

MD	✓	BKC	✓
CS	✓	DEY	✓
RO	✓	DEY	✓
TRA	✓	AC	✓
ACLI	✓	SH	✓
YE	✓		✓



# **BHAGHEERATHA ENGINEERING LIMITED**

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## **22nd ANNUAL REPORT 1997 - '98**

**BOARD OF DIRECTORS**

Mr. V. C. ANTONY Chairman  
 Mr. K. T. CHANDY  
 Mr. K. C. JOSEPH  
 Mr. JAMES JOSEPH  
 Mr. K. JACOB JOHN  
 Mr. T. T. JOSEPH

Mr. J. PHILIP  
 Mr. SUNNY C. MADATHIL  
 Mr. TOMY C. MADATHIL Managing Director  
 Mr. JORTIN ANTONY Director (Projects)  
 Mr. R. C. BARUA Director (Finance)  
 Mr. M. K. C. PILLAI Director (Technical)

**COMPANY SECRETARY**

Mr. M. S. NAMBIAR

**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  
 E-mail : bel.cochin@rmd.sprintrpg.ems.vsnl.

**SHARE TRANSFER AGENTS**

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

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## NOTICE

NOTICE is hereby given that the Twenty-second Annual General Meeting of BHAGHEERATHA ENGINEERING LIMITED will be held in "Versilles" Hall of Hotel Renaissance, Palarivattom, Ernakulam on Friday, the 25th September, 1998 at 3 P.M. to transact the following business:

**ORDINARY BUSINESS**

1. To receive and adopt the Audited Balance Sheet as at 31st March 1998, and the Profit & Loss Account for the year ended on that date together with the annexed Auditors' Report thereon and the Report of the Directors'.
2. To declare a Dividend.
3. To appoint a Director in place of Mr. T.T. Joseph, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Prof. J. Philip, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. James Joseph, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of next Annual General Meeting and to fix their remuneration. M/s. P.C. Varghese and Company, Chartered Accountants, Cochin, retiring Auditors being eligible, offer themselves for re-appointment.

**SPECIAL BUSINESS****7. Amendments to Articles of Association**

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

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association be altered in the following manner.

- A. The following be inserted at the end of Article XVII as sub clause (iii)

"Subject to the provisions of the Act, the Board of Directors may from time to time appoint any person whether a shareholder or not as Alternate Director to act for a Director during his absence for a period of not less than three months from the State in which meetings of the Board are ordinarily held".

- B. By inserting at the beginning of the Article XIX the following:

"Every Director attending the meetings of the Board of Directors and or its Committee thereof shall be entitled and be paid such

sitting fees as may be fixed by the Board subject to the limit prescribed by the Act from time to time".

in place of the words

"Every Director attending meeting of the Board of Directors shall be entitled and be paid such sitting fees as may be fixed by the general meetings from time to time".

**8. Revision in the terms of Remuneration of Managing Director**

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

"RESOLVED that in partial modification of Resolution No. 6, passed at the Annual General Meeting of the Company held on 19th September 1997 for appointment of Shri. Tomy C. Madathil, as Managing Director of the Company, and in accordance with the provisions of Sections 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the change in salary of Shri. Tomy C. Madathil (including the remuneration to be paid in the event of loss or in adequacy of profit in any financial year during the tenure of his appointment) with authority to the Board of Directors to fix his salaries and increasing thereby, proportionately, all benefits related to the quantum of salary, w.e.f. 25th Sept. 1998 for the remainder of the tenure of his contract as set out herein below:

Salary be enhanced from Rs. 17,500 to Rs. 28,000/- per month with proportionate increases in the value of benefits related to salary for the remainder of the tenure of the contract i.e., upto the date of Annual General Meeting of the Company to be held in 1999.

which terms of remuneration are hereby specifically sanctioned".

