>th</sup> December, 1996 to close all shrimp culture farms in the coastal regulatory zones, the company's shrimp farm at Iskapalli was closed, however seed production continued until November, 2001 and the same also had to be closed due to lower price realizations. As on 31/03/2007, the Paid-up share capital of the company stood at Rs.6,27,94,000 divided into 62,79,400 equity shares of Rs.10 each fully paid-up. Due to the persistent virus attack on the culture and the court imposed ban on shrimp farming in coastal regulatory areas, the core business of the company

suffered and hence the company accumulated huge losses amounting to Rs.11,14,42,378/- as at 31/03/2007.

The Objective of the Scheme of Arrangement is to clean up the Balance Sheet of the company and to give it a trimmed look, so that it enables the company to approach banks and financial institutions for seeking fresh credit limits to fund its business.

**Benefits:**

The Scheme is intended to bring the following specific benefits:

1. The accumulated losses of the Applicant Company will reduce substantially.
2. As dues to "Specified Secured Creditors " (as explained in the scheme) would be converted into shares to the extent of "Specified Amount", the Applicant Company's assets will be freed from all charges, obligations and encumbrances to the extent of the "Specified Amount"(as explained in the scheme) .
3. The Balance Sheet of the Applicant Company will have a trimmed look giving a positive sense of feeling for any investor. As trading activity has commenced there will be revenue generation, which is bound to pick up if adequate funds are infused. The resultant revenue generation will be sufficient to meet the obligations of the Applicant Company and the remaining accumulated losses will be wiped out over a given period of time.
4. The reduction does not impair the liquidity or the trading capacity of the Applicant Company and none of the creditors would be adversely affected by the reduction of the share capital.
5. The Reduction of Capital and Issue of New Shares will not take away the benefits of accumulated losses of the Applicant Company to the extent of the ability of the Applicant Company to carry forward the losses and set them off against future profits.

**4. Salient Features of the Scheme**

- (a) The present issued and paid up share capital is Rs.6,27,94,000/- (Rupees Six Crores Twenty Seven Lakhs and Ninety Four Thousand Only).
- (b) As at the end of the Financial Year 2006-07 the accumulated losses of the Applicant Company were at Rs.11,14,42,678/- which includes depreciation on plant and machinery not absorbed due to absence of profits.
- (c) On the Effective Date, a sum equal to the Reducing Value (as explained in the scheme) shall be credited against the Debit Balance (as explained in the scheme) and immediately and simultaneously, ipso facto, without any further application, resolution, act, deed or thing, the Paid up Capital of the Applicant Company shall, stand reduced by the Reducing Value.
- (d) Simultaneously the face value per Share in the Capital of the Applicant Company shall stand reduced to Re. 1/- per Share instead of the present Rs.10/- per Share and thereupon all the Shares in the Capital of the Applicant Company shall be Shares of Re.1/- per share.

