

37th Annual Report
2010-2011



BHAGAWATI GAS LIMITED

Formerly Bhagawati Gases Limited

37th Annual Report 2010-2011

BOARD OF DIRECTORS

Mr. Rakesh Samrat Bhardwaj
Mr. Vivek Sharma
Dr. Gokulanand Mukherjee
Mr. Kailash Chand Kedia
Mr. Ganga Charan

Chairman & Managing Director
Whole time Director

CHIEF FINANCIAL OFFICER

Dr. Pradeep Puranik

COMPANY SECRETARY

Mr. Sanjay Kumar

AUDITORS

Chaturvedi & Partners,
Chartered Accountants
212A, Chiranjiv Tower, 43, Nehru Place,
New Delhi-110019

COST ACCOUNTANT

J.K. Kabra & Co, Cost Accountants
552/1B, Arjun Street,
Main Vishwas Road,
Vishwas Nagar, Delhi-32.

BANKER

Central Bank of India
State Bank of Bikaner & Jaipur

REGISTERED OFFICE

Banawas, Khetrinagar,
Distt.-Jhunjhunu,
Rajasthan-333504

CORPORATE OFFICE

A-27B, Sector-16, Noida,
Uttar Pradesh-201301

REGISTRAR & TRANSFER AGENT

Skyline Financial Services Private Limited
D-153 A, 1st Floor,
Okhla Industrial Area,
Phase - I, New Delhi - 110 020

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Thirty Seventh Annual General Meeting of Bhagawati Gas Limited (*formerly Bhagawati Gases Limited*) will be held at Banawas, Khetrinagar-333504, Distt.- Jhunjhunu, Rajasthan on Friday the September 30, 2011 at 11.00 a.m. to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit & Loss Account for the year ended March 31, 2011 and the Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. Gokulanand Mukherjee who retire by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. Chaturvedi & Partners, New Delhi, the retiring auditors, to hold office as auditors of the company, from the conclusion of this annual general meeting until the conclusion of the next annual general meeting of the company and to authorize the Board of Directors of the company to fix their remuneration.

SPECIAL BUSINESS:**4. TO CONSIDER AND, IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTION AS SPECIAL RESOLUTION:**

“RESOLVED THAT pursuant to the provisions of Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956, the approval of the shareholders be and is hereby accorded to the Company for commencement of business as specified in the sub- clause 9 of Clause III-C (Other Objects) of the Memorandum of Association of the Company, at such time or times as the Board may deem fit.”

“RESOLVED FURTHER THAT Mr. Rakesh Samrat Bhardwaj, Managing Director and Mr. Sanjay Kumar, Company Secretary of the Company be and are hereby severally authorised to file necessary documents with the Registrar of Companies and to do all such acts, deeds and things as may be necessary to give effect to this resolution.”

Corporate Office:

A-27-B, Sector-16,
Noida-201301,
Uttar Pradesh
August 11, 2011

By Order of the Board

Sanjay Kumar
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF ONLY ON A POLL AND THE PROXY NEED NOT BE A MEMBER. THE PROXIES SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Members are requested to intimate the company, changes if any, in their registered address at an early date.
3. Members whose shareholding is in the electronic mode are requested to direct change of address intimation to their respective depository Participants.
4. **THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS SHALL REMAIN CLOSED FROM TUESDAY, SEPTEMBER 27, 2011 TO FRIDAY, SEPTEMBER 30, 2011 (BOTH DAYS INCLUSIVE).**
5. The relative explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the item no. 4 is annexed.
6. Profile of directors seeking re-appointment as stipulated under Clause 49 of the Listing Agreement with stock exchanges is given here in under.
7. Members are requested to bring their copy of the annual report to the meeting.

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**ITEM No. 4**

At present the company is having only one segment i.e. "Industrial Gaseous".

The Board of Directors wishes to expand the company's area of operations to commence the business as manufacturers, fabricators, converters, refiners, makers, stockiest, agents, importers, exporters, traders, retailers, suppliers, buyers, sellers, merchants, distributors and concessionaries of composite plastic products.

Composite plastic is futuristic material and has industrial and domestic uses and is considered to benefit the company. It is, therefore, necessary for the company to seek approval of the members in terms of Section 149(2A) of the Companies Act, 1956 to transact all businesses as mentioned above. The company has the necessary authority under sub-clause 9 of Clause III-C (Other Objects) of the Memorandum of Association.

None of the directors of your company is personally concerned or interested in the proposed resolution and the Directors recommends acceptance of the proposed Special Resolution in the best interest of the company.

The Memorandum of Association of the company is open for inspection of members at the registered office of the company during the usual business hours of the company on any working day.

