



Nava Bharat Ventures Limited

38th Annual Report 2009-10

Excellence in performance is a goal pursued constantly by our Company.

The Company is honoured with the following awards and rankings in 2009 - 2010 for excellence in maintaining *Industrial Relations, Labour Welfare & Productivity, Net Sales, Energy Management, Value Creation, Innovation, Cost Optimization & Intelligent Marketing, Exports and Rural Development.*

Best Management Award

- *Outstanding contribution in maintenance of Industrial Relations, Labour Welfare & Productivity*
from Department of Labour, Govt. of Andhra Pradesh (2009-10)

Super Rank 20 and Rank 297 among 1000 Corporate Giants in India

- *Net Sales*
from Business Standard magazine (2010)

National Award for Excellence in Energy Management

- *Excellent Energy Efficient Unit*
from Confederation of Indian Industry (2009)

Best Value Creator Award in the Small Cap Category

- *Continuous increase in profitability and high growth resulting in spurt in the equity share price on the Stock Exchanges*
from Outlook Money NDTV Profit (2009)

Sixth Rank among Top 500 Indian Manufacturing Companies

- *Innovative thinking, cost optimization strategies, Intelligent marketing, quality products and services and hard work.*
from INDUSTRY 2.0 Magazine (2009)

State Award for Energy Conservation (1st position) under Iron & Steel Sector

from Non-Conventional Energy Development Corporation of A.P. Limited. (2008-09)

Silver Trophy for Outstanding export performance

from The Federation of Andhra Pradesh Chambers of Commerce & Industry, Hyderabad (2008-09)

Silver Trophy for Excellence in Rural Development

- *multifarious rural development activities*
from The Federation of Andhra Pradesh Chambers of Commerce & Industry, Hyderabad (2008-09)

6th Best Performer in the Top 10 on BSE 500 Index in the decade 2000-2009.

- *stock price in 2009 was 103 times the price in early 2000.*

Silvery Trophy

- *Top Exporter as Large Enterprise*
from EEPC India (2007-08)

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Five years at a glance

	(Rs. in lakhs)				
Particulars	2009-10	2008-09	2007-08	2006-07	2005-06
Sources of Funds					
Share capital	1,526.37	1,523.77	1,558.73	1,355.25	1337.01
Warrants against Share Capital	—	—	—	217.36	—
Share application Money	—	—	6.73	—	—
Reserves	158,094.73	115,616.13	78,768.46	40,442.34	29,375.15
Loans	39,377.27	43,037.29	39,930.36	47,166.18	21,846.92
Deferred Tax Liability	2,023.71	2,113.61	1,498.43	1,953.43	1,983.97
	201,022.08	162,290.80	121,762.71	91,134.56	54,543.05
Application of Funds					
Fixed Assets less Depreciation	79,682.21	71,509.63	64,380.32	41,960.74	34,828.27
Investments	9,631.04	3,716.69	2,103.53	163.77	218.19
Net Current Assets	111,708.83	87,064.48	55,278.86	49,010.05	19,496.59
	201,022.08	162,290.80	121,762.71	91,134.56	54,543.05
Profit after Dividend					
Profit after Taxation	49,868.20	45,510.41	31,484.51	14,045.70	5,801.33
Dividend and Corporate Dividend Tax	7,492.35	6,645.25	5,117.37	2,935.45	1,409.67
Retained Profit	42,375.85	38,865.16	26,367.14	11,110.25	4,391.66
Other data					
Dividend per share:					
Rs. 2/- each (Rs.)	9.00	8.00	6.00	4.00	2.00
Debt Equity Ratio	0.13	0.21	0.27	0.46	0.58

Board of Directors

Mr. D. Ashok
 Mr. P. Trivikrama Prasad
 Mr. C.V. Durga Prasad
 Mr. G.R.K. Prasad
 Dr. E.R.C. Shekar
 Dr. M.V.G. Rao
 Mr. K. Balarama Reddi
 Dr. D. Nageswara Rao
 Mr. S.V. Satyanarayana
 Mr. M. Subrahmanyam

Chairman

Managing Director

Director (Business Development)

Director (Finance & Corporate Affairs)

IDBI Nominee

Company Secretary & Vice President

Auditors

Messrs. 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

Messrs. 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

Dharmavaram
 Prathipadu Mandal
 East Godavari Dist.
 Andhra Pradesh

Bankers

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

Ferro Alloy Plant (Orissa)

Kharagprasad Village-759121
 Dhenkanal District
 Orissa

Power Plant (Orissa)

Kharagprasad Village-759121
 Dhenkanal District
 Orissa

Registrars and Share Transfer Agents

Messrs. 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 March 31, 2010

Dear members,

Your Directors have pleasure in presenting the Report and the Audited Accounts of the Company for the financial year ended March 31, 2010.

