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CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
GM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		



BHAGHEERATHA ENGINEERING LIMITED

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21st

ANNUAL REPORT

1996 - '97

BOARD OF DIRECTORS

Mr. K. T. CHANDY (Chairman)
 Mr. K. C. JOSEPH
 Mr. JAMES JOSEPH
 Mr. K. JACOB JOHN
 Mr. T. T. JOSEPH
 Prof. J. PHILIP

Mr. JORTIN ANTONY
 Mr. SUNNY C. MADATHIL
 Mr. V. C. ANTONY (Managing Director)
 Mr. R. C. BARUA (Executive Director)
 Mr. M. K. C. PILLAI (Executive Director)
 Mr. TOMY C. MADATHIL (Executive Director)

COMPANY SECRETARY

Mr. KRISHNA KUMAR

AUDITORS

M/s. P. C. Varghese & Co.
 Chartered Accountants
 41/804 A, Old Railway Station Road
 Cochin - 682 018

BANKERS

STATE BANK OF INDIA
 STATE BANK OF TRAVANCORE
 SYNDICATE BANK
 INDIAN BANK
 CATHOLIC SYRIAN BANK LTD.
 DENA BANK

REGISTERED & HEAD OFFICE

Bhagheeratha Engineering Ltd.
 132, Panampilly Avenue
 Cochin - 682 036, Kerala, India
 Telephone : 314304 (4 lines), 312439, 311262
 Telex : 885 6324 BEL IN
 Fax : 312046
 Grams : SKILLCON
 P.O. Box : 4282

SHARE TRANSFER AGENTS

Olive Capital & Services Pvt. Ltd.
 Rock Hill, Banerji Road
 Kacheripadi
 Cochin - 682 018

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DIRECTORS' REPORT

1. Your Directors have pleasure in presenting to you the 21st Annual Report of the company together with audited accounts for the year ended 31. 3. 1997.
2. **Accounts:** Income of the year under review, was Rs. 607.72 million as compared to Rs. 773.12 million in the previous year (1995-96), and Rs. 632.64 million in the earlier year (1994-95). The apparent decline of the income in the year under review compared to those of the two earlier years has to be evaluated in the light of certain special features applicable to these three years. Given below are the relevant figures.

	(Rs. in millions)		
	96-97	95-96	94-95
Income	607.72	773.13	632.64
Profit Before tax	10.37	64.69	41.77
Infrastructure	107.38	16.50	6.52

As per the accounting policy followed by your Company, a sum of Rs. 97.0 million of the Income from the Iraqi projects pertaining to the prior period 1991-92, was accounted in the year 1995-96, as it was only then received from IRCON. It would be recognised that this was a one time accretion, with no similar feature in anyone of the other two years. Further, the expenditure for creating the infrastructure required for enabling the Company to execute its projects, and which is recoverable only on completion of billable work, was only Rs. 6.52 million as at 31-03-95 and Rs. 16.50 million as at 31-03-96, while it was as high as Rs. 107.38 million as at 31-03-97. This heavy increase in the infrastructure in the year under review was because, in Doyang, all the infrastructural facilities had to be created, as in that part of Nagaland none existed. Roads had to be built, ropeway had to be established and quarries had to be opened and operated to get and move the quantity of rock required for constructing the dam at Doyang. The infrastructure so created in Doyang which was necessary for starting the main billable work, could not be accounted for in the income to the extent of Rs. 90 million. Adjusting these figures, the real income pertaining to the year under review would have been Rs. 697.92 million (607.72 million + Rs. 90 million) as compared to Rs. 675.43 million (Rs. 773.13 million - Rs. 97 million) in 1995-96, and Rs. 632.64 million in 1994-95. Thus, in fact, the Company has been able to maintain a steady improvement over the years in the value of work done.