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By Order of the Board

Sanjay Kumar
Company Secretary

**Profile of Director seeking re-appointment at the 37th Annual General Meeting as stipulated under Clause 49 of the Listing Agreement with stock exchanges is as under:****Dr. Gokulanand Mukherjee**

Dr. Gokulanand Mukherjee (83 years) retires by rotation and is eligible for re-appointment.

Dr. G. Mukherjee is graduate from Calcutta University and obtained Bachelor of Engineering degree in metallurgical in 1950. He also obtained Indo-German fellowship and received Doctor of Engineering from Technical University Aachen, Germany in 1956. Joined Steel Authority of India and then retired as Vice Chairman in 1986. He was director in Hindustan Steel Limited, SAIL, MECON, Nuclear Fuel Company, Hindustan Zinc Limited etc, and also connected with the research activity in National Metallurgical Laboratory, National Fuel Research Institute etc. Obtained various awards like National Metallurgical Day Award, etc.

He is a Director in Bhilai Roadways Company (P) Limited. He is a member of Audit Committee and Remuneration Committee of the Company. He holds 500 equity shares of the Company.

DIRECTORS' REPORT

Your directors have pleasure in presenting their thirty seventh annual report, together with the audited accounts of the company, for the financial year ended March 31, 2011 as follows:

FINANCIAL RESULTS

(Rs. in Lakhs)

Particulars	2010-11	2009-10
Gross Income	579	710
Gross Profit (before extra ordinary items, interest, depreciation and tax)	266	310
Loss on sale of Assets and assets discarded	190	0
Bad debts written off	315	0
Interest	52	68
Depreciation	62	74
Provision for Tax	(137)	32
Net Profit/(Loss)	(216)	136
Profit/(Loss) brought forward from last year	60	(76)
Profit/(Loss) carried to Balance Sheet	(156)	60

2010-11 IN RETROSPECT

Hindustan Copper Ltd (HCL) shut down its smelter at Khetri Copper Complex w.e.f. December 9, 2008 due to steep down trend in world copper prices. This resulted in shut down of company's oxygen plants at Khetri Nagar Rajasthan as the same are dedicated plants fully dependent on HCL. HCL has not yet restarted its smelter plant operation and as such the company's oxygen plants continued to remain closed during the year under review. It has affected overall functionary of the company.

The sale of 120 TPD plant to Sunflag Iron & Steel Company Ltd. is effected this year. On review assets not useful were also discarded.

Based on review of arbitration awards balance of outstanding dues with Hindustan Copper Ltd. became bad were written off along with some other balances.

TERM LOANS FROM FINANCIAL INSTITUTIONS

The amount of Rs. 34.07 lakhs outstanding against IFCI has been repaid in full during this financial year.

The amount of Rs. 66.59 lakhs, shown as outstanding against IDBI in the balance sheet for the financial year ended March 31, 2011 has since been repaid in full. With this repayment the sub heading of the balance sheet schedule 'Term loans from financial institutions' is nil on the date of this report.

DIVIDEND

In view of loss, the Board of Directors do not recommend any dividend for the year ended March 31, 2011.

DIRECTORS

Dr. Gokulanand Mukherjee, director of the company retire by rotation and being eligible offers himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors' confirm:

- a. that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- b. that they 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 and of the profits of the company for the year;
- c. that they 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; and
- d. that they have prepared the annual accounts of the company on a going concern basis.

FIXED DEPOSITS

During the year, the company has not invited or accepted any deposit from the public under Section 58-A of the Companies Act 1956. No public deposit is outstanding.

AUDITORS AND AUDITORS' REPORT

M/s. Chaturvedi & Partners, Chartered Accountants, the Statutory Auditors of the company, retire at the ensuing annual general meeting and are eligible for reappointment.

Information and explanation on remarks in the Auditors' Report

- i. In respect of auditors' observation regarding income in respect of minimum off take charges and other claims it is submitted by the management that the company is expect to recover the same from its customer.
- ii. In respect of auditors' observation regarding non provision for doubtful advances and security deposits, it is submitted by the management that it will be recovered in due course of time and therefore provision there against is not considered necessary.
- iii. In respect of auditors' observation regarding regular payment of interest to the company for inter corporate loan granted by the company, it is submitted by the management that the company and the borrower company are considering the conversion of the said loan into equity, the terms of conversion are in process.
- iv. Delay in repayment of dues to financial institution and in a few cases in depositing statutory dues, it is clarified that there was delay in conversion of receivables in cash and raising funds from other sources resultant in delayed fulfillment of commitments towards financial institutions and statutory dues by the company, which were all subsequently rectified.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 217 (1)(e) of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is given in **Annexure I** which forms part of the Directors' Report.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report on the operations and financial position of the company has been provided as **Annexure II** which forms part of the Directors' Report.

