



# **BKV INDUSTRIES LIMITED**

**"and reduced"**

**EIGHTEENTH ANNUAL REPORT  
2010 - 2011**

## **BOARD OF DIRECTORS**

Sri Bommidala Rama Krishna  
Sri Bommidala Kasiviswanadham  
Smt. Bommidala Saroja Devi  
Smt. Bommidala Anitha  
Sri Nellore Dolendra Prasad  
Sri Kanteti Sridhar  
Sri Tunuguntla Ramakrishna  
Sri Yedlapalli Srinivasa Rao

Chairman & Managing Director  
Director  
Director  
Director  
Independent Director  
Independent Director  
Independent Director  
Independent Director

## **STOCK EXCHANGES :**

### **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 Ltd.**

7, Lyons Range,  
KOLKATA - 700 001

### **The Delhi Stock Exchange Ltd.**

D.S.E. House, 3/1, Asaf Ali Road,  
NEW DELHI - 110 002.

### **The Hyderabad Stock Exchange Ltd.**

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

## **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 Eighteenth Annual General Meeting of the members of BKV Industries Limited will be held on Saturday the 17<sup>th</sup> September, 2011 at 2.30 PM 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, 2011 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 Smt. B. Saroja Devi, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Sri. T. Rama Krishna who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint M/s Garlapati & Co, Chartered Accountants as auditors to hold office from conclusion of this meeting until 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 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, or any amendment or re-enactment thereof consent of the company be and is hereby accorded to the revision in remuneration payable to Mr. B. Rama Krishna, Chairman & Managing Director of the company from 1<sup>st</sup> October, 2011 for his remaining tenure as set out in the explanatory statement annexed to the Notice convening the Annual General Meeting."

"RESOLVED FURTHER THAT in case of any 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  
For BKV Industries Limited

Place : Guntur  
Date: 13/08/2011

**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 8<sup>th</sup> September, 2011 to 17<sup>th</sup> September 2011 (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**

**Item No. 2**

Smt. B. Saroja Devi has several years of experience as director in four other companies. She is associated with the company since its inception. Smt. Saroja Devi is a member of Remuneration Committee constituted by the company. Sri B. Kasiviswanadham, Sri B. Rama Krishna, Smt. B. Anitha and Smt. B. saroja Devi are interested in the resolution.

The Board recommends this resolution for the approval of shareholders.

**Item No. 3**

Mr. T. Rama Krishna is a graduate in Science, Commerce, postgraduate in in Commerce and holding a degree in Law and is practicing as Tax Consultant for the last 22 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. Rama Krishna is a member of Audit Committee, Remuneration Committee and Shareholders/Investors Grievance Committee constituted by the company.

None of the other Directors are interested in the resolution.

The Board recommends this resolution for the approval of shareholders.

**Item No. 5**

Mr. B. Rama Krishna was reappointed as Managing Director of the company, by the Board of Directors at their meeting held on 07/03/2009 for a period of 5 years with effect from 10<sup>th</sup> March, 2009 on a remuneration of Rs. 16, 000/- per month. Subsequently the shareholders had , at the Annual General Meeting held on 16<sup>th</sup> September, 2009 approved the appointment and remuneration of the Managing Director. Mr. Rama Krishna is an M.B.A. from Jackson State University, Mississippi, USA and has experience of more than 20 years in the fields of Tobacco, Shrimp culture, merchandise goods and service Industry with wide business contacts and administrative capabilities. The Board believes that Mr. B. Rama Krishna by using his vast experience, expertise and knowledge would turn the company into a profitable one. The Board of Directors of your company (‘the Board’) at its meeting held on 28<sup>th</sup> July, 2011 approved on the recommendation of the Remuneration Committee an increase in the remuneration of Managing Director from Rs. 16,000/- to Rs.35,000/- per month with effect from 01/10/2011 for his remaining tenure subject to the approval of the members. Wherein in any financial year during the currency of tenure of Managing Directorship, the company has no profits or its profits are inadequate, subject to the limits laid down in section 198 and section 309 of the Companies Act 1956, salary or perquisite shall not exceed the following limits:

**SALARY:**

Rs. 35,000/- per month or Rs. 4,20,000/- per annum including dearness and other allowances.

**PERQUISITES:**

In addition to the above salary, the Chairman & Managing Director shall be entitled for the following perquisites broadly classified as below :

The total amount of perquisites shall not exceed Rs. 4,20,000/- per annum or an amount equivalent to the annual salary which ever is less.