The profitability in the previous year (1995-96) had increased due to accounting of Income from the Iraq work, while profitability decreased in the year under review due to inability to account for the work done in infrastructure which is booked at cost, without taking into account the profit element. Had this been accounted for, the profit would have gone upto Rs. 37.03 million (10.37 + 30% of Rs. 90 million). This profit would be available only in coming years when infrastructural cost is proportionately booked to income through bills submitted to client. Further, no profit was generated from the Konkan Railway Projects, in the year under review as the works were completed and defect liability period had commenced.

In the last year's report there was reference to a sum of Rs. 55.795 million that was due to us from IRCON, from the amount they had already received from ECGC. We have been successful in settling the issue, and we have received a sum of Rs. 44.515 million in cash in May '97, after deducting a sum of Rs. 4.78 million due as ECGC premium;

and the balance of Rs. 6.5 million in the form of bonds maturing in March '98 is expected to be received shortly.

In regard to the claim lodged with the United Nations in respect of losses suffered in Iraq, amounting to US\$ 10.448 million, no decision has been taken by them so far.

Out of the Reserve Bank of India Bonds worth Rs. 221 million received on the Iraq accounts last year, bonds having a face value of Rs. 170 million were sold during the year under review, yielding Rs. 147.855 million, which was utilized deploying Rs. 82.3 million as Working Capital and Rs. 65.56 million in Capital Expenditure in the following manner.

- ⇒ HP/lease charges for Assets taken on HP/lease Rs. 10.35 million.
- ⇒ Capital items for Doyang Project - Rs. 31.62 million.
- ⇒ Invested in a Joint Venture with Bhagheeratha Developers Ltd. - Rs. 7.60 million.
- ⇒ Repayment of loan from private agencies Rs. 6.85 million.
- ⇒ Deferred Purchase Guarantee and Interest payment to banks Rs. 9.14 million.

3. **Tax liability and reserves:** Provision for Income Tax in the year under review is Rs. 6.471 million (Rs. 3.7 million for the year under review and Rs. 2.771 million for past years). This does not include provision for additional tax liability that might arise for the year 1984-85 to 1987-88, due to withdrawal of investment Allowance, the benefit U/S 32 (A) of the Income Tax Act. This matter is explained in the Company's note No. 22 to the Accounts.

A sum of Rs. 38.93 lakhs has been transferred, from Investment Allowance Utilised Reserve to Profit and Loss Appropriation Account, as the same is no longer required to be retained as such. Further, a sum of Rs. 81.68 lakhs is also transferred from General Reserve to the Profit and Loss Appropriation Account or enabling your directors to declare a reasonable dividend of 10%, which is the maximum permissible under the law. The balance remaining in the Profit and Loss Account as at the beginning of the year 96-97 amounting to Rs. 26.38 lakhs, together with the transfers mentioned above, all together amounting to Rs. 186.00 lakhs is appropriated as follows:

	Rs. lakhs
Proposed Dividend including Tax thereon	86.00
Transfer to Reserve for doubtful Advances to Subsidiary	100.00
Total	186.00

The total of Reserve and Surplus now stands at Rs. 232.639 million as against Rs. 237.358 million at the close of the previous year the reduction being due to the above withdrawal.

4. **Dividend:** The profit for the year, being only Rs. 39.01 lakhs, it had to be duly supplemented by an Appropriate transfer from General Reserves to the Profit and Loss Appropriation Account, as explained in the previous para for enabling the declaration of a dividend. Your Board of Directors recommend a dividend of 10 per cent, absorbing Rs. 78.18 lakhs, and a further sum of Rs. 7.82 lakhs as required to pay the additional tax liability for payment of

BHAGHEERATHA ENGINEERING LTD.

dividend. It may be noted that under Rule 2(i) of the Companies (Declaration of Dividend out of Reserves) Rules 1975, the dividend so paid out of Reserves is restricted to 10 per cent maximum.

5. **Comments of the Auditors:** The company has dealt with the points raised by the Auditors in the Notes 4, 5, 6, 8, 13, 17 and 22 of the "Notes on Accounts", which form part of the Accounts included in this Annual Report. The Shareholders would kindly note that the company has followed the previous years' practice in respect of points mentioned in paras 4, 5, 6 and 22, while in respect of Notes 8 and 13 (a) the company has opted to adopt a better method to show the financial results with better accuracy. Notes 13 (b) and 13 (c) are as a result of rectification of some errors in the previous accounting years. As regards Note No. 17, the same is dealt with in a later para of this report relating to subsidiary companies.