CORPORATE GOVERNANCE REPORT AND GENERAL SHAREHOLDER INFORMATION

As required by Clause 49 (VI) of the listing agreement entered into by the company with the stock exchanges, a detailed report on corporate governance is provided as **Annexure III** which forms part of the Directors' Report. The General Shareholders Information has been provided as **Annexure IV** which forms part of the Directors' Report. The company is in compliance with the requirements and disclosures that have to be made in this regard. The practicing Company Secretary certificate on compliance with corporate governance requirements by the Company is attached to the Corporate Governance Report and forms part of the Directors' Report.

PERSONNEL

None of the employees of the company was drawing salary in excess of the limits prescribed under the Section 217(2A) of the Companies Act, 1956 read with the Companies (particular of employees) Rules 1975.

ACKNOWLEDGEMENT

Relation with the work force at all the units continued to be cordial. Your Directors wish to express their grateful appreciation for the assistance and co-operation received from Financial Institutions, Banks, Government Authorities and Shareholders during the year under review.

Your Directors also wish to place on record their appreciation for the services rendered by our people at all levels in the company and for their contribution towards the success of the organisation.

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August 11, 2011

for & on behalf the Board

Rakesh Samrat Bhardwaj
Chairman

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 for the year ended March 31, 2011.

A. Conservation of Energy as per Form A-Not Applicable

B. Particulars as per Form B

1. Research & Development

a) Specific area in which R & D carried out by the Company

Research and Development has been continuously carried to reduce evaporation of Oxygen Gas and consumption of power.

b) Benefits derived as a result of the above Research & Development

Loss on account of evaporation has been reduced considerably and less consumption of power achieved.

c) Future Plan of Action

Research and Development activities continued to reduce process wastage and utilization of waste Nitrogen.

d) Expenditure on R & D

Charged under primary heads of accounts.

2. Technology absorption, adaptation & innovation

a) Efforts made towards technology absorption, adaptation and innovation

The Company has successfully absorbed the technology of the plants supplied by the manufacturers.

b) Benefits derived as a result of the above efforts

Quality of Oxygen Gas produced is of very high standard and acceptable to the consumers of the Company's product.

c) Particulars relating to imported technology: Nil

C. Foreign Exchange Earnings and Outflow

(Amount in Rs.)

	Particulars	2010-11	2009-10
a)	Foreign Exchange Outflow		
	- CIF value of import of Capital Goods	0.00	0.00
	- CIF value of import of Components & Spare parts for repair	0.00	805,573
	- Traveling Expenses (on Accrual Basis)	69,805	299,281
	Total	69,805	1,104,854
b)	Foreign Exchange Earning	0.00	0.00

MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT**INDUSTRIAL GAS INDUSTRY**

The industrial gas industry can broadly be divided in three categories depending on the requirement of the customers. These are as tonnage supply scheme, merchant market for bulk liquid and cylinder gas deliveries. Tonnage supply scheme market is primarily composed of bulk volume users who usually get the gas through direct pipe line from on site production plant. The performance of this category is dependent on the performance of the bulk volume user.

Your company is under this category which supplies gas to Hindustan Copper Ltd. Global economic crisis led to decline in copper prices in 2008-09 leading to shut down of its smelter at Khetrinagar by Hindustan Copper Ltd which resulted into shut down of oxygen plants of the company.

FUTURE OUTLOOK

Government of India had approved issue of 10% of fresh equity by HCL besides divestment of 10% govt. stake in this company. The follow-on public offer has been deferred due to capital market position. HCL have prepared expansion plan for their activities.

COMMENCEMENT OF NEW BUSINESS

Your company plans to take up manufacturing facility of Fiberglass Reinforced Plastic (FRP) sheets at Khetrinagar for diversification. Bhagawati group has been working on this technology for some years. This product which is rust proof, lightweight, fire retardant and eco friendly is the product of future. It has wide applications in diverse industries and at household.

Apart from the organic growth, your company intends to grow inorganically by way of acquisition and merger of domestic companies with diversified business interests, which is expected to improve top and bottom lines of the company.

HUMAN RESOURCES

The Company regards its human resource as a valuable asset. The Company has a team driven work process with completely flat organization system. This not only help us nurture leaders but also give us capable and assured colleagues at all levels. As an integral part of the Company's initiative on Human Resource Management, the organization has been restructured to provide greater clarity of roles and responsibilities and clear accountability for business results. It is in the process of implementing a performance management system for all its employees and is upgrading the entire gamut of HR Policies, covering recruitment, compensation, capacity building, performance appraisal and career planning.

