



NAVA BHARAT



36th Annual Report 2007-08

Environment protection is a guiding principle in all our operations. We have adopted several measures in this direction in recognition of which our company is honoured with the following awards:



Cleaner Production Technologies Award

from Andhra Pradesh Pollution Control Board
(Received twice: 2003-04 and 2007-08)



Pollution Control Excellence Award

from State Pollution Control Board, Orissa
(2007)



Award for Hundred Per Cent Utilization of Fly Ash

from Ministry of Environment & Forests, Govt. of India
(2005)



National Award for Excellence in Energy Management

from Confederation of Indian Industry
(2007)



5-S Excellence Award

from Confederation of Indian Industry
(2007)

The cover visuals depict water recycling ponds, a lily from our water pond, electrostatic precipitators & gas cleaning plants used for environment protection and greenery

NAVA BHARAT VENTURES LIMITED

6-3-1109/1, "Nava Bharat Chambers", Raj Bhavan Road, Hyderabad - 500 082

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**Five Years at a Glance**

(Rs. in Lakhs)

| | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 |
|-------------------------------------|------------------|-----------------|-----------------|-----------------|-----------------|
| Sources of Funds : | | | | | |
| Share Capital | 1558.73 | 1355.25 | 1337.01 | 1337.01 | 1337.01 |
| Warrants against Share Capital | --- | 217.36 | --- | --- | --- |
| Share application Money | 6.73 | --- | --- | --- | --- |
| Reserves | 78768.46 | 40442.34 | 29375.15 | 24983.49 | 15766.07 |
| Loans | 39930.36 | 47166.18 | 21846.92 | 17991.21 | 15173.89 |
| Deferred Tax Liability | 1498.43 | 1953.43 | 1983.97 | 1553.16 | 2121.56 |
| | <u>121762.71</u> | <u>91134.56</u> | <u>54543.05</u> | <u>45864.87</u> | <u>34398.53</u> |
| Application of Funds : | | | | | |
| Fixed Assets less Depreciation | 64380.32 | 41960.74 | 34828.27 | 28564.61 | 23374.94 |
| Investments | 2103.53 | 163.77 | 218.19 | 241.34 | 243.71 |
| Net Current Assets | <u>55278.86</u> | <u>49010.05</u> | <u>19496.59</u> | <u>17058.92</u> | <u>10779.88</u> |
| | <u>121762.71</u> | <u>91134.56</u> | <u>54543.05</u> | <u>45864.87</u> | <u>34398.53</u> |
| Profit and Dividend : | | | | | |
| Profit after Taxation | 31484.51 | 14045.70 | 5801.33 | 10636.04 | 5564.04 |
| Dividend and Corporate Dividend Tax | <u>5117.37</u> | <u>2935.45</u> | <u>1409.67</u> | <u>1409.67</u> | <u>836.81</u> |
| Retained Profit | <u>26367.14</u> | <u>11110.25</u> | <u>4391.66</u> | <u>9226.37</u> | <u>4727.23</u> |
| Other Data : | | | | | |
| Dividend per Share : | | | | | |
| - Rs. 2/- each (Rs.) | 6.00 | 4.00 | 2.00 | --- | --- |
| - Rs. 10/- each (Rs.) | --- | --- | --- | 10.00 | 6.00 |
| Debt Equity Ratio | 0.27 | 0.46 | 0.58 | 0.45 | 0.62 |

Board of Directors

Mr. D. Ashok
Mr. P. Trivikrama Prasad
Mr. C.V. Durga Prasad
Mr. G.R.K. Prasad
Mr. P. Punnaiah
Dr. G. Sreeramjee
Dr. E.R.C. Shekar
Dr. M.V.G. Rao
Mr. K. Balarama Reddi
Mr. N. Krishnan

Managing Director
Executive Director
Director (Business Development)
Director (Finance & Corporate Affairs)

IDBI Nominee

Mr. M. Subrahmanyam

Company Secretary & Vice President

Auditors

M/s. Brahmayya & Co.
Chartered Accountants
Flat No. 403, Golden Green Apartments
Irrum Manzil Colony
Somajiguda, Hyderabad - 500 082

Registered Office

6-3-1109/1,
"Nava Bharat Chambers"
Raj Bhavan Road
Hyderabad - 500 082

Cost Auditors

M/s. Narasimha Murthy & Co.
Cost Accountants
104, Pavani Estates
3-6-365, Himayat Nagar
Hyderabad - 500 029