6. **Domestic projects completed:** During the year under review, your company completed two more tunnels and two bridges for the Konkan Railway Corporation Limited, details of which are given below, and thereby completed all the works it had undertaken for this prestigious Railway Project.

- Construction of bridge in Panaji section of Roha Mangalore new broad gauge line – Rs. 8.5 million
- Road overbridge in Margao – Rs. 43.8 million.
- Tunnel GT-3 Padi – Rs. 14.6 million.
- Tunnel T-5 and T-5a – Rs. 47.5 million.

It is a matter of great pleasure to our Company that the train service which has now been extended from Mangalore to Cana Cona (Goa) is passing through all the tunnels and bridges constructed by your Company.

The other major projects, completed during the year under review were the following.

- Laying of Gas pipeline for Spectrum Power Plant for Gas Authority of India Ltd. at Kakinada, Andhra Pradesh – Rs. 6.8 million.
- Site leveling works at Mangalore for Kudremukh Iron Ore Company Ltd. – Rs. 117.3 million.

7. **New Projects awarded:** New works awarded to your company during the year were:-

- Ranni Bridge – Construction of a new bridge, with our own design, across the river Pamba on the Punalur-Muvattupuzha Road, in place of the collapsed bridge, was awarded to the Company by Kerala State Public Works Department for a lumpsum amount of Rs. 40 million.

The ticklish job of dismantling the collapsed span, without affecting the safety of other spans in the collapsed bridge, for re-establishing vehicular traffic for the famous Sabarimala Pilgrimage, was entrusted to your Company: and this time – bound project was executed by your Company successfully in record time.

- Construction of an important high level single line bridge across River Tawi on Jammu-Udhampur Rail Link Project

was awarded to the Company by Northern Railway (Rs. 106 million). This bridge is unique with 50 m high piers, pre-stressed concrete girders of 2 x 71.5 m and 1 x 102 m. Construction of hollow circular piers are planned to be carried out by slip form shutter technology and of the superstructure by cantilever method of construction.

- Gas Authority of India has awarded us the work of mechanical and piping works at LPG Recovery Project, Lakwa in Assam (Rs. 62 million).
- The Civil construction works of 2 x 4.5 MW Mini Hydel Projects called Harangi Hydro Electric Project, being executed by M/s. Sulzer Flovel Hydro Ltd., New Delhi have been awarded (Rs. 88 million). The work includes construction of approach channel, upstream transition tower, intake structure, tunnel, power house, downstream transition, tail pool and tail race channel, approach road etc. While, so far we have been working with Government Authorities only, we are now able to get associated with private agencies also in the important power sector.

The value of works on hand as on 1. 4. 97 is of the order of Rs. 2572 million, comprising the following works:

Site	Rs. Million
1. Rock Fill Dam, Doyang (Nagaland)	1,758
2. Narmada Main Canal (Gujarat)	215
3. Varapuzha Bridge (Kerala)	226
4. Kakatia Canal (Andhra Pradesh)	47
5. Feroke Bridge (Kerala)	24
6. Turbo Generator, Birsinghpur (Madhya Pradesh)	12
7. Ranni Bridge (Kerala)	40
8. Tawi Bridge (Jammu & Kashmir)	106
9. LPG Project, Lakwa (Assam)	56
10. Harangi Hydro Electric Project (Karnataka)	88
TOTAL	2,572

- Your Company has also been awarded the following project after the close of the year under review; for which, it had tendered during that year.

The Project is for providing infrastructural facilities at Ranjangaon Industrial area on Pune-Ahmed Nagar Road near Shirur for Maharashtra Industrial Development Corporation. For this work, your company had formed a consortium (RAY-BEL Consortium), with Ray Constructions (a partnership firm) and Ray Construction Ltd., at Mumbai. Our share of the work in the consortium is for a contract value of Rs. 300 million approximately.

