

TWENTY FIRST ANNUAL REPORT 2003 - 2004

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BAMBINO AGRO INDUSTRIES LIMITED

BAMBINO AGRO INDUSTRIES LIMITED**BOARD OF DIRECTORS**

Shri M. Kishan Rao
 Shri M. Subramanyam
 Shri M. Raghuveer
 Shri S. Ramaswamy
 Shri Rajender Pershad
 Shri Mansoor Yar Khan

Chairman and Managing Director
 Wholetime Director
 Director
 Director
 Director
 Director

REGISTERED OFFICE:

Surya Towers, 4th Floor,
 'E' Block, 104, S.P. Road,
 Secunderabad - 500 003.

ADMINISTRATIVE OFFICE

Surya Towers, 2nd Floor,
 F-Block, 104, S.P. Road,
 Secunderabad - 500 003.

MANUFACTURING FACILITIES AT

Bibinagar, Bhongir Mandal
 Nalgonda District,
 Andhra Pradesh.

Begumpur Khatola Village,
 Gurgaon, Haryana.

AUDITORS

PRV ASSOCIATES
 Chartered Accountants,
 Hyderabad - 500 029.

BANKERS

State Bank of India,
 Commercial Branch,
 Bank Street, Koti,
 Hyderabad.

Indian Overseas Bank
 Adarshnagar Branch,
 Hyderabad.

TWENTY FIRST ANNUAL GENERAL MEETING

Day : Saturday
 Date : 25th September, 2004
 Time : 10.30 A.M.
 Place : Bantia Gardens, Bantia Estate,
 207, Sikh Road,
 Secunderabad - 500 003

LISTING OF EQUITY SHARES

The equity shares of the company are listed at the
 THE STOCK EXCHANGE, MUMBAI

ANNUAL REPORT 2003-2004

Contents	Page No.
Notice of Annual General Meeting	1
Directors' Report	3
Annexure to Directors' Report	6
Report on Corporate Governance	9
Disclosure under Clause 43A(2)	12
Auditor's Certificate on Corporate Governance	16
Auditors' Report	17
Balance Sheet	20
Profit and Loss Account	21
Notes on Accounts	28
Cash Flow Statement	34

BAMBINO AGRO INDUSTRIES LIMITED**NOTICE**

NOTICE is hereby given that the **TWENTY FIRST ANNUAL GENERAL MEETING** of the Members of **BAMBINO AGRO INDUSTRIES LIMITED** will be held on Saturday, the 25 th day of September, 2004 at 10.30 A.M. at Bantia Gardens, Bantia Estate, 207, Sikh Road, Secunderabad - 500 003, to transact the following business.

ORDINARY BUSINESS:

1. To receive and adopt the Balance Sheet as at 31st March, 2004 and the Profit and Loss Account for the 9 months period ended 31st March, 2004 and the Reports of the Board of Directors and Auditors thereon.
2. To appoint Director in place of Sri M.Raghuveer, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Director in place of Sri Mansoor Yar Khan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

BY ORDER OF THE BOARD**WHOLETIME DIRECTOR**

Place: Secunderabad
Date: 29th July, 2004

NOTES:

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXY IN ORDER TO BE EFFECTIVE MUST BE LODGED WITH THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- 2) The Register of Members will remain closed from 5th September, 2004 to 25th September, 2004 (both days inclusive). The transfer books of the Company will also remain closed for the above said period.
- 3) Members are requested to intimate the Company or Registrar, the details or clarifications, if any, required in relation to this Annual Report, atleast 7 (Seven) days before the Meeting to enable the Management to keep the information ready at the Meeting
- 4) As a measure of economy, Members/proxies are requested to bring their copies of Annual Report to the Meeting and the attendance slip duly filled in for attending the Meeting. Copies of Annual Reports will not be provided at the Meeting.
- 5) Unclaimed dividend of the year 1995-96 has been transferred to the Investor Education & Protection Fund of the Central Government and the unclaimed dividend for the subsequent years will be transferred to the said fund as under.

