

62nd Annual Report 2008-2009



BENGAL & ASSAM COMPANY LIMITED

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BOARD OF DIRECTORS	:	HARI SHANKAR SINGHANIA <i>Chairman</i> BHARAT HARI SINGHANIA J.R.C. BHANDARI L.R. PURI O.P. KHAITAN DR. RAGHUPATI SINGHANIA SHAILENDRA SWARUP VINITA SINGHANIA
BANKERS	:	CENTRAL BANK OF INDIA NEW DELHI STANDARD CHARTERED BANK NEW DELHI
AUDITORS	:	J. S. LODHA & CO. <i>Chartered Accountants</i>
COMPANY SECRETARY	:	DILLIP SWAIN
REGISTERED & ADMINISTRATIVE OFFICE	:	LINK HOUSE 3, BAHADUR SHAH ZAFAR MARG NEW DELHI-110 002
REGISTRAR & SHARE TRANSFER AGENT	:	ALANKIT ASSIGNMENTS LTD. ALANKIT HOUSE 2E/21, JHANDEWALAN EXTENSION, NEW DELHI-110055 (INDIA) PH: 91-11-23541234,42541234 FAX: 91-11-42541967 EMAIL: rta@alankit.com WEBSITE: www.alankit.com

DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting the 62nd Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2009.

FINANCIAL RESULTS

	<u>Rs./Lacs</u>
Profit before Depreciation and Tax	1,391.87
Profit after Tax	1,288.37
Surplus brought forward	1,932.26
Amount available for appropriation	<u>3,220.63</u>
Appropriations:	
Transfer to Reserve	257.67
Transfer to General Reserve	1,500.00
Dividend including Dividend Tax	130.80
Surplus carried to Balance Sheet	1,332.16
	<u>3,220.63</u>

DIVIDEND

The Directors are pleased to recommend a dividend of Rs. 1.50 per Share (15%) on the Equity Share Capital of Rs. 8.68 Crores (86,83,553 Equity Shares of Rs. 10 each) for the year ended 31st March 2009. The dividend outgo would amount to Rs. 130.25 lacs.

PROSPECTS

The year 2008 was one with daunting challenges. The year started on a promising note with high GDP growth leading to buoyancy in the capital markets. Later in the second half of the year, following a severe economic downturn, markets registered a significant fall and value of several asset classes fell drastically. This adversely impacted the business sentiments which further dampened the capital markets.

The Indian economy is now showing signs of turnaround with its positive impact on capital & finance markets. With the improvement in business environment, it is expected that the Company shall have a satisfactory growth in the current year.

The Company has been a Non-Banking Finance Company. Pursuant to the Scheme of Amalgamation sanctioned by the Hon'ble High Court of Delhi, the Company has become Systemically Important Non Deposit Taking Non-Banking Finance Company. The Company has sought exemption from Reserve Bank of India from applicability of certain provisions applicable to Systemically Important Non Deposit Taking Non-Banking Finance Company.

DIRECTORS

The Board of Directors of the Company comprises of all Non-Executive Directors. It has witnessed several changes during the year including as per the requirements of Corporate Governance under the Listing Agreement.

Shri Hari Shankar Singhania, Shri Bharat Hari Singhania, Dr. Raghupati Singhania, Smt. Vinita Singhania, Shri O.P. Khaitan, Shri Shailendra Swarup, Shri L.R. Puri and Shri J.R.C. Bhandari were appointed as additional Directors w.e.f. 2nd February 2009 and they shall hold the said office upto the date of the forthcoming Annual General Meeting. The Company has received requisite notices from members pursuant to Section 257 of the Companies Act 1956, proposing the candidatures of the said Directors for appointment as Directors liable to retire by rotation.

Shri A.C. Choraria, Shri A.S. Mehta and Shri P.K. Rustagi resigned from the Board of Directors of the Company from conclusion of business hours on 2nd February 2009. The Board of Directors places on record its sincere appreciation of the valuable services rendered by the said Directors during their respective tenures of office.

MANAGER

Shri U.K. Gupta has been appointed as Manager of the Company for a period of three years w.e.f. 2nd February 2009 subject to approval of the members pursuant to Section 269 of the Companies Act 1956, in place of Shri P.S. Sharma who resigned as Manager of the Company from the said date. The Board places on record its appreciation for the contribution made by Shri P.S. Sharma during his tenure of office.

