



BHAGHEERATHA ENGINEERING LIMITED

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23rd

ANNUAL REPORT

1998 - '99

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

Prof. 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)
 Mr. P. C. Chacko Alternate to Prof. J. Philip

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
 DENA BANK
 UNION BANK OF INDIA

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 : belkochi@satyam.net.in

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 23rd Annual General Meeting of BHAGHEERATHA ENGINEERING LIMITED will be held in "Versilles" Hall of Hotel Renaissance, Palarivattom, Ernakulam on Friday, the 17th September, 1999 at 3 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Audited Balance Sheet as at 31st March 1999, 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. Sunny C. Madathil, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. K.T. Chandy, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. K.C. 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. Re-appointment of Managing Director**

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

"RESOLVED that the Company hereby accord its approval and consent under Section 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 provision, if any, to the reappointment of and to the payment of remuneration, benefit and amenities to Shri. Tomy C. Madathil, as Managing Director of the Company for a period of two years with effect from 17th September, 1999 upon the terms and conditions and stipulations and on the remuneration and perquisites as set out herein below:

- a) Salary – Rs. 28,000/- per month
- b) Perquisites, Retirement Benefits, Leave will be in accordance with the Service Rules applicable to the whole-time Directors of the Company, and

with authority and power to the Board of Directors of the Company (The Board) to alter and vary the terms and conditions, referred to above, from time to time in such manner as may be in consonance with the Rules and Regulations of the Company and the applicable provisions of law and as maybe agreed to by and between the Board and Shri. Tomy C. Madathil".

"RESOLVED FURTHER THAT where in any financial year, the Company has no profits or its profits are inadequate, Shri. Tomy C. Madathil 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".

8. Re-appointment of Director (Projects)

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

"RESOLVED FURTHER THAT the Company hereby accord its approval and consent under Section 198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Company Act, 1956 (The Act) and all other applicable statutory provisions, if any, to the re-appointment of and to the payment of remuneration, benefit and amenities to Shri. Jortin Antony, as Director (Projects) of the Company for a period of two years with effect from 17th September, 1999 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 whole-time Directors of the Company, and

with authority and power to the Board of Directors of the Company (The Board) to alter and vary the terms and conditions, referred to above, from time to time in such manner as may be in consonance with the Rules and Regulations of the Company and the applicable provisions of law and as may be agreed to by and between the Board and Shri. Jortin Antony".

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"RESOLVED FURTHER THAT where in any financial year, the Company has no profit or its profits are inadequate, Shri. Jortin Antony 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".

9. 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) 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 bills-discounting or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the company's 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, notwithstanding that the monies to be borrowed together with the monies already 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. 150 crores (Rupees One Hundred 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 receipt and other deeds and instruments or writings as they may think fit and containing such conditions and covenants as the Directors may think fit".

10. 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 mortgage 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, Bond holders or their Trustees for securing any Rupee/Foreign currency loans, debentures, bonds or other instruments or any other borrowings (including external commercial borrowings) of an equivalent aggregate value not exceeding Rs. 150 crores (Rupees One Hundred Fifty Crores only) 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 Agreement/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".

(By Order of the Board of Directors)

Kochi
13th August, 1999

M. S. NAMBIAR
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
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 remain closed on Friday, the 17th September, 1999 being the Record Date in connection with the Annual General Meeting.
5. The dividend for the year ended 31st March 1999 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 17th September, 1999.
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 1994-95 have been transferred to General Revenue account of the Central Government in October, 1998. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Kerala, Ernakulam.

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

Item No. 7

The Members at the Annual General Meeting held on 19th September, 1997 had appointed Shri. Tomy C. Madathil, as Managing Director for a period of two years, i.e. upto the Annual General Meeting to be held in 1999. Subsequently the Board of Directors at its meeting held on 13th August, 1999 has recommended to the shareholders to re-appointment of Shri. Tomy C. Madathil as Managing Director for a

further period of two years from the ensuing Annual General Meeting i.e. 17th September, 1999.

Shri. Tomy C. Madathil, is 41 years of age, and holds a Degree in Civil Engineering and a Post Graduate Degree in Construction Management. He has had 16 years experience in the Company of which during the initial 14 years, he was in the over-all-charge of construction activities of several projects of the Company and at different sites and thereafter in co-ordinating matters at the Head Office. In the light of his experience, he was made Managing Director two years back and he has discharged his functions with considerable ability and care and he is now well versed with the affairs of the Company. Considering his experience and contribution, the Board of Directors of the Company has recommended his re-appointment as Managing Director of the Company for a further period of two years commencing 17th September, 1999.