BAMBINO AGRO INDUSTRIES LIMITED

Financial Year	Date of Declaration	Due Date of Transfer
1996-97	26.09.1997	25.09.2004
1997-98	30.09.1998	29.09.2005

Members who have not encashed their dividend warrants pertaining to these years may have their warrants revalidated by sending them to the Registered Office of the Company. It may be noted that once the unclaimed dividend is transferred to the Investor Education and Protection Fund, no claim shall lie against the company.

- 6) The company's shares are now available for trading in demat form. Investors are requested to open an account with a depository participant to trade in the dematerialised form.

BY ORDER OF THE BOARD

WHOLETIME DIRECTOR

Place : Secunderabad
Date : 29th July, 2004

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BAMBINO AGRO INDUSTRIES LIMITED**DIRECTORS' REPORT**

TO
THE MEMBERS

Your director have pleasure in presenting their
TWENTY FIRST Annual Report for the Nine
Months Period ended 31st March, 2004.

FINANCIAL PERFORMANCE

(Rupees in Lakhs)

	Period ended 31.03.2004 (9 months)	Period ended 30.06.2003 (15 months)
Sales and other income	7280.62	8525.66
Profit before Interest, Depreciation and Tax	597.22	257.84
Less: Interest	471.93	364.90
Profit/(Loss) after Interest but before Depreciation & Tax	125.29	(107.06)
Less: Depreciation	206.70	337.32
Profit/(Loss) before tax	(81.41)	(444.38)
Less: Taxation		
(a) Current Tax	—	—
(b) Deferred Tax	24.97	42.40
Profit/(Loss) after tax	(56.44)	(401.99)

The Company has fared better during the period under review against the back drop of sluggish growth in demand in FMCG sector and intense competition in the food processing industry. Most of the food processing companies witnessed price discounting resulting in erosion of margins. The company succeeded in outperforming in the declining market conditions

and achieved sales growth of 42% over the previous accounting period on annualised basis

DIVIDEND:

In view of loss incurred for the 9 months period ended 31st March, 2004 your Directors regret their inability to recommend any dividend.

REPLIES TO AUDITORS OBSERVATION:

(Observation under Clause 4 (f) of their Report)

The Company has approached the Financial Institutions for Restructuring of Debt which involves granting of certain concessions / waiver of interest. As on date of Balance Sheet, approval has been received from IDBI and approval of IFCI Ltd., was awaited. Pending approval of the Scheme for Negotiated Settlement with IFCI Ltd., interest has been provided as per the scheme submitted to IFCI Ltd. for approval. The Company's Restructuring proposal has been since approved by IFCI Ltd., vide their letter No. HRO/C-175/2004-22052 dated 14th July, 2004.

**SCHEME OF ARRANGEMENT AND
RECONSTRUCTION BETWEEN THE COMPANY
AND ITS SHAREHOLDERS AND ITS CREDITORS:**

The company's financial performance has been adversely affected from 1998-99 onwards due to increased competition and low price realisations. In view of the above accumulated losses, the company could not service its debt obligations. The company has therefore approached the Financial Institutions for financial restructuring and for grant of certain reliefs and concessions. The Financial Institutions viz., IDBI & IFCI have approved a comprehensive financial restructuring package involving inter alia, part down payment of debt, conversion of part debt amount into optionally cumulative convertible

BAMBINO AGRO INDUSTRIES LIMITED

Preference Shares, derating the equity shareholding of promoters by 10%, conversion of unsecured loans of the promoters into equity.

Approval of the shareholders is being sought to the proposed Scheme of Arrangement and Reconstruction pursuant to the provisions of Section 391 & 392 of the Companies Act, 1956 at the General Meeting to be convened as per the orders of the Hon'ble High Court of Andhra Pradesh. The Board shall be entitled to take all appropriate steps as may be necessary to give to effect to the above debt restructuring including effecting amendment to the existing terms of the borrowings or by replacement/substitution of the nature of facilities either through issue of preference shares / debentures or otherwise to create and/or modify the pari passu mortgage/charge in respect of the company's properties, securing the above restructured borrowings or any other incidental matter as may be necessary.