**CATEGORY - A**

- a) Medical expenses:  
Expenses incurred by the Chairman & Managing Director and his family subject to a ceiling of one month salary or three months salary over a period of three years.
- b) Leave Travel Assistance:  
For the Chairman & Managing Director and his family once in a year in accordance with the rules specified by the company.
- c) Club Fee :  
Fees of clubs subject to a maximum of two clubs. This will not include admission fee and Life Membership fee.
- d) Personal Accident Insurance:  
Premium not exceeding Rs.15,000/- per annum.

**EXPLANATION:**

For the purpose of category 'A' family means spouse, all dependent children and dependent parents of the Chairman & Managing Director.

**CATEGORY - B:**

- i) Contribution to Provident Fund, Super Annuity 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 salary for each completed year of service
- ii) He shall be entitled for the encashment of leave at the end of the tenure in accordance with the Company's rules.

**CATEGORY – C**

He shall be provided with a car for the 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 reimbursed to the company.

He shall not retire as Director by rotation during the tenure of his Chairman & Managing Directorship.

He shall oversee the day to day affairs of the company subject to the superintendence of the Board. Since such re-appointment requires confirmation of the shareholders by way of resolution in General Meeting, the approval of the shareholders is sought.

The agreement dated 28-7-2011 entered between the company and Sri B. Ramakrishna may be inspected at corporate office during the working hours.

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

Your directors commend the proposed resolution for approval of the members.

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

Your Directors have pleasure in presenting you the Eighteenth Annual Report together with Audited Accounts for the year ended 31<sup>st</sup> March, 2011.

**PERFORMANCE OF THE COMPANY**

(Rs. in Lakhs)

	For the year ended 31/03/2011	For the year ended 31/03/2010
Sales & Other Income	52.97	26.16
Profit/(Loss) before interest and Depreciation	6.90	(-) 7.56
Depreciation	7.55	8.89
Net Profit / (Loss) before tax & Exceptional item	(0.65)	(-) 16.45
Net Profit/(Loss) after tax	(0.65)	(-) 16.45

**OPERATIONS:**

- A. Farm : During March, 2011, the Aqua Culture Farm situated at Isakapalli is given on lease. This will enable the company to revitalize all its important assets like culture ponds, Feeder canal structures, electrical installations like, generators, transformers, lighting facilities etc. The company also invested adequately for improving building structures like stores rooms, administrative office, feed godowns, pump houses, generators rooms, canteen etc. so that the entire infrastructure is improved substantially for future operations.
- B. Hatchery: No seed is produced during the year 2010 - 2011. However shrimp is produced about 15.94 Tonnes in ponds situated at Hatchery and achieved a shrimp turnover of Rs 37.25 lakhs.

**DIVIDEND:**

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

**FUTURE PROSPECTS:**

After a strong 2010, the current year is expected to yield new records in international fish trade. Volumes are sustained by firm demand in most markets and prices are rising for all varieties. The situation in Japan has added some uncertainty regarding Japanese consumer behavior, its possible impact on demand for imported fish products and the repercussions in world markets. India's seafood exports are targeted to rise to \$ 4 billion for the current year, up from \$ 2.8 billion which was achieved in 2010-11. However, due to the projected recession in USA and Europe, your directors expect that the export growth in the industry might get slow down during the current year 2011-12.

**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, Smt. B. Saroja Devi, director 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 T. Rama Krishna, director retires by rotation at the Annual General Meeting and being eligible offers himself 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 (2A) 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 Eighteenth 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 Bombay, Delhi, Kolkata, Chennai, and Hyderabad. The company confirms that it has paid annual listing fees to the Stock Exchanges of Delhi, Kolkata, Bombay and Chennai for the year 2011-2012. The Hyderabad Stock Exchange Ltd have stated that no Annual Listing Fees need be paid in view of their de-recognition by SEBI. The company has applied for delisting of the Company's shares to the Stock Exchanges of Kolkata, and Delhi which are under process.

**DIRECTOR'S RESPONSIBILITY STATEMENT:**

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956 your Directors confirm :

- a) that in the preparation of the annual accounts for the year ended 31<sup>st</sup> March, 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- 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 2010-2011 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.**

Aquaculture will continue to expand in all continents in terms of new areas and species, as well as intensifying and diversifying the product range for species and product forms. The tragic earthquake and accompanying tsunami in Japan is affecting world markets for sea food. After a strong rebound in 2010, the current year looks likely to set new trade records for shrimp due to strong demand and rising prices. However, the perceived slower growth in US and Europe may affect strong demand and the rising prices to some extent.

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

As there is stagnation in the growth of shrimp exports, any strategy to achieve US\$ 4 billion target by 2013-14 should focus on this important item of marine products export basket. With renewed demand for marine products from US who have been affected by BP Oil spill in Gulf of Mexico and India's policy of allowing L. Vannamei shrimp aquaculture, shrimp is expected to contribute better in the total marine products export. India has already allowed culture of L. Vannamei (White leg shrimp) by importing brood stock from Thailand, USA etc. Due to its very high productivity, ability to sustain high stocking density the culture of this species is expected to spread rapidly resulting in higher productions and export volumes.