Financial Results

The Company's performance for the year ended March 31, 2010 is summarised below:

(Rs. in lakhs)

	Year ended March 31, 2010	Year ended March 31, 2009
Turnover/Income (Gross)	1,27,091.43	1,42,571.36
Profit before Finance charges, Depreciation and Taxation	58,480.22	56,472.28
Less: Finance charges (excluding amount capitalised)	3,059.13	3,095.15
Profit before Depreciation and Taxation	55,421.09	53,377.13
Depreciation	4,437.79	3,776.54
Profit for the year after Depreciation	50,983.30	49,600.59
Provision for taxation - Current tax	7,325.00	5,700.00
- Deferred tax	(89.90)	615.18
- MAT credit entitlement	(6,120.00)	(2,300.00)
- Fringe benefit tax	---	75.00
Profit after Tax	49,868.20	45,510.41
Balance brought forward from last year	46,802.60	19,939.51
Excess provision for Income Tax written back	---	33.53
Profit available for Appropriation	96,670.80	65,483.45
Appropriations		
Dividend on Equity Share Capital	6,425.20	5,679.94
Corporate Dividend Tax	1,067.15	965.31
Capital Redemption Reserve	3.05	35.60
Contingency Reserve	2,000.00	2,000.00
General Reserve	10,000.00	10,000.00
Surplus carried to Balance Sheet	77,175.40	46,802.60
	96,670.80	65,483.45

Review of Operations

We are pleased to report an impressive performance for the year 2009-10. The Net Revenues of the Company though stood at Rs.1,206 crore from Rs.1,296 crore, the Net Profit was higher at Rs.499 crore as compared to Rs.455 crore for the year 2008-09. The Company's thrust on value addition for power afforded it with resilience to withstand the cyclical pressures of Ferro alloys to a great extent. While India's economy is well on its way to a recovery, spurred on by the stimulus measures initiated by the Government, the core operations of your Company have received a boost together with a revival in global economic sentiment.

Ferro Alloys Division

During the previous year owing to the weak sectoral conditions, a conservative approach was adopted in production of alloys, taking into account the carried forward inventory of finished goods and key raw materials. The Company produced 27,660 M.T., 207 M.T. and 14,555 M.T. of Silico Manganese, Ferro Manganese and Ferro Chrome respectively.

From the second-half onwards the sector sentiment has improved, in line with the marked albeit quiet resurgence in carbon steel though stainless steel is yet to keep pace with such a recovery. Given this background, Manganese alloys appear better placed relative to the Chrome alloys. However, the increase remains far away from the peak-level realizations, attained previously.

Power Division

The Power division demonstrated robust results riding on the demand-supply mismatch facing the country in general and specifically in the prominent industrialized states. The Company had the dual benefit of marginally higher merchant realisations and increased volumes from the new 64 MW unit in Orissa and 20 MW unit in Andhra Pradesh. Additionally, the cutback in the Ferro Alloy production made more power available for sale which further augmented our performance in Power. At the same time,

your Company had to face the vagaries of power sector when for a part of the year, the Company had to schedule entire power to GRIDCO, Orissa, in compliance with the orders issued by the Govt. of Orissa. Furthermore, owing to a transmission line constraint, the Company had to contain the power generation for a part of the year. The merchant power rates in the last quarter of the year receded as the utilities were increasingly reticent to buy power over and above their means, and, for a few days, your Company had to shut down 20 MW power plant owing to un-remunerative prices.

During the year under review, your Company generated 1738.04 M.U. and delivered 1,563.28 M.U. of power of which 178.53 M.U. was used for captive use and 1,384.75 M.U. was sold on merchant basis. The auxiliary consumption and transmission losses accounted for 174.76 M.U. The power plants operated at an average PLF of 87.02%.

Sugar Division

Sugar sector displayed intense volatility during the year. From a deficit, the country now faces a surplus and from peak levels of sale price of Rs.45/Kg at the retail level, sugar now sells for around Rs.28/Kg.

Your Company's command area is situated in the East Godavari district, which is congenial for sugar cane cultivation. However, cane availability this year remained a big constraint as farmers diverted their area to cultivate other crops due to shortage of labour and high cost of cane cultivation. Your Company's operations were, as a result, on a lower level, though realizations of sugar remained relatively high and firm due to the perceived shortages. Your Company paid markedly higher cane price to the farmers to incentivise higher cane cultivation in the ensuing season.

