

**BAMBINO AGRO INDUSTRIES LIMITED**



**TWENTY SIXTH  
ANNUAL REPORT  
2008 - 2009**

## BOARD OF DIRECTORS

|                     |                                  |
|---------------------|----------------------------------|
| Mr. M.Raghuveer     | : Executive Chairman             |
| Mr.M.Subramanyam    | : Whole time Director            |
| Mr.P.Eshwar Das     | : Executive Director (Marketing) |
| Mr.Rajender Pershad | : Director                       |
| Mr.Mansoor Yar Khan | : Director                       |

## COMPANY SECRETARY

Mr. C. Durga Prasad

## REGISTERED OFFICE

'E' Block, 104, 4<sup>th</sup> Floor  
Surya Towers,  
S.P.Road, Secunderabad-500003  
Tel: 040-44363322

## ADMINISTRATIVE OFFICE

'F' Block, 104, 2<sup>nd</sup> Floor, Surya Towers  
S.P.Road, Secunderabad - 500 003

## MANUFACTURING FACILITIES

Bibinagar, Bhongir Mandal,  
Nalgonda District, Andhra Pradesh.

Begumpur Khatola Village,  
Gurgaon, Haryana.

## DEPOSITORY REGISTRARS

M/s. Karvy Consultants Private Limited  
Karvy House, 46, Avenue 4, Street No.1  
Banjara Hills, Hyderabad - 500 034

## AUDITORS

M/s. PRV Associates  
Chartered Accountants,  
Hyderabad - 500 029.

## BANKERS

State Bank of India  
Commercial Branch, Bank Street  
Koti, Hyderabad

Indian Overseas Bank  
Adarshnagar Branch, Hyderabad.

IDBI Bank Limited.  
Chapel Road, Hyderabad

## TWENTY SIXTH ANNUAL GENERAL MEETING

|       |   |
|-------|---|
| Day   | : Wednesday   |
| Date  | : 23 <sup>rd</sup> December 2009                                |
| Time  | : 10.00 A.M   |
| Venue | : Zorastrian Club,<br>Opp: Anand Theatre<br>Secunderabad-500003 |

## LISTING

The equity shares of the Company are listed  
at the Bombay Stock Exchange Limited

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**NOTICE**

Notice is hereby given that the Twenty Sixth Annual General Meeting of Bambino Agro Industries Limited will be held on **23<sup>rd</sup> December, 2009 at 10.00 AM at ZORASTRIAN CLUB,** Opp: Anand Theatre, S.P.Road, Secunderabad – 500 003 to transact the following business:

**Ordinary Business**

- 1) To receive and adopt the Balance Sheet as at 30<sup>th</sup> September, 2009 and the Profit & Loss Account for the year ended 30<sup>th</sup> September, 2009 and the reports of the Board of Directors and Auditors thereon.
- 2) To appoint a Director in place of Sri Rajender Pershad, who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Sri Mansoor Yar Khan, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint Auditors and to fix their remuneration

**Special Business**

- 5) To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT subject to the provisions of section 269 read with all other applicable provisions, if any, of the Companies Act, 1956 as amended from time to time or as re-enacted, the company hereby accords its approval for the re-appointment of Sri M. Subramanyam as Whole Time Director for a further period of 5 years from 1<sup>st</sup> October, 2009 without remuneration.

- 6) To consider and if thought fit to pass with or without modification, the following resolution as a Special Resolution.

"RESOLVED THAT in terms of applicable provisions of the Companies Act, 1956, the approval of members of the Company be and is hereby accorded to increase and re-classify the existing Authorised Share Capital of the Company of Rs.22,00,00,000/- (Rupees Twenty two crores) consisting of 2,20,00,000 (Two crore twenty lakhs) Equity Shares of Rs.10/- each to 40,50,00,000 (Forty crores fifty lakhs) consisting of 1,55,00,000 (One crore fifty five lakhs) Equity Shares of Rs.10/- each and 2,50,00,000 (Two crore fifty lakhs) preference shares of Rs.10/- each.

**RESOLVED FURTHER THAT** pursuant to Section 16 and other applicable provisions, if any, of the Companies Act, 1956, the existing clause V of Memorandum of Association of the company be and is hereby amended and substituted by the following clause V:-



- V. The Authorised Share Capital of the company is Rs.40,50,00,000/- (Rupees Forty crores fifty lakhs) divided into 1,55,00,000 (One crore fifty five lakhs) Equity Shares of Rs.10/- each and 2,50,00,000 (Two crore fifty lakhs) preference shares of Rs.10/- each, with power to increase or reduce the share capital and to issue any shares with special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company for the time being and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 or provided by the Articles of Association of the Company for the time being.

**RESOLVED FURTHER THAT** Mr.M.Subramanyam, Whole Time Director and Company Secretary be and are hereby severally authorised to file necessary forms etc., with the concerned authorities and to do all such acts, deeds, matters and things as may be considered necessary in this regard”.

- 7) To consider and if thought fit to pass with or without modification, the following resolution as special resolution.

**“RESOLVED THAT** the Articles of Association of the company be altered in the following manner.

- 1) Article 4.1 be amended and substituted by the following :

“Authorised Share Capital of the Company is Rs.40,50,00,000/- (Rupees Forty Crores Fifty lakhs ) divided into 1,55,00,000 (One crore fifty five lakhs) Equity Shares of Rs.10/- each and 2,50,00,000 (Two crores fifty lakhs) preference shares of Rs.10/- each”.

- 2) Following new Article 46 A be inserted after Article 46 with marginal notes appearing as “power to issue preference shares”.

46 A : “Subject to the provisions of the Act, the company shall have the power to issue or re-issue preference shares in one or more series which are, at the option of the company, liable to be redeemed and the resolution authorising such issue shall prescribe the manner, terms and conditions of such redemption”

- 8 To consider and if thought fit to pass with or without modification, the following resolution as a Special Resolution.

**“RESOLVED THAT** pursuant to Section 81 (1A) and all other applicable provisions of the companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the company with the Stock Exchange where the securities of the company are listed and subject to any guidelines, regulations, approval, consent, permission or sanction of the Central Government, Reserve Bank of India and any other appropriate authorities, institutions or Bodies (hereinafter collectively referred to as “the appropriate authorities”), and subject to such conditions as may be prescribed by any one of them while granting any such approval, consent, permission, and/or sanction (hereinafter referred to as “the requisite approvals”),

which may be agreed to by the Board of Directors of the Company (hereinafter called "the Board" the Board be and is hereby authorised to issue, offer and allot, redeemable preference shares whether Cumulative or Non cumulative to be subscribed by foreign investors / institutions and / or corporate bodies, mutual funds, banks, insurance companies, trusts and/ or individuals including promoters, individuals and such other persons / entities / whether members of the company or not whether in Indian currency or foreign currency and such issue and allotment shall be made at such times in one or more tranches, at par or at such price or prices, and on such terms and conditions including the coupon rate and redemption period as the Board may, in its absolute discretion think fit provided however that the issue of Securities as above shall not be for more than 25 Crores.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to delegate all or any of the powers herein conferred to Executive Chairman or Whole Time Director of the Company to give effect to the aforesaid resolution".

## NOTES

- 1 A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXY IN ORDER TO BE EFFECTIVE MUST BE LODGED WITH THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING
- 2 The relative explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business to be transacted at the Meeting is annexed hereto.
- 3 The Register of Members will remain closed from 17<sup>th</sup> December, 2009 to 23<sup>rd</sup> December 2009 (both days inclusive). The transfer books of the Company will also remain closed for the above said period.
- 4 Members are requested to intimate the Company or Registrar, the details or clarifications, if any, required in relation to this Annual Report, at least 7 (Seven) days before the Meeting to enable the Management to keep the information ready at the Meeting.
- 5 As a measure of economy, Members/proxies are requested to bring their copies of Annual Report to the Meeting and the attendance slip duly filled in for attending the meeting. Copies of Annual Reports will not be provided at the Meeting.
- 6 Requirement under the Listing Agreement:  
Pursuant to the requirement of paragraph VII (F) of Clause 49 of the Listing Agreement, the required information pertaining to the Directors on their appointment / re-appointment is furnished below :

### **Mr.Mansoor Yar Khan**

Mr.Mansoor Yar Khan, 81 years is Retired Army Officer having vast experience in General Administration & Management. He does not hold any outside Directorships.

### **Mr.Rajender Pershad**

Mr.Rajender Pershad, 68 years is Retired IPS Officer having rich and vast experience in Legal and General Administration & Management. He does not hold any outside Directorships.

### **Mr. M.Subramanyam**

Mr M.Subramanyam aged 41 Years is a graduate in commerce. He has more than two decades of experience in managing business. He is looking after finance, operations and marketing functions of the Company. He has intimate understanding of the food processing industry and he is instrumental in steering the Company to sustainable growth .He is also on the Board of the following Companies viz;Seshsayi Foods (P) ltd , Ghanta Foods (P) Ltd, M.L.R Industries (P) Ltd, Revathi Tobacco Company (P) Ltd, Bambino Finance (P) Ltd, Bambino Milk Products (P) Ltd, Sai Jyothi Infrastructure Ventures (P) Ltd, M.K.R Industries Ltd and Hyderabad Nursing Home Private Limited.

**By Order of the Board of Directors**  
of Bambino Agro Industries Limited

Place : Secunderabad  
Date : 12<sup>th</sup> November 2009

**(C.Durga Prasad)**  
Company Secretary

**EXPLANATORY STATEMENT**

PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

**ITEM No.5.**

At the Annual General Meeting held on 28<sup>th</sup> September, 2005, Mr. M.Subramanyam was re-appointed as Whole Time Director for a term of 5 years from 1<sup>st</sup> October 2004 without remuneration. The Board of Directors of the Company at their meeting held on 12<sup>th</sup> November 2009 had subject to the approval of the members re-appointed Mr.M.Subramanyam as Whole Time Director for a further period of 5 years from 1<sup>st</sup> October 2009 without remuneration. The Board decided to review the payment of remuneration to the Whole Time Director after the company earns adequate profits to declare dividend.

None of the Directors except Mr.M.Raghuveer, Executive Chairman being relative are deemed to be directly or indirectly interested or concerned in the said resolution.

**ITEM NO.6**

Presently, the Authorised Share Capital of the company is Rs.22,00,00,000/- (Rupees Twenty two crores) consisting of 2,20,00,000 Equity Shares of Rs.10/- each. The Company would be required to raise funds for implementing its growth plans either by issue of Preference Shares or Borrowings from banks. The existing Equity Capital is in excess of the requirements. To enable the Board of Directors to issue Preference Shares at appropriate time, the Board is approaching you to have your approval for increasing the Authorised Capital along with re-classification of the securities into equity and preference share capital.

Board recommends passing of this Special resolution. None of the Directors of the company are in any way concerned or interested in the resolution.

**ITEM NO.7**

The resolution as set out in the notice is consequential to item No.6 with regard to increase and re-classification of Authorised Capital. Further, the Articles of Association is sought to be amended by inserting a new clause to empower the company to issue Preference Shares .

Board recommends passing of this Special resolution. None of the Directors of the company are in any way concerned or interested in the resolution.