- Your Company is also lowest for the tender submitted for the construction of "Ash Dyke and connected Civil works" at Ennore Thermal Power Station for the Tamil Nadu Electricity Board. The tendered cost of this Project is Rs. 160 million. We are at an advanced stage of post-tender discussions with the department and we expect the award of work in our favour at an early date.

8. **Fixed Assets:** The Company continued to modernise its construction machinery by the disposal of all uneconomic items, and by acquisition of new items as required for executing its contracts. The Company purchased new equipments worth Rs. 36 million, and realised Rs. 24.8 million on the old items of equipments disposed off, which were originally valued at Rs. 34 million. In addition, the Company obtained equipments worth Rs. 86.1 million from ICICI for the Doyang Dam Project on lease basis.

Your Company has purchased additional Computers and software during the year under review, in order to develop a window based integrated programme with INTERNET and MODEM connections from different projects, making its possible to have on line interaction with remote projects.

9. **Fixed Deposits:** There was no fixed deposit as at 31-3-1997.
10. **Report under Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988:** Since the company is not engaged in any manufacturing activity, there are no particulars to be disclosed under these rules.
11. **Marketing:** Severe competition continues to be a major factor in the construction industry in the country. This is against a background of reduced outlays by Central and State Governments and the hoped-for large scale involvement of the private sector in financing the construction of infrastructural facilities yet to gather momentum. In line with this development is also the prescription of stringent criteria by various clients for the pre-qualification of construction agencies. Even under these conditions, your Company has succeeded in getting pre-qualified in major projects like the construction of -
- 55 m high concrete Dam for NHPC in Bhutan.
 - Construction of Grade Separator at Raja Garden, New Delhi.
 - Construction of Raw water Reservoir on a turn-key basis for Tisco in Orissa; among others.

A joint venture between your Company and Costain of England has been pre-qualified for four major packages of road work and construction of bridges in Andhra Pradesh, by the Ministry of Surface Transport.

Because of the prevailing severe competition, the Company has been selective in tendering by concentrating on major projects and by making every effort for getting these projects awarded to us. It is on this basis that the Company secured such major works like the construction of (1) high level bridge in Jammu for the Northern Railway, (2) Civil works for the Harangi Hydro Electric Project in Karnataka, (3) Ranni Bridge in Kerala (4) Civil works for infrastructural facilities at Ranjangaon for the Maharashtra Industrial Development Corporation and (5) Piping works for the Gas Authority of India Ltd. at Lakwa in Assam.

We are awaiting clearance for a major project in Rajasthan, for which our offer was accepted by Tata Projects Ltd., and also for the construction of Ash Pond work at Ennore Thermal Power Station in Tamil Nadu.

During the year under review, the Company established its office at Abu Dhabi and is continuing making efforts in the Gulf area through the above office.

12. **Personnel:** During the year under review, industrial relations continued to remain cordial, through out all the several project sites, controlling field offices and the corporate office. This happy position continues, and the Company is deeply appreciative of the contribution by and approach of its employees at all levels, for this very happy situation.

During the year under review, the Company recruited some graduate Engineers and Diploma holders through suitable campus interviews and otherwise; and these persons are undergoing training, on different aspects of Construction Management at various projects, after an initial orientation programme at the Corporate centre.

In line with the latest trends in various aspects of Management, the company conducted a series of workshops, specially designed to suit the requirements of both the individual employees, and of the organisational units of the Company, in order to achieve the company's steady growth. Suitable external training facilities were also utilised for training personnel. Thus, during the year under review, employees were deputed to short term courses on topics such as (i) Taxation and Central Excise Duties, (ii) Income Tax and Accounting Standards, (iii) Maintenance Management and (iv) Labour Legislations.

In view of the computerisation programme which is in progress in the company, including development of the required software, various levels of employees were trained in operation of computers as part of the management information system.