**9. Revision in the terms of Remuneration of Director (Projects)**

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

"RESOLVED that in partial modification of Resolution No. 7, passed at the same Annual General Meeting of the Company held on 19th September 1997 for appointment of Shri. Jortin Antony, as Director (Projects) of the Company, and in accordance with the provisions of Sections 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the change in salary of Shri. Jortin Antony (including the remuneration to be paid in the event of loss or in adequacy of profit in any financial year during the tenure of his appointment) with authority to the Board of Directors to fix his

## BHAGHEERATHA ENGINEERING LTD.

salaries and increasing thereby, proportionately, all benefits related to the quantum of salary, w.e.f. 25th September 1998 for the remainder of the tenure of his contract as set out herein below:-

Salary be enhanced from Rs. 15,000 to Rs. 25,000/- per month with proportionate increases in the value of benefits related to salary for the remainder of the tenure of the contract i.e., upto the date of Annual General Meeting of the Company to be held in 1999.

Which terms of remuneration are hereby specifically sanctioned".

#### 10. Re-appointment of Director (Finance)

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

"RESOLVED that the Company hereby accords its approval and consent under Sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (The Act) and all other applicable statutory provisions, if any, to the re-appointment of and to the payment of remuneration, benefits and amenities to Shri. R.C. Barua, Director (Finance) of the Company for a period of two years with effect from 25th September 1998 upon the terms and conditions and stipulations and on the remuneration and perquisites as set out herein below:

- a. Salary – Rs. 25,000 per month.
- b. Perquisites, Retirement Benefits, Leave will be in accordance with the Service Rules applicable to the Wholetime Directors of the Company.

With an authority and power to the Board of Directors of the Company (The Board) to alter and vary the terms and conditions, referred to above, in such manner as from time to time as may be in consonance with the Rules & Regulations of the Company and the applicable provisions of law and as may be agreed to by and between the Board and Shri. R.C. Barua, Director (Finance).

RESOLVED FURTHER that where in any financial year, the Company has no profits or its profits are inadequate, Shri. R.C. Barua, Director (Finance) shall be entitled to be paid remuneration by way of salary, perquisites and any other allowance as referred to above, not exceeding the limits specified under Section II of Part II of Schedule XIII to the Act as

may be amended from time to time or any equivalent statutory enactment (s) thereof.

RESOLVED FURTHER that the Board be and is hereby authorised to do and perform all such acts, deeds, matters and things as may be considered necessary, usual or expedient to give effect to this resolution".

#### 11. Re-appointment of Director (Technical)

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

"RESOLVED that the Company hereby accords its approval and consent under Sections 198, 269, 309, and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (The Act) and all other applicable statutory provisions, if any, to the re-appointment of and to the payment of remuneration, benefits and amenities to Shri. M.K.C. Pillai, as Director (Technical) of the Company for a period of two years with effect from 25th September 1998 upon the terms and conditions and stipulations and on the remuneration and perquisites as set out herein below:

- a) Salary – Rs. 25,000 per month.
- b) Perquisites, Retirement Benefits, Leave will be in accordance with the Service Rules applicable to the wholetime Directors of the Company.

With an authority and power to the Board of Directors of the Company (The Board) to alter and vary the terms and conditions, referred to above, in such manner as from time to time as may be in consonance with the Rules & Regulations of the Company and applicable provisions of law and as may be agreed to by and between the Board and Shri. M.K.C. Pillai, Director (Technical)".

"RESOLVED FURTHER that where in any financial year, the Company has no profits/profits are inadequate, Shri. M.K.C. Pillai, Director (Technical) shall be entitled to be paid remuneration by way of salary, perquisites and any other allowance as referred to above, not exceeding the limits specified under Section II of part II of Schedule XIII to the Act as may be amended from time to time or any equivalent statutory enactment(s) thereof.

RESOLVED FURTHER that the Board be and is hereby authorised to do and perform all such acts, deeds, matters and things as may be considered necessary, usual or expedient to give effect to this resolution".