**ITEM NO.8**

There is a need to strengthen the finances of the company in view of the increasing business activities. It is proposed to issue and allot at appropriate time, redeemable preference shares to such entities as set out in the resolution.

Yours Directors recommend the above special resolution for your approval. None of the Directors of the company are in any way concerned or interested in the resolution.

**By Order of the Board of Directors  
of Bambino Agro Industries Limited**

**(C.Durga Prasad)**

Company Secretary

Place : Secunderabad

Date : 12<sup>th</sup> November 2009

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the Twenty-Sixth Annual Report together with audited accounts of the Company for the year ended 30<sup>th</sup> September 2009.

### FINANCIAL RESULTS (Rs. In Lacs)

| Particulars   | Year Ended                | Period Ended              |
|---|---------------------------|---------------------------|
|   | 30.09.2009<br>(12 months) | 30.09.2008<br>(18 months) |
| Sales and other Income  | 18161.84                  | 22605.00                  |
| Profit/ (Loss) before<br>Depreciation, Financial<br>Expenses, Tax and other<br>Adjustments. | 1142.90                   | 1154.38                   |
| Less; Financial Expenses  | 751.81                    | 565.03                    |
| Profit / (Loss) before<br>Depreciation, Tax and other<br>Adjustments                        | 391.09                    | 589.35                    |
| Less: Depreciation  | 289.35                    | 565.03                    |
| Profit before Tax and other<br>Adjustments  | 101.74                    | 119.76                    |
| Provisions for Tax :  |                           |                           |
| Current Tax   | (7.10)                    | (33.87)                   |
| Deferred Tax  | (54.10)                   | (37.31)                   |
| Fringe Benefit Tax  | (3.12)                    | (12.24)                   |
| Net Profit/Loss after Tax<br>and before other adjustments                                   | 37.42                     | 36.34                     |
| Add: Written back of<br>earlier year's interest<br>provision on OTS<br>with Institutions    | —                         | 1315.92                   |
| Profit after tax and<br>other adjustments   | 37.42                     | 1352.26                   |
| Less: Excess TDS<br>Written off   | —                         | (30.20)                   |
| Profit after tax and<br>other adjustments   | 37.42                     | 1352.26                   |
| Less: Excess TDS<br>Written off   | —                         | (30.20)                   |
| Profit after tax and<br>other adjustments   | 37.42                     | 1322.06                   |

## COMPANY PERFORMANCE AND BUSINESS OUTLOOK

The company has achieved substantial growth during the year under view with sales volumes and values recording 20% jump. This performance was achieved against the backdrop of global economic recession, slowdown in growth in modern trade and intense competition. However higher finance charges and increased sales promotional spends to maintain the leadership position in the pasta market resulted in erosion of margins.

During the year under report, the Company achieved turnover of Rs.18161.84 Lacs resulting in pre tax profit of Rs.101.74 Lacs

Realising the huge opportunity to tap the rural market, the Company has launched small pack of vermicelli priced Rs. 5/-. To meet the taste and requirement of urban consumers, Pasta Gold in attractive package has been launched which has international Italian taste and yet has Indian price. The company having made intimate understanding of the Indian Consumers has through its in-house R&D has developed Functional foods like Nutritional High Fiber foods which would address the health concerns and nutritional requirements of the consumers. These health food products has a huge potential for growth and the company hopes to capitalize on this opportunity.

The performance of exports business was well below expectations due to global economic recession. However, now with the global economy recovering, the company is hopeful of executing sizeable export orders.

### DIVIDEND

Keeping in view the need to conserve resources for implementing its growth plans, your Directors express their inability to recommend dividend during the year.

### DIRECTORS

Mr. Rajender Pershad and Mr.Mansoor Yar Khan Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment.

### AUDITORS

The Auditors M/s.PRV Associates, Chartered Accountants, Hyderabad, who retire at the ensuing Annual General Meeting of the Company, are eligible for re-appointment as Statutory Auditors of the



Company till the next Annual General Meeting. The Company has received their willingness for re-appointment as auditors of the Company and furnished a Certificate under Section 224 (1B) of the Companies Act, 1956.

**FIXED DEPOSITS**

Your Company has not accepted any Deposits from the public during the year pursuant to Section 58A of the Companies Act, 1956.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217 (2AA) of the Companies Act, 1956 the Directors confirm that:

- I. In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- II. The Directors had selected such accounting policies and applied them consistently and made judgements 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 loss of the company for that period.
- III. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- IV. The Directors had prepared the annual accounts on a going concern basis.

**MANAGEMENT DISCUSSION & ANALYSIS (MD&A)**

Pursuant to the provisions of Clause 49 of the Listing Agreement, a report on Management Discussion & Analysis is set out in Annexure and forms part of this report.

**CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO****Conservation of Energy:**

Disclosure of particulars with respect to conservation of energy required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of the particulars in report of Board of Directors) Rules, 1988 is given in Form 'A' forming part of this report.

**Technology Absorption:**

The details in Form 'B' as required Under Section 217(1)(e) of the Companies Act, 1956 read with relevant rules as amended from time to time forms part of this report.

**PARTICULARS OF EMPLOYEES**

No employee of the company was in receipt of remuneration in excess of the sum prescribed under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 during the financial year 2008-09.

**REPORT ON CORPORATE GOVERNANCE**

Pursuant to the provisions of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, a report on the Corporate Governance, which inter alia, includes the composition and construction of Audit Committee, is featuring as a part of Annual Report. Your Company will continue to adhere in letter and spirit to the good corporate governance policies. Pursuant to the provisions of Clause 49 (VII) (1) of the Listing Agreement, a certificate from the auditors of the Company on the compliance of the Clause is enclosed.

**CEO'S DECLARATION**

Pursuant to the provisions of Clause 49(I)(D)(ii) of the Listing Agreement, a declaration by the Whole Time Director of the Company declaring that all the members of the Board and the Senior Personnel of the Company have affirmed compliance with the Code of Conduct of the Company is enclosed.

**ACKNOWLEDGEMENT**

The Directors would like to thank all stakeholders, namely customers, stockists, dealers, retailers, shareholders, suppliers, bankers, employees and all other associates for the continuous support given by them to the Company

For and on behalf of the Board of Directors of  
Bambino Agro Industries Limited

**M.Raghuveer**  
Executive Chairman

**M.Subramanyam**  
Whole Time Director

Place : Secunderabad  
Date : 12<sup>th</sup> November 2009

**ANNEXURE TO DIRECTORS' REPORT**

Additional information as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1998.

**CONSERVATION OF ENERGY**
**A. Energy Conservation measures taken :**

- i). Energy efficient systems adopted to reduce energy cost.
- ii). Use of Light Diesel Oil (LDO) in place of High Speed Diesel Oil to reduce energy cost.

**B. Additional investment and proposal being considered for reduction of Consumption of energy.**

Conversion of systems for switching over from high cost fuel to low cost fuel planned.

**C. Impact of measures at (A) and (B) above for reduction of energy consumption and consequent impact on the cost of production of goods. The measures initiated have resulted in reduction of Hot Water generation cost and also energy cost significantly.**
**Form – A**

Form for Disclosure of particulars with respect to conservation of energy:

|                                  | <b>2008-09</b>  | <b>2007-08</b>  |
|----------------------------------|-----------------|-----------------|
| a. Power and Fuel consumption    |                 |                 |
| 1. Electricity                   |                 |                 |
| a. Purchased Units (KWH)         | 7176000         | 8965340         |
| Total amount (Rs.)               | <b>40744787</b> | <b>37245378</b> |
| Rate/Unit (Rs.)                  | 4.23            | 4.15            |
| b. Own Generation                |                 |                 |
| Through diesel generator (units) | 2822865         | 4070185         |
| Total Amount (Rs.)               | 26959089        | 39138832        |
| Rate/Unit (Rs.)                  | 9.55            | 9.62            |
| 2. Coal Quantity (tones)         | NOT APPLICABLE  |                 |
| Total Cost (Rs.)                 |                 |                 |
| Average Rate (Rs.)               |                 |                 |

3. HSD/LDO Consumption

for Boiler/Utilities

|                    |         |          |
|--------------------|---------|----------|
| Quantity (Ltrs)    | 46208   | 1385224  |
| Total Cost (Rs.)   | 1469371 | 42261433 |
| Average Rate (Rs.) | 31.80   | 30.51    |

B Consumption per unit of production

|  |       |        |
|--|-------|--------|
| Production – Pasta & wheat<br>Products (MTS) | 70385 | 115435 |
| Electricity (KWH/Production)                 | 142   | 113    |

**Form – B**

Form for Disclosure of particulars with respect to Technology Absorption, Research and Development (R&D)

- |   |   |
|---|---|
| 1. Specific areas in which R&D carried out by the Company | Research and development efforts were intensified in the field of developing functional foods |
| 2. Benefits derived as a result                           | Development of new food products. Functional foods would be launched in due course.           |
| 3. Future plan of action                                  | Further efforts would be made to continuously develop health related Nutritional foods        |

Expenditure on R&D

- |   |                |
|---|----------------|
| a) Capital  | Nil            |
| b) Recurring  | Nil            |
| c) Total R&D Expenditure as a percentage of total turnover  | Nil            |
| d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action. | Not applicable |

**Technology Absorption, Adaptation and Innovation:**

- |  |   |
|--|---|
| 1. Efforts made towards Technology absorption, adoption and innovation   | Technology absorbed   |
| 2. Benefits derived as a result of the above efforts, e.g., product improvements, cost reduction, import substitution, etc.  | Indigenous spares developed for several imported parts / components |
| 3. In case of imported technology (imported during the first 5 years reckoned from the beginning of the current financial period) following information may be furnished : | Not Applicable  |
| a) Technology imported   |   |
| b) Year of import  |   |
| c) Has technology been fully absorbed  |   |
| d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action.  |   |

**Foreign Exchange Earnings and Outgo**

|                           |                 |
|---------------------------|-----------------|
| 1 Foreign Exchange Earned | Rs.200.52 Lakhs |
| 2 Foreign Exchange used   | Rs 89.41 Lakhs  |

**For and on behalf of the Board of Directors**  
of Bambino Agro Industries Limited

|  |   |
|--|---|
| <b>M.Raghuveer</b><br>Executive Chairman | <b>M.Subramanyam</b><br>Whole Time Director |
|--|---|

Place : Secunderabad  
Date : 12<sup>th</sup> November 2009

## MANAGEMENT DISCUSSION & ANALYSIS

### Operational and Financial Performance during the year:

The performance in respect of production, sales & financial parameters for the period 2008-09 in comparison to last year is as follows :

| S.No. | Item   | Year ended<br>30 Sept 2009<br>(12 Months) | Period ended<br>30 Sept 2008<br>(18 Months) |
|-------|--|---|---|
| 1     | Production-MT  | 73835                                     | 112744                                      |
| 2     | Sales – MT   | 73127                                     | 111886                                      |
| 3     | Sales Turnover<br>(Rs.Lakhs)   | 18084.20                                  | 22076.20                                    |
| 4     | Profit before<br>interest,<br>depreciation, tax &<br>other adjustments | 1154.90                                   | 1154.38                                     |
| 5     | Net Profit / (Loss)<br>after tax & other<br>adjustments                | 37.42                                     | 1322.06                                     |

### Industrial Structure and Development.

The Fast Moving Consumer Goods (FMCG) sector is the fourth largest sector in Indian economy. The FMCG market can be divided into two segments – the Urban and Rural. The urban market has a high penetration levels while the rural economy is largely agrarian with relatively low levels of penetration. The FMCG industry caters to the needs of the consumers located across the country through a well developed and efficient supply chain model comprising of C&F agents, Re-distribution Stockists and retailers. The consumption of the pasta products has earlier been largely by urban

consumers and now with the rising rural income and changing life styles in food habits, rural market is expanding.

