



BHAGHEERATHA ENGINEERING LIMITED

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24th ANNUAL REPORT 1999 – 2000

BHAGHEERATHA ENGINEERING LTD.**BOARD OF DIRECTORS**

Mr. V. C. ANTONY Chairman
 Mr. K. T. CHANDY
 Mr. K. C. JOSEPH
 Mr. JAMES JOSEPH
 Mr. T. T. JOSEPH
 Prof. J. PHILIP

Mr. JORTIN ANTONY
 Mr. R. C. BARUA
 Mr. TOMY C. MADATHIL Managing Director
 Mr. M. K. C. PILLAI Director (Technical)
 Mr. SUNNY C. MADATHIL Director (Projects)
 Mr. A.L. THOMAS
 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
 SYNDICATE 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
 P.O. Box : 4282
 E-mail : belkochi@satyam.net.in
 Website : www.bhagheerathaindia.com

SHARE TRANSFER AGENTS

Olive Capital & Services Pvt. Ltd.
 14/1617, Rock Hill, Banerji Road
 Kacheripadi
 Cochin - 682 018

CONTENTS

	Page No.
Notice	2
Directors' Report	5
Auditors' Report	9
Balance Sheet	10
Profit & Loss Account	11
Schedules to Balance Sheet	12
Schedules to Profit & Loss Account	15
Notes on Accounts	17
Cash Flow Statement	19
Statement Pursuant to Sec. 212	20
Accounts of Subsidiaries	22

BHAGHEERATHA ENGINEERING LTD.

NOTICE

NOTICE is hereby given that the 24th Annual General Meeting of BHAGHEERATHA ENGINEERING LIMITED will be held in "Versilles" Hall of Hotel Renaissance, Palarivattom, Ernakulam on Friday, the 22nd September, 2000 at 3 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Audited Balance Sheet as at 31st March 2000, 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 Shri. V.C. Antony, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri. T.T. Joseph, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri. A.L. Thomas, 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. Remuneration to Directors other than Whole-time Directors**

To consider and if thought fit, to pass with or without modification as a special Resolution:

"RESOLVED THAT pursuant to Article XIX of the Articles of Association of the Company and Section 309 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval as may be necessary, consent of the Company be and is hereby accorded for payment of commission at a rate not exceeding 1% of the net profits of the Company, computed in the manner prescribed under Section 198 and other applicable provisions, if any, of the Companies Act, 1956 or Rs. 5.00 lakhs, which ever is lower, for each of the five accounting years commencing from 1st April, 2000 to all the Directors who are neither Managing Director nor in whole-time employment of the Company".

"RESOLVED FURTHER THAT the aggregate of the amounts payable by way of commission per year be distributed amongst the aforesaid Directors in such manner and in such proportion as the Board of Directors may, from time to time determine, provided, however, that in the absence of such determination, the amount payable as and by way of commission, shall be divided in equal shares".

"AND RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take all such steps, deeds, matters and things as may be considered necessary to give effect to this resolution".

8. Appointment of Director (Projects)

To consider and if thought fit, to pass the following resolution with or without modification 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 provisions, if any, to the appointment of and to the payment of remuneration, benefit and amenities to Shri. Sunny C. Madathil as Director (Projects) of the Company for the tenure from 19th August 2000 till the Annual General Meeting to be held in 2002 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. Sunny C. Madathil".

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

(By Order of the Board of Directors)

Kochi
28th July, 2000

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 from 15th September 2000 to 22nd September 2000 (both days inclusive) in connection with the Annual General Meeting.
5. The dividend for the year ended 31st March, 2000 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 22nd September, 2000.
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.

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

Item No. 7

The Members of the Company in the General Meeting held on 26th August, 1995 approved payment of commission to the Directors other than whole-time Directors from the financial year commencing 1st April, 1995, in accordance with the provisions of Section 309 of the Companies Act, 1956 and subject to a maximum of Rs. 5.00 lakhs to all the Non-executive Directors. The said Resolution is valid for a period of five years and have expired at the end of the last financial year.

The Business operations of the Company have since grown and have also become more complex. The Directors other than whole-time Directors have been called upon steadily to give more time, inputs and guidance to the Company in the course of discharge of their responsibilities. It is felt that the maximum limit of Rs. 5.00 lakhs for commission to all such Directors in each of the financial year covered by the said earlier resolution dated 26th August, 1995 be maintained and is commensurate with the services rendered by such Directors.

