

# **64th Annual Report 2010-2011**

**BENGAL & ASSAM COMPANY LIMITED**

# BENGAL & ASSAM COMPANY LIMITED

<b>BOARD OF DIRECTORS</b>	:	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
<b>BANKERS</b>	:	CENTRAL BANK OF INDIA NEW DELHI STANDARD CHARTERED BANK NEW DELHI
<b>AUDITORS</b>	:	LODHA & CO. <i>Chartered Accountants</i>
<b>COMPANY SECRETARY</b>	:	DILLIP SWAIN
<b>REGISTERED &amp; ADMINISTRATIVE OFFICE</b>	:	LINK HOUSE, 3, BAHADUR SHAH ZAFAR MARG, NEW DELHI-110 002
<b>REGISTRAR &amp; SHARE TRANSFER AGENT</b>	:	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
<b>COMPANY WEBSITE</b>	:	www.bengalassam.com

**DIRECTORS' REPORT****TO THE MEMBERS**

The Directors have pleasure in presenting the 64<sup>th</sup> Annual Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March 2011.

**FINANCIAL RESULTS**

		₹ in Lacs
	<b>31.03.2011</b>	31.03.2010
Profit before Depreciation and Tax	<b>3,070.22</b>	2,661.00
Profit after Tax	<b>2,921.35</b>	2403.75
Surplus brought forward	<b>1,538.07</b>	1,332.16
Amount available for appropriation	<b>4,459.42</b>	3,735.91
Appropriations:		
Transfer to Reserve	<b>584.27</b>	480.75
Transfer to General Reserve	<b>2,000.00</b>	1,500.00
Dividend including Dividend Tax	<b>347.34</b>	217.09
Surplus carried to Balance Sheet	<b>1,527.81</b>	1,538.07
	<b>4,459.42</b>	3,735.91

The Company's improved performance is due to overall improvement in the working of the group companies, in which the Company has its major investments.

**DIVIDEND**

Your Directors are pleased to recommend a dividend of ₹ 4.00 per Share (40%) for the year ended 31<sup>st</sup> March 2011 as compared to ₹ 2.50 per share (25%) in the previous year. The dividend outgo for the year would amount to ₹ 347.34 lacs.

**SYSTEMICALLY IMPORTANT CORE INVESTMENT COMPANY**

In view of the recent notification issued by the Reserve Bank of India in January, 2011, for "Core Investment Companies", the earlier guidelines pertaining to "Systemically Important Non-Deposit Taking Non-Banking Finance Company" are no more applicable to the Company. Now, the Company falls under the category of Systemically Important Core Investment Company (CIC-ND-SI). Accordingly, application has been made to Reserve Bank of India for registration of the Company as CIC-ND-SI. This will help the Company in raising funds and expand its operations.

**PROSPECTS**

As the Company's assets broadly consists of equity investment and investments in liquid and secured instruments, the Company looks forward to stable growth with the Indian Economy poised to achieve 8-9% growth in GDP.

**DIRECTORS**

Smt. Vinita Singhania, Shri O.P. Khaitan and Shri Shailendra Swarup retire by rotation at the forthcoming Annual General meeting of the Company and being eligible, offer themselves for re-appointment.

**SUBSIDIARY COMPANIES**

The annual accounts of the subsidiary companies, namely, Fenner (India) Ltd., Southern Spinners & Processors Ltd., Modern Cotton Yarn Spinners Ltd., Acorn Engineering Ltd., BMF Investments Ltd., Panchmahal Properties Ltd., LVP Foods Pvt. Ltd. and Dwarkesh Energy Ltd. have been consolidated and the Statement pursuant to Section 212

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of the Companies Act, 1956 read with General Circular No.51/12/2007-CL-III dated 8<sup>th</sup> February 2011 of the Ministry of Corporate Affairs, containing details of the subsidiary companies is attached.

In terms of the said Circular, copies of the Balance Sheets, Profit & Loss Accounts, Reports of the Board of Directors and the Auditors, etc. of the aforesaid subsidiary companies have not been attached to the Balance Sheet of the Company. However, the annual accounts of the subsidiary companies shall be made available to the Shareholders of the Company and that of the subsidiary companies, seeking such information at any point of time and kept open for inspection at the Registered office of the Company and that of the Subsidiary Companies.

## **AUDITORS**

M/s. Lodha & Co., Chartered Accountants, Auditors of the Company retire and 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 in the financial statement;
- 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 2011;
- 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.

## **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 earnings, 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 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.

New Delhi  
26<sup>th</sup> May, 2011

On behalf of the Board  
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.

### **PERFORMANCE DURING THE YEAR**

There has been an overall improvement in the performance of the Company. During the year, its Profit before depreciation and tax has been improved from ₹ 2,661.00 Lacs to ₹ 3,070.22 Lacs.