Low capital requirements, simple manufacturing process and sub contracting of manufacturing activities have been the characteristics of this industry. As a result, several small local and regional brands tend to compete with well established brand like Bambino. FMCG companies have to continuously innovate in order to build the equity of their brands and create mass pull. Brand building, product innovation and product differentiation are critical for the survival of FMCG companies.

### Opportunities & Threats:

The Indian sub continent has a huge population which provides the FMCG companies with large consumer base. The consumers of today are conscious of the need to lead a healthy life. Pasta products are ideally suited to consumers of all ages which has all the nutritional ingredients. Rapid urbanization and increasing disposable incomes has lead to increased consumption of pasta products. Rural India also has seen increased consumption of the company's products with increased income levels and other rural employment schemes announced by the Government.

Simple technology has lead to too many players foraying into the pasta segment leading to down trading and price wars. The survival of the industry also depends on the monsoon which affects the availability and price of raw materials. Another major threat is from the brand pirates who are rampant mostly in the Eastern part of sub continent misusing the company's brand popularity which has acquired a secondary name to Vermicelli.



**Future Outlook**

The company sustained its growth momentum in the last few years and all its marketing initiatives has lead to expanded consumer base and higher per capita consumption. The company is focusing on developing functional foods to de-risk its businesses. The company has also initiated a process of garnering more market share in the rural market by introducing small packs of vermicelli to suit the requirements of the rural economy. The company is understanding changing food habits and is therefore positioning itself to deliver food products which would lead healthy life.

**Risks & concerns:**

Input cost comprise a major portion of the production cost in the FMCG sector. Inflationary tendencies in the economy directly impact the input costs and could create strain on the operating margins of the FMCG companies. Brands with greater equity find it easier to adjust prices in line with fluctuating input prices. Intense competition from both organized and un-organised sector is another major threat to the survival of this industry.

**Internal control systems & their adequacy:**

The company has adequate Management Information System and Internal control system commensurate with its size and volume of business.

The duties and responsibilities are clearly defined and well set at all managerial positions in the organization. Regular internal audit and check system ensures that the responsibilities are executed effectively and that the Management Information System (MIS) aids in the control mechanism.

**Human relations / Industrial relations:**

The company has been providing extensive training to its sales team to improve its product knowledge and selling skills. The employees are motivated by creating employee friendly working environment and attractive compensation management. The relation with workers and employees remained cordial during the year under review.

**Cautionary statement:**

Statement in this "Management Discussion & Analysis" may be considered to be "forward looking statements" within the meaning of applicable securities laws or regulations. Actual results differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include Indian demand supply conditions, raw material availability and prices, agricultural yield, Government regulations besides other factors such as litigations and court cases.

**CORPORATE GOVERNANCE REPORT**

The Board of Directors supports the principles of Corporate Governance and accordingly implemented the same from the financial year 2002-03.

The philosophy of the company is to enhance the long-term economic value of the company and its shareholders at large by adopting better corporate practices in fair and transparent manner. The company places emphasis on integrity of internal control systems and accountability and total compliance with all statutory and/or regulatory requirements. The company is in the process of inducting one Independent Director to maintain the required balance of Independent and Non Independent Directors.

**Composition of Board of Directors**

Composition and category of Directors as on 30<sup>th</sup> September 2009.

| Sl.No. | Name of the Director | Category                                      |
|--------|----------------------|---|
| 1      | Mr.M.Subramanyam     | Promoter Executive Director                   |
| 2      | Mr.M.Raghuveer       | Promoter - Executive Chairman                 |
| 3      | Mr.P.Eshwar Das      | Executive Director – Non Independent Director |
| 4      | Mr.Mansoor Yar Khan  | Non-Executive Director & Independent Director |
| 5      | Mr.Rajender Pershad  | Non-Executive Director & Independent Director |

During the period from 1<sup>st</sup> October,2008 to 30<sup>th</sup>,September,2009 the Board of Directors met 12 times – on 26.11.2008, 08.12.2008, 15.12.2008, 26.12.2008, 31.01.2009, 14.03.2009, 30.04.2009, 10.05.2009, 02.06.2009, 30.07.2009, 06.08.2009 and 16.08.2009. The maximum time gap between any two meetings was not more than three calendar months.

Attendance record of Directors at Board Meetings and details of number of companies in which Directors hold memberships and directorships are as given below:

| Name of Director | Category | No. of Board Meetings Attended | Attendance in last AGM held on 24th Dec - 08 | Directorships in other Public Companies | No. of Memberships in other Committies | No. of Chairmanships on other Committies |
|------------------|----------|--------------------------------|--|---|--|--|
| M.Raghuveer      | ED/C     | 12                             | y  | 1                                       | -                                      | -  |
| M.Subramanyam    | WTD      | 12                             | y  | 1                                       | -                                      | -  |
| Mansoor Yar Khan | NED/ID   | 12                             | y  | -                                       | -                                      | -  |
| Rajender Pershad | NED/ID   | 12                             | y  | -                                       | -                                      | -  |
| P. Eshwar Das    | ED/ NID  | 12                             | y  | -                                       | -                                      | -  |

C – Chairman

E.D--Executive Director

NID-Non Independent Director

WTD – Whole Time Director

ID – Independent Director

## **Committees of the Board**

The Board has constituted various committees of Directors to take informed decisions and to oversee the activities falling within the purview of their terms of reference. The following are the committees of the Board:

### **(a) Audit Committee**

The Audit Committee acts as a via media between the management, the statutory auditors and the Board of Directors. Mr.S.Rajender Pershad as Chairman heads it. Finance Head along with internal auditors and statutory auditors are invitees to the meetings. The Company Secretary acts as Secretary to the committee.

The brief description of terms of reference is as under:

Review with the management, statutory auditors and internal audit department, on the adequacy of internal audit control systems and ensure compliance of the same.

Undertaking periodical review of internal audit reports and discussing with the internal audit department on any significant findings and follow up thereon.

Oversee the company's financial reporting process and review the financial statements before submission to the Board.

Effective interaction with the statutory auditors from time to time and discuss before the audit commences on the nature and scope of audit as well as have a post audit discussion to ascertain any area of concern.

Considering any other matter, which the Board of Directors may refer to it.

During the year under review, 4 Audit Committee meetings were held on 26<sup>th</sup> November 2008, 31<sup>st</sup> January 2009, 30<sup>th</sup> April 2009 and 30<sup>th</sup> July 2009. The attendance of the members was as under:

| <b><u>Name of the Member</u></b> | <b><u>No of Meetings attended</u></b> |
|----------------------------------|---------------------------------------|
| Mr.Mansoor Yar Khan              | 4                                     |
| Mr.Rajender Pershad              | 4                                     |
| Mr.M.Raghuveer                   | 4                                     |

### **Compensation and remuneration committee:**

The committee looks into matters relating to the remuneration structure of the Directors and senior employees of the company. The Board has constituted remuneration committee comprising of Mr.Rajender Pershad and Mr.Mansoor Yar Khan. The committee has not met during the period under review. The Non Executive Directors and the Executive Directors who are not in receipt of managerial remuneration are paid a sitting fee of Rs.2000/- per meeting.

### **Disclosures**

The Company had disclosed the Related Party transactions with the key management personnel in Notes to Accounts. None of the transactions with any of the related parties were in conflict with the interests of the Company.



There has been no non-compliance by the Company of the regulations imposed by the Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets during the last 3 years.

**Investor Requests / Complaints for the period 01-10-08 to 30-09-09**

| S.NO. | PARTICULARS  | RECEIPT   | RESOLVED  | PENDING  |
|-------|--|-----------|-----------|----------|
| 1     | Change/Correction of Address   | 20        | 20        | 0        |
| 2     | Change/correction of Bank Mandate  | 0         | 0         | 0        |
| 3     | Complaints from SEBI   | 0         | 0         | 0        |
| 4     | Complaints from Stock Exchanges  | 0         | 0         | 0        |
| 5     | Deletion of joint name due to death                                      | 3         | 3         | 0        |
| 6     | Exchange of Share Certificates   | 19        | 19        | 0        |
| 7     | Letter of Intimation of Bank Mandate                                     | 0         | 0         | 0        |
| 8     | Loss of securities and request for issue of duplicate Share Certificates | 0         | 0         | 0        |
| 9     | Non receipt of Annual Reports  | 6         | 6         | 0        |
| 10    | Non receipt of dividend warrants   | 3         | 3         | 0        |
| 11    | Non receipt of securities  | 4         | 4         | 0        |
| 12    | Receipt of dividend warrants for revalidation                            | 0         | 0         | 0        |
| 13    | Receipt of I/B and affidavit for issue of duplicate securities           | 1         | 1         | 0        |
| 14    | Registration of Power of Attorney  | 0         | 0         | 0        |
| 15    | Request for consolidation / split of securities                          | 3         | 3         | 0        |
| 16    | Request for issue of duplicate dividend warrants                         | 0         | 0         | 0        |
| 17    | Request for stop of transfer of securities                               | 0         | 0         | 0        |
| 18    | Request for transmission   | 2         | 2         | 0        |
| 19    | Request for transposition  | 0         | 0         | 0        |
|       | <b>TOTAL</b>   | <b>61</b> | <b>61</b> | <b>0</b> |

The company received requests for transfer of 3931 equity shares, demat of 14582 equity shares and remat of 265 equity shares during the same period and these have been processed.

**Disclosures:**

The Company has not entered into any transaction of material nature with related parties viz., Promoters, Directors or the Management, their relatives, which were in conflict with the interests of the company. Suitable disclosures as required by the Accounting Standard (AS 18) – related party transactions, have been made in the Annual Report.

There is no pecuniary relationship or transactions of non-executive directors' vis-à-vis the Company that has potential conflict with the interests of the company at large.

## General Body Meetings

### a) Details of last three AGMs

The information about the last three general body meetings is given below :

| Financial Year | AGM                  | Venue  | Time & Date of AGM                          |
|----------------|----------------------|--|---|
| 2005-06        | 23 <sup>rd</sup> AGM | Zorastrian Club, Opp:<br>Anand Theatre, S.P.Road,<br>Sec'bad | 10.15 AM on 6 <sup>th</sup> December, 2006  |
| 2006-07        | 24 <sup>th</sup> AGM | Zorastrian Club, Opp:<br>Anand Theatre, S.P.Road,<br>Sec'bad | 1.45 PM on 26 <sup>th</sup> December, 2007  |
| 2007-08        | 25 <sup>th</sup> AGM | Zorastrian Club, Opp:<br>Anand Theatre, S.P.Road,<br>Sec'bad | 11.00 AM on 24 <sup>th</sup> December, 2008 |

### b) Special Resolutions passed through postal ballot system during the year and person who conducted the postal ballot exercise.