It is, therefore, recommended that commission be paid to the Directors other than whole-time Directors for a period of five years commencing from the financial year 1st April, 2000 subject to the ceiling of one percent of the net profits of the Company as laid down in Section 309 of the Companies Act, 1956 and subject further to a limit of Rs. 5.00 lakhs which ever is lower, in any financial year.

The Board recommends the Resolution. All the Directors other than whole-time Directors may be deemed to be concerned or interested in the said resolution.

Item No. 8

The Board of Directors at their Meeting held on 28th July, 2000 have recommended the appointment of Shri. Sunny C. Madathil, as Director (Projects) for the tenure from 19th August 2000 till the Annual General Meeting to be held in 2002.

Shri. Sunny C. Madathil, 35 years of age and is a B.Tech. (Civil) First Rank holder & Gold Medalist of Kerala University and is presently completing a Post Graduate Diploma in Management from Xavier Institute of Management, Bhubaneswar. He has considerable exposure to construction industry. He has been associated with this

BHAGHEERATHA ENGINEERING LTD.

Company as an Ordinary Director with effect from 27th July, 1996. Considering his wide experience in the management of projects and the valuable contribution he made during the last four years as an Ordinary Director, the Board of Directors of the Company has recommended his appointment as Director (Projects) of the Company.

The main terms of appointment of Shri. Sunny C. Madathil, Director (Projects) are as stated in the resolutions.

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

Shri. Sunny C. Madathil will hold office as Director (Projects) for the tenure from 19th August 2000 till the Annual General Meeting to be held in 2002.

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

(By Order of the Board of Directors)

M.S. NAMBIAR
Company Secretary

Kochi
28th July, 2000

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting their 24th Annual Report and the Audited Statement of Accounts for the year ended 31st March 2000.

INCOME

The "contract income", representing work completed as per contracts in hand and forming part of the total income was Rs. 1257 million, which was higher than the corresponding sum of Rs. 1161 million in the previous year. It is also to be noted that this higher production was achieved with lesser "work expenses" and lesser "finance charges" than in the previous year, the corresponding figures being Rs. 824.8 million as work expenses and Rs. 33.3 million as finance charges, in the year under review as compared to Rs. 928.5 million and Rs. 52.99 million respectively in the previous year. Consequently, the profit "before-tax" during the year under review was higher than that in the previous year, it being Rs. 174.55 million in the year under review as compared to Rs. 75.54 million in the previous year. The profit "after-tax" during the year under review was Rs. 91.4 million as against Rs. 49.9 million in the previous year.

RBI Bonds with face value of Rs. 13 million, which were given last year as security for obtaining a loan of Rs. 9.7 million from Syndicate Bank and to which reference had been made in last year's report, have been received back on repayment of the loan. However, at the request of the State Bank of India, your Company has given the above bonds as security for the additional working capital facilities presently sanctioned to the company by the consortium of our bankers.

TAX LIABILITY

Provision for income tax liability in respect of the income during the year under review is Rs. 64.5 million, as compared to Rs. 25.5 million in the previous year including an additional provision of Rs. 18.64 million made for previous year's tax liability.

RESERVES

- a) In order to meet the additional quantum of "gratuity entitlements" of employees in service, an additional provision of Rs. 0.324 million was made during the year based on actuarial valuation, raising the cumulative provision upto the end of the year to Rs. 4.86 million.
- b) Provision has also been made for the proposed dividend for the year under review and, for the tax payable thereon by the Company.

- c) After making these provisions and the proposed transfer of the balance to general reserve, the Reserves & Surplus of the Company, as at 31st March 2000, stands at Rs. 343.77 million compared to Rs. 261.9 million at the close of the previous year.

DIVIDEND

The commitment made in the current year's National Budget, for the development of roads, power and other urgently required infrastructural facilities has been substantially higher than in the past. This has opened up the possibilities for a material increase in the performance of the agencies operating in the construction sector. Further, there could also be some private sector outlays in certain sectors of the economy. Though, there has been delay in getting the full impact of the planned higher allotment of resources by the Government, we like all other companies in the construction field, have to conserve our resources in order to be able to compete and implement higher levels of assignments than in the past. Prevailing depressed condition of the capital market makes this approach even more imperative. In the aforesaid circumstances, your Directors recommended that the company continues to maintain dividend at the level of 10% per annum, as in the past.