Disease is by far the most serious threat to the sustainability of shrimp farm production. In Asia various viruses caused devastation in many countries. Much has been said about the relationship between intensity and disease, but extensive and semi-intensive producers have also been affected in recent years. Poor feed quality may reduce growth, depress health and survival, reduce water and pond soil quality, and increase pollution. Poor water quality, caused by acid sulphate soil conditions, pollution or the presence of disease organisms may reduce growth, depress survival and introduce disease. Among other technical threats, slower growth in the US and Europe are perceived to be major threats in the near term.

As part of cleaning of Balance Sheet, your directors have embarked up on the reduction and restructure of capital last year. During the current year Shrimp Farm had been given for 26 months lease. Further, as part of operationalising the Farm, the management has substantially improved the infrastructure for future operations. Your promoters with more than four decades experience in the field of tobacco and commodities trading are observing the volatile conditions of the markets to carry on trading operations in commodities. The company and promoters recognize the need for managing the business risks effectively for producing significant returns.

## **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 the 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, 2011 the company achieved a turnover of Rs. 37.25 lakhs against the previous year of Rs.17.06 lakhs. During the year, the company had given it’s Farm for a short term lease. Near Hatchery the company carried out farming operations to maintain its assets and also improved its infrastructure in Farm. However the company could just meet its expenses and incurred a marginal loss of Rs. 0.65 lakhs.

## **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:

Company's Ordinary Equity shares are originally 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 and Calcutta 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 since made an application for delisting of its shares in Delhi and Kolkata stock exchanges and the matter is under 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:13/08/2011

**B. RAMA KRISHNA**  
Chairman & Managing Director

#### ANNEXURE 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	<u>Rs. in Lakhs</u>	<u>U.S.\$</u>
i.	Foreign Exchange earnings	- Nil -	- Nil -
ii.	Foreign Exchange outgo in respect of Raw Materials and others	- Nil -	- Nil -
iii.	Capital Goods	- Nil -	- Nil -

By order of the Board of Directors

Place : Guntur  
Date:13/08/2011

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

A report on Corporate Governance is enclosed.

**ANNEXURE TO THE DIRECTORS' REPORT****COMPLIANCE REPORT ON CORPORATE GOVERNANCE FOR THE YEAR APRIL 1, 2010 TO MARCH 31, 2011**

Pursuance to Clause 49 of the Listing Agreement with the Stock Exchanges, your Directors present below a detailed Compliance Report on Corporate Governance:

**Company's philosophy on code of Governance**

Corporate Governance aims at achieving high level of efficiency, accountability, responsibility and fairness in dealing with all stakeholders..

Your company 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, customer satisfaction and shareholder value.

**Board of Directors****Composition:**

The strength of the Board of Directors as on 31/03/2011 is 8. Board comprises of Executive and Non-Executive Directors. The Non-Executive Directors bring external and wider perspective to the Board's deliberations and decisions. The Board comprises of one Chairman & Managing Director and 7 Non-Executive directors. The Board represents an optimal mix of professionalism, knowledge and experience.

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

Board meets generally to take stock of the assets management, to discuss and decide on company / business policy and strategy apart from normal Board business.

During the financial year ended March 31, 2011 six Board Meetings were held on 29/04/2010, 30/07/2010, 30/08/2010, 29/10/2010, 31/01/2011 and 7/03/2011

The following table gives the composition and category of the Directors of the Board, their attendance at the Board Meetings during the year and at the last Annual General Meeting and also the number of Directorships and Committee Memberships/ Chairmanships held by them in other companies.

Name of the Director	Category of Directorship	No. of Board Mtgs. attended	Attendance at last AGM	* No. of Director-ships in other public companies	No. of Member ships/ Chairman ships of committees of other companies.
1	2	3	4	5	6
Shri Bommidala Kasi Viswanadham,	Non Executive Director	3	No	None	None
Shri Bommidala Rama Krishna, Chairman & Managing Director	Executive Director	6	Yes	None	None
Smt. Bommidala Saroja Devi	Non Executive Director	2	No	None	None
Smt. Bommidala . Anitha	Non Executive Director	6	No	None	None
Shri N. Dolendra Prasad	Non Executive Independent Director	2	No	One	None
Shri Kanteti Sridhar	Non Executive Independent Director	6	No	None	None
Sri T. Rama Krishna	Non Executive Independent Director	6	Yes	None	None
Sri Y. Srinivasa Rao	Non Executive Independent Director	4	No	None	None

\* Excludes alternate directorships, Directorships in Indian Private Limited companies & Foreign Companies.