No special resolution was required to be put through postal ballot system last year.

### c) Whether any special resolution proposed to be conducted through postal ballot.

No special resolution is proposed to be conducted through postal ballot system.

## Means of Communication

Financial results of the Company (Quarterly, half-yearly and Annual) have been approved by the Board and intimated to the Stock Exchanges and are published in Business Standard and Andhra Prabha. In addition, the financial results also placed on the SEBI's web site through Electronic Data Information Filing and Retrieval System (EDIFAR).

## General Shareholders' Information :

### 1. Annual General Meeting :

Day and Date : 23<sup>rd</sup> December 2009  
 Time : 10.00 AM  
 Venue : Zorastrian Club, Opp: Anand Theatre, S.P.Road, Sec'bad-3  
 Book Closure Dates : 17<sup>th</sup> Dec 2009 to 23<sup>rd</sup> Dec 2009  
 Financial Calendar 2009-10 : (Tentative)

Financial reporting for the quarter ending :

December 31, 2009 : Last week of January 2010  
 March 31, 2010 : Last week of April 2010

Annual General Meeting for the year

ending March 31, 2010 : Last week of September, 2010

**Listing of Shares :**

The equity shares of the company are listed on the following stock exchange:

The Mumbai Stock Exchange Ltd.  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai – 400 001

Listing fee including for the year 2008-2009 has been paid to the above Stock Exchange.

**Market Price Data:**

The high and low prices of shares traded during each month of the last financial year from October 2008 to September 2009 as downloaded from BSE website are as under.

| Month & Year   | BSE (in Rs.) |       |
|----------------|--------------|-------|
|                | High         | Low   |
| October 2008   | 25.95        | 16.00 |
| November 2008  | 17.45        | 10.70 |
| December 2008  | 18.15        | 15.00 |
| January 2009   | 18.05        | 13.30 |
| February 2009  | 16.39        | 13.50 |
| March 2009     | 16.20        | 12.65 |
| April 2009     | 17.50        | 13.84 |
| May 2009       | 24.15        | 15.60 |
| June 2009      | 24.75        | 18.75 |
| July 2009      | 24.80        | 20.10 |
| August 2009    | 24.80        | 20.00 |
| September 2009 | 35.05        | 21.50 |

**Distribution of Shareholding as on 30.09.2009**

| Sl. No.      | Category |           | No. of Cases | % of Cases | Amount          | % of Amount |
|--------------|----------|-----------|--------------|------------|-----------------|-------------|
|              | From     | To        |              |            |                 |             |
| 1            | 1        | - 5000    | 11525        | 95.98      | 10583310        | 13.21       |
| 2            | 5001     | - 10000   | 263          | 2.19       | 2107690         | 2.63        |
| 3            | 10001    | - 20000   | 105          | 0.87       | 1604630         | 2.00        |
| 4            | 20001    | - 30000   | 24           | 0.20       | 594300          | 0.74        |
| 5            | 30001    | - 40000   | 20           | 0.17       | 693900          | 0.87        |
| 6            | 40001    | - 50000   | 12           | 0.10       | 557860          | 0.70        |
| 7            | 50001    | - 100000  | 29           | 0.24       | 2030870         | 2.54        |
| 8            | 100001   | and above | 30           | 0.25       | 61915900        | 77.31       |
| <b>TOTAL</b> |          |           | <b>12008</b> | <b>100</b> | <b>80088460</b> | <b>100</b>  |

**Registrar & Share Transfer Agents :**

The company has appointed Karvy Computershare Private Limited as the Registrar and Transfer Agents for both physical and electronic shares. The ISIN No. of the Company's shares is INE 921D01013. The address of the Registrar and Transfer Agent is as follows :

**Karvy Computershare Private Limited**

Karvy House, 46, Avenue 4, Street No.1  
Banjara Hills  
Hyderabad – 500 034  
Tel.No.: (040) 23312454/23320751/752/251  
e-mail: [mailmanager@karvy.com](mailto:mailmanager@karvy.com)

Shareholders are requested to address all correspondence such as for transfer, transmission, Electronic Clearing Service, Demat related queries etc., to the Registrar and Transfer Agent.

**Share Transfer System :**

Share Transfer requests received are processed within the prescribed time under the Companies Act, 1956, subject to the documents being in order not complete in all respects.

A committee of directors has been constituted to approve the transfer, transmission, issue duplicate share certificates and allied matters. The Company's Registrars, M/s.Karvy Computershare Pvt Ltd., have adequate infrastructure to process the above matters.

A predetermined process cycle at regular interval ensures transfer of share expeditiously and thereafter an option letter is sent to the transferees for dematerialization.

**Secretarial Audit :**

The Securities and Exchange Board of India (SEBI) vide its circular No.D & CC/FITC/CIR – 16/2002 dated 31<sup>st</sup> December, 2002 has made it mandatory that a secretarial audit by a practicing Company Secretary be carried out to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital.

In keeping with the requirements of the SEBI and the Stock Exchanges, a secretarial audit by a Practising Company Secretary is being carried out to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital. The said audit confirms that the total issued/paid up capital tallies with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

**Address for correspondence:****Registered Office :**

Bambino Agro Industries Limited  
4E, Surya Towers, 104,  
S.P.Road, Secunderabad – 500 003

**Compliance Officer :**

Shri C.Durga Prasad  
Company Secretary

Email Id: durgaprasad@bambinoagro.com

Tel. No.: 040-44363322

Fax : 040-27816615

**Plants Location :**

- 1) Bibinagar, Bhongir Mandal  
Nalgonda District  
Andhra Pradesh
- 2) Begumpur Khatola Village  
Gurgaon  
Haryana

**CEO'S DECLARATION**

I, M..Subramanyam, Whole Time Director do hereby declare that pursuant to the provisions of Clause 49 (I) (D) (ii) of the Listing Agreement, all the members of the Board and Senior Management Personnel of the Company have furnished affirmation of compliance with the Code of Conduct of the Company.

Place : Secunderabad

Date : 12<sup>th</sup> November 2009

**M. Subramanyam**  
**Whole Time Director**



## CERTIFICATE ON CORPORATE GOVERNANCE

To  
The Members  
Bambino Agro Industries Limited

We have examined the compliance of conditions of Corporate Governance by Bambino Agro Industries Limited for the year ended 30<sup>th</sup> September 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investors Grievance Committee and the certificate of the Registrars of the Company.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

**For PRV ASSOCIATES**  
Chartered Accountants

Place : Hyderabad  
Date : 12<sup>th</sup> November 2009

**M.V.PURUSHOTTAMA RAO**  
**PARTNER**

**PRV ASSOCIATES  
CHARTERED ACCOUNTANTS**

3-6-203, GROUND FLOOR, HIMAYATHNAGAR,  
HYDERABAD-500029. Ph: 23227651, 23223289  
Email:prv\_associates@yahoo.co.in

**AUDITORS' REPORT**

TO  
THE SHAREHOLDERS OF BAMBINO AGRO  
INDUSTRIES LIMITED.

1. We have audited the attached Balance Sheet of Bambino Agro Industries Limited, as at 30<sup>th</sup> September 2009 and the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion and report thereto.

3. As required by the Companies (Auditor's Report Order, 2003, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks of the books and records of the company, as we considered appropriate, we enclose in the annexure a statement on the matters specified in the said Order.

4. Further to our comments in Annexure referred to in Paragraph (3) above.

a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

b. In our opinion, the Company has kept proper books of accounts as required by law so far as appears from our examination of such books.

c. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.

d. In our opinion, the Balance Sheet and Profit and Loss Account comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

e. On the basis of representations received from the Directors as on 30.09.2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 30.09.2009 from being appointed as Directors in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

f. In our opinion, and to the best of our information and according to the explanations given to us, read with the accounting policies and Notes to the Accounts (Schedule W), the said accounts, give the information required by the Companies Act, 1956 in the manner so required and give us a true and fair view in conformity with the accounting principles generally accepted in India.

1. In case of Balance Sheet, of the state of affairs of the Company as at 30<sup>th</sup> September, 2009 and

2. In the case of the Profit and Loss Account of the Company for the year ended on that date.

3. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For PRV ASSOCIATES**  
Chartered Accountants

**M.V. PURUSHOTTAMA RAO**  
PARTNER

Place : Hyderabad  
Date : 12<sup>th</sup> November 2009

**ANNEXURE TO THE AUDITORS' REPORT REFERRED TO  
IN PARAGRAPH (3) OF OUR REPORT OF EVEN DATE:**

- i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) A majority of the assets of the Company have been physically verified by the management during the year. There is a phased program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- c) During the year, the company has not disposed off substantial part of the Fixed Assets.
- ii) a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b) In our opinion and according to the information and explanation given to us the procedure of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. In respect of stock of finished goods lying with C&FA we have been informed the Company has physically verified the stocks at regular intervals.
- c) In our opinion and according to the information and explanation given to us the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii) Unsecured loans from Directors and others, is an amount of Rs.9,48,52,318/- (Previous year Rs.9,29,09,639/-) as at the balance sheet date and the terms and conditions of which are not prima facie prejudicial to the interest of the Company. No interest was paid on such loans.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v) a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.



- vi) The Company has not accepted any deposits as defined under sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance and Deposits Rules, 1975). In our opinion and according to the information and explanation given to us, based on the view taken by the Company, Unsecured Loans obtained from Directors and others, listed in the Registers maintained U/s.301 of Companies Act, 1956, do not fall within the purview of the Section 58(A) of the Companies Act, 1956 and the Rules made there under.
- vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- viii) The Central Government has not prescribed maintenance of Cost Records Under Section 209(1)(d) of the Companies Act, 1956 for the Company.
- ix) a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employee's state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it.  
b) According to the information and explanations given to us, no undisputed amount payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at September 30, 2009 for a period of more than six months from the date they became payable.  
c) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
- x) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xi) In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xii) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments, accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xiii) In our opinion, the terms and conditions on which the company has given guarantees for loans by others from banks or financial institutions are not prejudicial to the interest of the company.
- xiv) In our opinion, the term loans have been applied for the purpose for which they were raised.
- xv) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investment and vice-versa.