For the full year, the cane crushed stood at 2.60 Lakh tonne as compared to 3.18 Lakh tonne. The associated recovery was at 9.6% this year. The Company for the first time purchased 4000 M.T. of raw sugar and processed it during the year to optimize the sugar operations. Sales of sugar stood at 27,660 M.T. as compared to 31,045 M.T. The corresponding revenues from by-products were higher, given better realization in co-generation and distillery products.

New Projects for Power and Mining

Your Company has identified power as a strategic business driver. Plans are underway to develop a series of power projects both in India and Overseas which will increase the power generation capacity of the Nava Bharat Group in the next few years from the existing 228 MW to about 600 MW in India in addition to Overseas projects.

You will be happy to note that this additional power generation will happen alongside the existing facilities of NBVL whereby certain infrastructure and execution benefits will accrue. It is heartening to note that your Company is one of the few Companies in the merchant power business with existing assets in operation.

Your Company has taken significant strides in its overseas investments by obtaining off-take rights and majority economic interest in a coal mine in South Kalimantan, Indonesia. This venture will support the new merchant power business in India. The extraction and trading of coal is expected to commence shortly.

During the year under review, your Company acquired 65% stake in Maamba Collieries Limited, a Coal mining Company as a Joint Venture with a Government Controlled Investment Holding Company in Zambia. The acquisition entails revival of the coal mining operations and establishment of a 2 X 150 MW, coal-based pit-head power project. The coal mine has reserves of 65 million tonnes of high-grade coal and at least about 65 million tonnes of power-grade coal.

Outlook and future plans

The outlook and future plans of the Company have been mentioned in detail under the "Management Discussion and Analysis" section which forms part of this report.

Dividend on equity share capital

Considering the performance of your Company and keeping in view the ongoing capital works and growth strategy, your Directors are pleased to recommend dividend at Rs.9/- per Equity Share of Rs.2/- each (450%), subject to necessary approvals.

The aggregate dividend payout for the year 2009-10 amounts to Rs.74.92 crores, including corporate dividend tax.

Buy-back of Company's equity shares

The Company bought back 19,32,500 equity shares (19,20,000 equity shares upto March 31, 2009 and 12,500 equity shares during the current financial year) pursuant to Public Announcement dated December 22, 2008. The Company purchased requisite minimum number of equity shares of 7,35,295 as disclosed in the Public Announcement. All the shares, so bought-back, were extinguished and the buy-back offer was closed with effect from August 12, 2009.

FCCBs

The Company's FCCBs are outstanding to an extent of JPY 3520 million at the fixed exchange rate of Rs.0.3976 per Yen for conversion.

Employees' Stock Option Scheme

The Company has granted 6,00,000 options to the specified employees, which were vested. Out of 6,00,000 options, 66,610 options were cancelled. Employees exercised options to an extent of 4,24,180 shares as on March 31, 2010 and 1,09,210 equity shares on May 15, 2010.

The Company received a certificate from the Auditors of the Company that the Scheme was implemented in accordance with the SEBI Guidelines and the resolution passed at the Annual General Meeting held on July 27, 2006. The Certificate would be placed at the Annual General Meeting for inspection by members.

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

Listing of shares

The Securities of the Company are listed on National Stock Exchange of India Limited and Bombay Stock Exchange Limited. The listing fee for these Stock Exchanges are paid.

Fixed deposits

Your Company has been accepting deposits from the public, shareholders and others. The amount of deposits outstanding as on March 31, 2010 was Rs. 18.12 lakhs.

There were no overdue deposits as on date.

Insurance

All the properties of the Company including buildings, plant and machinery and stocks are adequately insured.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Sri C V Durga Prasad and Dr.E R C Shekar, Directors, will retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment.

Subsidiary Companies and consolidated accounts

The Company as at the year end has Indian subsidiary companies Viz, M/s. Nava Bharat Projects Limited; M/s. Nava Bharat Energy India Limited; M/s. Brahmani Infratech Private Limited; M/s. Kinnera Power Company Limited; M/s. Nava Bharat Realty Limited; and M/s. Nava Bharat Sugar and Bio Fuels Limited, and a Subsidiary in Singapore, M/s. Nava Bharat (Singapore) Pte. Limited, which again has two subsidiaries viz., 1. PT Nava Bharat Sungaicuka and 2. PT Nava Bharat Indonesia.