The main terms of re-appointment of Shri. Tomy C. Madathil, Managing Director are as stated in the resolutions.

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

Shri. Tomy C. Madathil will hold office as Managing Director for a period of two years with effect from 17th September, 1999.

In the absence of or inadequacy of profits of the Company in any year, Shri. Tomy C. Madathil, Director 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. Tomy C. Madathil, Managing Director who is interested in his re-appointment and the remuneration payable to him and Shri. Sunny C. Madathil (being related to Shri. Tomy C. Madathil) no other Director is concerned or interested in the said re-appointment or payment of remuneration.

The Resolution set out in item No. 7 may be considered accordingly and the Board of Directors recommend 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 9.00 a.m. and 11.00 a.m. on any working day of the Company.

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

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Item No. 8

The members at the Annual General Meeting held on 19th September, 1997 had appointed Shri. Jortin Antony, as Director (Projects) for a period of two years, ie. upto the Annual General Meeting to be held in 1999. Subsequently the Board of Directors at its meeting held on 13th August, 1999 has recommended the re-appointment of Shri. Jortin Antony, as Director (Projects) for a further period of two years from the ensuing Annual General Meeting ie. 17th September, 1999.

Shri. Jortin Anton, 32 years of age, has had considerable experience in construction engineering and during the last two years he functioned in the Company in a senior capacity, initially as Executive Director, and thereafter as Director (Projects). Considering his wide experience in the management of projects and the valuable contribution he made during the last two years as Whole-time Director, the Board of Directors of the Company has recommended his re-appointment as Director (Projects) of the Company for a further period of two years from 17th September, 1999.

The main terms of re-appointment of Shri. Jortin Antony, Director (Projects) are as stated in the resolutions.

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

Shri. Jortin Antony will hold office as Director (Projects) for a period of two years with effect from 17th September, 1999.

In the absence of or inadequacy of profits of the Company in any year, Shri. Jortin Antony, Director (Projects) 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. Jortin Antony, Director (Projects) who is interested in his re-appointment and the remuneration payable to him and Shri. V.C. Antony (being related to Shri. Jortin Antony) no other Director is concerned or interested in the said-reappointment or payment of remuneration.

The Resolution set out in item No. 8 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 9.00 a.m. and 11.00 a.m. on any working day of the Company.

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

Item No. 9

Under Section 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. 150 crores to match the target of achieving a turn over of Rs. 500 crores by 2004.

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

Item No. 10

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 placement basis or otherwise, within the enhanced aggregate borrowing limits of Rs. 150 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/charge 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 maybe regarded as disposal of the companies undertaking, 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 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
13th August, 1999

M.S. NAMBIAR
Company Secretary

DIRECTORS' REPORT**To the Members**

Your Directors have pleasure in presenting their 23rd Annual Report and the Audited Statement of Accounts for the year ended 31st March 1999.

INCOME

During the year under review, the Company sustained the process of securing steady increase in its Annual Income. It had an income of Rs. 1228.79 million in the year under review, as compared to Rs. 934.56 million in 1997-98, and Rs. 572.84 million in the year 1996-97, thus achieving a record of doubling the income in a period of three years. As in the past, the income during the year under review has been derived primarily from the execution of Engineering Contracts within the country.

After making necessary provisions, the pre-tax profit in the year under review rose to Rs. 75.54 million from Rs. 22.75 million in the year 1997-98 and from Rs. 10.37 million in the year 1996-97. This represented an increase of 232% in the year 1998-99 over that of the previous year. Correspondingly, the after tax profit during the year under review was Rs. 34.7 million as compared to Rs. 11.73 million in the previous year, registering an increase of 196%. A major contributory factor for the large increase in the Company's annual income and its pre-tax profit and after tax profit in the year 1998-99 was the accelerated progress achieved in the turnover of the Doyang Project and the higher productivity achieved in utilisation of Manpower and Machinery generally in most of the projects.

