



BKV INDUSTRIES LIMITED

'and reduced'

NINETEENTH ANNUAL REPORT 2011-12

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,
D.No. 6-03-11, 3/4, 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, Lakshmiapuram,
Main Road,
GUNTUR - 522 007

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Nineteenth Annual General Meeting of the members of BKV Industries Limited. "and reduced " will be held on Monday the 17th September, 2012 at 3.00 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 Statement of Profit and Loss for the financial year ended 31st March, 2012 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 her self 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.

Place : Guntur
Date: 04-08-2012

By order of the Board of Directors
For BKV Industries Limited

B. RAMA KRISHNA
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 7th September, 2012 to 17th September 2012 (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

Sri B. Kasiviswanadham aged 76 years is a founder promoter of the company. He has over 48 years of experience in Tobacco business. He has been associated with administration, marketing and H R related activities and been associated with your company since inception. Sri B. Kasiviswanadham is also a director on the Boards of 5 other companies. The Board of Directors recommend 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 and knowledge in areas like 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 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 Committees constituted by the company. The Board of Directors recommend 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.

DIRECTOR'S REPORT AND MANAGEMENT DISCUSSION & ANALYSIS

Your Directors have pleasure in presenting you the Nineteenth Annual Report together with Audited Accounts for the year ended 31st March, 2012.

PERFORMANCE OF THE COMPANY

(Rs. in Lakhs)

| | For the year ended 31/03/2012 | For the year ended 31/03/2011 |
|---|----------------------------------|----------------------------------|
| Sales & Other Income | 64.96 | 52.97 |
| Profit/(Loss) before interest and Depreciation | 6.84 | (-) 7.24 |
| Depreciation | 6.96 | 7.55 |
| Net Profit / (Loss) before tax & Exceptional items | (-) 0.12 | (-) 14.79 |
| Exceptional items | 6.35 | 14.14 |
| Net Profit/(Loss) after tax & Exceptional items | 6.23 | (-) 0.65 |

OPERATIONS:

- A. Farm : During March, 2011, the Aqua Farm situated at Isakapalli is given on lease. The company also invested adequately for improving building structures like store rooms, administrative office, godowns, canteen etc so that the entire infrastructure is improved substantially for future operations.
- B. Hatchery: No seed is produced during the year 2011 - 2012. However shrimp is produced about 17.43 tonnes in ponds situated at Hatchery and achieved a shrimp turnover of Rs 37.59 lakhs.

DIVIDEND:

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

FUTURE PROSPECTS:

The company has identified a buyer for its Hatchery at Mypadu in March 2012 in 'as is where is condition' and completed the formalities of selling the total property at a total price of Rs. 150 Lakhs and could repay the interest free unsecured loans extended by promoters for more than a decade. With this transaction the company has become debt free company and the promoters are reviewing the global market conditions to venture into commodities and other related business.

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. Kaslviswanadham, director 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, director 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 (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 Nineteenth 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 Kolkata, Bombay and Chennai for the year 2012-2013. The Hyderabad Stock Exchange Ltd had 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. There was no demand from Delhi Stock Exchange and the company has not paid any listing fees.

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 31st March, 2012, 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 2011-2012 and of the Profit 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.**

India's marine exports are likely to grow by over 28% year-on-year to \$ 4.5 Billion in the current fiscal on rising demand from Europe and U.S.A. During 2011-12 the Sea Food exports stood at \$ 3.5 Billion according to data provided by MPEDA. The increase is mainly due to vannamei and Black Tiger Shrimp. In 2010 Indian packers exported 66 million pounds of shrimp to the United States. In 2011 this figure jumped to 106 million pounds, a 60 percent increase in just one year. Most of the growth can be attributed to farmed white shrimp. The growth of white shrimp Industry has been nothing short of phenomenal in India. The biggest market hurdle comes from India's white shrimp producers' tendency to raise large sizes such as 16/20 and 21/25 in all product forms. If India continues to focus on large sizes this year, this will push these sizes lower for all large shrimp, especially from Asian origins.

B. OPPORTUNITIES, THREATS, RISKS AND CONCERNS

In addition to unseasonal weather, farmers and packers experienced higher energy costs, as well as inflationary pressures. The global economy faces critical challenges and the biggest risk is Europe's debt crisis. Growth is slowing in emerging Asian economies. There is still high unemployment in the United States, with stagnant wage growth and a depressed housing market. Consumer disposable income among Americans declined in 2011. Consumers cannot accelerate levels of spending unless they make more money, but this is not likely to happen until the job market improves. Hence, there should be a relatively stable US shrimp market in the year 2012. Last year was a challenging year on the quality front, as most factories were unprepared to handle these volumes. Most factories invested in expansions and are well positioned to handle more quantities. The biggest challenges are increasing wages, and thanks to a weakening currency, prices have relatively been stable.