FIXED ASSETS

The Company, in continuation of its policy for modernisation of its fleet of construction machinery, purchased during the year under review, new equipments at a cost of Rs. 26.40 million, while at the same time, disposing off old and uneconomic item of equipments, having an original purchase value of Rs. 25.44 million for Rs. 6.41 million. The resultant value of the fleet of machinery at the end of the year stood in the books at a purchase value of Rs. 346.76 million. In the light of the substantial increase of resources allotted for the development of the roads in the current year's National Budget, the Company has already made provision for the acquisition of additional suitable modern equipments of the value of Rs. 85.90 million.

COMPUTERISATION

A localized network of suitable computers has been established for each ongoing project, and in each area office and the Head Office and these are interconnected through e-mail facilities available in each locations. We are concentrating on finding and using readily available software packages, which suite our basic requirements like, "inventory control", "machinery utilization", and "personnel functions", as independent modules, or develop those packages in-house. The company continues the training of all existing staff for their effective

BHAGHEERATHA ENGINEERING LTD.

use of computer related systems and with all the technical advances taking place from time to time.

ISO 9002

The effort of the Company, for fulfilling all the conditions required for securing ISO 9002 certification, has been successful and the company has received the certification with effect from 25th February 2000. Necessary training programmes and seminars for educating the employees to maintain the standards require for this certification are continuing.

PERSONNEL**a) Industrial Relations**

Industrial Relations continued to remain cordial during the year under review throughout the project sites, field offices and corporate office. The Company wishes to place on record its appreciation of the contributions made by all employees in ensuring the high levels of performance achieved during the year under review.

b) Human Resources Development

With various technical and other changes affecting the construction industry, it became imperative for the company to be proactive in Human Resources Management. Several in-house and external training programmes were organised during the year under review. Under Performance Management System, Key Result Areas have been fixed for the Supervisors and above, and Mid year & year End reviews were conducted for evaluating the individual performance. It is proposed to extend a modified system to workmen category also soon. The objective is to ensure that rewards are linked to productivity.

c) Safety & Welfare

All employees of the Company are now covered under a Group Medi-claim Policy. Managerial care are covered under a Superannuation Scheme through L.I.C. of India. The Company has installed improved measures for ensuring safety which are being strictly implemented at all the work sites, and this has resulted in less number of man days lost due to accidents.

In compliance with the Section 217 (2A) of the Company's 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 lakhs

per annum or more if employed for the whole year, or Rs. 50,000/- per month or more, if employed for part of the year.

PROJECTS COMPLETED**DURING THE FINANCIAL YEAR 1999-2000**

	(Rs. in million)	
	Contract value	Value completed
1. Ash Pond for TNEB (Tamil Nadu)	86	65.72
2. Harangi Hydro Electric Project	88	9.20
3. Feroke Rail Bridge Project	49	12.90
	<u>223</u>	<u>87.82</u>

WORKS ON HAND AS ON 1st APRIL, 2000

		(Rs. in million)	
Sl. No.	Name of the project	Order Book	Value remaining to be done
1.	Rock Fill Dam – Doyang	1,437	21
2.	Varapuzha Bridge	314	38
3.	Bassein Creek Bridge	317	208
4.	Vadakkupachayar Reservoir Project	305	232
5.	Karur Bypass	350	347
6.	Bangalore Road Project	184	182
7.	High Level Bridge – Tawi	119	60
8.	Site Grading – NALCO	29	8
9.	Kayamkulam Road Project	154	144
	Total	<u>3,209</u>	<u>1,240</u>

NEW PROJECTS AWARDED**TO THE COMPANY AFTER 31.03.2000**

	(Rs. in million)
1. Excavation & Removal (OB/Waste Rock/ Secondary Ore etc.) of Thamarkotra Rock Phosphate Mines – Rajasthan)	126.45
2. Construction of Thattekkad Bridge across river Periyar in Kothamangalam – Perumbankuthu Road	60.11
Total	<u>186.56</u>

MARKETING

During the previous year, your company had several contracts for execution. The current environment, however, has changed remarkably. Severe competition, resulting in negligible margins has made the scenario depressing. In order to achieve the increase in turnover and profits, we have introduced new management concepts and organised effective implementation of corporate strategies. This will bring about the turn-around in orders for the Company. We have identified total cost management as our strategic thrust and have geared up ourselves to face the highly competitive market scenario and rapidly advancing technology.