- xvi) According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- xvii) According to the information and explanations given to us, during the period covered by our audit report, the company has not issued debentures.
- xviii) The company has not raised money by way of public issues.
- xix) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**For PRV ASSOCIATES**  
Chartered Accountants

**M.V.PURUSHOTTAMA RAO**  
PARTNER

Place : Hyderabad  
Date : 12<sup>th</sup> November 2009

**BALANCE SHEET AS AT 30th SEPTEMBER, 2009**

| <b>PARTICULARS</b>                              | <b>Schedule Reference</b> | <b>AS AT<br/>30-Sep-09<br/>(12 Months)<br/>Rs.</b> | <b>AS AT<br/>30-Sep-08<br/>(18 Months)<br/>Rs.</b> |
|---|---------------------------|--|--|
| <b>Source of Funds</b>                          |                           |  |  |
| <b>Share Holders Funds</b>                      |                           |  |  |
| Share capital                                   | A                         | <b>80,088,460</b>                                  | 80,088,460   |
| Reserves and Surplus                            | B                         | <b>176,423,414</b>                                 | 172,681,080  |
| <b>Loan Funds</b>                               |                           |  |  |
| Secured Loans                                   | C                         | <b>473,183,215</b>                                 | 422,096,594  |
| Unsecured Loans                                 | D                         | <b>104,719,419</b>                                 | 101,906,240  |
| <b>Deferred Tax Liability ( Net)</b>            |                           | <b>26,668,724</b>                                  | 21,258,827   |
| <b>TOTAL</b>                                    |                           | <b>861,083,232</b>                                 | 798,031,201  |
| <b>Application of Funds</b>                     |                           |  |  |
| <b>Fixed Assets</b>                             |                           |  |  |
| Gross Block                                     | E                         | <b>622,588,520</b>                                 | 607,304,487  |
| Less: Depreciation                              |                           | <b>414,289,843</b>                                 | 387,159,478  |
| Net Block                                       |                           | <b>208,298,677</b>                                 | 220,145,009  |
| <b>Investments</b>                              | F                         | <b>19,549,000</b>                                  | 19,549,000   |
| <b>Current Assets, Loans and Advances</b>       |                           |  |  |
| Inventories                                     | G                         | <b>404,142,941</b>                                 | 357,991,601  |
| Sundry Debtors                                  | H                         | <b>96,193,812</b>                                  | 98,048,460   |
| Cash and Bank Balances                          | I                         | <b>73,047,971</b>                                  | 48,656,778   |
| Loans and Advances                              | J                         | <b>69,188,790</b>                                  | 84,825,208   |
|   |                           | <b>642,573,514</b>                                 | 589,522,047  |
| <b>Less: Current Liabilities and Provisions</b> |                           |  |  |
| Current Liabilities                             | K                         | <b>46,309,155</b>                                  | 52,115,205   |
| Provisions                                      |                           | <b>9,488,530</b>                                   | 11,643,265   |
|   |                           | <b>55,797,685</b>                                  | 63,758,470   |
| <b>Net Current Assets</b>                       |                           | <b>586,775,832</b>                                 | 525,763,577  |
| <b>Miscellaneous Expenditure</b>                | L                         | <b>46,459,724</b>                                  | 32,573,615   |
| (To the extent not written off)                 |                           |  |  |
| <b>TOTAL</b>                                    |                           | <b>861,083,232</b>                                 | 798,031,201  |

As per our report of even date

for and on behalf of the Board

for PRV Associates  
Chartered Accountants

**M.V. Purushottama Rao**  
Partner

**M.Raghuveer**  
Executive Chairman

Place : Secunderabad  
Date : 12<sup>th</sup> November 2009

**C.Durga Prasad**  
Company Secretary

**M.Subramanyam**  
Whole time Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR 30<sup>th</sup> SEPTEMBER, 2009**

| PARTICULARS   | Schedule Reference | YEAR ENDED                      | PERIOD ENDED                    |
|---|--------------------|---------------------------------|---------------------------------|
|   |                    | 30-Sep-09<br>(12 Months)<br>Rs. | 30-Sep-08<br>(18 Months)<br>Rs. |
| <b>Income</b>   |                    |                                 |                                 |
| Sales and Services                                    | M                  | <b>1,782,753,017</b>            | 2,225,916,845                   |
| Other Income  | N                  | <b>25,673,625</b>               | 19,485,695                      |
| Stock Increase/(Decrease)                             | O                  | <b>7,757,461</b>                | 15,097,774                      |
|   |                    | <b>1,816,184,102</b>            | 2,260,500,314                   |
| <b>Expenditure</b>                                    |                    |                                 |                                 |
| Materials Consumption                                 | P                  | <b>1,311,952,776</b>            | 1,612,670,262                   |
| Manufacturing Expenses                                | Q                  | <b>85,193,078</b>               | 152,481,060                     |
| Salaries & Wages                                      | R                  | <b>91,373,347</b>               | 131,583,553                     |
| Administration Expenses                               | S                  | <b>37,410,088</b>               | 49,379,541                      |
| Selling Expenses                                      | T                  | <b>162,251,746</b>              | 185,706,952                     |
| Finance Charges                                       | U                  | <b>75,181,425</b>               | 56,503,431                      |
| Loss on Sale of Assets                                |                    | <b>0</b>                        | 22,467                          |
| Depreciation  |                    | <b>28,935,083</b>               | 46,959,003                      |
| Miscellaneous Expenditure Written Off                 |                    | <b>13,712,494</b>               | 13,217,592                      |
|   |                    | <b>1,806,010,036</b>            | 2,248,523,861                   |
| <b>Profit / (Loss ) Before Taxation</b>               |                    | <b>10,174,066</b>               | 11,976,453                      |
| Prior period Adjustments                              |                    | <b>0</b>                        | 131,591,617                     |
| -Excess TDS written off                               |                    | <b>0</b>                        | (3,019,769)                     |
| Tax Expenses:   |                    |                                 |                                 |
| -Current Income Tax                                   |                    | <b>(710,117)</b>                | (3,387,171)                     |
| -Fringe Benefit Tax                                   |                    | <b>(311,718)</b>                | (1,223,899)                     |
| -Deferred Tax Liability                               |                    | <b>(5,409,897)</b>              | (3,730,676)                     |
|   |                    | <b>3,742,334</b>                | 132,206,555                     |
| <b>Profit / (Loss ) After Tax</b>                     |                    | <b>3,742,334</b>                | 132,206,555                     |
| <b>Profit / (Loss) Brought Forward</b>                |                    | <b>49,209,958</b>               | (82,996,597)                    |
|   |                    | <b>52,952,292</b>               | 49,209,958                      |
| <b>Appropriations</b>                                 |                    |                                 |                                 |
| Proposed Dividend                                     |                    | -                               | -                               |
| Transferred to General Reserve                        |                    | -                               | -                               |
| Surplus/(Deficit) carried to Balance Sheet            |                    | <b>52,952,292</b>               | 49,209,958                      |
|   |                    | <b>52,952,292</b>               | 49,209,958                      |
| Significant Accounting Policies and Notes on Accounts | W                  |                                 |                                 |

**As per our report of even date**
**for and on behalf of the Board**
**for PRV Associates  
Chartered Accountants**
**M.V. Purushottama Rao**  
Partner

**Place : Secunderabad  
Date : 12<sup>th</sup> November 2009**
**C.Durga Prasad**  
Company Secretary

**M.Raghuveer**  
Executive Chairman

**M.Subramanyam**  
Whole time Director

**SCHUDULES FORMING PART OF THE BALANCE SHEET**

| PARTICULARS  | As At<br>30-Sep-09<br>(12 Months)<br>Rs. | As At<br>30-Sep-08<br>(18 Months)<br>Rs. |
|--|--|--|
| <b>SCHEDULE A : SHARE CAPITAL</b>  |  |  |
| <b>Authorised Capital</b>  |  |  |
| 2,20,00,000 Equity Shares of Rs.10/- Each                                | <b>220,000,000</b>                       | 220,000,000                              |
| <b>Issued Capital</b>  |  |  |
| Less: Shares Derated (4,08,757 shares of Rs.10/- each)<br>from Promoters | <b>62,520,670</b>                        | 62,520,670                               |
|  | <b>4,087,570</b>                         | 4,087,570                                |
| Add: Issue of 22,47,736 Equity Shares of Rs.10/- Each<br>to Promoters    | <b>22,477,360</b>                        | 22,477,360                               |
| <b>Subscribed &amp; Paid up Capital</b>                                  |  |  |
| 80,91,046 Equity Shares of Rs.10/- Each                                  | <b>80,910,460</b>                        | 80,910,460                               |
| Less: 82,200 Equity Shares forfeited                                     | <b>822,000</b>                           | 822,000                                  |
|  | <b>80,088,460</b>                        | 80,088,460                               |
| <b>SCHEDULE B: RESERVES AND SURPLUS</b>                                  |  |  |
| Capital Reserve  | <b>50,420,900</b>                        | 50,420,900                               |
| Share Premium  | <b>42,760,500</b>                        | 42,760,500                               |
| Central Subsidy  | <b>750,000</b>                           | 750,000                                  |
| General Reserve  | <b>29,334,222</b>                        | 29,334,222                               |
| Profit during the year   | <b>52,952,292</b>                        | 49,209,957                               |
| Add: Forfeited Equity Shares amount paid-up                              | <b>205,500</b>                           | 205,500                                  |
|  | <b>176,423,414</b>                       | 172,681,079                              |
| <b>SCHEDULE C: SECURED LOANS</b>   |  |  |
| <b>Term Loans</b>  |  |  |
| From Financial Institutions  | <b>112,724,672</b>                       | 139,548,000                              |
| From Others  | <b>192,904</b>                           | 304,780                                  |
| <b>Working Capital Loans</b>   |  |  |
| From Banks   | <b>360,265,639</b>                       | 282,243,814                              |
|  | <b>473,183,215</b>                       | 422,096,594                              |
| <b>SCHEDULE - D: UNSECURED LOANS</b>                                     |  |  |
| From Directors   | <b>0</b>                                 | 0  |
| From Others  | <b>94,852,318</b>                        | 92,909,639                               |
| Security Deposits from Dealers   | <b>9,867,101</b>                         | 8,996,601                                |
|  | <b>104,719,419</b>                       | 101,906,240                              |

## SCHEDULE : E - FIXED ASSETS

| NAME OF THE ASSET                          | GROSS BLOCK       |                                 |                                 |                   | DEPRECIATION      |                    |                                 |                   | NET BLOCK         |                   |
|--|-------------------|---------------------------------|---------------------------------|-------------------|-------------------|--------------------|---------------------------------|-------------------|-------------------|-------------------|
|  | AS AT<br>30.09.08 | ADDITIONS<br>DURING THE<br>YEAR | DELETIONS<br>DURING THE<br>YEAR | AS AT<br>30.09.09 | UP TO<br>30.09.08 | DURING THE<br>YEAR | DELETIONS<br>DURING THE<br>YEAR | UP TO<br>30.09.09 | AS AT<br>30.09.09 | AS AT<br>30.09.08 |
|  | Rs.               | Rs.                             | Rs.                             | Rs.               | Rs.               | Rs.                | Rs.                             | Rs.               | Rs.               | Rs.               |
| LAND                                       | 7570998           |                                 |                                 | 7570998           |                   |                    |                                 |                   | 7570998           | 7570998           |
| BUILDINGS                                  | 90019110          | 2424995                         |                                 | 92444105          | 34685529          | 3026556            |                                 | 37712085          | 54732020          | 55333581          |
| HUTS CONSTRUCTION - BBN                    | 558561            |                                 | 558561                          |                   | 558561            |                    | 558561                          |                   |                   |                   |
| TEMPORARY ERRECTION<br>(WOODEN STRUCTURES) | 1246156           |                                 | 1246156                         |                   | 1246156           |                    | 1246156                         |                   |                   |                   |
| PLANT AND MACHINERY                        | 481813474         | 12685456                        |                                 | 494498930         | 328373460         | 25708639           |                                 | 354082099         | 140416831         | 153440014         |
| VEHICLES                                   | 4762183           |                                 |                                 | 4762183           | 4209433           |                    |                                 | 4209433           | 552750            | 552750            |
| FURNITURE                                  | 6601065           | 274673                          |                                 | 6875738           | 5788780           |                    |                                 | 5788780           | 1086958           | 812285            |
| OFFICE EQUIPMENTS                          | 3865556           | 1051987                         |                                 | 4917543           | 1548785           | 199888             |                                 | 1748673           | 3168871           | 2316771           |
| COMPUTERS                                  | 10867387          | 651635                          |                                 | 11519022          | 10748773          |                    |                                 | 10748773          | 770249            | 118614            |
| GRAND TOTAL                                | 607304488         | 17088746                        | 1804717                         | 622588519         | 387159478         | 28935083           | 1804717                         | 414289843         | 208298676         | 220145013         |
| PREVIOUS YEAR FIGURES                      | 562811312         | 44726930                        | 233754                          | 607304488         | 340286760         | 46959004           | 86287                           | 387159478         | 220145012         | 222524551         |

