

# **BKV INDUSTRIES LIMITED**

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**SIXTEENTH ANNUAL REPORT**  
**2008 - 2009**

## BOARD OF DIRECTORS

Sri Bommidala Rama Krishna	Chairman & Managing Director
Sri Bommidala Kasiviswanadham	Director
Smt. Bommidala Saroja Devi	Director
Smt. Bommidala Anitha	Director
Sri Nellore Dolendra Prasad	Director
Sri Kanteti Sridhar	Director
Sri Tunuguntla Ramakrishna	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, Lakshmipuram,  
Main Road,  
GUNTUR - 522 007

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Sixteenth Annual General Meeting of the members of BKV Industries Limited will be held on Wednesday the 16th September, 2009 at 3.00 P.M at Bommidala Cold Complex, By-pass Road, Lalpuram, Guntur – 522 017 to transact the following business.

**Ordinary Business**

1. To receive, consider and adopt the Profit and Loss Account for the financial year ended 31<sup>st</sup> March, 2009 and the Balance Sheet as at that date together with the reports of the Board of Directors and Auditors there on.
2. To appoint a Director in place of Sri B. Kasiviswanadham 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 auditors to hold office from conclusion of this meeting un-till the conclusion of the next Annual General Meeting of the company and to fix remuneration and out of pocket expenses.

**SPECIAL BUSINESS:**

5. To consider, and if thought fit, to pass with or without modification the following resolution as ordinary resolution :  
  
“ RESOLVED THAT Mr. Tunuguntla Rama Krishna who was appointed as Additional Director by the Board under section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received Notice in writing under section 257 of the Companies Act, 1956 from a member signifying his intention to propose him as a candidate for the office of a Director of the Company, be and is hereby appointed as Director of the Company.”

By order of the Board of Directors  
For BKV Industries Limited

Place : Guntur  
Date: 24<sup>th</sup> July, 2009

**B. RAMAKRISHNA**  
Chairman & Managing Director

**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 of the company. 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 Wednesday, 9<sup>th</sup> September 2009 to Wednesday, 16<sup>th</sup> September 2009 (both days inclusive).
3. Members holding shares in physical form are requested to intimate any change in the address to the Company or to the Registrar & Share Transfer Agents M/s. Karvy Computershare Pvt Ltd. Members holding shares in de-materialised form are requested to notify any change in address to their respective Depository Participants (DPs).
4. Members are requested to bring their admission slip along with copy of the Annual Report to the Annual General Meeting.

**Explanatory statement u/s 173 (2) of the Companies Act, 1956 & Information under clause 49 of the Listing Agreement regarding re-appointment of Directors**

(Pursuant to clause 49 VI (A) of the Listing Agreement with the stock exchanges)

**Item No. 2**

Sri B. Kasi Viswanadham aged 73 years is a founder promoter of your company. He has over 45 years of experience in Tobacco business. He has been associated with administration, marketing and HR related activities and been associated with your company since its inception. B. Kasiviswanadham is also a director on the Boards of 5 other companies. The Board of Directors recommends this resolution for approval of shareholders.

Smt. B. Anitha, Sri. B. Kasiviswanadham, Smt. B. Saroja Devi and Sri B. Rama Krishna are interested in the resolution.

**Item No. 3**

Smt. B. Anitha is a Law Graduate and underwent training in Personal Management. She has rich experience, expertise and knowledge in areas such as legal, banking and H R related activities. Her knowledge of legal aspects will be a 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 the Board of any other company. She is a Chairman of Share Transfer Committee and member of remuneration committee and shareholder/Investor Grievance committee constituted by the company. The Board of Directors recommends this resolution for approval of shareholders.

Smt. B. Anitha, Sri. B. Kasiviswanadham, Smt. B. Saroja Devi and Sri B. Rama Krishna are interested in the resolution.

**Item No. 5**

Mr. T. Rama Krishna joined the Board of the company on 30/10/2008 as an Additional Director and as per the provisions of Section 260 of the Companies Act, 1956, he will hold office as a Director up to the date of this Annual General Meeting. Company has received Notice as prescribed under section 257 of the Companies Act, 1956 from a member along with a deposit of Rs. 500/- signifying his intention to propose Mr. T. Rama Krishna as a Director.

Mr. T. Rama Krishna aged about 55 years is a Graduate in Science, Commerce, Post Graduate in Commerce and holding a degree in Law and is practicing as Tax Consultant for the past 20 years. He is experienced in accounting, auditing, tax and Law matters and his knowledge in these fields will be helpful to the company in complying with various governmental and other institutional rules, procedures and regulations.

Mr. T. Rama Krishna is a member in Audit Committee, Remuneration Committee and Shareholders/ Investors Grievance Committee constituted by the company. The Board of Directors recommends this resolution for approval of the shareholders.