In compliance with the Section 217 (A) of the Companies Act, 1956, particulars of employees have been disclosed in the notes included in and forming part of the accounts. During the year under review there was no employee who was in receipt of a remuneration of Rs. 3 lakhs p.a. or more employed for the whole of the year, or Rs. 25,000 p.m. or more employed for part of the year.

13. **Directors:** The Directors Sarvashree K.T. Chandy, K.C. Joseph and K. Jacob John retire by rotation at this Annual General Meeting. All of them are eligible for re-appointment.

Shri. V.C. Antony, who has been functioning as Managing Director of the Company for many years, and who was re-appointed to that office, at the last Annual General Meeting for the period ending with the Annual General Meeting to be held in 1998, has opted to resign this post with effect from the coming Annual General Meeting on 19th September 1997. He is of the view that the time has come for the younger generation to take over the arduous responsibilities of piloting the Company's Activities through the coming years. He has noted that the Central Government is of the view that whole time Directors should normally retire at the age of 65, as embodied in the Draft Companies Bill 1997. He would be completing 66 years of age shortly. He finds the task of physically keeping in touch with the several and far flung project sites of the Company, apart from meeting important clients and other constituents of the Company,

BHAGHEERATHA ENGINEERING LTD.

by undertaking the unavoidable travels involved, is becoming a great strain at his advanced age. He has agreed to remain on the Board as a Director of the Company and to continue to provide guidance to his younger colleagues, participate in all deliberations of the board, and to lead the Company. It is therefore recommended that he be re-appointed as Director of the Company retiring by rotation.

The Board places on record its deep appreciation of the invaluable services rendered by Sri. V.C. Antony as a builder and the main architect of the company's growth so far.

Sri. V.C. Antony has proposed to the Board, and the Board has accepted the proposal to recommend the appointment of Sri. Tomy C. Madathil, now functioning as Executive Director of the Company, as the new Managing Director in the vacancy arising out of Sri. Antony's resignation. The Board recommends that the shareholders be pleased to appoint Sri. Tomy C. Madathil as new Managing Director in the vacancy arising out of Sri. Antony's resignation.

Mr. Tomy C. Madathil has proposed that Sri. Jortin Antony, now functioning as Director of the Company be appointed as non-retiring Executive Director for a period of two years in the vacancy that would arise on the appointment of Sri. Tomy C. Madathil as new Managing Director. We recommend for your approval this proposal to appoint Sri. Jortin Antony as Executive Director for a period of two years on suitable terms and conditions.

14. **Chairman:** Sri. K.T. Chandy continued to function as the Chairman of the Board of Directors of the company during the year under review. He has expressed his decision to step down from the position of Chairman of the Company and he has requested the Board to appoint Sri. V.C. Antony as Chairman. Notwithstanding his advanced age, Sri. K.T. Chandy has agreed to continue to help the Company by continuing on its Board for a further short period.
15. **Auditors:** M/s. P.C. Varghese & Co., Chartered Accountants retire at this Annual General Meeting. Being eligible for re-appointment, the Board recommends them to be re-appointed.
16. **Development and Diversification:** With regard to the statement, in the Directors' report for the year 1995-96, that the company was considering making investment in Bhagheeratha Developers Ltd., the Company decided not to do so for the present. Instead, the company joined the Bhagheeratha Developers Ltd. by making a small investment of Rs. 76 lakhs in a joint venture for development of a plot of land at Kalamassery, Hindustan Machine Tools area, ear marked to our Company, for eventual sale to a society of professionals, who had agreed to make the requisite advances. This Project is nearing completion and certain instalments have already been received from the prospective buyers.
17. **Subsidiary Companies:** As required under Sec. 212 of the Companies Act 1956, the audited accounts together with Directors' Report and Auditors' Report for the year ended 31-3-1997 in respect of subsidiaries namely, Bhagheeratha Energy Controls Ltd. and Bhagheeratha Electricals and Structural Ltd. are annexed.