Nava Bharat (Singapore) Pte. Limited

During the year, the earlier loan for an amount of US \$ 11,800,000 (equivalent to INR 60,02,53,700) was converted into equity. Singapore Subsidiary continues to focus on the overseas ventures for acquisition of coal and power assets. The investment initiative for acquisition of majority stake in Maamba Collieries Limited successfully culminated in executing a Share Purchase and Sale Agreement with the Govt. of Republic of Zambia and ZCCM Investments Holdings PLC (the 'Seller'). The Company assumed management control of the Company pursuant to Shareholders' Agreement, entered into between Nava Bharat (Singapore) Pte.Limited, Govt. of Republic of Zambia, ZCCM-Investments Holdings PLC and Maamba Collieries Limited with effect from 26th April, 2010. The Subsidiary earmarked USD 26 Million as Shareholder Loan to Maamba Collieries Limited to enable the latter to address the immediate liabilities.

Kinnera Power Company Limited

During the year under review, the Company continues to hold 50.30% equity stake in Kinnera Power Company Limited (KPCL). Meenakshi Infrastructure Group (MIG) implemented the road project that was awarded to NBV by NHAI on a non recourse basis. MIG has funded the entire equity share capital in KPCL and also in the SPV which had implemented the project. The accounts of KPCL or the SPV are not consolidated with those of the Company as the Company does not have economic interest and as it is intended to off-load the equity stake in KPCL and the SPV in favour of MIG at an appropriate time.

Brahmani Infratech Private Limited

During the year under review, the promoters of the Mantri Group invested in the capital of Brahmani Infratech Private Limited (BIPL) and formal allotment of shares will take place during the current year. The Company, upon such allotment, will hold not less than 51% of the capital in BIPL. Owing to severe recession in the real estate sector especially that connected with IT/ITES operations, Mantri Group has sought extension of timelines for executing the SEZ project and also the attendant residential and commercial amenities. The Company, however, does not expect any capital infusion into the subsidiary as Mantri Group had undertaken to setup the project on a non recourse basis. There have been no operations in BIPL during the year under review.

Nava Bharat Projects Limited

The evolution of Nava Bharat Projects Limited (NBPL) as a power holding company materialized during the year with NBPL acting as promoter of Nava Bharat Energy India Limited (NBEIL) in structuring its project finance. The Company is examining the possibility of bringing the overseas subsidiary also as subsidiary to NBPL to enable the latter to emerge as the holding company of the Group for power and mining assets in India and abroad.

Nava Bharat Energy India Limited

Nava Bharat Energy India Limited (NBEIL) is a subsidiary of Nava Bharat Projects Limited (NBPL) and of Nava Bharat Ventures Limited (NBV). NBEIL achieved financial closure for 2 Units of coal fired power plants of 150 MW each in A.P. IDBI acted as the lead arranger and lender. The project cost for the two Units in the aggregate is estimated to be about Rs.1386 crores. The Units are expected to come up at Paloncha and Dharmavaram. While the Company is in advanced stage of obtaining the environmental clearance for the Paloncha Unit, power evacuation system for both the Units is expected to be cleared by APTRANSCO shortly. NBEIL is to be funded with an equity capital of Rs.416 crores while the balance is tied up as debt. The envisaged equity will be funded to NBEIL by the Company through NBPL.

Nava Bharat Realty Limited

The Company is a Wholly Owned Subsidiary of the Company and is set up to focus on real estate ventures either directly or through SPVs. The Operations in the Company are on slow phase considering the slump in the real estate market.

Nava Bharat Sugar and Bio Fuels Limited

The Company is a Wholly Owned Subsidiary of Nava Bharat Ventures Limited and is set up to facilitate consolidation of sugar and bio fuel operations being taken up by the Group. The Company is yet to commence its operations.

Auditors

M/s. Brahmayya & Co., Chartered Accountants, Hyderabad, the Statutory Auditors of the Company, will hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. 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.

Cost Audit

M/s. Narasimha Murthy & Co, cost auditors, have been engaged by the Company to conduct the cost audit in respect of industrial alcohol, sugar and power generated by the Company for the financial year 2009-10. The approval of the Central Government was received for this appointment.

“Group” for inter-se transfer of shares

As required under Clause 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and takeovers) Regulations, 1997, persons constituting “Group” (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulations 10 to 12 of the aforesaid SEBI Regulations are given in Annexure III attached herewith and the said Annexure forms part of this Annual Report.