None of the Directors except Mr. T. Rama Krishna is interested in the resolution.

**DIRECTOR'S REPORT AND MANAGEMENT DISCUSSION & ANALYSIS**

Your Directors have pleasure in presenting you the Sixteenth Annual Report together with Audited Accounts for the year ended 31<sup>st</sup> March, 2009.

**PERFORMANCE OF THE COMPANY**

(Rs. in Lakhs)

	For the year ended 31/03/2009	For the year ended 31/03/2008
Sales & Other Income	7.69	9.52
Profit/(Loss) before interest and Depreciation	22.48	-18.62
Depreciation	10.34	12.13
Net Profit / (Loss) before tax & Exceptional item	-32.82	(-)30.75
Exceptional item	192.43	----
Fringe Benefit Tax	0.10	0.08
Net Profit/(Loss) after tax & exceptional Items	159.51	(-)30.83

**OPERATIONS:**

**A. Farm :** No culture is carried out during the year in Farm.

**B. Hatchery:** No seed is produced during the year 2008 - 2009. However shrimp is produced about 4.13 Tonnes in ponds situated at Hatchery and achieved a shrimp turnover of Rs 7.59 lakhs.

**DIVIDEND:**

In view of huge accumulated losses, no dividend is declared.

The auditors have given a disclaimer in view of discontinuance of operations in Hatchery and Farm. The note No. " C " to the notes to accounts (Schedule 12 ) is self explanatory in nature and the accounts are drawn up on going concern basis in view of operations of limited shrimp farming near Hatchery.

**FUTURE PROSPECTS:**

The company is in the process of implementing the capital restructuring to clean up its financial position and to raise working capital funds. Further in view of global liquidity crises and substantial depreciation of rupee, the company is watching the international trade opportunities in tobacco and other merchandise goods. As soon as the adequate opportunities are available, the company would commence trading operations in tobacco and other merchandise goods.

**CAPITAL RESTRUCTURING**

The company has filed petition under Section 391 and 394 of the Companies Act, 1956 with the Hon'ble High Court of Judicature, Andhra Pradesh, at Hyderabad for restructuring

of the existing paid up capital of the company. The company received approval from the Hon'ble High Court on 06/03/2009 and required Form No. 21 under the Companies Act, 1956 was filed with the Registrar of Companies, Andhra Pradesh on 01/04/2009. Hence the scheme is deemed to have taken effect from 01/04/2009. Hence with effect from 01/04/2009 the paid up share capital of the company has been reduced from Rs. 6,27,94,000 comprising of 62,79,400 number of equity shares of Rs. 10/- each to Rs. 62,79,400/- comprising of 62,79,400 number of equity shares of Rs. 1/- each. As the company being listed company for giving effect to the reduction of capital, the company is following up with the Stock Exchange for completing the procedures required in this respect. The company is expecting the clearance from the stock exchanges in due course. Further the company will proceed to convert a part of the secured loans to equity as per the provisions of the Scheme and also apply to the stock exchanges to seek listing permission of such shares..

**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.

**BOARD:**

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

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.

**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 statutory auditors of the company retire at the conclusion of the Sixteenth 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:**

As per the requirement of Listing Agreement, the Company declares that its 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 the Stock Exchanges of Mumbai & Chennai for the year 2009 -10. There is no demand from Hyderabad Stock Exchange Ltd for payment of Annual Listing Fees for the year 2009-2010 as we were informed that the Hyderabad Stock Exchange is derecognized. In pursuance of resolution passed by members the company has made an application to the Stock Exchanges of Kolkata, and Delhi . to de-list its securities from these Stock Exchanges and hence not paid annual listing fees for the year 2009-2010.

**DIRECTOR'S RESPONSIBILITY STATEMENT:**

The Directors confirm :

- a) that in the preparation of the annual accounts for the year ended 31<sup>st</sup> March, 2008, the applicable accounting standards have been followed.
- b) that the directors have selected such accounting policies and applied them consistently and made judgments 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 31st March 2008 and of the Loss of the Company for that year.
- c) 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.
- d) that the directors have prepared the annual accounts on a going concern basis.

**CORPORATE GOVERNANCE:**

A separate report on Corporate Governance with Auditor's certificate on its compliance is attached as Annexure to this report.

**MANAGEMENT DISCUSSION & ANALYSIS****A. INDUSTRY, STRUCTURE, DEVELOPMENT AND OUTLOOK. INDUSTRY, STRUCTURE, DEVELOPMENT AND OUTLOOK**

A. Everywhere including United States, European Union or Japan the farmed shrimp market is depressed, the result of an unfavorable economic climate. The problem lies with demand, customers spending non supply and the industry expects that this should continue through much of 2009. Asian shrimp producers are under pressure to keep prices down and are reacting by curbing output or expanding the domestic market for shrimp, where they can fetch higher prices. The decline in the strength of the dollar against some major global currencies, slower growth of the US economy, anti-dumping tariff disputes and reduction in consumer confidence have all weakened the world's



biggest shrimp importer, the US, which accounts for an annual shrimp import of 5,50,000 tonnes valued at around \$4 billion.