All the liabilities of Bhagheeratha Energy Controls Ltd. have been fully met by your Company by suitably supplementing the proceeds realised on the sale of most of that Company's saleable assets. Its technical know-how remains as a valuable asset, along with some furniture and machineries valued at Rs. 7.66 lakhs. Your Company expects to find buyers for these assets, as part of the effort to restructure that Company. However, as a matter of abundant caution, a further provision of Rs. 100 lakhs has been made in the books of your Company in the accounting year under review, over and above the provisions made earlier. These provisions practically cover the full amount of your Company's investment in the share capital of that Company and the loan granted to it.

Your Directors are happy to report that the other subsidiary, Bhagheeratha Electricals and Structural Ltd. has turned the corner and is generating profits. It declared a dividend of 10 per cent in relation to the year 1995-96 and has proposed the same percentage of dividend for the year under review also. It would be noted that the income of the Company improved to Rs. 550.66 lakhs for the year under review from Rs. 399.76 lakhs the previous year. Their order book position is also comfortable at Rs. 901.57 lakhs. The Company has also established their credentials and secured pre-qualification from large organisations like Gas Authority of India Ltd., Engineers India Ltd., National Thermal Power Corporation Ltd., Indian Oil Corporation Ltd., Cochin Refineries Ltd., Bharat Oil Corporation Ltd. etc. and Kerala State Electricity Board. The Company has also identified Process Piping in Petrochemical Industry, Cross Country Pipe Lines for gas, oil and water and High Voltage Transmission Lines as thrust areas to consolidate its core competency.

18. **Bankers:** A consortium of bankers consisting of State Bank of India, State Bank of Travancore, Indian Bank, Syndicate Bank, Dena Bank and Catholic Syrian Bank continued to provide their valuable support for meeting the credit requirements of your Company. We are thankful for the trust they have reposed in your company. They are at present actively considering new limits, as required for the current year.
19. **Acknowledgements:** Your Directors would like to place on record their gratitude for the valuable assistance and help received from the Governments, both Central and States. Your Directors also gratefully acknowledge the continued support and co-operation from the Company's bankers, financial institutions and Stock Exchanges.

Your Director also thank all the members of the Company, clients, contractors and consultants for the valuable co-operation rendered to the Company, but for which, the Company could not have achieved substantial progress.

Your Directors would also like to place on record their deep appreciation and gratitude for the team spirit of, and dedicated services rendered by the employees of the Company at all levels which made the Company survive against all odds.

By order of the Board of Directors
For BHAGHEERATHA ENGINEERING LTD.

Kochi
25.06.1997

K. T. Chandy
Chairman

AUDITORS' REPORT

Report of the Auditors to the Shareholders of M/s. Bhagheeratha Engineering Limited, Kochi - 36.

We have audited the annexed Balance Sheet of M/s. Bhagheeratha Engineering Limited, Kochi as at 31st March 1997 and the Profit and Loss Account of the Company for the year ended on that date.

I. As required by the Manufacturing and Other Companies (Auditors Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks of books and records of the Company, as were considered appropriate and on the information and explanations given to us during the course of our audit, we state on the matters, specified in the paragraphs 4 and 5 of the said order that:

1. The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets. The Company's work involves construction works in different work sites and this necessitates frequent transfer of movable fixed assets like vehicles and construction equipments from one site to another and such transfers are not seen recorded in fixed assets register. However, the Company is maintaining a movement register to record the movement of such fixed assets.
2. There was no revaluation of fixed assets during the year.
3. As explained to us, stock of materials and stores have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. As explained to us there were no material discrepancies noticed on physical verification of stock as compared to the book records having regard to the size and nature of operations of the Company.
6. On the basis of our examination of stock and other records we are of the opinion that the valuation of stock is fair and proper and is in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year subject to matters referred to in Note No. 8 and 13 (a).
7. The company has taken unsecured loans from persons listed in the register maintained under section 301 of the Companies Act, 1956. In our opinion, the terms and conditions of the above loans are not prima facie prejudicial to the interest of the Company.
8. The company has granted unsecured loans to the extent of Rs. 166.66 lakhs to one of the companies in which Directors are interested, as listed in the register maintained u/s 301, which is also a subsidiary company for which attention is invited to note No. 17 of the notes on accounts. There are no Companies under the same management as defined under sub section (1B) of section 370 of the Companies Act, 1956.
9. In our opinion and in accordance with 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.
10. The company has not given loans or advances in the nature of loans, other than those mentioned in para 8 above.
11. The Company has purchased goods exceeding Rs. 50,000/- in value and also has awarded sub-contracts to firms or companies or other parties in which Directors are interested as listed in the register maintained under section 301. Wherever purchases are made and sub-contracts