We are happy to inform you that since the commencement of the year under review, your company received Rs. 4.87 million (including Rs. 1.57 million during May '99) from M/s. Indian Railway Construction Co. Ltd., (IRCON), being the interest due on ECGC Bonds in respect of the year 1994-95. Further, for the Cement Factory Branch Line Project in Iraq which the Company had executed as a subcontractor, it received Rs. 23.50 million in the form of RBI Bonds and Rs. 8.80 million in cash totaling to Rs. 32.30 million.

In regard to certain other works undertaken by the company under a contract entered into directly with the Government of Iraq and where some of the bills for work already done had been approved by that Government, but not paid for, and the total works could not be completed, because of the outbreak of war, the Company had submitted its claim to the United Nations in respect of the amounts due for bills approved and for losses it had suffered. As stated in the last year's report, the aggregate amount which the Company claimed has been US \$ 10.48 million. The Company has been advised by OCCI that it

could revise its claim in view of the interest due on the amount claimed earlier and accordingly the Company has re-submitted its claim to the Ministry of Commerce, Government of India for transmission to United Nations.

The RBI Bonds valued at Rs. 13 million, which were used as security for obtaining special working capital loan of Rs. 10 million from State Bank of India in the year 1997-98, (and which were referred to in the last year's Directors' Report), was received back on repayment of that loan; but the same has had to be utilised again as security for securing a loan of Rs. 9.7 million from Syndicate Bank in the year under review. This loan is expected to be repaid by October, 1999 when the aforesaid RBI Bonds are expected to be released.

RESERVES

- a) As the quantum of gratuity entitlement of the Company's employees increases with the lapse of each additional year, the corresponding provision of Rs. 3.615 million which the Company had made last year on the basis of actuarial valuation was raised to Rs. 4.535 million to meet the liability of the year under review.
- b) Provision has also been made for the proposed dividend for the year under review and for the tax thereon payable by the Company.
- c) After making these provisions, the Reserves and Surpluses of the Company as on 31-03-1999 stood at Rs. 261.89 million as compared to Rs. 235.78 million at the close of the previous year.

DIVIDEND

In order to continue to maintain a steady increase in the annual turnover and corresponding profits, the Company needs a steady increase in funds for securing and executing new contracts each year, in a situation of increasing competition and of operation costs and for securing and maintaining technologically advanced equipments of various kinds. In the prevailing conditions of the Capital Market, which has affected all companies in the construction sector, your Company does not consider it wise to come out at present with a fresh issue of its shares for augmenting its capital. In these circumstances, your Company has to conserve its resources. Against this background, your Directors recommend continuance of a dividend of 10% for the year 1998-99 as in the past, payable to those shareholders whose names appear on the Register of Members of the Company as on 17th Sept. 1999. The resulting retention of the profit within the Company was Rs. 41.35 million as at the close of the year under review, out of which Rs. 13.49 million has been transferred to Foreign Project Reserve, and the balance of Rs. 27.86 million to General Reserve.

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TAX LIABILITY

Provision for income tax liability is Rs. 25.5 million for the year under review and Rs. 10.8 million for the previous year. The provision for Income tax liability for the year under review does not include the additional tax liability which might arise in respect of the year 1996-97 relating to disallowance of Company's claim under Section 80 HHB and revaluation loss of RB/ECGC Bonds, and the matter is pending in appeal. This matter has been explained in the Company's Note No. 22 to the Accounts. The income tax liability that might have arisen for the years 1984-85 to 1987-88 amounting to Rs. 21.50 million plus interest thereon for about 14 years, arising out of the decision of the Supreme Court that Construction Companies are not eligible for investment allowance, was settled by the company during the year under review, by remitting Rs. 14.8 million as Income tax by availing the Kar Vivad Samadhan Scheme.

COMMENTS OF THE AUDITORS

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

PROJECTS COMPLETED

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

	(Rs. in million)	
	Contract value	Value completed
1. Narmada Main Canal Project (Gujarat)	934	64.29
2. Kakatiya Canal Project (Andhra)	260	20.54
3. Birsinghpur TG 3 & 4 (Madhya Pradesh)	55	4.07
4. LPG Recovery Project (Assam)	59	17.07
5. Ranni Bridge Project (Kerala)	39	23.84
6. Infrastructure Facilities at Ranjangaon (Maharashtra)	335	114.71
	<u>1682</u>	<u>244.52</u>

WORKS ON HAND AT THE CLOSE OF THE YEAR

The works remaining to be executed as on 01-04-1999 were of the aggregate value of Rs. 1770 million comprising the following items:

Sl. No.	Name of the project	(Rs. in million)	
		Order Book	Value remaining to be done
1.	Vadakku Pachayar Reservoir Project, Tamil Nadu	305	305.00
2.	Ash Pond for TNEB (Tamil Nadu)	98	58.20
3.	Construction of 2nd line of Feroke Bridge, Kerala	22	12.15
4.	Varapuzha Bridge, Kerala	308	126.54
5.	Doyang Rockfill Dam, Nagaland	1590	868.30
6.	Bridge Across River Tawi	107	65.28
7.	Harangi Hydro-electric Project, Karnataka	69	10.29
8.	Site Grading for NALCO, Angul, Orissa	44	38.44
9.	Bassein Creek Bridge Project, Maharashtra	292	286.35
	Total	<u>2835</u>	<u>1770.55</u>

NEW PROJECTS AWARDED

Following are the new projects awarded to the Company during the year under review:

	(Rs. in million)
1. Site grading and roads (Phase 1) for Smelter Expansion Project Part-NALCO, Angul in Orissa	- 44.21
2. Formation of head works, earth dam, uncontrolled Weir, surplus course and canal sluice for Vadakku Pachayar Reservoir Project in Tamil Nadu	- 304.75
3. Second Lane for Feroke Bridge No. 943 in Kerala	- 22.00
Total	<u>370.96</u>

The following new projects have been awarded to the Company after 31-03-1999:

	(Rs. in million)
1. Six laning of Hyderabad-Bangalore section of NH-7 (near Devanahalli) in Karnataka	- 183.79
2. Widening and strengthening of existing 2 lane Karur Bye-pass on NH-7 in Tamil Nadu to 4 lane including one additional 2 lane bridge over river Amaravathi	- 349.57
3. Widening and geometric improvement of single lane section to two lane from Haripad to Krishnapuram-NH-47	- 153.85
Total	<u>687.21</u>

MARKETING

Your Company is happy that it has succeeded in continuing to retain the trust and confidence of many important departments of Government, at the Centre and in the States, for whom it had completed many projects over the last 30 years and to which a reference was made in the last year's report. All the contracts executed by the Company during the year under review, were awarded by important departments of Government and covered a wide variety of infra-structure projects. The Company has continued to upgrade its organisational competence, raise its technological capabilities and skills of its employees, in order to complete the projects entrusted to it maintaining highest quality standards and within prescribed time frame.

The period ahead is one in which there should be substantial increase in the development of infra-structural facilities of all kinds which are desperately needed for the development of our national economy. Your Company has made an effort to avail of the coming opportunities in diversified fields and to meet the technological challenges in these new fields, by making an entry into new fields in addition to the many technological areas in which it has so far made its contribution. The new field where the Company entered successfully is the construction of National Highways.

In order to take on large projects in the new as well as its traditional fields, the Company has accepted and implemented possibilities of forming Joint Ventures for raising technological and financial competence, in the light of changing demands.

DEVELOPMENT & DIVERSIFICATION

As part of diversification, the Company succeeded in securing three Road contracts referred to earlier valued at Rs. 687.21 million. The Company also continue to take interest in Bids of BOT Projects of manageable magnitude.

FIXED ASSETS

The Company continued to modernise its fleet of construction machinery by the disposal of all un-economic items, and by the acquisition of technologically modern new items as required for executing its contracts. The Company purchased new equipments worth Rs. 69.91 million and realised Rs. 7.20 million on the disposal of old items of equipment originally valued at Rs. 26.91 million. The resulting value of construction machinery which the Company had on hand as at the end of the year under review was Rs. 392.68 million.

COMPUTERISATION

Through out the year under review, the Company vigorously pursued its scheme for introducing Computer Systems at all project sites and a

new Management Information System was also under implementation. E-mail facilities were installed at all project sites to provide on-line interaction between them and Head Office and Internet facilities were provided at Corporate Office.

In addition to training of existing staff, the Company also arranged training of all new recruits in "M.S. Project", Costing and MIS package in order to achieve effective utilisation of the existing system for total project management.

Y2K COMPLIANCE:

Your Company's Information Technology and Non-Information Technology systems and processes at all its locations in respect of both hardware and software have been evaluated in depth for Y2K compliance and effective measures have already been taken for modification, up-gradation or replacement as necessary and presently all systems are Y2K compliant.