**12. Increase in Borrowing Limits**

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

"RESOLVED that pursuant to the provisions of the Section 293 1 (d) of the Companies Act, 1956, and other applicable provisions, if any, of the Companies Act, 1956, the company hereby accords its consent to the Board of Directors borrowing any sum of money from time to time from any one or more of the companies bankers and or any one or more other persons, firms, body corporates or financial institutions whether by way of cash credit advance or deposits, loans or bill discounting or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the companies assets and properties whether movable or stock in trade (including raw materials, spare parts or components in stock or in transit) and work in progress and all or any of the undertakings of the Company not with standing that the monies to be borrowed together with the monies borrowed by the Company (apart from temporary loans obtained from the Companies bankers in the ordinary course of business) will or may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves, not set apart for any specific purpose but, so however, that the total amount upto which the monies may be borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs. 50 crores (Rupees Fifty crores only) exclusive of interest and apart from temporary loans obtained from the companies bankers in the ordinary course of business and the Directors are hereby further authorised to execute such deeds of debentures, debenture trust deed, mortgage, charge, hypothecation, lien, promissory notes, deposit receipts and other deeds and instruments or writings as they may think fit and containing such conditions and covenants as the Directors may think fit".

**13. Creation of Mortgages/Charges**

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

"RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals, if any, as may be necessary, to mortgaging, charging and/or hypothecating by the Board of Directors of the Company, the immovable and movable properties of the Company or any part thereof, including the existing

mortgages and charges, subject to prior charge, if any, in respect of loans on its specified properties both present and future, to or in favour of Financial Institutions, Consortium Banks, other banks, Mutual funds, Investment companies, Overseas Entities, Bodies Corporates and other Lenders including Debenture holders, Bondholders or their Trustees for securing any Rupee/Foreign currency loan, debentures, bonds or other instruments or any other borrowings (including external commercial borrowings) of an equivalent aggregate value not exceeding Rs. 50 crores together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on pre-payment, or on redemption, costs, charges, expenses and all other monies payable by the Company to the aforesaid parties or any of them under the Agreements/Arrangements entered into/to be entered into by the Company in respect of the said loans/debentures/bonds or other instruments".

"RESOLVED FURTHER that the Board of Directors of the Company be and are hereby authorised to finalise with the aforesaid parties or any of them, the documents for creating the mortgages/charges/hypothecation and accepting or making any alterations, changes, variations to or in the terms and conditions, to do all such acts, deeds, matters and things and to execute all such documents and writings as it may consider necessary, for the purpose of giving effect to this Resolution".

Kochi  
24th July, 1998

(By Order of the Board of Directors)  
M.S. NAMBIAR  
Company Secretary

**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 OF THE COMPANY.
2. The proxies to be effective should be deposited at the Registered office of the Company not later than 48 hours before the commencement of the Meeting.
3. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to the special business to be transacted at the meeting is annexed hereto.
4. Register of Members and Share Transfer Books of the Company will be closed from 11th September to 25th September, 1998



## BHAGHEERATHA ENGINEERING LTD.

both days inclusive, in connection with the Annual General Meeting.

5. The dividend for the year ended 31st March 1998 as recommended by the Board, if sanctioned at the meeting, will be payable to those members whose names appear on the Companies Register of Members on 25th September, 1998.
6. Members are requested to intimate Share Transfer Agents M/s. Olive Capital & Services Pvt. Ltd., Rockhill, Banerji Road, Kacherippady, Kochi-682 018, Kerala, any change in their address immediately so as to enable them to dispatch Dividend Warrants and any future communication at the correct addresses.
7. Pursuant to Section 205 A of the Companies Act, 1956, all unclaimed dividends for the financial year 1993-94 have been transferred to General Revenue account of the Central Government in Nov. 1997. Shareholders who have not encashed the dividend warrant for the said period are requested to claim the amount from the Registrar of Companies, Kerala, Ernakulam. The unclaimed dividend for the financial year 1994-95 will also be transferred to the said account of the Central Government on 6th October, 1998. All members, who have not yet claimed their dividend for the said year may claim it now before the same is so transferred.