- (e) Thereupon the Authorized Share Capital shall be Rs.11,50,00,000/- (Rupees Eleven Crore Fifty Lakhs only) divided into 11,50,00,000 Equity Shares of Re.1/- per Share and the Issued, Subscribed, and Paid up Share Capital of the Company shall be Rs.62,79,400/- (Rupees Sixty Two Lakhs Seventy Nine Thousand Four Hundred Only) divided into 62,79,400 Equity Shares of Re.1/- each.
- (f) As at the end of the Financial Year 2006-07, the Applicant Company owes a sum of Rs.3,03,50,000/- to Secured Creditors which is secured by a mortgage of the entire undertaking of the Applicant Company.
- (g) On the "Effective Date", a sum equal to the Specified Amount (as explained in the scheme) shall be proportionately debited to the respective accounts of the Specified Secured Creditors (as explained in the scheme) of the Applicant Company as per Books of Account of the Applicant Company and in consideration of whereof the Specified Secured Creditors shall be entitled to Issue of New Shares. As such on the Date of Issue of New Shares, the Applicant Company shall issue New Shares to Specified Secured Creditors in a proportionate manner without any further application, payment, deed, thing or action from the Specified Secured Creditors.
- (h) For this purpose, the Board of Directors of the Applicant Company shall draw a list of amounts standing to the credit of the respective accounts of the Specified Secured Creditors of the Applicant Company as per Books of Account of the Applicant Company on the "Effective Date" and determine the amount of loans to be drawn from each of their accounts for being converted into equity.
- (i) The Specified Amount shall be apportioned amongst each of the Specified Secured Creditors in the same proportion as the amount owed to each of them bears to the total amount owing from the Applicant Company to all of them on the "Effective Date".
- (j) The New Shares shall be fully paid up New Shares of Re.1/- each and such Shares shall be issued at the Discovered New Share Issue Price (as explained in the scheme).
- (k) The Issue of fully paid up New Shares of Re.1/- each to Specified Secured Creditors as aforesaid is in consideration of the Specified Secured Creditors agreeing to transfer irrevocably and unconditionally in the aggregate the Specified Amount from out of the amounts standing to the credit of their respective accounts in the Books of Account of the Applicant Company and to convert the same into Share Capital by crediting the same to the Paid up Share Capital Account of the Applicant Company and if applicable, to credit the Premium Portion against the Debit Balance in full and final discharge of the liability of the Applicant Company to that extent and simultaneously releasing to that extent irrevocably and unconditionally the charge held by them upon the properties of the Applicant Company, without any further act, deed or thing.
- (l) As a result of Issue of New Shares, the aggregate shareholdings of the persons who properly fall under the category of shareholders forming part of "Promoters and Promoters' Group" within the meaning of Clause 35 of the Listing Agreement shall not exceed 74% of the Paid up Share Capital of the Applicant Company.

- (m) The New Shares issued as aforesaid, shall rank pari passu with the Shares in the Capital of the Applicant Company in all respects.
- (n) Upon Issue of Shares, the new Shares so created shall be listed in such of those Stock Exchanges where the Shares of the Applicant Company continue to remain listed on the Date of Issue of Shares.

#### 5. Memorandum of Disclosure of Interest

The promoters of the Applicant Company who are also the secured creditors and directors of the company namely Bommidala Kasiviswanadham, Bommidala Rama Krishna and Bommidala Saroja Devi are deemed to be interested to the extent of their shareholdings and shares that may be issued to them arising out of the implementation of the scheme. The Shareholding pattern of the said promoter directors before the post implementation of the said Scheme is as under:

Name of the Promoter Director	Number of shares held prior to the scheme	Percentage of shareholding	Number of shares to be allotted after the implementation of the scheme plus the existing holding	Percentage of share holding
Bommidala Kasiviswanadham	27,100	0.43	47,41,420	28.43
Bommidala Rama Krishna	1,90,990	3.04	37,96,670	22.76
Bommidala Saroja Devi	7,52,085	11.98	28,32,085	16.98
Total	9,70,175	15.45	1,13,70,175	68.17

#### 6. Further Statutory Formalities

The Scheme is subject to consent to be accorded by members of Applicant Company. Further the scheme is subject to sanction by the Hon'ble Andhra Pradesh High Court and registration with Registrar of Companies, Andhra Pradesh, Hyderabad.

Dated at Hyderabad this 20<sup>th</sup> day of August, 2008.

Sd/-

**BATHULA RAJKIRAN**

Chairman appointed for the meeting.

**SCHEME OF ARRANGEMENT**  
**WITH THE SHAREHOLDERS AND SECURED CREDITORS OF**  
**BKV INDUSTRIES LIMITED**  
under Sections 391 to 394 read with Sections 78, 100 to 104  
of the Companies Act, 1956

**A. INTERPRETATION**

In this Scheme unless otherwise specifically provided or repugnant to the context the following expressions shall have the following meanings:

1. "Act" or "the Act" means the Companies Act, 1956 and shall include any statutory modifications, re-enactments or amendments thereof for the time being in force.
2. "Capital" shall mean, unless the context otherwise requires, the Authorized, Issued, Subscribed and Paid up Capital of the Company.
3. "Company" or "The Company" means **BKV INDUSTRIES LIMITED** (Formerly **BOMMIDALA AQUAMARINE LIMITED**), a company incorporated under the provisions of the Companies Act, 1956, having its Registered Office at 5-87-15/A, Lakshimpuram Main Rd, Guntur- 522 007 in the State of Andhra Pradesh.
4. "Date of Issue of New Shares", shall be any Date as the Board of Directors of the Company may fix for this purpose provided that it shall not be any date until expiry of 15 days from the "Relevant Date".
5. "Debit Balance" shall mean the Debit Balance in the audited Balance Sheet of the Company consisting of accumulated losses and unabsorbed depreciation as at the end of the Financial Year immediately preceding the "Effective Date".
6. "DIP Guidelines" shall mean the SEBI (Disclosure and Investor Protection) Guidelines, 2000.
7. "Discovered New Share Issue Price" shall mean the price arrived at in the manner specified in the Scheme, at which price, the New Shares will be issued.
8. "Effective Date" means the date when the Certified copies of the order sanctioning the Scheme of Reduction of Share Capital by the Hon'ble High Court at Andhra Pradesh, Hyderabad are filed with the Registrar of Companies, Andhra Pradesh by the company.
9. "High Court" shall mean the Hon'ble High Court of Andhra Pradesh at Hyderabad.
10. "Issue of New Shares" shall mean the New Shares proposed to be issued to "Specified Secured Creditors" of the Company in a proportionate manner to a value equal to the "Specified Amount".
11. "New Shares" shall be the maximum number of Shares that could be issued to

"Specified Secured Creditors", as determined by a resolution of the Board of Directors of the company such that the total of (a) the aggregate number of shares held by all shareholders (which may include the shares held by "Specified Secured Creditors" also) who would properly fall under the category "Promoters and Promoters' Group" within the meaning of Clause 35 of the Listing Agreement on the "Relevant Date" as per the Scheme and (b) aggregate number of New Shares that will be issued to "Specified Secured Creditors" on the Date of Issue of Shares as per this Scheme does not exceed 74% of the total number of Shares in the Paid up Equity Capital after "Issue of New Shares".

12. "Premium Portion" shall be, where the "Discovered New Share Issue Price" shall be more than Re.1/- per Share, the sum equal to the value obtained by multiplying the number of New Shares by the amount to the extent to which the "Discovered New Share Issue Price" is in excess of Re.1/- per New Share.
13. "Reducing Value" shall be a sum equal to the value arrived at by multiplying the total number of Equity Shares in the Paid up Capital of the Company immediately before the Effective Date by Rs.9/- per share.
14. "Relevant Date", for the purpose of determining the "Discovered New Share Issue Price", shall be the 45<sup>th</sup> day from the date on which the Bombay Stock Exchange issues a Notification about the Reduction of Paid up Share Capital by the Reducing Value and the Conversion of the Face Value of Equity Shares in the Capital of the Company from Rs.10/- per Share to Re.1/- per Share in accordance with this Scheme or such other date as the Stock Exchanges may stipulate for the purpose of determining the "Discovered New Share Issue Price".
15. "Scheme" or "The Scheme" means this Scheme of Arrangement with Shareholders and Creditors in its present form or with any modification approved, imposed or directed by the Hon'ble High Court.
16. "SEBI" shall mean the Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992.
17. "Secured Creditors" shall mean the secured creditors of the Company who are creditors of the company as per Books of Account of the Company immediately before the coming into force of the Scheme who hold a charge over the properties of the company as security for the amounts due to them from the Company.
18. "Specified Amount" is equal to the sum obtained by multiplying the number of "New Shares" by the "Discovered New Share Issue Price".
19. "Specified Secured Creditors" shall be Secured Creditors of the Company who have consented to Issue of Shares by converting their loans standing to the credit of their respective accounts in the Books of Account the Company into equity while concomitantly relinquishing the charge they hold over the properties of the Company to the extent of the "Specified Amount".