CONSOLIDATED ACCOUNTS

Pursuant to Accounting Standard (AS-21), consolidated financial statements are being presented by the Company for the period under report. In terms of approval granted by the Central Government under Section 212(8) of the Companies Act 1956, copies of the Balance Sheets, Profit & Loss Accounts, Reports of the Board of Directors and the Auditors, etc. of the subsidiary companies, namely, Fenner (India) Ltd., Southern Spinners & Processors Ltd., Modern Cotton Yarn Spinners Ltd., Panchmahal Properties Ltd., LVP Foods Pvt. Ltd., Dwarkesh Energy Ltd. and Acorn Engineering Ltd. have not been attached to the Balance Sheet of the Company. These documents/details will be made available upon request by the members.

AUDITORS

M/s. J.S. Lodha & Co., Chartered Accountants, Auditors of the Company, retire at the present Annual General Meeting and are eligible for re-appointment.

The observations of the Auditors in their Report on Accounts have been suitably explained in the relevant notes to the Accounts.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act 1956, your Directors state that —

- in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- the accounting policies selected and applied are consistent and judgements and estimates made 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 and of the profit or loss of the Company for the financial year ended 31st March 2009;
- proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the said Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

Your Company reaffirms its commitment to good corporate governance practices. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of this Annual Report.

LISTING ON STOCK EXCHANGES

Pursuant to the Scheme of Amalgamation sanctioned by the Hon'ble High Court of Delhi, 35,29,288 Equity Shares of Rs.10 each, fully paid up, were issued and allotted to the Members of Ashim Investment Company Ltd. and Netflir Finco Ltd., resulting into increase of the paid up capital from Rs. 5.15 Crore to Rs. 8.68 Crore. New Share Certificates pursuant to this allotment were dispatched to the shareholders holding shares in physical form and the shares issued in dematerialized form have been credited to the respective Beneficiary Accounts. The Company's Application for listing of the 86,83,553 Equity Shares has been approved by the Bombay Stock Exchange Ltd.(BSE). As required, under SEBI (DIP) Guidelines, 2000, BSE has forwarded Company's Application to SEBI for relaxation of the conditions of Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957 before permitting trading in the Company's Equity shares. The matter is being pursued with them.

PARTICULARS OF EMPLOYEES

During the period under review, the Company had no employee in the category specified under Section 217(2A) of the Companies Act 1956.

INFORMATION PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT 1956

The requirement of furnishing particulars of energy conservation, technology absorption, etc. is not applicable to the Company. There has been no foreign exchange earning or outgo during the year.

FIXED DEPOSITS

The Company is registered with the Reserve Bank of India(RBI) as a Non-Banking Finance Company and does not accept public deposits and as required by the RBI, the Board of Directors have also passed necessary resolution for not accepting public deposits, without prior approval of RBI.

ACKNOWLEDGEMENTS

The Directors wish to acknowledge the continued support and co-operation received from Government agencies, Lending Institutions and the esteemed shareholders of the Company. The Directors also record their appreciation for the total dedication of the employees.

On behalf of the Board

New Delhi
30th July, 2009

HARI SHANKAR SINGHANIA
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Company is engaged in the investment and finance business and is thus dependent upon economic growth in general and the state of capital markets in particular. After impressive economic growth of last few years, the year 2008-09 saw slowing down of domestic industrial production, rising inflation and bearish stock markets. This impacted the business environment which particularly affected the resource mobilization and the primary & secondary capital markets. The Indian economy is showing signs of recovery with improvement in industrial domestic growth and significantly lower inflation. This has had a positive impact on the capital markets with increased activity and better valuations.

PERFORMANCE DURING THE YEAR

Despite difficult economic conditions, your Company has recorded Profit After Tax of Rs. 1,288.36 lacs as against Rs. 1,358.98 lacs in the last year.

OUTLOOK

Considering the present economic conditions and the state of capital markets, the Company foresees improvement in its assets valuations.

NBFC

The Company is a Non-Banking Finance Company (NBFC) governed by the Reserve Bank of India Act, 1934 (RBI). Pursuant to the Scheme of Amalgamation sanctioned by the Hon'ble High Court of Delhi, the Company has become Systemically Important Non Deposit Taking Non-Banking Finance Company. The Company has sought exemption from Reserve Bank of India from applicability of certain provisions applicable to Systemically Important Non Deposit Taking Non-Banking Finance Company.