**EXPLANATORY STATEMENT UNDER SEC. 173 (2) OF THE  
COMPANIES ACT, 1956**

**Item No. 7**

Under the present Articles of Association of the Company, the Board does not have any power to appoint an Alternate Director to act for a Director during his absence for a period of not less than 3 months from the state in which meetings of the Board are ordinarily held. In view of this the present Article No. XVII is being amended to include such a provision in the Articles of Association of the Company.

The Board have constituted on 1-11-1997 a Committee of Directors consisting of Shri. V.C. Antony, Sri. K.T. Chandu, Sri. T.T. Joseph, Sri. K. Jacob John and the Managing Director to oversee the implementation of various ongoing projects. Under the present Article No. XIX of Articles of Association of the Company, the Board is authorised to make payment to Directors for extra services rendered by the part time Directors. Hence, as a matter of abundant caution, it has been suggested to amend the said Article as mentioned in the resolu-

tion. This will enable the Directors to receive sitting fees for each meeting of the Committee attended by them.

All the part time Directors of the Company may be regarded as interested or concerned in the amendment to Article No. XIX.

The Board commends the resolution for acceptance by the Members.

A copy of the Memorandum and Articles of Association of the Company together with proposed alterations is available for inspection by the members of the Company at its Registered office between 9 a.m. and 11 a.m. on any working day of the Company.

**Item No. 8 & 9**

As the shareholders are aware, Government had liberalised Schedule XIII to the Act, in 1994, enhancing the limits of Managerial remuneration, but the Company had set for itself certain limits in this regard. The present salary of the Managing Director and other whole-time Directors were based on the internal limits of the Company and as approved by the shareholders. It is now proposed to revise the salary of the Managing Director and Director (Projects) with effect from 25th Sept. 1998 as stated in the resolutions.

All other terms and conditions of the appointment of Shri. Tomy C. Madathil and Shri. Jortin Antony as approved by the Shareholders, will remain unchanged. The resolution for the change in the remuneration payable to the Managing Director and Director (Projects) is commended for the acceptance by the Shareholders.

A copy of the Service Rules for Whole-time Directors of the Company effective from 1st April 1995 is available for inspection by the Members of the Company at the Registered office between 9 a.m. and 11 a.m. on any working day of the Company.

Shri. Tomy C. Madathil, Shri. Sunny C. Madathil (being related to Shri. Tomy C. Madathil) & Shri. Jortin Antony, Shri. V.C. Antony (being related to Shri. Jortin Antony) are concerned or interested in the Resolution at item No. 8 & 9 respectively of the notice.

This may also be treated as an abstract of the terms of appointment of and remuneration payable to Shri. Tomy C. Madathil and Shri. Jortin Antony, under Section 302 of the Companies Act, 1956.

**Item No. 10**

The Members at the Annual General Meeting held on 27th July 1996 had appointed Shri. R.C. Barua, as Executive Director for a period upto the Annual General Meeting to be held in 1998. The Board had

subsequently redesignated him as Director (Finance). His term of office is upto the ensuing Annual General Meeting. The Board of Directors at the meeting held on 24th July 1998 have proposed the re-appointment of Shri. R.C. Barua as Director (Finance) for a further period of two years from the ensuing Annual general Meeting ie. 25th September 1998.

Shri. R.C. Barua, Director (Finance) is an IRS with more than 38 years of wide experience in management and finance.

Considering his wide experience, it is considered that the re-appointment of Shri. R.C. barua, Director (Finance) would benefit the Company.

The main terms of re-appointment of Shri. R.C. Barua, Director (Finance) are as stated in the resolutions.

(For items not separately specified herein below, the rules of the Company shall be applicable).

Shri. R.C. Barua will hold office as Director (Finance) for a period of two years with effect from 25th September 1998.