Works :

Ferro Alloy Division
Ferro Alloy Plant (A.P.)
Paloncha - 507 154
Khammam District
Andhra Pradesh

Power Division
Power Plant (A.P.)
Paloncha - 507 154
Khammam District
Andhra Pradesh

Bankers

State Bank of India
Andhra Bank
Bank of India
State Bank of Hyderabad
UCO Bank

Ferro Alloy Plant (Orissa)
Kharagprasad Village-759 121
Dhenkanal District
Orissa

Power Plant (Orissa)
Kharagprasad Village-759 121
Dhenkanal District
Orissa

Registrars and Share Transfer Agents

M/s. Karvy Computershare Private Limited
Plot No. 17 to 24, Near Image Hospital
Vittalrao Nagar
Madhapur, Hyderabad - 500 081

Sugar Division
Samalkot - 533 440
East Godavari District
Andhra Pradesh

Machine Building Division
Nacharam
Hyderabad - 500 076
Andhra Pradesh



Report of the Directors and Management Discussion and Analysis for the Financial Year ended 31st March, 2008

Dear Members,

Your Directors have pleasure in submitting their Report and the Audited Accounts of the Company for the Financial Year ended 31st March, 2008.

FINANCIAL RESULTS

The performance of the Company for the Financial Year ended 31st March, 2008 is summarized below:

| | (Rupees in Lakhs) | |
|--|--------------------------|--------------------------|
| | Year ended 31.03.2008 | Year ended 31.03.2007 |
| Turnover/Income (Gross) | 112831.07 | 72318.55 |
| Profit before Finance Charges, Depreciation and Taxation | 41179.96 | 17362.77 |
| Less: Finance Charges (excluding amount capitalized) | 1646.58 | 1519.86 |
| Profit before Depreciation and Taxation | 39533.38 | 15842.91 |
| Depreciation | 2513.87 | 2245.36 |
| Profit for the year after Depreciation | 37019.51 | 13597.55 |
| Extra-ordinary items - Gain | — | 1016.61 |
| Profit after Extra-ordinary Items and before Tax | 37019.51 | 14614.16 |
| Provision for Taxation - Current tax | 5850.00 | 1700.00 |
| - Deferred tax | (455.00) | (30.54) |
| - MAT Credit entitlement | — | (1130.00) |
| - Fringe Benefit Tax | 140.00 | 29.00 |
| Profit after Tax | 31484.51 | 14045.70 |
| Balance brought forward from last year | 5521.68 | 4394.43 |
| Excess provision for Income Tax written back | 50.69 | 17.00 |
| Profit available for Appropriation | 37056.88 | 18457.13 |
| Appropriations: | | |
| Dividend on Equity Share Capital | 4374.01 | 2509.04 |
| Corporate Dividend Tax | 743.36 | 426.41 |
| Contingency Reserve | 2000.00 | 2000.00 |
| General Reserve | 10000.00 | 8000.00 |
| Surplus carried to Balance Sheet | 19939.51 | 5521.68 |
| | 37056.88 | 18457.13 |

REVIEW OF OPERATIONS :

We take pleasure to report stupendous performance of your Company with gross earnings of Rs.1128.31 crores and profit of Rs.314.85 crores for 2007-08 reflecting an increase by 56.02% and 124.16% respectively. Your Company was immensely benefited by buoyant ferro alloy operations while the power business contributed handsomely to the revenues and profits.

**Ferro Alloy Division:**

The resurgence in the ferro alloy industry, witnessed in the last quarter of the previous year, sustained throughout the year under review. The Company produced 91969 MT of manganese alloys and 43709 MT of chromium alloys and sold 80020 MT of manganese alloys and 34352 MT of chromium alloys during the year under review. As apprehended earlier, the availability of manganese ore and chrome ore posed a significant challenge for your Company. The Company is, through import of manganese ore and chrome ore on a relatively lower price compared to the domestic ore, able to mitigate the situation to some extent. All in all, significant contribution of earnings and profit from this Division helped the Company post record turnover and profit for the year under review.

Power Division:

Power Division continues to be fulcrum of the operations of your Company during the year under review. Addition of second 32 MW Unit in A.P. Works sustained the momentum of external sale while the three Smelters for manganese alloys in A.P. are fully provided with their power requirements. The Company has generated 1101.98 MU in the aggregate from the A.P & Orissa Power Plants as against 871.97 MU in the previous year. The Company has sold 553.69 MU for production of ferro alloys, 97.25 MU for auxiliary consumption and sold 430.28 MU of power.