The Company does not accept Fixed Deposits and as required by RBI, the Board of Directors have passed necessary resolution not to accept Fixed Deposits without prior approval of RBI.

ADEQUACY OF INTERNAL CONTROL SYSTEM

The Company's internal control system and procedures are commensurate with the size of operation and are adequate to ensure –

- safeguarding its assets and resources against loss, unauthorized use or disposition,
- compliance with the statutes and regulatory policies and framework, and
- all transactions are authorized, recorded and reported correctly.

The group Internal Audit department evaluates the functioning and quality of internal control and provides assurance of periodic reporting. The Audit Committee reviews the Internal Audit Reports and the adequacy on regular basis which also acts as a tool for minimizing any possible risks in the operations of the Company.

CAUTIONARY STATEMENT

The statement in this Management Discussion and Analysis Report, describing the Company's outlook, projections, estimates, expectations may be "Forward-looking Statements" within the meaning of applicable securities laws or regulations. Actual results could differ materially from those expressed or implied.

REPORT ON CORPORATE GOVERNANCE

The requirement of providing Corporate Governance Report in the Annual Report of the Company will be applicable to the Company in the Financial Year 2009-10, on listing of its Equity shares pursuant to the Scheme of Amalgamation. However, as a responsible corporate citizen, substantial information regarding Corporate Governance are provided in this report.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Corporate Governance is an integral part of values, ethics and the best business practices followed by the Company. The core values of the Company are :-

- Commitment to excellence and customer satisfaction.
- Maximising long term shareholders value.
- Socially valued enterprise.
- Caring for people and environment.

In nutshell, the philosophy can be described as observing of business practices with the ultimate aim of enhancing long term shareholders' value and commitment to high standards of business ethics. The Company has in place a Code of Corporate Ethics and Conduct reiterating its commitment to maintain the highest standards in its interface with stakeholders and clearly laying down the core values and corporate ethics to be practised by its entire management cadre.

2. BOARD OF DIRECTORS:

The Board presently consists of eight Non-Executive Directors (NED) out of which four are Independent Directors (IND). The Chairman is Non-Executive. During the financial year ended 31st March 2009, 12 meetings of the Board were held on 8th April 2008, 10th July 2008, 5th August 2008, 20th August 2008, 2nd September 2008, 25th October 2008, 14th November 2008, 26th November 2008, 1st December 2008, 23rd December 2008, 31st January 2009 and 2nd February 2009. Attendance and other details are as given hereunder:

Sl. No.	Name of Director	Category	No. of Board Meetings attended	Whether last AGM attended	Outside Directorships and Committee positions		
					Directorships*	Committee Memberships**	Committee Chairmanships**
1.	Shri Hari Shankar Singhania, Chairman (w.e.f. 02.02.2009)	NED	NA	NA	3	-	-
2.	Shri Bharat Hari Singhania (w.e.f. 02.02.2009)	NED	NA	NA	4	1	-
3.	Dr. Raghupati Singhania (w.e.f. 02.02.2009)	NED	NA	NA	7	2	1
4.	Smt. Vinita Singhania (w.e.f. 02.02.2009)	NED	NA	NA	2	-	-
5.	Shri O.P. Khaitan (w.e.f. 02.02.2009)	IND	NA	NA	8	6	2
6.	Shri Shailendra Swarup (w.e.f. 02.02.2009)	IND	NA	NA	4	2	1
7.	Shri L.R. Puri (w.e.f. 02.02.2009)	IND	NA	NA	6	-	1
8.	Shri J.R.C. Bhandari (w.e.f. 02.02.2009)	IND	NA	NA	3	1	2
9.	Shri P.K. Rustagi (Upto 02.02.2009)	NED	11	Yes	4	1	-
10.	Shri A.C. Choraria (Upto 02.02.2009)	NED	12	Yes	3	-	-
11.	Shri A.S. Mehta (Upto 02.02.2009)	NED	10	Yes	2	-	-

* As per Section 275 read with Section 278 of the Companies Act 1956.

** Only covers Memberships/Chairmanships of Audit Committee and Shareholders/Investors Grievance Committee.

NA:- Not Applicable

The Board periodically reviews compliance reports of all laws applicable to the Company and the steps taken by the Company to rectify instances of non-compliances, if any.