In the absence of or inadequacy of profits of the Company in any year, Shri. R.C. Barua, Director (Finance) will be entitled to the remuneration stated in the resolutions by way of minimum remuneration.

Pursuant to the provisions of Sections 269 and 309 of the Companies Act, 1956, read with Schedule XIII to the said Act, the aforesaid terms require the approval of the members in General Meeting.

Excepting Shri. R.C. Barua, Director (Finance) who is interested in his re-appointment and the remuneration payable to him, no other Director is interested in the said re-appointment or payment of remuneration.

The resolution set out in item No. 10 may be considered accordingly and the Board of Directors recommends the same for your approval.

A copy of the Service Rules for Whole-time Directors of the Company effective from 1st April 1995 is available for inspection by the members of the Company at the Registered office between 9 a.m. and 11 a.m. on any working day of the Company.

This may also be treated as an abstract of terms under Section 302 of the Companies Act, 1956.

#### **Item No. 11**

The members at the Annual General Meeting held on 27th July 1996 had appointed Shri. M.K.C. Pillai, as Executive Director for a period

upto the Annual General Meeting to be held in 1998. The Board had subsequently redesignated him as Director (Technical). His term of office is upto the ensuing Annual General Meeting. The Board of Directors at the meeting held on 24th July 1998 have proposed the re-appointment of Shri. M.K.C. Pillai, as Director (Technical) for a further period of two years from the ensuing Annual General Meeting i.e. 25th September 1998.

Shri. M.K.C. Pillai, Director ( Technical), is a graduate Engineer with more than 39 years of wide experience in management and technical fields.

Considering his wide experience, it is considered that the re-appointment of Shri. M.K.C. Pillai, Director (Technical) would benefit the Company.

The main terms of re-appointment of Shri. M.K.C. Pillai, Director (Technical) are as stated in the resolutions.

(For items not separately specified herein below, the rules of the Company shall be applicable).

Shri. M.K.C. Pillai, will hold office as Director (Technical) for a period of two years with effect from 25th September 1998.

In the absence of or inadequacy of profits of the Company in any year, Shri. M.K.C. Pillai, Director (Technical) will be entitled to the above remuneration stated in the resolutions by way of minimum remuneration.

Pursuant to the provisions of Sections 269 and 309 of the Companies Act, 1956, read with Schedule XIII to the said Act, the aforesaid terms require the approval of the members in General Meeting.

Excepting Shri. M.K.C. Pillai who is interested in his re-appointment and the remuneration payable to him, no other Director is interested in the said re-appointment or payment of remuneration.

The resolution set out in item No. 11 may be considered accordingly and the Board of Directors recommends the same for your approval.

A copy of the Service Rules for Whole-time Directors of the Company effective from 1st April 1995 is available for inspection by the members of the Company at the Registered office between 9 a.m. and 11 a.m. on any working day of the Company.

This may also be treated as an abstract of terms under Section 302 of the Companies Act, 1956.

## BHAGHEERATHA ENGINEERING LTD.

**Item No. 12**

Under Sec. 293 (1) (d) of the Companies Act, 1956 the Board of Directors cannot except with the consent of the Company in General Meeting borrow monies apart from temporary loans obtained from the Companies bankers in the ordinary course of business in excess of the aggregate of the paid up capital and free reserves ie. to say reserves not set apart for any specific purpose. In the circumstances, sanction of shareholders is being taken to enable the Directors to borrow money to the extent of Rs. 50 crores.

None of the Directors is interested or concerned in the resolution.