awarded, we are of the opinion that the terms of such purchases and sub-contracts are reasonable and not unfavourable to the company.

12. There are no damaged or unserviceable stock.
13. In respect of deposits accepted by the Company, provision of Section 58 (A) and the rules made there under have been complied with.
14. The Company is, in our opinion, maintaining reasonable records for the sale and disposal of the realisable scrap when significant.
15. The Company has an in-house internal audit system, covering all important areas of operations.
16. Maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956, has not been prescribed by the Central Government for the company.
17. The Company is generally regular in depositing Provident Fund Contributions. However as on 31.03.97 there are no arrears in respect of the Provident Fund Contribution.
18. According to the information and explanation given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax were outstanding as on 31st March, 1997 for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us and on the basis of the records examined by us no personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with the generally accepted business practice.
20. The Company is not a Sick Industrial Company within the meaning of Clause (O) of Sub Section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

II. Further to the above comments:-

1. 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.
2. In our opinion, proper books of accounts as required by law have been kept by the Company, so far as appears from our examination of the books.
3. The Balance Sheet and Profit & Loss Account dealt with by the report are in agreement with the books of accounts.
4. In our opinion and to the best of our information and explanations given to us the said accounts subject to note no. 4 regarding provision for gratuity, note no. 5 regarding accounting policies on company's overseas projects, note no. 6 regarding the valuation of Bonds, note no. 8 regarding valuation of Work-in-progress note no. 13 relating to prior period income, note no. 17 regarding advances to subsidiary, note no. 22 regarding Income Tax liabilities together with other notes and schedules attached thereto, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as on 31st March, 1997.
 - (ii) in the case of the Profit & Loss account of the profit for the year ended on that date.

For P.C. Varghese & Co.
Chartered Accountants

Kochi
25-06-1997

Sd/-
P.C. Varghese, B.Com., F.C.A.
Partner

BHAGHEERATHA ENGINEERING LTD.

BALANCE SHEET AS AT 31st MARCH 1997

(Rs. 000s)			
PARTICULARS	SCHEDULE No.	AS AT 31-03-1997	AS AT 31-03-1996
I. SOURCES OF FUNDS			
(i) Shareholders Funds:			
(a) Capital	B-1	78,343	78,343
(b) Reserves & Surplus	B-2	232,659	237,358
(ii) Loan Funds:			
(a) Secured loans	B-3	192,301	197,426
(b) Unsecured loans	B-4	53,865	38,154
TOTAL		557,168	551,281
II. APPLICATION OF FUNDS			
i) Fixed Assets: Net Block	B-5	166,904	180,690
ii) Investments	B-6	18,512	10,879
iii) Current Assets, Loans & Advances:	B-7		
(a) Interest Accrued on FDR		2,370	826
(b) Work-in-progress		115,615	80,739
(c) Infrastructure		107,385	16,509
(d) Stores & Spares		43,798	22,314
(e) Stock-in-Transit		336	2,044
(f) Sundry Debtors		99,311	120,570
(g) RBI Bonds		45,212	153,665
(h) Cash & Bank Balance		65,980	81,378
(i) Loans & Advances		215,792	184,959
TOTAL		695,799	663,004
Less: Current Liabilities and Provisions	B-8		
(a) Liabilities		277,003	236,815
(b) Provisions		52,219	72,690
TOTAL		329,222	309,505
Net Current Assets		366,577	353,499
iv) Miscellaneous Expenditure (to the extent not written off or adjusted)			
Shares issue expenses		5,175	6,213
TOTAL		557,168	551,281
<div> <div> In terms of our attached report of even date For P. C. Varghese & Co. Chartered Accountants Sd/- Kochi 25-06-97 P. C. VARGHESE, B.Com., F.C.A. Partner </div> <div> Sd/- K. RAJAGOPALAN General Manager (Finance) Sd/- KRISHNAKUMAR Company Secretary </div> <div> On behalf of the Board of Directors Sd/- V. C. ANTONY, Managing Director Sd/- R. C. BARUA Executive Director (Finance) </div> </div>			