MANAGEMENT DISCUSSION, ANALYSIS AND CORPORATE GOVERNANCE:

Reports of the Management discussion, analysis and status report on compliance of corporate governance are annexed and forms part of this report.

CORPORATE GOVERNANCE:

A detailed report on Corporate Governance is enclosed.

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors confirm that:—

1. In preparation of the Accounts under review, the applicable accounting standards have been followed;
2. Appropriate accounting policies have been applied consistently. Judgement and estimates which are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at the end of 9 months period, 31st March, 2004 and of the profit or loss of the Company for the year under review.
3. Proper and sufficient care has been taken 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;
4. The Accounts for the period under review have been prepared on a "going concern" basis.

BOARD OF DIRECTORS:

In accordance with the provisions of Companies Act, 1956 and Company's Articles of Association Mr. M.RAGHUVeer and Mr. MANSOOR YAR KHAN retire by rotation and being eligible offer themselves for reappointment.

AUDITORS:

M/s. PRV Associates, Chartered Accountants, Hyderabad, the Company's Auditors retire at the conclusion of the Annual General Meeting and are eligible for re-appointment.

PARTICULARS OF EMPLOYEES:

As none of the employees of the Company has

BAMBINO AGRO INDUSTRIES LIMITED

received remuneration in excess of the prescribed limits, the statement required under Sub-section 2A of Section 217 of the Companies Act, 1956 and pursuant to the Companies (Particulars of Employees) Rules, 1975 is not given.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO:

The requisite information pursuant to the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are given in the annexed statement.

INDUSTRIAL RELATIONS:

During the year under review, the industrial relations at both the units of the company continue to be cordial and peaceful.

ACKNOWLEDGEMENTS:

The Directors wish to acknowledge and record their appreciation of the support received from company's Bankers and term lending financial institutions. Your Directors also place on record their appreciation of the contribution made by the employees at all levels.

Your Directors also wish to express their thanks to the shareholders, suppliers, stockists, selling agents and customers for the confidence reposed in the company and the support extended by them.

FOR AND ON BEHALF OF THE BOARD

M. KISHAN RAO
CHAIRMAN & MANAGING DIRECTOR.

PLACE : SECUNDERABAD
DATE : 29th July, 2004

BAMBINO AGRO INDUSTRIES LIMITED**ANNEXURE TO DIRECTORS' REPORT**

Additional information as required under the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1998

CONSERVATION OF ENERGY.**a) Energy conservation measures taken:**

- i) Energy efficient systems continuously updated for energy conservation
- ii) Use of Light Diesel Oil (LDO) in place of High Speed Diesel (HSD) Oil to reduce energy cost.

b) Additional investment and proposal being considered for reduction of consumption of energy:

Conversion of systems for switching over from high cost fuel to low cost fuel planned.

c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

The benefits of the measures at (a) and (b) have resulted in low consumption of power and fuel and reduced the cost of production of goods.

FORM - A

Form for Disclosure of particulars with respect to conservation of Energy

A. Power and Fuel Consumption		2003-2004 (9 Months Period)	2002-2003 (15 Months period)
1. Electricity			
a) Purchased Units (KWH)		33,99,462	45,59,057
Total Amount (Rs.)		1,39,53,043	1,86,87,946
Rate/Unit (Rs.)		4.10	4.10
b) Own Generation.			
(i) Through diesel generator (Units) (KWH)		25,45,988	21,90,579
Total Amount (Rs.)		1,57,80,553	1,60,78,241
Rate per Unit (Rs.)		6.20	7.34
2. Coal			
Quantity (tones)		NOT APPLICABLE	
Total Cost (Rs.)			
Average Rate (Rs.)			
3. HSD/LDO Consumption for Boiler / Utilities			
Quantity (Ltrs.)		3,22,254	4,47,194
Total Cost (Rs.)		65,76,359	81,19,449
Rate Per Unit (Rs.)		20.41	18.16
B. Consumption per unit of production			
Production-Pasta and Wheat Products (MTS)		46.134	42,355
Electricity (KWH / Production)		128.87	159.36