**Item No. 13**

To meet the companies requirement of funds towards capital expenditure and working capital needs, the company proposes to obtain in the coming years financial assistance from financial institutions/banks/ investing agencies by way of loans (including foreign currency loans) and to issue debentures, bonds/other instruments on private place-

ment basis or otherwise, within the enhanced aggregate borrowing limits of Rs. 50 crores as being approved by the Members in this meeting. To secure such financial assistance or debentures/bonds/ other instruments the company would be required to create mortgage/ charges on its property both present and future in favour of the lenders/ trustees as may be required by them. Since, creation of such mortgages/charges may be regarded as disposal of the companies undertakings, it is necessary for the members, to pass a resolution under Section 293 (1) (a) of the Companies Act, 1956; to enable the Board of Directors to create such mortgages/charges as and when the business exigencies so require.

None of the Directors of the Company is concerned or interested in this item of business.

(By Order of the Board of Directors)

Kochi  
24th July, 1998

M.S. NAMBIAR  
Company Secretary





**DIRECTORS' REPORT****To the Members**

Your Directors have pleasure in presenting their 22nd Annual Report and the Audited Statement of Accounts for the year ended 31st March 1998.

**INCOME**

During the year under review, the Company continued to maintain the trend of steady increase in its Annual Income. The income of the year 1997-98 was Rs. 975.50 million as compared to Rs. 607.72 million in the previous year, registering an increase of 60%. This income has been derived mainly from the execution of engineering contracts and to a small extent from other operations, and all of them within the country.

After making necessary provisions for the year, the pre-tax profit in the year under review rose to Rs. 22.75 million from Rs. 10.37 million of the previous year, registering an increase of 119%; and correspondingly, the after-tax profit during the year under review rose to Rs. 11.73 million from the previous year's figure of Rs. 3.90 million, registering an increase of 200%.

A major contributory factor for the large increase in the Company's annual income and pre-tax and after-tax profit, in the year 1997-98 was the achievement of substantial increase in the quantum of completed billable work in the Doyang Project. This became possible as the Company could make good use of the large investment already made in the previous year in the development of infrastructural facilities for planning and executing billable work.

We are happy to inform you that Indian Railway Construction Company (IRCON) has intimated that your Company will be receiving from them Rs. 3.80 million, being the interest due on ECGC Bonds in respect of the year 1994-95 and that the payment due from them for the CBFL executed by your Company as a sub-contractor, amounting to approximately Rs. 30 million will also be paid. It is expected that both payments will be received in the year 1998-99. When these amounts are received, our account with M/s. IRCON, for work in Iraq taken on sub-contract from them, will be substantially cleared.

In regard to certain contracts undertaken by the Company directly with the Government of Iraq, where some of the bills for work already done were approved by the Government, but the total work could not be completed because of the out break of war, we had submitted our claims to the United Nations in respect of the amounts due and the other losses suffered. As stated in the last year's report, the amount

claimed by us is US \$ 10.48 million. In regard to these claims, we are now advised by OCCI that some amount is known to be available with the UN, after meeting individuals' claims, and that accordingly we should press our claims with the help of our Government, after updating the same for the delay in payment.

**RESERVES & SURPLUS**

The Company has provided,

- a) Rs. 3.76 million for writing off obsolete and non-moving spares.
- b) Rs. 5.39 million for taking care of the possibility of the existing advances to its subsidiary Company BECL becoming irrecoverable.

In order to comply with the Accounting Standard – 15, issued by the Council of the Institute of Chartered Accountants of India, the Company has made a provision of Rs. 36.15 lacs, on the basis of actuarial valuation, to cover the potential gratuity liability in respect of existing employees. Provision has also been made for the proposed dividend, and the tax thereon payable by the Company. After making these provisions, the Reserves & Surplus, as on 31-03-1998, stood marginally higher at Rs. 235.79 million, as against Rs. 232.66 million at the close of the previous year.

**DIVIDEND**

The paucity of funds available to Central and State Governments for financing infrastructural and other public sector projects, further aggravated by the emerging implications of the sanctions imposed by certain countries and institutions, demands that your Company should conserve its resources in order to be able to provide, on its own or jointly with others, the finance required for such new construction contracts/BOT as it may bid for and execute if awarded. Having regard to this situation, your Directors recommend the repetition of a dividend of 10%, in regard to the year 1997-98, payable to those shareholders whose names appear on the Register of Members of the Company as on 25-09-1998. This leaves a balance of Rs. 3.13 million which is transferred to General Reserve.