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**I. Registration Details**

Registration No. 02860

State Code - 09

Balance Sheet Date 31-03-1997

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Nil

Nil

Bonus Issue

Private Placement

Nil

Nil

III. Position of Mobilisation and Deployment of Fund (Amount in Rs. Thousands)

Total Liabilities

Total Assets

557,168

557,168

Sources of Funds

Paid up Capital

Reserve & Surplus

78,343

232,659

Secured Loans

Unsecured Loans

192,301

53,865

Application of Funds

Net Fixed Assets

Investments

166,904

18,512

Net Current Assets

Misc. Expenditure

366,577

5,175

Accumulated Losses

Nil

IV. Performance of Company (Amount in Rs. Thousands)

Turnover

Total Expenditure

607,722

597,350

Profit/Loss Before Tax

Profit/Loss After Tax

+10,372

+ 3,901

(+ for Profit, - for Loss)

Earning Per Share in Rs.

Dividend rate %

0.50

10

V. Generic names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)

Product Description

Civil Engineering

In terms of our attached report of even date

For P. C. Varghese & Co.

Chartered Accountants

Sd/-

Kochi
25-06-97P. C. VARGHESE, B.Com., F.C.A.
Partner

Sd/-

K. RAJAGOPALAN

General Manager (Finance)

Sd/-

KRISHNAKUMAR
Company Secretary

On behalf of the Board of Directors

Sd/-

V. C. ANTONY, Managing Director

Sd/-

R. C. BARUA
Executive Director (Finance)

BHAGHEERATHA ENGINEERING LTD.

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 1997

(Rs. 000s)		
PARTICULARS	AS AT 31-03-1997	AS AT 31-03-1996
B-1 SHARE CAPITAL		
Authorised Capital		
2,50,00,000 Equity shares of Rs. 10/- each	250,000	250,000
Issued and Subscribed Capital		
78,50,400 Equity shares of Rs. 10/- each	78,504	78,504
Paid up Capital		
78,18,100 Equity Shares of Rs. 10/- each	78,181	78,181
(of the above shares, 3,300,300 shares are allotted as fully paid up by way of issue of Bonus Shares by capitalisation of General Reserve)		
Add: Forfeited Shares (32,300 shares at Rs. 5/- per share originally paid up)	162	162
TOTAL	78,343	78,343
B-2 RESERVES & SURPLUS		
Capital Reserve	212	212
Share Premium	34,310	34,310
General Reserve: Opening Balance	62,354	
Less: Transfer to P & L Appropriation A/c	8,168	62,354
Investment Allowance utilised reserve	18,497	
Less: Transfer to P & L Appropriation Account	3,893	18,497
Foreign Project Reserve	114,097	114,097
Investment Fluctuation Reserve	5,250	5,250
Reserve for doubtful debts & advances	10,000	-
Profit & Loss Account	-	2,638
TOTAL	232,659	237,358
B-3 SECURED LOANS		
1. From Banks		
i) Cash Credits	100,734	96,488
ii) Deferred Payment Credits	1,290	
Less: Int. on future instalments	210	3,179
2. From Others		
i) Hire Purchase Credits	27,618	
Less: Int. on future instalments	3,889	27,555
ii) Advance from Contractees	66,758	70,204
TOTAL	192,301	197,426
B-4 UNSECURED LOANS		
Advance from Contractees	53,865	24,807
Short - Term Loans		
From Others		13,347
TOTAL	53,865	38,154