The prospects for civil construction projects is to the tune of Rs. 30,000 crores in the infrastructure development sector alone during the next one year. Massive development plans valued over Rs. 110,000 crores have been drawn up by the Government for development of the Road and Highways sector, not to mention the plans for an investment of Rs. 15,000 crores for the development of Ports and Harbours during the next five years. The Power Sector and other infrastructure development areas are also slated for development and massive investments. Consequently, the marketing plan of your Company now hinges on a judicious mix of the conventional Government funded and the new multi-lateral aided projects. The potential appears reasonably attractive but demands new responses and your Company has formulated necessary strategies for facing the challenges.

FIXED DEPOSITS

There were no overdue fixed deposits as at 31-03-2000. Under the scheme initiated last year for mobilising deposits from public and share holders, the Company had collected Rs. 4.2 million as at the end of the year under review. Further effort is being made to extend the scope of this scheme to wider sections of the public in the different states where the company have had operations, as also among NRIs.

DIRECTORS

Mr. A.L. Thomas, who retired as General Manager of the Company, after 18 years of meritorious service, was co-opted by the Board as an Ordinary Director on 29-10-1999, and will retire at the ensuing Annual General Meeting and he would be eligible for re-election.

Among the Full Time Directors, Mr. M.K.C. Pillai, Director (Technical) whose present term of appointment expires at the ensuing Annual General Meeting has decided to retire from the Company. The Board places on record their deep appreciation of the valuable services

rendered by him over a period of 12 years, in securing and successfully executing projects in several sectors and in different parts of the country.

Mr. R.C. Barua, Director (Finance) has resigned from the Company with effect from 1st June 2000. He worked with the Company over a period of 6 years and the Board places on record their deep appreciation of the valuable services rendered by him for the Company. However, he has agreed to continue to be on the Board as an Ordinary Director till the ensuing Annual General Meeting.

Shri. Jortin Antony, Director (Projects) has tendered his resignation as whole-time Director and he shall be relinquishing his office effective from 15th August, 2000. He was associated with the Company as whole-time Director since 19th September, 1997 and as Ordinary Director since 27th July 1996. The Board places on record their deep appreciation of the valuable services rendered by him during his tenure as Director (Projects). However, he has agreed to be on the Board as an Ordinary Director.

The Board of Directors have recommended the appointment of Shri. Sunny C. Madathil as Director (Projects) from 19th August, 2000 on the terms and conditions stated under Item No. 8 of the Notice convening the said meeting.

Among our Directors, Mr. V.C. Antony, Mr. T.T. Joseph and Mr. A.L. Thomas will retire by rotation at the ensuing Annual General Meeting.

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.

AUDITORS

M/s. P.C. Varghese & Company, Chartered Accountants, retire at the ensuing Annual General Meeting. Being eligible for re-appointment, the Board recommend 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, 2000 in respect of the subsidiaries namely; Bhagheeratha Energy Control Limited and Bhagheeratha Electricals & Structural Limited are annexed.

BHAGHEERATHA ENGINEERING LTD.

Your Directors are happy to report that Bhagheeratha Electricals & Structurals Limited continued its improved performance and recorded an income of Rs. 130.20 million in the year under review, which was 16% more than the income of Rs. 112.61 million in the previous year. At the close of the year under review, the order book of this Subsidiary Company stood at Rs. 122.67 million and it has declared, for the fourth time in succession, a dividend of 10%.

BANKERS

A Consortium of Bankers, consisting of the State Bank of India, 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.

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.

Yours 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: 28th July, 2000

V. C. ANTONY
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 2000 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.
7. The Company has not taken unsecured loans from persons listed in the register maintained under section 301 of the Companies Act, 1956.
8. The Company has granted loans to the extent of Rs. 48.92 lacs (48.87) to one of the companies in which Directors are interested, as listed in the register maintained under section 301, which is also a subsidiary company and the loan of Rs. 48.92 lacs is fully secured and no interest is being charged.
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 thereunder 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 regular in depositing Provident Fund Contributions and as on 31.03.2000 there are no arrears in respect of the Provident Fund Contribution.

18. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax were outstanding as on 31st March, 2000 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, 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 the Profit & Loss Accounts and Balance Sheet comply with the accounting standards referred to under sub-section (3 C) of Sec. 211.
5. In our opinion and to the best of our information and explanations given to us the said accounts 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 at 31st March, 2000.
 - (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
30-05-2000

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