Sugar Division:

During the year under review, your Company crushed 5,26,458 MT of sugarcane yielding at an average recovery of 10.25% in the previous year. Both the 9 MW Co-generation Unit and the Distillery have performed better during the year under review and this integrated operation enabled the Company to contain the loss of this Division in the backdrop of severe glut in the sugar industry in India and abroad.

Infrastructure:

Under this Division, at present the Company is pursuing the IT and IT SEZ through Brahmani Infratech Private Limited, 3 x 350 MW Power Plant through Navabharat Power Private Limited, while the consortium bid for MRTS project in Hyderabad is in RFQ stage. Your Company would hold equity in each of these SPVs/consortium, though during the year under review, the infusion of funds was minimal.

OUTLOOK AND FUTURE PLANS:

The outlook and future plans of the Company are presented in "Management Discussion and Analysis", forming part of this Report.

DIVIDEND ON EQUITY SHARE CAPITAL:

Considering the reasonable performance of your Company and keeping in view the ongoing capital works and growth trajectory, your Directors are pleased to recommend dividend @ 300% on the Paid-up Equity Share Capital (on Rs.2/- per share) subject to necessary approvals absorbing a sum of Rs.4374 lakhs.

The aggregate dividend payout for the year 2007-08 amounts to Rs.5117 lakhs including Corporate dividend tax.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE:

As required under the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo have been given in the Annexure - I, which forms part of this Annual Report.

CONVERSION OF WARRANTS INTO EQUITY:

During the financial year 2006-07, 32,00,000 Warrants were issued to the Promoters/Persons Acting in Concert on 09.06.2006 convertible into Equity Shares within 18 months thereof on preferential basis at a conversion price of Rs.95/- per Warrant (at a premium of Rs.93/- per Equity Share of Rs.2/- each). The Company received Rs.304 lakhs @ 10% of conversion price which was deployed for funding the on-going capital expenditure.

In addition to allotment of 9,12,000 equity shares on conversion of warrants with lock in upto 8.06.2009 during the last financial year, 22,88,000 Equity Shares were allotted during the year, i.e., to M/s.Malaxmi Dwellings Private

Limited (88,000 equity shares), M/s. Malaxmi Avenues Private Limited (11,00,000 equity shares) and M/s. Malaxmi Homes Private Limited (11,00,000 equity shares) on 5.11.2007. The proceeds of the warrants/shares have been spent for ongoing capital expenditure and long-term working capital.

ISSUE OF FURTHER SECURITIES:

Your Company considered various growth opportunities from time to time for which large funds are required. While it was envisaged that the internal generation of funds would partially finance the proposed investments, your Board raised a part of the fund requirements through the issue of Foreign Currency Convertible Bonds. The Company raised FCCBs for JPY 5250 Million and Green Shoe Option of JPY 750 Million equivalent to Rs.20490.75 lakhs and Rs.2861.25 lakhs during the Financial Year 2006-07.

During the current financial year, FCCBs to an extent of JPY 2480 million were converted into 77,76,303 equity shares of Rs.2/- each at a conversion price of Rs.132.96 per share.

After meeting the issue expenditure of Rs. 954.87 lakhs and project expenditure of Rs.14330.84 lakhs, balance proceeds were kept in term/current deposits with Banks.

The funds are being used for stated objectives.

EMPLOYEES STOCK OPTION SCHEME:

Under the Employee Stock Option Scheme 2006, the Company granted 6,00,000 options to the specified employees at an exercise price of Rs.90.52 on 05.01.2007 (80% of the closing price of scrip on NSE on 04.01.2007). The options granted were vested to an extent of 30% at the end of first year i.e. 05.01.2008, 30% would vest at the end of second year i.e. on 05.01.2009 and 40% at the end of third year i.e. on 05.01.2010 and the exercise period is 4 years from the dates of said vesting.

The Remuneration (Compensation & Allotment) Committee on 19.03.2008 allotted 1,09,890 equity shares of Rs.2/- each to employees of the Company on exercise of options granted @ Rs.90.52 per option/equity share, including premium.

The Company has received a certificate from the Auditors of the Company that the scheme has been implemented in accordance with the SEBI Guidelines and the resolution passed at the Annual General Meeting held on 27.07.2006. The Certificate would be placed at the Annual General Meeting for inspection by members.

The prescribed details relating to the ESOS as per SEBI Guidelines are set out in the Annexure – II.