### **OUTLOOK**

Considering the present economic conditions, the Company foresees a lot of opportunities coming up for equity participation in new projects/expansion of existing projects of the Investee Companies in the near future. The Company would also explore other opportunities which may come up.

### **SYSTEMICALLY IMPORTANT CORE INVESTMENT COMPANY**

In view of the recent notification issued by the Reserve Bank of India in January, 2011, for “Core Investment Companies”, the earlier guidelines pertaining to ‘Systemically Important Non-Deposit Taking Non-Banking Finance Company’ are no more applicable to the Company. Now, the Company falls under the category of Systemically Important Core Investment Company (CIC-ND-SI). Accordingly, application has been made to Reserve Bank of India for registration of the company as CIC-ND-SI. This will help the Company in raising funds and expand its operations. The Company does not accept Fixed Deposits and as required by RBI, necessary resolution has been passed for not accepting 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.

# CORPORATE GOVERNANCE 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 and
- caring for people and environment.

In a 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 of Directors presently consists of eight Non-executive Directors (NED) of which four are Independent (IND). The Chairman is Non-executive. Four Board Meetings were held during the Financial Year 2010-11 ended 31<sup>st</sup> March 2011 on 28<sup>th</sup> April 2010, 26<sup>th</sup> July 2010, 25<sup>th</sup> October 2010 and 28<sup>th</sup> January 2011. Attendance and other details of the Directors are given below:

Name of the Director	Category	No. of Board Meetings Attended	Whether last AGM Attended (23.09.10)	Outside Directorships and Committee Positions		
				Directorships\$	Committee Memberships@	Committee Chairmanships@
Shri Hari Shankar Singhania, Chairman	NED	4	No	3	-	-
Shri Bharat Hari Singhania	NED	4	No	4	1	-
Dr. Raghupati Singhania	NED	3	No	7	2	1
Smt. Vinita Singhania	NED	4	No	3	-	-
Shri O.P. Khaitan	IND	3	Yes	8	4	3
Shri Shailendra Swarup	IND	2	No	3	1	-
Shri L.R.Puri	IND	3	Yes	8	-	1
Shri J.R.C.Bhandari	IND	4	No	3	1	2

\$ As per Section 275 read with Section 278 of the Companies Act, 1956 and explanation to clause 49 (1) (C) (ii) of the Listing Agreement with the Stock Exchanges.

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

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.

The Company has a Code of Conduct for Management Cadre Staff which is strictly adhered to. 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](http://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 "Terms of Reference" of the 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.

## BENGAL & ASSAM COMPANY LIMITED

The Audit Committee consists of three Independent Directors. The Committee comprising of Shri L.R. Puri (Chairman), Shri O.P. Khaitan and Shri J.R.C. Bhandari, was reconstituted during the year. The Audit Committee now comprises of Shri J.R.C. Bhandari (Chairman), Shri O.P. Khaitan & Shri L.R. Puri. Four meetings of the Audit Committee were held during the year ended 31st March 2011.

Dates of the meetings and the number of Members attended are:

Dates of meetings	Number of members attended
28 <sup>th</sup> April 2010	2
26 <sup>th</sup> July 2010	2
25 <sup>th</sup> October 2010	3
28 <sup>th</sup> January 2011	3

The names of the Members of the Committee and their attendance at the Meetings are as follows:

Name	Status	No. of Meetings attended
Shri J.R.C. Bhandari	Chairman	4
Shri O.P. Khaitan	Member	3
Shri L.R. Puri	Member	3

Shri Bharat Hari Singhania and Dr. Raghupati Singhania are Invitees to the Audit Committee. Shri U.K. Gupta, Manager, regularly attends the Committee meetings and the Company Secretary acts as the Secretary of the Committee. All the Committee meetings were attended by the Statutory Auditors.

#### 4. SHAREHOLDERS / INVESTORS' GRIEVANCE COMMITTEE:

The Company has Shareholders/Investors' Grievance Committee at the Board level. It consists of Shri O.P. Khaitan (Chairman), Shri L.R. Puri and Shri J.R.C. Bhandari. Four meetings of the said committee were held during the year ended 31st March 2011.

Dates of the meetings and the number of Members attended are:

Dates of meetings	Number of members attended
28 <sup>th</sup> April 2010	2
26 <sup>th</sup> July 2010	2
25 <sup>th</sup> October 2010	3
28 <sup>th</sup> January 2011	3

The names of the Members of the Committee and their attendance at the Meetings are as follows:

Name	Status	No. of Meetings attended
Shri O.P. Khaitan	Chairman	3
Shri L.R. Puri	Member	3
Shri J.R.C. Bhandari	Member	4

Shri Dillip Swain, Company Secretary, is the Compliance Officer who oversees the investors' grievances including related to Transfer of shares, Non-receipt of balance sheet and declared dividends, etc. During the year 2010-11, only 2 complaints were received which stand resolved. No complaint stood pending as on 31<sup>st</sup> March 2011.