| PARTICULARS  | As At<br>30-Sep-09<br>(12 Months)<br>Rs.         | As At<br>30-Sep-08<br>(18 Months)<br>Rs. |
|--|--|--|
| <b>SCHEDULE F: INVESTMENTS</b>   |  |  |
| 19,54,900 0.05% 15 year Redeemable preference<br>Shares of Rs.10/- each in Spectrum Power<br>Generation Limited fully paid up. | <b>19,549,000</b>                                | 19,549,000                               |
|  | <b>19,549,000</b>                                | 19,549,000                               |
| <b>SCHEDULE G: INVENTORIES</b>   |  |  |
| (As valued and certified by Management)  |  |  |
| Spares   | At Cost  | <b>13,055,532</b>                        |
| Raw Materials  | At Cost  | 13,366,001                               |
| Packing Materials  | At Cost  | <b>69,245,364</b>                        |
| Traded Goods   | At Cost  | 49,634,410                               |
| Finished Goods   | At cost or<br>market price<br>whichever is lower | <b>36,063,690</b>                        |
|  |  | 32,847,986                               |
|  |  | <b>55,123,475</b>                        |
|  |  | 39,245,787                               |
|  |  | <b>230,654,879</b>                       |
|  |  | 222,897,418                              |
|  |  | <b>404,142,941</b>                       |
|  |  | 357,991,602                              |
| <b>SCHEDULE H: SUNDRY DEBTORS</b>  |  |  |
| Unsecured  |  |  |
| Exceeding Six months - considered good   | <b>1,124,275</b>                                 | 1,346,287                                |
| Considered doubtful  | -  | -  |
| Other Debts - considered good  | <b>95,069,537</b>                                | 96,702,173                               |
|  | <b>96,193,812</b>                                | 98,048,460                               |
| <b>SCHEDULE I: CASH AND BANK BALANCES</b>  |  |  |
| Cash on Hand   | <b>785,325</b>                                   | 1,739,936                                |
| Balance in Current A/cs with Scheduled Banks   | <b>72,262,646</b>                                | 46,916,842                               |
|  | <b>73,047,971</b>                                | 48,656,778                               |
| <b>SCHEDULE J: LOANS AND ADVANCES</b>  |  |  |
| (Unsecured ,considered good unless otherwise stated)   |  |  |
| Advances Recoverable in Cash or Kind<br>or for Value to be Received  | <b>42,072,110</b>                                | 67,541,757                               |
| Deposits   | <b>23,093,002</b>                                | 15,346,330                               |
| Tax deducted at source,Service Tax   | <b>4,023,678</b>                                 | 1,937,121                                |
|  | <b>69,188,790</b>                                | 84,825,208                               |

| PARTICULARS   | As At<br>30-Sep-09<br>(12 Months)<br>Rs. | As At<br>30-Sep-08<br>(18 Months)<br>Rs. |
|---|--|--|
| <b>SCHEDULE K: CURRENT LIABILITIES AND PROVISIONS</b> |  |  |
| <b>Current Liabilities</b>                            |  |  |
| Sundry Creditors                                      |  |  |
| - Micro and Small Scale Undertakings                  | <b>956,900</b>                           | 1,266,049                                |
| - Other Creditors                                     | <b>28,682,158</b>                        | 35,457,557                               |
| Other Liabilities                                     | <b>15,523,826</b>                        | 14,456,312                               |
| Advances from Customers                               | <b>1,146,271</b>                         | 935,287                                  |
|   | <b>46,309,155</b>                        | 52,115,205                               |
| <b>Provisions</b>                                     |  |  |
| Provision for Income tax                              | <b>1,760,209</b>                         | 3,387,171                                |
| Provision for Retirement Benefits                     | <b>7,728,321</b>                         | 8,256,094                                |
|   | <b>9,488,530</b>                         | 11,643,265                               |
| <b>SCHEDULE L: MISCELLANEOUS EXPENDITURE</b>          |  |  |
| ( To the extent not written off)                      |  |  |
| Opening Balnace                                       | (A) <b>32,573,615</b>                    | 18,765,796                               |
| Less : Transfer to P & L A/c                          | <b>13,712,494</b>                        | 13,217,592                               |
|   | (B) <b>13,712,494</b>                    | 13,217,592                               |
|   | C=(A-B) <b>18,861,121</b>                | 5,548,204                                |
| Add:  |  |  |
| Deferred Revenue Expenditure                          | (D) <b>27,598,602</b>                    | 27,025,411                               |
|   | (C+D) <b>46,459,724</b>                  | 32,573,615                               |
| <b>SCHEDULE M : SALES AND SERVICES</b>                |  |  |
| Sales   | <b>1,782,753,017</b>                     | 2,207,620,316                            |
|   | <b>1,782,753,017</b>                     | 2,207,620,316                            |



| PARTICULARS                                    | Year ended<br>30-Sep-09<br>(12 Months)<br>Rs. | Period ended<br>30-Sep-08<br>(18 Months)<br>Rs. |
|--|---|---|
| <b>SCHEDULE N : OTHER INCOME</b>               |   |   |
| Interest                                       | 163,892                                       | 171,653   |
| Sale of Scrap and Others                       | 25,509,733                                    | 37,610,571                                      |
|  | 25,673,625                                    | 37,782,224                                      |
| <b>SCHEDULE O: STOCK INCREASE / (DECREASE)</b> |   |   |
| Opening Stock                                  | 222,897,418                                   | 207,799,644                                     |
| Closing Stock                                  | 230,654,879                                   | 222,897,418                                     |
|  | 7,757,461                                     | 15,097,774                                      |
| <b>SCHEDULE P: MATERIALS CONSUMPTION</b>       |   |   |
| Raw Materials                                  | 978,054,219                                   | 1,363,515,640                                   |
| Packing Materials                              | 93,255,519                                    | 124,368,911                                     |
| Traded Goods                                   | 240,643,037                                   | 124,785,711                                     |
|  | 1,311,952,776                                 | 1,612,670,262                                   |
| <b>SCHEDULE Q: MANUFACTURING EXPENSES</b>      |   |   |
| Power and Fuel                                 | 56,840,390                                    | 92,037,658                                      |
| Customs Duty                                   | 664,202                                       | 241,584   |
| Lease Charges                                  | 2,460,000                                     | 5,895,000                                       |
| Repairs to Buildings                           | 4,215,399                                     | 5,181,531                                       |
| Repairs to Machinery                           | 19,148,625                                    | 46,992,220                                      |
| Security Services                              | 1,864,462                                     | 2,133,069                                       |
|  | 85,193,078                                    | 152,481,062                                     |
| <b>SCHEDULE R: SALARIES AND WAGES</b>          |   |   |
| Salaries and Wages                             | 78,471,162                                    | 112,644,090                                     |
| Staff Welfare Expenses                         | 7,500,921                                     | 10,837,406                                      |
| Contribution to :                              |   |   |
| Provident Fund & others                        | 4,563,137                                     | 6,534,328                                       |
| E.S.I.   | 838,128                                       | 1,567,730                                       |
|  | 91,373,347                                    | 131,583,554                                     |

| PARTICULARS                                | Year ended<br>30-Sep-09<br>(12 Months)<br>Rs. | Period ended<br>30-Sep-08<br>(18 Months)<br>Rs. |
|--|---|---|
| <b>SCHEDULE S: ADMINISTRATION EXPENSES</b> |   |   |
| Rent                                       | <b>3,368,019</b>                              | 4,977,161                                       |
| Rates and Taxes                            | <b>1,589,260</b>                              | 1,018,525                                       |
| Printing & Stationery                      | <b>1,637,256</b>                              | 3,075,911                                       |
| Postage and Telephone                      | <b>2,627,523</b>                              | 3,914,023                                       |
| Conveyance                                 | <b>11,921,896</b>                             | 13,497,566                                      |
| Auditor's Remuneration                     |   |   |
| Audit fee                                  | <b>120,000</b>                                | 180,000   |
| Tax Audit fee                              | <b>40,000</b>                                 | 60,000  |
| Fee for other services                     | <b>15,500</b>                                 | 2,500   |
| Insurance                                  | <b>2,164,860</b>                              | 3,121,581                                       |
| Legal and Professional Charges             | <b>6,006,916</b>                              | 4,575,865                                       |
| Other Expenses                             | <b>7,918,858</b>                              | 14,956,409                                      |
|  | <b>37,410,088</b>                             | 49,379,541                                      |
| <b>SCHEDULE T: SELLING EXPENSES</b>        |   |   |
| Freight                                    | <b>93,744,528</b>                             | 115,550,376                                     |
| Travelling Expenses                        | <b>16,303,282</b>                             | 21,331,176                                      |
| Advertisement                              | <b>847,492</b>                                | 598,039   |
| Discount and Damages                       | <b>16,249,621</b>                             | 18,972,204                                      |
| Commission                                 | <b>11,548,134</b>                             | 13,196,169                                      |
| Sales tax /Octroi                          | <b>4,816,432</b>                              | 4,379,490                                       |
| Others                                     | <b>18,742,255</b>                             | 11,679,497                                      |
|  | <b>162,251,746</b>                            | 185,706,951                                     |
| <b>SCHEDULE - U : FINANCE CHARGES</b>      |   |   |
| Interest on Term Loans                     | <b>10,110,055</b>                             | 4,759,806                                       |
| Interest - Others                          | <b>65,071,370</b>                             | 51,743,625                                      |
|  | <b>75,181,425</b>                             | 56,503,431                                      |

**SCHEDULE : W**  
**SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS**

**1. SIGNIFICANT ACCOUNTING POLICIES**

- a) The accounts have been prepared to comply in all material aspects with applicable accounting principles, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.
- b) Lease Rentals and other expenses in respect of leased assets are treated as revenue expenditure.
- c) Sales include inter-divisional transfers, packing charges and are gross of commission to Selling Agents and discounts.
- d) Export sales are accounted on the basis of Bill of Lading.
- e) Export sales are recorded at the exchange rates prevailing as on the transaction date and adjusted for the exchange difference, if any, upon realization.