Management Discussion and Analysis

Management’s Discussion and Analysis for the year under review as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India is presented in a separate section forming a part of this Annual Report.

Directors’ Responsibility Statement

The Directors confirm that in the preparation of Annual Accounts for the year ended March 31, 2010

- All applicable accounting standards were followed.
- The accounting policies framed in accordance with the guidelines of the Institute of Chartered Accountants of India have been applied.
- Reasonable and prudent judgement and estimates were made

so as to give a true and fair view of the state of affairs of the Company.

- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, as applicable.
- The accounts were prepared on an ‘on going’ basis.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement, your Company has to mandatorily comply with the requirements of Corporate Governance. A separate section on Corporate Governance and a certificate from the auditors of the Company, regarding compliance of conditions of Corporate Governance, form a part of this Annual Report.

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 a part of this Report.

Industrial safety and environment

Safety & Environment

Your Company continues to give utmost importance to safety of personnel and equipment in all its plants. The safety measures adopted are reviewed thoroughly and several proactive steps taken to avoid accidents. In addition, safety demonstrations are conducted at regular intervals to train the workmen and staff in facing accidents.

Your Company received, from Director of Factories & Boilers, Orissa, an award for Best performance in safety and environment management for the year 2007 for the Ferro Alloy Plant (Orissa) and Power Plant (Orissa).

Particulars of employees

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure - IV to the Directors’ Report.

Voluntary Guidelines on Corporate Governance and Corporate Social Responsibility

The Ministry of Corporate Affairs, Govt. of India, released Voluntary Guidelines for Corporate Governance and for Corporate Social Responsibility on December 21, 2009. The Voluntary Guidelines for Corporate Governance provide for various measures and your Company may consider the same in due course in a phased manner.

Awards & Accolades

Your Company received the following awards/accolades during the year 2009-10

- i) Silver Trophy for Outstanding Export Performance for the year 2008-09 from The Federation of Andhra Pradesh Chambers of Commerce & Industry, Hyderabad.
- ii) Silver Trophy for Excellence in Rural Development for the year 2008-09 from The Federation of Andhra Pradesh Chambers of Commerce & Industry, Hyderabad in recognition of the multifarious rural development activities undertaken by the Company.
- iii) Super Rank 20 and Rank 297 among 1000 Corporate Giants in India by Net Sales, accorded by Business Standard magazine – February 2010.
- iv) Ranked sixth among Top 500 Indian Manufacturing Companies for the Batch 2009, based on the performance of the year 2008, by 'INDUSTRY 2.0' magazine for innovative thinking, cost optimization strategies, intelligent marketing, quality products and services, and, hard work.
- v) State Award for Energy Conservation, 2008-09 (First position) under Iron & Steel Sector for Ferro Alloy Plant, Paloncha from Non-Conventional Energy Development Corporation of A.P. Limited.
- vi) Best Value Creator Award in the Small Cap category (Market Capitalization upto Rs.2500 crores) for the year 2009, from Outlook Money NDTV Profit, based on continuous increase in profitability and high growth, resulting in spurt in the equity share price on the Stock Exchanges.
- vii) National Award for Excellence in Energy Management, 2009 for Excellent Energy Efficient Unit for the Sugar Division from Confederation of Indian Industry.
- viii) The Company stood as sixth Best Performer in the Top 10 on BSE 500 Index in the decade 2000-2009. The Company's

stock price in 2009 was 103 times the price in early 2000. This demonstrates that growth has percolated to a larger bouquet of industries than the earlier fancied technology, pharma and fast-moving consumer goods.

- ix) Silver Trophy for Top Exporter as Large Enterprise from EEPICINDIA, Southern Region in recognition of the outstanding contribution made by the Company to Engineering Exports during 2007-08.
- x) Best Management Award for the year 2009-10 from the Department of Labour, Government of Andhra Pradesh, for outstanding contribution in maintenance of Industrial Relations, Labour Welfare & Productivity.

Industrial relations

Industrial relations have been cordial and your Directors appreciate the sincere and efficient services rendered by the employees of the Company at all levels towards successful working of the Company.

Acknowledgement

Your Directors would like to express their grateful appreciation for the assistance and co- operation received from the Financial Institutions, Bankers, Insurance companies, the Government of Andhra Pradesh, Government of Orissa, the State utilities and Shareholders.

For and on behalf of the Board

P.Trivikrama Prasad
Managing Director

Hyderabad
May 29, 2010

D.Ashok
Chairman