



# **BKV INDUSTRIES LIMITED**

**'and reduced'**

## **TWENTIETH ANNUAL REPORT**

**2012-13**

## **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, Lakshmipuram,  
Main Road,  
GUNTUR - 522 007

### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twentieth Annual General Meeting of the members of BKV Industries Limited. “ and reduced “ will be held on Saturday the 14<sup>th</sup> September, 2013 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 31<sup>st</sup> March, 2013 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 Kanteti Sridhar who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri Dolendra Prasad who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri Yedlapalli Srinivasa Rao who retires by rotation and being eligible, offers himself for re-appointment
5. 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: 22nd July, 2013

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 7<sup>th</sup> September, 2013 to 14<sup>th</sup> September 2013 (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 Registrars & Share Transfer Agents, M/s. Karvy Computershare Pvt Ltd. Members holding shares in de-materialized 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**

Mr. Kanteti Sridhar is a graduate in Commerce. He has experience in business and working as Managing Director in Shiridi Sai Garments (P) Ltd for the last 13 years. The Board considered that the company would be benefited by the business exposure and advice of Sri K. Sridhar.

The Board of Directors recommends his re-appointment.

**Item No. 3**

Sri N. Dolendra Prasad is a pioneer in shrimp farming in Nellore District. He is the first person to attempt intensive shrimp farming in Andhra Pradesh. He demonstrated his technology in culture and seed in TASPARG farm, Pudiparti and also produced aqua feed. He got substantial business experience in various fields. Hence the Board considered that his business experience will be of good use for the company.

The Board of Directors recommends his re-appointment.

**Item No. 4 :**

Sri Yedlapalli Srinivasa Rao is an industrialist with more than three decades of experience in various industries of Soft Drinks, Hospitality, Cold Storage and Sales and Distribution activity of Tractors etc. During his long career, he has been exposed thoroughly to Production, Marketing, Human Resource Management and Finance activities. The Board considered that his vast experience in different fields of activities would be useful to the company.

The Board of Directors recommends his re-appointment

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

Your Directors have pleasure in presenting you the Twentieth Annual Report together with Audited Accounts for the year ended 31<sup>st</sup> March, 2013.

**PERFORMANCE OF THE COMPANY**

(Rs. in Lakhs)

	For the year ended 31/03/2013	For the year ended 31/03/2012
Sales & Other Income	15.70	64.96
Profit/(Loss) before interest and Depreciation	(16.62)	6.84
Depreciation	3.22	6.96
Net Profit / (Loss) before tax & Exceptional items	(19.84)	(0.12)
Exceptional items	1.73	6.35
Profit on Sale of Assets	108.36	-
Net Profit/(Loss) after Tax & Exceptional Items	90.25	6.23

**OPERATIONS:**

A. Farm : The Aqua Farm situated at Isakapalli was given on lease during March, 2011 for two years, but the Lessee terminated the lease in Nov. 2012. The company then explored the possibility of giving it's Farm on lease and in process the company identified another party and gave it's farm on lease for a period of seven years from July, 2013. In the meanwhile the company carried out a minimal culture in the Farm.

B Hatchery: During April, 2012, the company disposed off the hatchery assets in as is where is condition and the proceeds had been utilized to clear off the interest free unsecured loans extended by the management director and his associated concern pending for a long time.

**DIVIDEND:**

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

**FUTURE PROSPECTS:**

As stated in the Director’s Report of the previous year, the Hatchery unit situated at Mypadu Village was disposed off during the year in as is where is condition and the farm is given for a period of 7 years lease from July, 2013, there by saving considerable overhead costs.

**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 Kanteti Sridhar, 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, Sri Dolendra Prasad, 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, Sri Yedlapalli Srinivasa Rao, 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 Twentieth 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.

**COST RECORDS**

The Government had stipulated cost records under Section 209(1)(d) of the Companies Act, 1956 and as prescribed cost records are being maintained and the same are being reviewed by the Qualified Cost Auditor and the Compliance Report under compilation.

**LISTING AGREEMENT WITH STOCK EXCHANGES:**

As per the requirement of Listing Agreement, the Company declares that it’s 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 Bombay, Madras and Kolkata for the year, 2013-2014. The Hyderabad Stock Exchange Ltd had stated that no Annual Listing Fees need to 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 had not paid any listing fee.

**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, 2013, 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, 2012-2013 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 to safeguard 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.**

Higher production and export of shrimp and chilled items drove India’s marine products export to an all-time high of Rs 18,856 crore (\$3,511.67 million) in the year 2012-13, rising 7.68% in quantity when compared to the previous year 2011-12 which was informed by MPEDA. The exports crossed earlier records in quantity, rupee value and US dollar terms. Based on quantity, the country exported 9,28,215 tonnes in the year 2012-13. In rupee and dollar terms, the growth was 13.61% and 0.1% respectively. Increased production of Vannamei and Black Tiger shrimp and increased export of chilled items has helped to achieve higher exports. Frozen shrimp continued to be the major export value item, accounting for 51.35% of the total US dollar earnings

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

Buoyant demand in developing countries has driven world aquaculture production to new heights yet, at the same time, consumption has slackened in many traditional developed country markets. Global production is expected to reach another record level in 2013, topping 160 million tonnes for the first time. Fish for direct human consumption will also increase significantly during 2013. World trade continues to grow, thanks to strong demand from emerging markets, with both volumes and values progressing in 2013 due to many factors including favorable exchange rate for exporters. The prices on a number of farmed species, including shrimp and selected other products, have risen sharply, due to supply problems and higher feed costs and overheads. The US anti-dumping duties are also a blow for Indian shrimp exporters as the US is their biggest market after Europe. This will affect our exports to the US and increase the vulnerability of India’s small-scale fishing communities, harvesters and processors. US decision comes at a time when the industry is already struggling with soaring ocean, freight costs and stepped price hikes in diesel.