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 judgments used in preparing the financial statements.

During the year ended 31st March, 2012 the company achieved a turnover of Rs. 37.59 lakhs against the previous year of Rs.37.25 lakhs. During March, 2011, the company had given it's Farm for a short term lease. Near Hatchery the company carried out limited farming operations to maintain its assets and also improved its infrastructure in Farm. However the company could just meet its expenses and earned a marginal profit of Rs. 6.23 lakhs.

E. CAUTIONARY STATEMENT

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

Due to head winds in the market environment that could upset the proposed operations of the company. However the company had already sold its Hatchery assets and given the farm assets on lease for a short term, the company may be able to curtail substantial administrative costs and there by reduce its losses considerably.

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 was not necessary and therefore decided to de-list from Delhi and Calcutta stock exchanges in pursuance of special resolution passed in the 14th Annual General Meeting held on 28th 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: 04-08-2012

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 - |

Place : Guntur
Date: 04-08-2012

By order of the Board of Directors

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, 2011 TO MARCH 31, 2012.**

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 31/03/2012 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, 2012 seven Board Meetings were held on 04/05/2011, 5/07/2011, 28/07/2011, 13/08/2011, 29/10/2011, 30/01/2012 and 14/02/2012.

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 | 4 | No | None | None |
| Shri Bommidala Rama Krishna, Chairman & Managing Director | Executive Director | 7 | Yes | None | None |
| Smt. Bommidala Saroja Devi | Non-Executive Director | 3 | No | None | None |
| Smt. Bommidala Anitha | Non-Executive Director | 5 | No | None | None |
| Shri N. Dolendra Prasad | Non-Executive Independent Director | 3 | No | One | None |
| Shri Kanteti Sridhar | Non-Executive Independent Director | 5 | No | None | None |
| Sri Tunuguntla Rama Krishna | Non-Executive Independent Director | 6 | Yes | None | None |
| Sri Yedlapalli Srinivasa Rao | Non-Executive Independent Director | 4 | No | None | None |

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

Directors Retiring by rotation

The information is provided in the Notes appended to the Explanatory Statement of the Notice under the heading " Information under clause 49 of the Listing Agreement regarding reappointment of Directors ".

Disclosure of transactions where Non-Executive Directors have pecuniary interest.

None of the Non-Executive Directors has any pecuniary relationship or transactions vis-a-vis the Company. The directors periodically disclose their interest in different companies and transactions/contracts of the Company with such companies are taken on record in the Board Meetings

No. of equity shares held by the non-executive directors as on 31/03/2012

| Name of the Non-Executive Director | No.of Shares held | Percentage |
|------------------------------------|-------------------|------------|
| Sri B. Kasi Viswanadham | 45,58,822 | 29.51 |
| Smt. B. Saroja Devi | 24,13,716 | 15.62 |
| Smt. B. Anitha | 4,06,825 | 2.63 |

Audit Committee**(a) Brief description of terms of reference**

The Terms of reference of this committee cover the matters specified for Audit Committee under Clause 49 of the Listing Agreement as well as in Section 292A of the Companies Act, 1956, besides other terms as may be referred by the Board of Directors. These include overseeing company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible; reviewing annual and quarterly financial statements with management before submitting to the Board; reviewing the adequacy of internal control systems with management, external and internal auditors and reviewing the company's financial risk and management policies.

(b) Composition, Meetings and Attendance during the year

The Audit Committee comprises of three non-executive directors. During the financial year ended 31st March, 2012 the committee met 4 times i.e on 4th May, 2011, 28th July, 2011, 29th October, 2011 and 14th February, 2012

The attendance of the each member of the committee is given below:

| Directors | Chairman/ Member | Category | No.of meetings attended |
|------------------------|---------------------|-------------------------------|----------------------------|
| Sri Kanteti Sridhar | Chairman | Non - Executive & Independent | 4 |
| Sri N. Dolendra Prasad | Member | Non - Executive & Independent | 2 |
| Sri T. Rama Krishna | Member | Non - Executive & Independent | 4 |

Remuneration Committee**Terms of Reference**

The company has appointed a Remuneration Committee comprising of three non-executive members namely Sri. K. Sridhar (Chairman), Smt. B. Anitha, and Mr. T. Rama Krishna

The committee is authorised, inter alia, to deal with matters related to compensation by way of salary, perquisites, benefits etc to the whole time directors of the company and set guidelines for salary and perquisites of the other senior employees.