ISO 9002

During the year under review, the Company made substantial progress for obtaining ISO 9002 Certification. This work is continuing. Training courses and seminars for educating the employees for fulfilling the requirement of ISO 9002 Certification have been completed and Technical Audit is in progress. The Company expects to obtain Certification by December, 1999.

PERSONNEL:**HUMAN RESOURCES DEVELOPMENT****a) Revision of Compensation Package**

In order to attract and retain the best available talent and also to bring our Compensation Package in line with those prevalent in the Industry, the Company revised its Compensation System. These benefits given to all categories of employees involves an additional financial requirement of Rs. 15.00 million per annum.

b) Performance Appraisal System

A review of the existing performance appraisal system was completed with the help of experts during the year under review and the system has been replaced by a new Appraisal System with effect from 1st April, 1999, wherein Key Result Areas (KRA) of individual employees are identified and targets are fixed at the beginning of the assessment year itself. Performance in KRAs are evaluated on a half yearly basis and the annual performance of the employee is taken into consideration for determining the annual reward.

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c) Productivity Linked Reward System

Effective 1999-2000, the Company introduced an annual productivity Linked Reward System, replacing the practice of awarding additional increments based on the individual performance during the year. The distributable amount is related to the turnover of the Company in the concerned financial year. This system is generally welcomed by the employees.

INDUSTRIAL RELATIONS

During the year under review, industrial relations continued to remain cordial, at all the project sites, controlling field offices and the corporate office of the Company. The Company is deeply appreciative of the contribution of its employees at all levels, for this happy situation.

In compliance with Section 217 (2A) 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. 6 lacs p.a. or more, if employed for the whole year, or Rs. 50,000/- p.m. or more, if employed for part of the year.

FIXED DEPOSIT

There were no overdue fixed deposits as at 31-03-1999. With effect from 1st April, 1999 your Company, has started mobilising Deposits from Public and Shareholders for which purpose a full fledged department has been set up and is offering attractive interest rates of 14%, 14.5% and 15% for 1/2/3 years deposits respectively.

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.

DIRECTORS

The Directors, Sarvashree, Sunny C. Madathil, K.T. Chandy and K.C. Joseph retire by rotation at this Annual General Meeting and all of them being eligible, offer themselves for re-appointment.

AUDITORS

M/s. P.C. Varghese & Company, Chartered Accountants, retire at the ensuing Annual General Meeting. Being eligible for re-appointment, the Board recommends them to be re-appointed.

SUBSIDIARY COMPANIES

As required under Section 212 of the Companies Act 1956, the audited accounts together with Directors' Report and Auditors' Report for the year ended 31st March, 1999 in respect of the subsidiaries namely, Bhagheeratha Energy Controls Ltd. and Bhagheeratha Electricals & Structurals Ltd., are annexed.

Your Directors are happy to report that Bhagheeratha Electricals & Structurals Ltd., continued its improved performance and recorded an income of Rs. 124.34 million in the year under review, which was 32% more than the income of Rs. 93.93 million in the previous year. At the close of the year under review, the order book of this Subsidiary Company stood at Rs. 149.14 million and it has declared, for the third time in succession, a dividend of 10%.

BANKERS

A Consortium of Bankers, consisting of the State Bank of India, State Bank of Travancore, Indian Bank, Syndicate Bank, Dena Bank and Union Bank of India continued to provide their valuable support for meeting the increasing credit requirements of your company. Your Directors are thankful to them for the trust they have reposed in your Company and also to Union Bank of India for their decision to join the Consortium of Bankers.

ACKNOWLEDGEMENT

Your Directors are also happy to place on record their gratitude for the valuable support received from the Government, at the Centre and in the States especially from North Eastern Electric Power Corporation Ltd. for the work done in Nagaland. Your Directors also gratefully acknowledge the continued support and co-operation from ICICI and other Financial Institutions and Stock Exchanges.

Your Directors also thank all its shareholders, clients, sub-contractors and their staff and consultants for the valuable co-operation rendered to the Company, which has enabled it to achieve the progress recorded herein.

Your Directors are also happy to place on record their deep appreciation of, and gratitude for, the team spirit of, and dedicated service rendered by the employees at all levels.

On behalf of the Board of Directors

Place: Kochi
Date: 13th August, 1999

V. C. ANTONY
Chairman