Indian shrimp exports to the US has been consistently falling in recent years while those to competing destinations such as EU and Japan have proved more resilient. While shrimp exports still remain the biggest constituent of Indian marine exports, it has been falling in both quantity and value in the export basket. The position of India among the top shrimp exporting countries to the US has fallen to eighth in 2007. Following 10 years of constant expansion, 2007 was the first year when shrimp imports into the US witnessed a fall in quantity and value. The year 2008 has also not been significantly different. A survey conducted among the US consumers revealed that about two-third are reducing their consumption pattern and about half of them are eating out less.

Commodity market to grow by 30% by 2010. Indian commodity market which expanded by 50 times in a span of 5 years from Rs.66,530 crore in 2002 to Rs.33,75,336 crore in 2007, is now expected to grow at a steady speed of about 30% by 2010 and touch a volume of Rs.74,15,613 crore since people's participation in such trade would continue, according to findings of the ASSOCHAM. But there has been a quiet story brewing in the global agricultural commodities sector for some time now, which has been overshadowed by the usual suspects amongst the larger economic indicators. The Indian monsoon is setting up for a below normal season, and this comes in a year when the country needs healthy rains to stimulate the agricultural sector more than most other years in recent history.

## **B. OPPORTUNITIES, THREATS, RISKS AND CONCERNS**

The promoters of the company are pioneers in tobacco and commodities industry for more than four decades and experienced in trading, manufacturing and exporting. Your promoters would like to take advantage of the changing patterns of the commodities market due to increase volumes. The promoters are watching the wild fluctuations in the foreign exchange rates carefully and hence could not clinch any trading deals in the year ended 31<sup>st</sup> March, 2009. With High Court order for capital re-structuring, the company would be able to clean up its Balance Sheet and would be able to raise the working capital funds in the near future and carry on the trading operations substantially. The company and promoters recognize the need for managing the business risks effectively for producing significant rewards.

## **C. INTERNAL CONTROL SYSTEM**

An effective internal control system and all controls are continuously reviewed and risks of inaccurate financial reporting and fraud, if any, are dealt with immediately and eliminated.

The company has a well established system of internal control in operation which complies with the relevant provisions on ' Internal Control ' under the Company's Auditor's Report Order 2003 and as prescribed under revised clause 49 of the Listing Agreement with stock exchanges.

The status of implementation of recommended solutions are regularly reviewed and presented to Audit Committee of the Board.

#### **D. FINANCIAL PERFORMANCE**

The financial statements are prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles in India. The management accepts the responsibility of integrity and objectivity of the financial statements and the basis for various estimates and the judgements used in preparing the financial statements.

During the year ended 31<sup>st</sup> March, 2009, the company achieved a turnover of Rs.7.69 lakhs against the previous year Rs.9.52 lakhs clocking a depressed negative growth. This is mainly due to no exports during the year and slump in the prices of shrimp. Despite considerable efforts in controlling the administrative expenditure, the company incurred a net loss before the exceptional item Rs.32.92 lakhs against the previous year net loss of Rs.30.83 lakhs. During the year, the company had to write back the unsecured loan of Rs.192.43 lakhs extended by a company, as the lender had written off the loan during the last year.

Due to paucity of working capital, the company carried the minimum operations in farming activities near hatchery to maintain its assets and not able to execute any trading operations during the year. Margins earned are not sufficient even to meet the minimum operational costs.

#### **E: CAUTIONARY STATEMENT**

Statements in this report, particularly those which related to management decision and analysis, describing the company's objectives, projections, estimates and expectations may constitute "forwarding looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

#### **Delisting of Shares:**

Presently the company's Ordinary Equity shares are listed in the Stock Exchanges of Mumbai (BSE) and four other Stock Exchanges at New Delhi, Kolkata, Chennai and Hyderabad. The shares of the company are compulsorily traded in dematerialized form. The Board considered that continued listing on all stock exchanges is not necessary and therefore decided to de-list from Delhi, Calcutta and Madras stock exchanges in pursuance of special resolution passed in the 14<sup>th</sup> Annual General Meeting held on 28<sup>th</sup> September, 2007. The company has made an application for delisting of its shares in Delhi and Kolkata stock exchanges and the matter is under active consideration of these Stock Exchanges.

#### **APPRECIATION :**

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

By order of the Board of Directors

Place : Guntur  
Date : 24<sup>th</sup> July, 2009

**B. Rama Krishna**  
Chairman & Managing Director