In terms of Clause 49 of the Listing Agreement and contemporary practices of good corporate governance, a Code of Conduct was laid down by the Board for all the Board Members and Senior Management of the Company. The said code is available on the Company's website (www.bengalassam.com). All the Board Members and Senior Management Personnel have affirmed compliance with the said Code. This Report contains a declaration to this effect signed by the Manager.

3. AUDIT COMMITTEE:

The Company has an Audit Committee of Directors. The Audit Committee had consisted of Shri A.C. Choraria, Shri A.S. Mehta and Shri P.K. Rustagi. During the year, the Audit Committee was reconstituted. The Audit Committee now consists of Shri L.R. Puri (Chairman of the Committee), Shri O.P. Khaitan and Shri J.R.C. Bhandari. Shri Bharat Hari Singhania and Dr. Raghupati Singhania are Invitees to the Audit Committee. Shri U.K. Gupta, Manager regularly attends the meetings and the Company Secretary acts as the Secretary of the Committee. The "Terms of Reference" of the Audit Committee are in conformity with the provisions of Section 292A of the Companies Act 1956 and Clause 49 of the Listing Agreement with the Stock Exchanges.

During the financial year ended 31st March 2009, four meetings of the Audit Committee were held. Dates of meetings (number of members attended): 8th April 2008 (3), 5th August 2008 (2), 2nd September 2008 (3) and 25th October 2008 (3).

4. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE:

The Company has Shareholders/Investors Grievance Committee of Directors, which consists of Shri J.R.C. Bhandari, (Chairman of the Committee), Shri Bharat Hari Singhania, Dr. Raghupati Singhania and Shri L.R. Puri. Shri Dillip Swain, Company Secretary, is the Compliance Officer, who oversees the Investor Grievances including related to Transfer/Transmission of Shares/ Dematerialisation/Non-receipt of interest/Redemption proceeds on Preference Shares, Dividend warrants, Annual Report, etc. During the process of sanction and implementation of the Scheme, queries were received from shareholders regarding the Scheme, status of listing of shares of the Company, non-receipt of share certificates, etc. The said letters were promptly attended to and replied. Share certificates sent to the shareholders on allotment pursuant to the Scheme and returned in undelivered mail were sent again to the shareholders concerned. In addition, the Company has also a Committee of Directors which approves registration of transfers of shares in physical mode, etc. All the valid requests for transfers and transmission of shares in physical form were processed in time and there are no pending transfers of shares.

5. REMUNERATION COMMITTEE:

Remuneration Committee was not required to be constituted.

SITTING FEE:

The Non-Executive Directors have not drawn any remuneration from the Company except sitting fees of the Board/Committee of Directors attended by them. During the financial year ended 31st March 2009, the Company has paid sitting fees aggregating to Rs. 27,500/-.

The number of Equity Shares (shares) held by Non - Executive Directors in the Company : Shri Hari Shankar Singhania - 8,19,407, Shri Bharat Hari Singhania - 1,52,159, Dr. Raghupati Singhania - 8,14,661, Smt. Vinita Singhania - 33,249, Shri O.P. Khaitan - 236. Shri Shailendra Swarup, Shri J.R.C. Bhandari and Shri L.R. Puri do not hold any shares. The Company does not have any outstanding convertible instruments.

6. GENERAL BODY MEETINGS:

Location and time for the last three Annual General Meetings (AGMs): 29th November 2006 (3.00 P.M.), 29th December 2007 (3.00 P.M.) at Registered Office of the Company: Link House (4th floor), 3, Bahadur Shah Zafar Marg, New Delhi-110 002 and 30th December 2008 (11.00 A.M.) at Sri Sathya Sai International Centre, Pragati Vihar, Lodi Road Institutional Area, Lodi Road, New Delhi-110 003. No special resolutions were passed in the previous 3 AGMs. Also, no special resolutions were required to be put through postal ballot.

In addition to Annual General Meetings, Company holds Extraordinary General Meetings (EGM) of the shareholders as and when need arises.

7. DISCLOSURES:

- (a) Disclosures on materially significant related party transactions i.e., transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large. None. Suitable disclosures as required by Accounting Standard (AS-18) on Related Party Transactions has been made in the Annual Report.
- (b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any Statutory Authority, on any matter related to capital market, during the last three years. None. There were no cases of non-compliance of any matter related to capital markets during the last three years.
- (c) Risk Management procedures are being laid down.