With a view to expedite the approval of Share Transfer, Transmission, Rematerialisation, Issue of Duplicate Share Certificates and other activities relating to shares, the Board at its meeting held on 26<sup>th</sup> July 2010, has constituted a Share Transfer Committee to specifically look after the aforesaid activities, which were earlier delegated to the Committee of Directors of the Company. During the year ended 31<sup>st</sup> March 2011, 5 Meetings of Committee of Directors & 18 Meetings of Share Transfer Committee were held. All valid requests for transfer of shares were processed in time and there were no pending transfer of shares.

## 5. REMUNERATION COMMITTEE (non-mandatory):

Remuneration Committee was not required to be constituted.

### SITTING FEES:

The Non-Executive Directors have not drawn any remuneration from the Company except sitting fees of the Board/Committee of Directors/Share Transfer Committee attended by them. During the financial year 2010-11, the Company paid sitting fees aggregating to ₹ 4,74,000. The Non-executive Directors did not have any other material pecuniary relationship or transactions vis-a-vis the Company during the year.

The number of Equity Shares held by Non-Executive Directors in the Company: Shri Hari Shankar Singhania - 8,23,151, Shri Bharat Hari Singhania -1,52,560, Dr. Raghupati Singhania -8,15,500, Smt. Vinita Singhania -33,955, 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) of the Company were:

Year	Location	Date	Time
2007-08	Sri Sathya Sai International Centre, Pragati Vihar, Lodi Road Institutional area, Lodi Road New Delhi-110 003	30 <sup>th</sup> December 2008	11.00 A.M.
2008-09	Same as above	22 <sup>nd</sup> September 2009	11.30 A.M.
2009-10	Same as above	23 <sup>rd</sup> September 2010	11.00 A.M.

No special resolutions were passed in the AGMs held in 2008. Special Resolution regarding insertion of Article 25A prescribing minimum number of shares for split of certificates for Equity Shares, in the Articles of Association of the Company was passed in the AGM held in 2009. No special resolutions were passed in the AGM held in 2010.

No special resolutions were required to be put through postal ballot last year.

## 7. DISCLOSURES:

- 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.*
- 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: *There were no cases of non-compliance of any matter related to capital markets during the last three years.*
- The Company has strengthened its risk management system and procedures to inform the Board about its risk assesment and minimization procedures. The Company has a Risk Management Committee comprising an Independent Director, Manager and the Secretary, which meets on quarterly basis and evaluate the efficacy of the framework relating to risk identification and its mitigation laid down by the Committee.

## 8. MEANS OF COMMUNICATION:

Quarterly, half-yearly and annual results are normally published in the leading English newspaper, namely, Financial Express and one regional daily Vir-Arjun/Jansatta/Business Standard, having wide circulation and promptly furnished to the Stock Exchanges for display on their respective websites. The financial results are also displayed on the Company's website – [www.bengalassam.com](http://www.bengalassam.com).



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

## 9. GENERAL SHAREHOLDERS’ INFORMATION:

(i) **Registered Office:** Link House, 3, Bahadur Shah Zafar Marg, New Delhi - 110 002

(ii) **Annual General Meeting (AGM)**

- (a) Date & Time : 4<sup>th</sup> August 2011 at 11.30 A.M.  
 Venue : Sri Sathya Sai International Centre, Pragati Vihar, Lodi Road Institutional Area, Lodi Road, New Delhi-110 003.
- (b) As required under Clause 49 (IV) (G) (i), brief resume and other particulars of the appointment of the Directors retiring by rotation at the aforesaid AGM and seeking re-appointment are given in the Notes to the Notice convening the said AGM.

(iii) **Financial Calendar (Tentative)**

Financial Reporting

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>for the quarter ending 30.06.2011</li> <li>for the half-year ending 30.09.2011</li> <li>for the quarter ending 31.12.2011</li> <li>for the year ending 31.03.2012<br/>(If unaudited)<br/>(If audited)</li> </ul> | } | <p>Within 45 days of the end of the quarter</p> <p>Within 60 days of the end of the quarter</p> |
| <ul style="list-style-type: none"> <li>Annual General Meeting for the Financial Year ending 2011-12</li> </ul>  |   | Between July and September 2012   |

(iv) **Date of Book Closure:** 29<sup>th</sup> July 2011 to 4<sup>th</sup> August 2011 (both days inclusive)

(v) **Dividend Payment Date:** Before 3<sup>rd</sup> September 2011

(vi) **Listing on Stock Exchanges:** The Equity Shares of the Company are listed on Bombay Stock Exchange Ltd. (BSE). Annual listing fee for the financial year 2011-12 has been paid to BSE.