**RBI BONDS**

In regard to RBI Bonds available with the Company, Bonds valued at Rs. 13 million were utilised to avail a special working capital loan of Rs. 10 million from SBI which shall be repaid by October 1998.

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**TAX LIABILITY**

Provision for income tax liability in the year under review is Rs. 10.8 million and Rs. 0.22 million for the past year. This does not include the additional tax liability which might arise in respect of the years 1984-1988, due to the decision of the Supreme Court that Construction Companies are not eligible for the investment allowance under Section-32 (A) of the Income Tax Act. This matter has been explained in the Company's Note No. 22 to the Accounts.

**COMMENTS OF THE AUDITORS**

The Company has dealt with the points raised by the Auditors in the Notes 6, 7, 12 (a), 12 (b), 13, 17 & 22 of the "Notes on Accounts", which form part of the Accounts included in this Annual Report.

**DOMESTIC PROJECTS COMPLETED**

During the year under review, your Company has completed the following project:

Site levelling and Road Embankment for Kudremukh Iron & Steel Co. Ltd., value Rs. 115 million.

**NEW PROJECTS AWARDED**

New Projects awarded to the Company during the year under review were as under:-

- Providing infrastructure facilities at Ranjangaon Industrial area on Ahmedabad - Shirur Road for MIDC - Value Rs. 300 million.
- Ennore Thermal Power Station - Ash Dyke and connected Civil works - Construction of Starter Dyke in Pond-B - Value Rs. 97.9 million.
- Construction of additional 2 lane Bassein Creek Bridge alongwith approaches between Km. 496/000 to 497/000 of the Mumbai Ahmedabad Road - Value Rs. 292.268 million.

Total Value Rs. 690.16 million.

The works on Kakatiya Project, Narmada, Feroke, Ranni and Ranjangaon are to be completed in the year 1998-1999.

**WORKS ON HAND:**

The works on hand as on 1-4-1998 is of the order of Rs. 2183.2 million comprising of the following works:

Sl. No.	Name of the project	Order Book in Rs. million
1.	Narmada Main Canal Project	934
2.	Construction of Feroke Bridge	34
3.	Kakkatiya Canal Project	260
4.	Birsinghpur TG 3 & 4	55
5.	Varapuzha Bridge	308
6.	Doyang Rockfill Dam	1590
7.	LPG Recovery Project	59
8.	Bridge Across Tawi	107
9.	Ranni Bridge	49
10.	Harangi Hydro Electric Project	69
11.	Infrastructure Facilities at Ranjangaon	335
12.	Ash Pond for TNEB	98
13.	Bassein Creek Bridge Project	292
	Total	4190

At the close of the year, position of the works likely to be awarded on the basis of the tender submitted last year were as under:

1.	Tunnel No. 1 in Jammu for Northern Railway	334 million
2.	Tunnel No. 2 in Jammu for Northern Railway	158 million
3.	Site levelling work for Simhadri Thermal Power project of NTPC	300 million

**MARKETING**

In the light of the Government policies resulting in a continuing reduction in the volume of Public Sector contracts available for a company like yours, there is severe competition in securing new works. In order to effectively market our capabilities in this situation, your Board of Directors have evolved a strategy of joining with competent companies, both in India and abroad, for securing additional works. For this purpose a Joint Venture was entered into with a well-known Company of Ireland to bid for Port works in one State and road works in another. However, due to uncertainties in the foreign exchange market and depreciation of the Rupee, vis-a-vis Dollars in the wake of sanctions imposed by USA, we could not be competitive in the bids. We have entered into MOU with local parties in the States of North East India to bid for major works likely to be tendered in these areas. As a result of the marketing efforts, the Company is hopeful of securing additional works in Maharashtra.