8. MEANS OF COMMUNICATION:

Quarterly, half-yearly and annual results of the Company are normally published in the leading English newspapers namely, Financial Express and one regional daily, Vir-Arjun having wide circulation and promptly furnished to the Stock Exchanges for display on their respective websites. As the results are published in newspapers having wide circulation and also displayed on the respective websites of the Stock Exchanges, quarterly and half-yearly results are not separately sent to the Shareholders.

“Management Discussion and Analysis Report” forms part of the Annual Report.

9. GENERAL SHAREHOLDERS' INFORMATION:

(i) Annual General Meeting (AGM)

- (a) Day & Date : Tuesday, 22nd September 2009
Time : 11.30 A.M.
Venue : Sri Sathya Sai International Centre, Lodi Road, New Delhi-110003
- (b) As required under Clause 49 (IV)(G)(i), brief resume and other particulars of Directors retiring by rotation and/or seeking re-appointment/appointment at the aforesaid AGM are given in the Notes/ Explanatory Statement to the Notice convening the said AGM.

(ii) Financial Calendar (Tentative)

Financial Reporting for the Quarter/Year ending

<u>Quarter ending</u>	<u>By end</u>
June 30, 2009	: July 2009
September 30, 2009	: October 2009
December 31, 2009	: January 2010
March 31, 2010(If unaudited)	: April 2010
(If audited)	: June 2010
Annual General Meeting for the year ending March, 2010	: September 2010

- (iii) **Date of Book Closure** : From 17th September 2009 to 22nd September 2009 (both days inclusive)

- (iv) **Dividend Payment Date** : Before 21st October 2009

(v) Listing on Stock Exchanges

Pursuant to the Scheme of Amalgamation sanctioned by the Hon'ble High Court of Delhi, 35,29,288 Equity Shares of Rs.10 each, fully paid up, were issued and allotted to the Members of Ashim Investment Company Ltd. and Netflir Finco Ltd., resulting into increase of the paid up capital from Rs.5.15 Crore to Rs.8.68 Crore. New Share Certificates pursuant to this allotment were dispatched to the shareholders holding shares in physical form and the shares issued in dematerialized form have been credited to the respective Beneficiary Accounts. The Company's Application for listing of the 86,83,553 Equity Shares made on 26th February 2009 with the Stock Exchanges at Mumbai and Kolkata (9th March 2009), has been approved by the Bombay Stock Exchange Ltd.(BSE). As required, under SEBI (DIP) Guidelines, 2000, BSE has forwarded Company's Application to SEBI for relaxation of the conditions of Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957 before permitting trading in the Company's Equity shares. The matter is being pursued with them.

(vi) Share Transfer System

All valid requests for transfer/transmission of Equity shares held in physical form are processed within a period of 15-20 days from the date of receipt thereof and the Share Certificates duly transferred are immediately returned to the transferee/ lodger. Transaction in the demated Shares are processed by NSDL/ CDSL through the Depository Participants with whom the Shareholders have opened their demat account.

(vii) Dematerialisation of Shares and Liquidity

Trading in the Equity Shares of the Company is permitted only in dematerialised form. Shareholders may therefore, in their own interest, dematerialise their holdings in physical form, with any one of the Depositories namely, NSDL and CDSL. The ISIN No. for Equity Shares of the Company for both the depositories is INE083K01017. As on 31st March 2009, 38.79% of the Equity Shares stand dematerialised. It may be noted that in respect of shares held in demat form, all the requests for nomination, change of address, ECS, Bank Mandate and rematerialisation, etc. are to be made only to the Depository Participant (DP) of the Shareholders.

(viii) Distribution of Shareholding as on 31st March 2009

Category (No. of Shares)	No. of Equity Shares	%	No. of Shareholders	%
1 to 500	5,37,265	6.19	46,002	99.22
501 to 1000	98,476	1.13	140	0.30
1001 to 2000	1,23,693	1.42	88	0.19
2001 to 3000	83,157	0.96	34	0.07
3001 to 4000	78,749	0.91	23	0.05
4001 to 5000	31,614	0.36	7	0.01
5001 to 10000	1,66,795	1.92	22	0.05
10001 and above	75,63,804	87.11	49	0.11
Total :	86,83,553	100.00	46,365	100.00

(ix) Outstanding GDRs/ADRs/Warrants/Options or any convertible instruments, conversion date and likely impact on Equity

The Company had not issued any GDRs.

(x) Plant locations

The Company being an investment company, does not have any plant.