**2. FIXED ASSETS**

- a) All fixed assets are stated at cost of acquisition or construction less accumulated depreciation.
- b) In the case of imported machinery purchased out of foreign currency loan, the changes in liability arising due to exchange rate at the time of repayment of loan installment and due to realignment of loan in Indian Rupee have been adjusted in the cost of machinery.

**3. DEPRECIATION**

- a) Depreciation on fixed assets is charged on Straight Line method at the rates prescribed in Schedule XIV of the Companies Act, 1956.
- b) Depreciation on additions to fixed assets has been calculated on pro-rata basis from the date of addition.

**4. INVENTORIES**

- a) Stores and Spares are valued at cost and are charged to revenue on the basis of issues.
- b) Raw material and packing materials are valued at cost.

- c) Finished goods are valued at Cost or Market price whichever is lower.

- d) Empties are valued at net realizable value.

**5. DEFERRED REVENUE EXPENDITURE**

- a) Expenditure incurred on advertisement and other expenses for promotion of new products and recruitment of key personnel is amortised over a period of five years, having due regard to the nature of expenses and the benefit that may be derived there from. Expenditure on routine product advertisement and personnel recruitment is expensed off to profit & loss account in the year in which it is incurred.
- b) 1/10<sup>th</sup> of expenditure incurred on the issue of equity shares is written off. The balance is carried forward as deferred revenue expenditure subject to future write off.

**6. RETIREMENT BENEFITS**

- a) Provident fund contributions, a defined contribution scheme, are charged to the profit and loss account.
- b) Gratuity liability, a defined benefit scheme, is provided based on actuarial valuation and funded through the scheme administered by Life Insurance Corporation of India.
- c) Leave encashment benefit is provided on the un-utilized leave balances of the employees as at the end of the accounting year.

**7. Prior Period and Extra-Ordinary Items**

Prior period and extra-ordinary items and changes in accounting policies having material impact on the financial affairs of the company are disclosed.

**8. Events Occurring after the Balance Sheet date**

Material events occurring after the date of Balance Sheet are taken into cognizance.

**9. Taxes on Income**

Current Tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred Tax is recognized, on timing differences, being the difference

between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods. Deferred Tax assets are recognized subject to the consideration of prudence. The tax rates and laws that have been enacted or substantively enacted on the date of balance sheet date are applied.

## **10. NOTES TO ACCOUNTS**

### **I. Share Capital**

For non-payment of call-moneys, 82,200 equity shares of Rs.10/- each were forfeited by the Board after due compliance of legal formalities and such shares have not been reissued so far. Equity Share Capital includes 22,47,736 Equity Shares of Rs.10/- each allotted at par to the Promoters on conversion of their Unsecured Loans into equity pursuant to the scheme of Arrangement Approved by the Honourable High Court of Andhra Pradesh.

### **II. Secured Loans**

- a) All the term loans are secured by exclusive first charge by way of hypothecation of all movable assets both present & future and mortgage of immovable properties acquired from out of the respective loans.
- b) Working Capital loans from Banks viz., State Bank of India, Commercial Branch, Hyderabad, Indian Overseas Bank, Adarshnagar Branch, Hyderabad & IDBI Bank, Chapel Road Branch, Hyderabad are secured on pari passu basis by a first charge by way of hypothecation of all stocks of raw materials, packing materials, finished goods, stores & spares and book debts.
- c) Working Capital loans from State Bank of India are further secured by a second charge on the movable and immovable assets at Bibinagar and on plant and machinery at Gurgaon. Working Capital loans from State Bank of India, Indian Overseas Bank and IDBI, are further secured by a second charge on the movable & immovable assets of the Company on pari passu basis.
- d) Sri M.Kishan Rao, Sri M.Raghuveer and Sri M.Subramanyam have guaranteed all the above loans in their personal capacities.

### **III. Sundry Creditors**

The names of Micro and Small Scale Industries to whom the company owes a sum exceeding Rs.1 Lakh which is outstanding for more than 30 days as on the Balance sheet date, computed on a unit wise basis are: CLJ Plastics, Rasik Poly Flexil Private Limited, etc.

The above information and that given in Schedule "K" – Current liabilities regarding Small Scale Industrial Undertakings has been determined to the extent such parties have been identified on the basis of information available with the company.

### **IV. Contingent Liabilities**

#### **(i) Corporate Guarantee**

Contingent liability in respect of Corporate Guarantee furnished to State Bank of India, Commercial Branch, Koti, Hyderabad on behalf of a Body Corporate where the company is a Co-promoter is Rs.6530.48 lacs as on 30<sup>th</sup> Septemebr, 2009 (Previous year ending 30<sup>th</sup> Septemebr 2008 was Rs.6530.48 lacs)

|   |                                 |                                 |
|---|---------------------------------|---------------------------------|
| <b>(ii) Others:</b>                               | <b>30<sup>th</sup> SEP 2009</b> | <b>30<sup>th</sup> SEP 2008</b> |
| Letters of Credit                                 | Rs.25.01 lacs                   | NIL                             |
| Bank Guarantees                                   | Rs.48.32 lacs                   | 45.32 lacs                      |
| <b>V. Expenditure in Foreign Currency</b>         |                                 |                                 |
| Travelling Expenses                               | Rs. 5.14 lacs                   | Rs. 2.09 lacs                   |
| <b>VI. CIF Value of Imports</b>                   |                                 |                                 |
| Capital equipment including Spares and components | Rs.89.41 lacs                   | Rs.313.24 lacs                  |
| <b>VII. Earnings in Foreign Currency</b>          |                                 |                                 |
| F O B Value of Exports                            | Rs.200.52 lacs                  | Rs.164.76 lacs                  |
| <b>VIII. Taxes</b>                                |                                 |                                 |
| Provision for Income tax has been made for        | Rs.17.60 lacs                   | Rs.33.87 lacs                   |

**I. Details of Auditors' Remuneration**

|                         | <b>30<sup>th</sup> Sep 2009<br/>(12 Months)</b> | <b>30<sup>th</sup> Sep 2008<br/>(18 Months)</b> |
|-------------------------|---|---|
|                         | Rs.   | Rs.   |
| Statutory Audit Fee     | 1,20,000  | 1,80,000  |
| Tax Audit Fee           | 40,000  | 60,000  |
| Fees for Other Services | 15,500  | 2,500   |
| Service Tax             | 18,190  | 29,973  |
| <b>Total</b>            | <b>1,93,690</b>                                 | <b>2,72,473</b>                                 |

**II. Details of Managerial Remuneration**

| <b>Executive Director (Marketing)</b>               | <b>30<sup>th</sup> Sep 2009<br/>(12 Months)</b> | <b>30<sup>th</sup> Sep 2008<br/>(18 Months)</b> |
|---|---|---|
|   | Rs.   | Rs.   |
| Salary & Perquisites Contribution to Provident Fund | 11,09,376<br>80,604                             | -<br>-  |
| <b>Total</b>  | <b>11,89,980</b>                                | -   |

**III. Director's Sitting Fees**

Other expenses includes Directors Sitting Fee of Rs.72,000/- (Previous year Rs.34,000/-)

**IV. Deferred Tax**

- a. The Company has adopted Accounting Standard 22 "Accounting for Taxes on Income" issued by the ICAI, with effect from 1<sup>st</sup> April 2001. The accumulated deferred tax liability amounting to Rs.2,66,68,724/- on account of timing differences between book and tax profits as of 1<sup>st</sup> April, 2001 has been adjusted against General Reserve and subsequent year's deferred tax adjustments were carried out in the respective Profit and Loss Accounts.
- b. During the current year the tax effect of the timing differences resulted in deferred tax liability of Rs. 54,09,897/ - and the same has been shown in P&L Account.

**V. Related Parties Disclosure**

**i) Particulars of Subsidiary / Associates Companies**

**NAME OF THE RELATED PARTY  
ASSOCIATE COMPANIES**

Seshasayi Foods Private Limited  
Ghanta Foods Private Limited  
KRS Finance Private Limited  
MLR Industries Private Limited

**OTHER ASSOCIATES**

M K Rao Family Trust  
Madhava Roller Flour Mills  
Marshal Transport Company

**ii) Key Management Personnel**

|                    |                                |
|--------------------|--------------------------------|
| Sri.M. RAGHUVeer   | Executive Chairman             |
| Sri M. SUBRAMANYAM | Whole Time Director            |
| Sri. P. ESHWAR DAS | Executive Director (Marketing) |

**iii) Transactions with Associate Companies / Others**

|   | Associate Companies<br>Amount/Rs.<br>(12 Months) | Other Associates<br>Amount/Rs.<br>(12 Months) |
|---|--|---|
| <b>Purchase of goods</b>                                    |  |   |
| Seshasayi Foods Pvt.Ltd                                     | 191353216  |   |
| Ghanta Foods Pvt. Ltd.                                      | 91739575   |   |
| <b>Sale of goods</b>  |  |   |
| Seshasayi Foods Pvt. Ltd                                    | 1390708  |   |
| Ghanta Foods Pvt. Ltd.                                      | 10048816   |   |
| <b>Services availed from Associates</b>                     |  |   |
| Marshal Transport Company                                   | -  | 68480064                                      |
| Madhava Roller Flour Mills                                  | -  | 203191  |
| <b>Services rendered to Associates</b>                      |  |   |
| Seshasayi Foods Pvt. Ltd.                                   | 13005504   |   |
| Ghanta Foods Pvt. Ltd.                                      | 3896505  |   |
| <b>Lease Rentals :</b>                                      |  |   |
| Seshasayi Foods Pvt. Ltd.                                   | 645840   |   |
| Ghanta Foods Pvt. Ltd.                                      | 929880   |   |
| MLR Industries Pvt. Ltd                                     | 333480   |   |
| KRS Finance Private Limited                                 | 257832   |   |
| <b>Outstanding Balance included In Current Assets:</b>      |  |   |
| <b>Associate Companies:</b>                                 |  |   |
| Ghanta Foods Pvt. Ltd.                                      | 34176894   |   |
| MLR Industries Private Limited                              | 2564825  |   |
| <b>Other Associates:</b>                                    |  |   |
| Marshal Transport   | 3750258  |   |
| Madhava Roller Flour Mills                                  | 3438098  |   |
| M K Rao Family Trust  | 50000  |   |
| <b>Outstanding Balance included in Current Liabilities:</b> |  |   |
| <b>Associate Companies:</b>                                 |  |   |
| Seshasayi Foods Private Ltd                                 | 34545355   |   |
| KRS Finance Private Ltd.                                    | 128916   |   |

**VI. Inter Divisional Transfers**

On account of Accounting Policy 2 (a) regarding Inter Divisional Transfers, the sales and Raw material consumption are more by Rs.2474.04 lakhs (Previous year Rs. 3266.23 lakhs). However, this has no effect on the Profit & Losses of the company.

**VII. Applicability of Accounting Standard - 17**

The Company is engaged in the business of Food Products, which as per AS 17 is considered the only reportable business segment. The geographical segmentation is not relevant as exports are insignificant.