**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 is 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 March, 2011, the company entered into a lease agreement of it’s Farm for a period of 26 months but, in the month of November, 2012 the Lessee had withdrawn from the lease agreement. After that the company carried out a small culture in few ponds. However, due to sale of Hatchery and receipt of lease income for part of the year, the company earned a net profit of Rs. 90.25 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. As the Lessee of the Farm during the month of November, 2012 had withdrawn Lease agreement the company entered into a seven year period Lease to another party from July, 2013 and during the earlier year sold it’s Hatchery assets. Hence, the company was able to curtail substantial administrative costs and thereby reduce it's 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 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.

Place: Guntur

Date: 22<sup>nd</sup> July, 2013

By order of the Board of Directors

**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: 22<sup>nd</sup> July, 2013

By order of the Board of Directors

A report on Corporate Governance is enclosed.

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

**ANNEXURE TO THE DIRECTORS' REPORT****COMPLIANCE REPORT ON CORPORATE GOVERNANCE FOR THE YEAR APRIL 1, 2012 TO MARCH 31, 2013**

Pursuant 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 lead to increasing employee, customer satisfaction and shareholder value.

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

The strength of the Board of Directors as on 31/03/2013 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, 2013 five Board Meetings were held on 12<sup>th</sup> May, 2012, 31<sup>st</sup> July, 2012, 4<sup>th</sup> August, 2012, 10<sup>th</sup> November, 2012 and 14<sup>th</sup> February, 2013.



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
Sri Bommidala Kasiviswanadham	Non-Executive Director	3	No	None	None
Sri Bommidala Rama Krishna, Chairman & Managing Director	Executive Director	5	Yes	None	None
Smt. Bommidala Saroja Devi	Non-Executive Director	3	No	None	None
Smt. Bommidala Anitha	Non-Executive Director	5	No	None	None
Sri Nellore Dolendra Prasad	Non-Executive Independent Director	3	No	One	None
Sri Kanteti Sridhar	Non-Executive Independent Director	5	No	None	None
Sri Tunuguntla Rama Krishna	Non-Executive Independent Director	5	Yes	None	None
Sri Yedlapalli Srinivasa Rao	Non-Executive Independent Director	2	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 31/03/2013

Name of the Non-Executive Director	No. of Shares held	Percentage
Sri B. Kasiviswanadham	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 31<sup>st</sup> March, 2013 the committee met 5 times i.e on 12<sup>th</sup> May, 2012, 31<sup>st</sup> July, 2012, 4<sup>th</sup> August, 2012, 10<sup>th</sup> November, 2012 and 14<sup>th</sup> February, 2013.

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	5
Sri N. Dolendra Prasad	Member	Non - Executive & Independent	3
Sri T. Rama Krishna	Member	Non - Executive & Independent	5

**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 Sri T. Rama Krishna.

The Committee is authorized 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.

**Remuneration of Directors**

The details of the remuneration paid to Managing Director for the financial year 2012-2013 are given below:

Name of the Director	Bommidala Ramakrishna (Chairman & Managing Director)
Salary	Rs. 4,20,000/-
Benefits	-
Provident Fund	-
<b>Total</b>	Rs. 4,20,000/-

**Shareholders / Investor Grievance Committee**

The company has a Shareholders / Investor Grievance Committee comprises of three non-executive directors namely Smt. B. Saroja Devi (Chair person), Smt. B. Anitha and Sri T. Rama Krishna, non-executive directors.

The Shareholders / Investor Grievance Committee met four times i.e on 12<sup>th</sup> May, 2012, 31<sup>st</sup> July, 2012, 10<sup>th</sup> November, 2012 and 14<sup>th</sup> February, 2013 and reviewed shareholders complaints position and expressed satisfaction over the compliance of the investors grievances. All complaints received from the shareholders by the company are forwarded to Registrars and Share Transfer Agents “M/s. Karvy Computershare Pvt. Ltd” for furnishing replies to the shareholders explaining the position of the complaints. The Registrars and Share Transfer Agents “ M/s. Karvy Computershare Pvt. Ltd” submits “Investor Grievance Report” every quarter which will be reviewed by the Shareholders / Investor Grievance Committee.

The Company received a total of 12 complaints from 01.04.2012 to 31.03.2013 from its shareholders, all of which were resolved within 30 days to the satisfaction of the shareholders. No share transfers arising out of the financial year in question are pending beyond the normal service time of two weeks from the date of receipt of complete documentation required to effect the transfer.