CORPORATE GOVERNANCE

The Company follows principle of effective Corporate Governance. The endeavor of the Company is not only to comply with regulatory requirements but also to practice Corporate Governance principles that lay emphasis on integrity, transparency and overall accountability. The Company adheres to most of the recommendations made by the SEBI and incorporated by the Stock Exchanges in the Standard Listing Agreement.

VALUE CREATION

Your Company is continuously striving to create value in all spheres of its activities. This encompasses not only value for its customers but also for its stakeholders. The Company has adopted Accounting Standards incorporating international best practices and has moved towards transparency in its reporting. We will continuously endeavors to provide insight on the operation of the Company to aid all stakeholders.

INTERNAL CONTROLS

- The company has adequate systems of internal control in place. This is to ensure that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are authorized, recorded, and reported correctly.
- The internal control systems are supplemented by an extensive program of internal audits. The internal audit function is empowered to examine the adequacy, relevance and effectiveness of control systems, compliance with policies, plans and statutory requirements.
- The top management and the Audit Committee of the Board review the findings and recommendations of the internal audit panel.

CAUTIONARY STATEMENT

Statements in this management discussion and analysis describing the company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Forward looking statements are identified in this report, by using the words 'anticipates', 'believes', 'expects', 'intends' and similar expressions in such statements.

Although we believe our expectations are based on reasonable assumptions, these forward looking statements may be influenced by numerous risks and uncertainties that could cause actual outcomes and results to be materially different from those expressed or implied.

REPORT ON CORPORATE GOVERNANCE

(As required by Clause 49 of the Listing Agreement)

1. PHILOSOPHY

The company believes that good corporate governance is essential to achieve long-term corporate goals and enhance stakeholders' value.

Thus the company's philosophy on corporate governance is aimed at the attainment of highest level of transparency, accountability and compliance of laws in all facets of operations, leading to best standards of corporate governance.

It is company's belief that good ethics make good business sense and our business practices are in keeping with this spirit of maintaining the highest level of ethical standards.

2. BOARD OF DIRECTORS

The board consists of five directors. The composition of the board conforms to the Listing Agreement as per the details given below:

Category	Name of Director
Promoter/Executive Director	Mr. Rakesh S Bhardwaj <i>Executive Chairman</i> Mr. Vivek Sharma
Non-Executive Independent Director	Dr. Gokulanand Mukherjee Mr. Kailash Chand Kedia Mr. Ganga Charan

3. BOARD MEETINGS, ATTENDANCE AND OTHER DIRECTORSHIPS

The company held four board meetings during the period April 1, 2010 to March 31, 2011. The dates of the meetings are April 30, 2010, August 14, 2010, November 13, 2010 & February 11, 2011. The attendance particulars are as follows:

Name of Director	Attendance Particulars		No. of other directorships and committee membership/chairmanship		
	Board Meetings	Last AGM	Other Directorships ⁺	Committee Memberships	Committee Chairmanships
Mr. Rakesh Samrat Bhardwaj	4	Yes	2	-	-
Mr. Vivek Sharma	2	Yes	2	-	-
Dr. Gokulanand Mukherjee	3	No	-	-	-
Mr. Kailash Chand Kedia	4	Yes	-	-	-
Mr. Ganga Charan	4	No	-	-	-

⁺Other directorship does not include private companies.

4. AUDIT COMMITTEE

The company has complied with the requirements of Clause 49 of the Listing Agreement of the Stock Exchange and Section 292A of the Companies Act, 1956 as regards composition of Audit Committee.

The Audit Committee consists of three non-executive independent directors. The committee is chaired by Mr. Kailash Chand Kedia, a non-executive independent director. The committee has held four meetings during the financial year 2010-2011 i.e. April 30, 2010, August 14, 2010, November 13, 2010 & February 11, 2011. The composition of the Audit Committee and the attendance of members at the meetings of the Audit Committee held during the financial year 2010-2011 are as follows:

Name of the Members	No. of meetings attended
Mr. Kailash Chand Kedia	4
Dr. Gokulanand Mukherjee	3
Mr. Ganga Charan	4

The Board has designated the Company Secretary as the member secretary of the committee.

The Audit Committee meetings were also attended by the statutory/cost auditors, wherever necessary.

The Audit Committee is responsible for overseeing the company's financial reporting process, reviewing the quarterly/half yearly/annual financial statements, reviewing with the management the financial statements and adequacy of internal audit function, recommending the appointment/re-appointment of statutory auditors and fixation of audit fees, reviewing the significant internal audit findings/related party transactions, reviewing the management discussion and analysis of financial condition and result of operations and also statutory compliance issue. The committee acts as a link between the management, external and internal auditors and the Board of Directors of the company.

In addition, the committee has discharged such other role/function as envisaged under Clause 49 of the Listing Agreement of the Stock Exchange and the provisions of Section 292A of the Companies Act, 1956.