**VIII. Earnings Per Share**

|  | <b>2008-2009<br/>(12 Months)<br/>Rs.</b> | <b>2007-08<br/>(18 Months)<br/>Rs.</b> |
|--|--|--|
| Profit after taxation as per Profit & Loss Account                             | 37,42,334                                | 13,22,06,555                           |
| Weighted Average number of Equity Share outstanding                            | 80,08,846                                | 80,08,846                              |
| Basic and diluted earnings per share in rupees (face value – Rs. 10 per share) | 0.47                                     | 16.51                                  |

**IX.** Previous year's figures have been re-grouped / re-arranged wherever necessary to confirm to current year's classification.

**X.** Figures have been rounded off to the nearest rupee.

**XI.** The Companies Balance Sheet and Profit and Loss account are for period of 12 months, whereas the previous period figures are for a period of 18 months. Hence the previous period figures are not comparable.

**XII.** Additional information pursuant to the provisions of paragraph 3, 4C and 4D of Part – II of Schedule VI of the Companies Act , 1956.

|                          | <b>30-Sep-2009<br/>(12 Months)</b> |               | <b>30-Sep-2008<br/>(18 Months)</b> |               |
|--------------------------|------------------------------------|---------------|------------------------------------|---------------|
|                          | Qty<br>MTS                         | Value<br>Rs   | Qty<br>MTS                         | Value<br>Rs.  |
| Wheat and Pasta products |                                    |               |                                    |               |
| Licensed Capacity P.A    | NA                                 |               | NA                                 |               |
| Installed Capacity P.A.  | 125460                             |               | 125460                             |               |
| Opening Stock            | 9727                               | 22,28,97,418  | 7706                               | 20,77,99,644  |
| Production               | 73835                              |               | 113907                             |               |
| Turnover                 | 73127                              | 178,27,53,017 | 111886                             | 220,76,20,316 |
| Closing Stock            | 10435                              | 23,06,54,879  | 9727                               | 22,28,97,418  |

**Consumption Details**

|                          | <b>30-Sep-2009<br/>(12 Months)</b> |              |       | <b>30-Sep-2008<br/>(18 Months)</b> |                |       |
|--------------------------|------------------------------------|--------------|-------|------------------------------------|----------------|-------|
|                          | Qty<br>MTS                         | Value<br>Rs  | %age  | Qty<br>MTS                         | Value<br>Rs.   | %age  |
| Wheat and Wheat Products | 73076                              | 97,80,54,219 |       | 112744                             | 1,36,35,15,640 |       |
| Packing Materials        | -                                  | 9,32,55,519  |       | -                                  | 12,43,68,911   |       |
| Consumables & Spares     |                                    |              |       |                                    |                |       |
| a. Imported              |                                    | 15,00,188    | 42.58 |                                    | 25,15,244      | 43.66 |
| b. Indigenous            |                                    | 20,22,776    | 57.42 |                                    | 32,45,140      | 46.34 |

Signatures to Schedules A to W

for and on behalf of the Board

**For PRV ASSOCIATES**  
Chartered Accountants

**M.RAGHUVeer**  
Executive Chairman

**M.SUBRAMANYAM**  
Whole time Director

**M.V. Purushottama Rao**  
Partner

**C. DURGA PRASAD**  
Company Secretary

Place : Secunderabad  
Date : 12<sup>th</sup> November, 2009

**CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET**

| PARTICULARS  | YEAR ENDED<br>30-Sep-09<br>(12 Months)<br>Rs | PERIOD ENDED<br>30-Sep-08<br>(18 Months)<br>Rs |
|--|--|--|
| <b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>        |  |  |
| Net Profit before Tax and after extra ordinary items | <b>10,174,066</b>                            | 140,548,300                                    |
| Increase in Capital Reserve                          | <b>0</b>                                     | 5,087,570                                      |
| ADJUSTMENTS FOR :                                    |  |  |
| Add: Depreciation                                    | <b>28,935,083</b>                            | 46,959,004                                     |
| Financial Expenses                                   | <b>75,181,425</b>                            | 56,503,431                                     |
| (Profit)/Loss on sale of Fixed Assets, net           | <b>0</b>                                     | 22,467   |
| Operating Profit before Working Capital Changes      | <b>114,290,574</b>                           | 249,120,772                                    |
| ADJUSTMENTS FOR :                                    |  |  |
| (Increase) / Decrease in Inventories                 | <b>(46,151,340)</b>                          | (44,712,629)                                   |
| (Increase) / Decrease in Trade & other Receivables   | <b>17,491,066</b>                            | (8,660,093)                                    |
| Increase / (Decrease) in Trade Payables              | <b>(7,960,785)</b>                           | 14,348,687                                     |
| Cash generated from Operations                       | <b>77,669,515</b>                            | 210,096,737                                    |
| Interest Paid  | <b>(75,181,425)</b>                          | (56,503,431)                                   |
| Direct Taxes Paid                                    | <b>(1,021,835)</b>                           | (4,611,070)                                    |
| Deferred Revenue Expenses                            | <b>(13,886,109)</b>                          | (13,807,819)                                   |
| <b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>       | <b>(12,419,853)</b>                          | 135,174,417                                    |
| <b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>        |  |  |
| Purchase of Fixed Assets                             | <b>(17,088,746)</b>                          | (44,726,930)                                   |
| Proceeds on sale of Fixed Assets                     | <b>0</b>                                     | 125,000  |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>         | <b>(17,088,746)</b>                          | (44,601,930)                                   |
| <b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>        |  |  |
| Proceeds from Issue of Share Capital                 | <b>0</b>                                     | 18,389,790                                     |
| Proceeds from Long Term Borrowings                   | <b>(26,935,204)</b>                          | (223,290,680)                                  |
| Proceeds from Short Term Borrowings                  | <b>2,813,179</b>                             | 58,135,913                                     |
| Increase / (Decrease) in Working Capital             | <b>78,021,818</b>                            | 31,961,827                                     |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>         | <b>53,899,792</b>                            | (114,803,150)                                  |
| Net increase in cash and cash equivalents (A+B+C)    | <b>24,391,193</b>                            | (24,230,662)                                   |
| Cash and Cash Equivalents -opening balance           | <b>48,656,778</b>                            | 72,887,436                                     |
| Cash and Cash Equivalents -closing balance           | <b>73,047,971</b>                            | 48,656,778                                     |

for and on behalf of the Board of Directors

**M.Raghuveer**  
Executive Chairman

**Place : Secunderabad**  
**Date : 12<sup>th</sup> November 2009**

**C.Durga Prasad**  
Company Secretary

**M.Subramanyam**  
Whole time Director



**Auditor's Certificate**

We have examined the Cash Flow Statement of Bambino Agro Industries Limited for the year ended 30<sup>th</sup> September, 2009. The Statement has been prepared by the Company in accordance with the requirements of Clause 32 of listing agreement with the Stock Exchange and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report given to the Members of the Company.

**For PRV ASSOCIATES**  
Chartered Accountants

**M V PURUSHOTTAMA RAO**  
PARTNER

Place : Secunderabad  
Date : 12<sup>th</sup> November, 2009



**ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956**

Balance sheet abstract and company's general business profile :

**1. REGISTRATION DETAILS**

|                    |   |                                 |
|--------------------|---|---------------------------------|
| Registration No.   | : | 4363                            |
| Status Code        | : | 01                              |
| Balance Sheet Date | : | 30 <sup>th</sup> September 2009 |

**2. CAPITAL RAISED DURING THE YEAR**

|                   |     |              |     |
|-------------------|-----|--------------|-----|
| Public Issue      | Nil | Rights Issue | Nil |
| Private Placement | Nil | Bonus Issue  | Nil |

**3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS**

(Amount Rs. in Thousands)

|                   |        |              |        |
|-------------------|--------|--------------|--------|
| Total Liabilities | 861083 | Total Assets | 861083 |
|-------------------|--------|--------------|--------|

**SOURCES OF FUNDS**

|                        |        |
|------------------------|--------|
| Paid up Capital        | 80088  |
| Reserves and Surplus   | 176423 |
| Secured Loans          | 473183 |
| Unsecured Loans        | 104719 |
| Deferred Tax Liability | 26669  |

**APPLICATION OF FUNDS**

|                       |        |
|-----------------------|--------|
| Net Fixed Assets      | 208299 |
| Investments           | 19549  |
| Net Current Assets    | 586776 |
| Misc Expenditure      | 46460  |
| Profit & Loss Account | -      |

**4. PERFORMANCE OF THE COMPANY (Amount Rs. in Thousands)**

|                                 |         |                   |         |
|---------------------------------|---------|-------------------|---------|
| Turnover<br>(Incl other income) | 1808427 | Total Expenditure | 1806010 |
| Profit Before Tax               | 10174   | Profit After Tax  | 3742    |
| Earnings per share              | 0.47    | Dividend (%)      | NIL     |

**5. GENERIC NAMES OF PRINCIPAL PRODUCTS OF COMPANY**

|                          |   |
|--------------------------|---|
| Item Code No. (ITC Code) | Product Description                     |
| 19021900                 | Vermicelli, Macaroni and Spaghetti etc. |
| 11010000                 | Wheat Flour and Maida                   |
| 11031101                 | Semolina                                |

# BAMBINO AGRO INDUSTRIES LIMITED

Regd. Office : "E" Block, 104, 4<sup>th</sup> Floor  
Surya Towers, S.P.Road, Secunderabad – 500003

## TWENTY SIXTH ANNUAL GENERAL MEETING – ATTENDANCE SLIP

Regd. Folio No.....

Client ID No. ....

DPID No.....

I certify that I am a Registered Shareholder/Proxy for the Registered Shareholder.

I hereby record my presence at the Twenty Sixth Annual General Meeting of the Company held on 23<sup>rd</sup> December 2009 at 10.00 AM at Zorastrian Club, Opp. Anand Theatre, S.P.Road, Secunderabad – 500 003.

Name of the Member/Proxy (If any) .....  
(in Block Letters)

Signature of Member/Proxy .....

**NOTE** : Please fill this Attendance slip and hand it over at the entrance of the venue, Shareholders are requested to bring their copies of Annual Report with them.

**BAMBINO AGRO INDUSTRIES LIMITED**  
Regd. Office : 'E' Block, 104, 4<sup>th</sup> Floor,  
Surya Towers, S.P.Road, Secunderabad – 500 003

Regd. Folio No :  
DP-ID No. @ :  
Client ID No. @ :

### PROXY FORM 26<sup>th</sup> Annual General Meeting

I/We ..... being a Member/Members of Bambino Agro Industries Limited, hereby appoint ..... in the district of ..... or failing him/her ..... in the district ..... as my/our Proxy to vote for me/us on my/our behalf at the Twenty Sixth Annual General Meeting of the Company to be held on 23<sup>rd</sup> December 2009 at 10.00 AM or at any adjournment thereof.

Signed this ..... day of ..... 2009

Name .....

Address .....

Affix  
1 Rupee  
Revenue  
Stamp

Note : The Proxy form duly signed must be deposited at the Regd. Office of the Company at least 48 hours before the meeting. @ Applicable to Investors holding shares in electronic form.

**PRINTED MATTER  
BOOK - POST**



*If underlivered please return to :*

**Bambino Agro Industries Limited**

2nd Floor, Surya Towers,

104, S.P. Road,

Secunderabad - 500 003.