LISTING OF SHARES:

The Securities of the Company are listed at National Stock Exchange of India Limited and Bombay Stock Exchange Limited. The Listing fees for these Stock Exchanges have been paid.

The securities of the Company, are proposed to be de-listed on The Hyderabad Stock Exchange Limited, Hyderabad, since recognition granted to The Hyderabad Stock Exchange Limited stood withdrawn with effect from 29th August, 2007 pursuant to notification issued by Securities and Exchange Board of India vide P.R.No.252/2007 dated 3rd September, 2007 in terms of Section 5(2) of the Securities Contracts (Regulation) Act, 1956.

FIXED DEPOSITS:

Your Company has been inviting and accepting deposits from the Public, Shareholders and Others. The amount of deposits outstanding as on March 31, 2008 was Rs.218.21 lakhs.

There are no overdue deposits which were unpaid as on date. An amount of Rs.0.35 lakhs of unclaimed deposit was transferred to Investor Protection and Education Fund on 28.03.2008 and Rs.0.10 lakhs remained unclaimed as on date.

INSURANCE:

All the properties of the Company including Buildings, Plant and Machinery and Stocks have been adequately insured.



DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, the Directors, Sri. P. Punnaiah and Sri. K. Balarama Reddi, will retire by rotation at this Annual General Meeting and the Director Sri. K. Balarama Reddi, being eligible, offered himself for reappointment.

Sri P.Punnaiah, Director of the Company, who was to retire at the forthcoming Annual General Meeting expressed his unwillingness to offer for reappointment on health grounds and to relieve him from the directorship effective from the date of ensuing Annual General Meeting.

Sri P.Punnaiah was one of the First Directors appointed on the Board in the year 1972. He worked as Resident Director of the Company at Paloncha and was elevated as Joint Managing Director of the Company in the year 1980. He is the Chairman of Shareholder's Grievances Committee of the Company. The Board recorded its sincere appreciation of the untiring efforts made by Sri P.Punnaiah for the cause and development of the Company, but for whose efforts the Company could not have achieved the present status.

The Board recorded its appreciation of valuable contributions during his long tenure since 1972 on the Board and Committees of the Company.

SUBSIDIARY COMPANIES AND CONSOLIDATED ACCOUNTS:

The Company has four Indian subsidiary companies viz., M/s. Kinnera Power Company Limited, M/s. Brahmani Infratech Private Limited, M/s. Nava Bharat Realty Limited and M/s. Nava Bharat Projects Limited and one Wholly Owned Foreign Subsidiary in Singapore, M/s. Nava Bharat (Singapore) PTE Limited.

M/s. Kinnera Power Company Limited:

The Company continues to act as an investment vehicle for M/s. Nava Bharat Ventures Limited for the National Highway Project, which is being implemented by a Special Purpose Vehicle. The project relating to development, construction and operation of the Highway on a full turn key basis was entrusted to Meenakshi Group, a renowned Organization in this field. M/s. Nava Bharat Ventures Limited intends to dilute its equity stake in favour of Meenakshi Group, as permitted under NHAI guidelines in due course. The accounts of M/s. Kinnera Power Company Limited reflecting Company's investments would, therefore, not be consolidated with those of M/s. Nava Bharat Ventures Limited.

M/s. Brahmani Infratech Private Limited:

The Company has entered into a Joint Development Agreement with M/s.Mantri Technology IT Parks Pvt.Ltd., a subsidiary of M/s.Mantri Developers Pvt.Ltd., of Bangalore (Mantri) for the development of IT/ITES SEZ facility, commercial and residential amenities attendant to such facility. The development plan envisages compliance with the conditions stipulated by the Government of A.P. / APIIC within the permissible time frame.

Mantri is inducted as a Co-developer and Technical Associate of the SEZ project and will implement the scheme in a period of 5 years without recourse to M/s.Brahmani Infratech Private Limited or its Promoters.

The Company is also planning to restructure its Capital taking into account various aspects of the SEZ Project in due course.

M/s. Nava Bharat Realty Limited:

The Authorised Share Capital of the Company was enhanced to Rs.20 crores during the year.

M/s. Nava Bharat Projects Limited:

The Authorised Share Capital of the Company was enhanced to Rs.20 crores during the year.

AUDITORS:

M/s. Brahmayya & Co., Chartered Accountants, Hyderabad, the Statutory Auditors of the Company, hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for reappointment. The Company has received letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956.