BAMBINO AGRO INDUSTRIES LIMITED**FORM B**

Form for disclosure of particulars with respect to absorption

Research and development (R & D)

- | | | |
|--|---|--|
| 1. Specific areas in which R & D carried out by the Company | : | Development of new pasta variants and process improvement. |
| 2. Benefits derived as a result of the above R & D | : | Cost reduction and drive in volumes growth. |
| 3. Future plan of action | : | Varied product offerings at affordable price. |
| 4. Expenditure on R & D | | |
| (a) Capital | } | |
| (b) Recurring | } | NEGLIGIBLE |
| (c) Total | } | |
| (d) Total R & D expenditure as a percentage of total turnover: | } | |

Technology absorption, adaptation

- | | | |
|--|---|--|
| 1. Efforts, in brief, made towards technology absorption, adaptation and innovation | : | Technology Absorbed |
| 2. Benefits derived as a result of the above efforts, eg., product improvement cost reduction, product development, import substitution, etc. | : | Indigenous spares developed for several imported parts/ components |
| 3. In case of imported technology (imported) during the last 5 years reckoned from the beginning of the financial year), following information may be furnished: | } | |
| a) Technology imported: | } | |
| b) Year of import: | } | NOT APPLICABLE |
| c) Has technology been fully absorbed? | } | |
| d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action. | } | |

FOREIGN EXCHANGE EARNINGS/OUTGO

Earnings : Rs.	:	33,02,860
Out go : Rs.	:	10,29,533

BAMBINO AGRO INDUSTRIES LIMITED**MANAGEMENT DISCUSSION AND ANALYSIS****INDUSTRIAL SCENARIO:**

The processed food market in India has been largely an urban one. However with the improved electronic media and distribution strategies, it is slowly expanding to rural area. With the increasing population and increased literacy levels, the demand for the pasta products is also perking up. The size of the market is therefore increasing. However, the company faces stiff challenges from new entrants in this segment who are resorting to low priced competition thereby shrinking margins of the company.

OPPORTUNITIES:

The critical factor in achieving growth is to increase market penetration into rural areas. As the rural potential consumers form 70% of the total population, this clearly reflects an opportunity for growth provided proper marketing strategies are applied. Your company is making significant progress in the new growth initiatives.

RISKS AND CONCERNS:

The entry of new competitors in the market may pose a threat to the existing marketing operations with respect to quantities sold and price realised. The company will however address this threat in a multipronged way by emphasising its strength through efficiency in manufacturing, procuring low cost funds, improving quality of the product and packaging, expanding the range of products, increasing marketing efforts to gain foothold into new markets. Change in the Government policies may also impact the company performance.

INTERNAL CONTROL SYSTEMS:

Your Company has an adequate internal control in place, which ensures that all the transactions of the Company are duly authorized and properly recorded. There is proper safeguard of assets through internal control system, which prevents any wastage, loss and unauthorized use of an asset.

There is an effective and independent internal audit department operating in the Company, which is responsible for implementing and review of the adequate internal control system within the organization and to suggest the corrective measures wherever necessary. The Audit Committee of the Board periodically review's the internal control system of the Company.

FINANCIAL RESULTS:

The company during the 9 months period under review achieved a turnover of Rs.7222 lakhs resulting in a loss of Rs.56 lakhs. The losses are on account of difficult market conditions leading to lower sales realisations. The company is working out a financial restructuring scheme with financial institutions which is expected to bring down the finance charges substantially and also leading to improved overall performance.

HUMAN RESOURCES:

The Company believes on the philosophy that skills contribute to the quality of the product, best utilization of resources, higher yields and productivity. The Management gives special emphasis on continuous upgradation of skills and to keep abreast the employees with latest changes in their respective areas.

The Company has maintained cordial relations with the employees throughout the period under review.