As approved by the Shareholders, the Equity Shares of the Company have been voluntarily delisted from The Calcutta Stock Exchange Ltd. w.e.f. 3<sup>rd</sup> November 2010 under SEBI (Delisting of Equity Shares) Regulations, 2009 due to no trading of the Company's Shares on the said exchange.

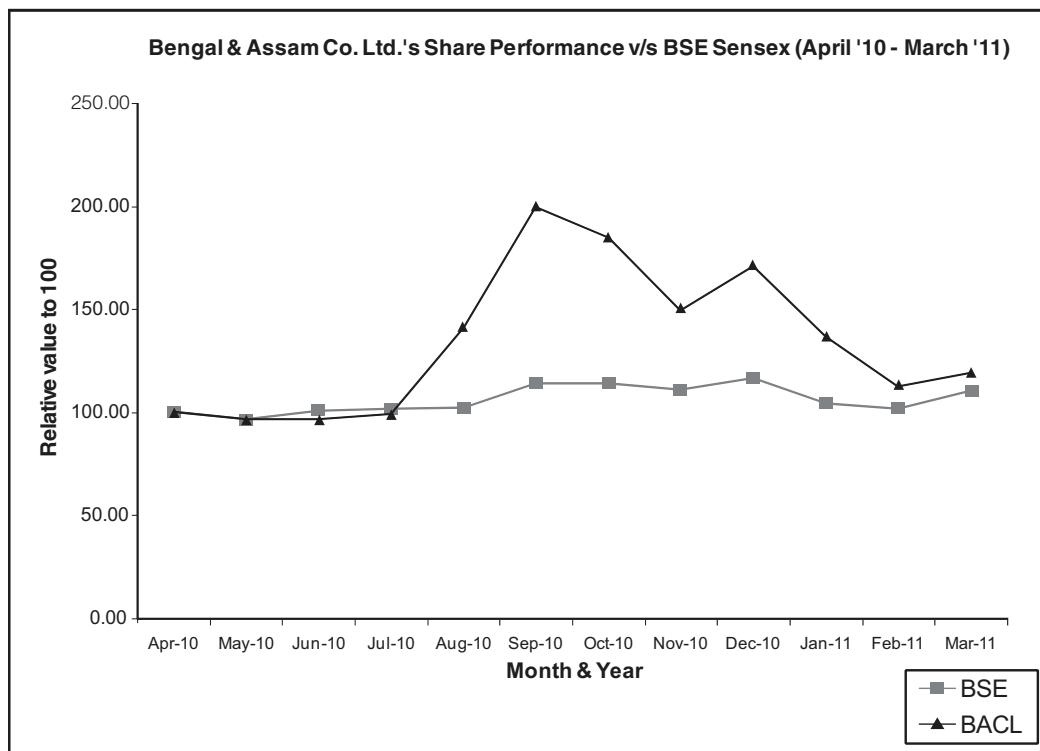
(vii) **Security Code for Company's Equity Shares on Bombay Stock Exchanges Ltd. and ISIN No.:**  
 BSE – 533095, *ISIN No. INE083K01017.*

(viii) **Stock Market Price Data**

Months (2010-11)	Bombay Stock Exchange (BSE)		(in ₹)
	HIGH	LOW	
April 2010	230.00	178.25	
May 2010	217.40	181.20	
June 2010	207.80	191.00	
July 2010	214.70	189.05	
August 2010	320.00	199.10	
September 2010	454.00	286.45	
October 2010	429.00	363.00	
November 2010	391.00	296.00	
December 2010	384.80	268.70	
January 2011	362.80	270.00	
February 2011	283.00	223.50	
March 2011	254.00	214.90	

No shares were traded on The Calcutta Stock Exchange Ltd. from 01.04.2010 to 03.11.2010.

**(ix) Bengal & Assam Company Limited's Share Performance v/s BSE Sensex (April'10 -March'11)**



**(x) Distribution of Shareholding as on 31<sup>st</sup> March 2011**

Category (No. of Shares)	No. of Equity Shares	%	No. of Shareholders	%
1-500	4,88,773	5.63	42,168	99.16
501-1000	1,08,412	1.25	146	0.34
1001-5000	3,00,297	3.46	137	0.32
5001-10000	2,12,692	2.45	28	0.07
10001 and above	75,73,379	87.21	46	0.11
<b>TOTAL</b>	<b>86,83,553</b>	<b>100.00</b>	<b>42,525</b>	<b>100.00</b>

**(xi) 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 National Securities Depository Limited (NSDL)/Central Depository Services (India) Limited (CDSL) through the Depository Participants with whom the Shareholders have opened their demat accounts.