



BHAGHEERATHA ENGINEERING LIMITED

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25th

ANNUAL REPORT 2000 – 2001

CORRIGENDUM

To the Notice dated 3rd August, 2001 convening the 25th Annual General Meeting of Bhagheeratha Engineering Limited on Thursday, the 20th September, 2001 at 3.00 p.m. "Versailles" Hall of Hotel Renaissance, Palarivattom, Ernakulam

10. Increase in Borrowing Limits

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

"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 Company's 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.250 Crores (Rupees Two 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."

11. Creation of Mortgages/Charges

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

"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.250 Crores (Rupees Two 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."

12. Change in Articles of Association by virtue of the Amendment in the Companies Act, 1956 and Introduction of Depositories Act, 1996.

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

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), and the provisions of other statutes as applicable, the Articles of Association of the Company be and are hereby altered in the manner and to the extent set out below:

a) Insert the following heading and Article as IV-B after Article No.IV-A :

Beneficial Owner (i)	"Beneficial owner" means the Beneficial Owner as defined in Clause (a) of Sub- Section (1) of Section 2 of the Depositories Act, 1996.
Depositories Act (ii)	"Depositories Act, 1996" shall include any statutory Modifications or re-enactment thereof.
Depository (iii)	"Depository" shall mean a Depository as defined Under Clause (e) of Sub-Section (1) of Section 2 of the Depositories Act, 1996.
Member (iv)	"Member means the duly registered holder from time to time of the Shares of the Company and includes the subscribers to the Memorandum of the Company and the beneficial owner as defined above.

- b) The following Article IV-C be inserted after Article IV-B :

"Beneficial Owner to be absolute owner"

"Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the beneficial owner of shares in the records of the Depository, as the absolute owner thereof and accordingly shall not (except as ordered by a Court of competent jurisdiction or as by law required) be bound to recognise any benami trust or equity or equitable, contingent or other, claim or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof.

- c) The following Article IX-A be inserted after Article IX :

Transfer of Securities in de-materialised form

IX-A. "Notwithstanding anything contained herein, in the case of transfer of shares whether Preference and/or Equity or other securities, where the Company has not issued any certificates and where such shares or securities are being held in an electronic and fungible form, the provisions of the Depositories Act, 1996, shall apply".

- d) The following Article XII-C be inserted after Article XII-B:

Dematerialised Shares

XII-C. "Notwithstanding anything contained in the Article of Association, the Company shall be entitled to dematerialise its shares including Preference Shares, debentures and other securities pursuant to the Depositories Act, 1996, and to offer its shares, debentures and other securities for issue in dematerialised form. The Company shall further be entitled to maintain a Register of Members with the details of Members holding shares both in material and dematerialised form in any media as permitted by law including any form of electronic media.

By Order of the Board of Directors

Kochi
3rd August, 2001

M.S. Nambiar
Company Secretary

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

Item No. 10

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 i.e. 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.250 Crores.

None of the Directors is interested or concerned in the resolution

Item No. 11

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.250 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 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 mortgage/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.

Item No. 12

With the introduction of the Depositories Act, 1956 and the Depository System, some of the provisions of the Act relating to the issue, holding, transfer, transmission of shares and other securities have been amended to facilitate the implementation of the new system. The Depository system of holding securities in an electronic form is a far safer and more convenient method for holding and trading in the securities of a company. It is therefore, proposed that the company's Articles of Association be suitably altered, as set out in the resolution at Item No.12 to reflect the provisions introduced by the Depositories Act, 1996 for enabling the Company to join the Depository system at a future date and to spell out the rights of the beneficial owners of the securities in such a system. The Directors recommended the resolution for acceptance by the members.

None of your Directors are interested in the resolution.

By Order of the Board of Directors

Kochi
3rd August, 2001

M.S. Nambiar
Company Secretary

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. TOMY C. MADATHIL Managing Director
 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
 Fax : 312046
 P.O. Box : 4282
 E-mail : belkochi@satyammail.com
 Website : www.bhagheeratha.com

SHARE TRANSFER AGENTS

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

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BHAGHEERATHA ENGINEERING LTD.

NOTICE

NOTICE is hereby given that the 25th Annual General Meeting of BHAGHEERATHA ENGINEERING LIMITED will be held in "Versilles" Hall of Hotel Renaissance, Palarivattom, Ernakulam on Thursday, the 20th September, 2001 at 3 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Audited Balance Sheet as at 31st March 2001, 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 Prof. J. Philip, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri. James Joseph, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri. Jortin Antony, 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 the following resolution with or without modification as an Ordinary Resolution:

"RESOLVED THAT the Company hereby accord 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 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, 2001 upon the terms and conditions and stipulations and on the remuneration and perquisites as set out herein below:

- a) Salary - Rs. 35,000/- per month
- b) Perquisites, Retirement Benefits, Leave will be in accordance with the Serve 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 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. 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. Alteration of Articles of Association

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

"RESOLVED THAT the Articles of Association of the Company be altered by substituting for the words "maximum number of Directors shall be twelve" by the words "maximum number of Directors shall be fifteen" appearing the Articles XIV".

9. Increase in the number of Directors

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

"RESOLVED THAT pursuant to Section 258 and 259 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, the number of Directors of the Company for the time being in office be increased from twelve to fifteen.

(By Order of the Board of Directors)

Kochi

3rd August, 2001

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 14th September 2001 to 20th September 2001 (both days inclusive) in connection with the Annual General Meeting.

BHAGHEERATHA ENGINEERING LTD.

5. The dividend for the year ended 31st March, 2001 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 20th September, 2001.
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. Those members who have so far not encashed their dividend warrant for the below mentioned financial years may claim or approach the Company for the payment as the same will be transferred to the "Investor Education and Protection Fund" of the Central Government pursuant to the introduction of Section 205-C by the Companies (Amendment) Act, 1999 on the dates mentioned hereafter, 1995-96 - September 5, 2003; 1996-97 - October 28, 2004; 1997-98 - November 2, 2005; 1998-99 - October 25, 2006; and 1999-2000 - October 21, 2007.

**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 17th September, 1999 had approved the reappointment of Shri. Tomy C. Madathil, as Managing Director for a period of two years. Subsequently, the Board of Directors at its meeting held on 3rd August, 2001 has recommended to the shareholders to reappoint Shri. Tomy C. Madathil as Managing Director for a further period of two years from 17th September, 2001.

Shri. Tomy C. Madathil, is 43 years of age, and holds a Degree in Civil Engineering and a Post Graduate Degree in Construction Management. He has had 18 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 four 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, 2001.

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 further period of two years with effect from 17th September, 2001.

In the absence of or inadequacy of profits of the Company in any year, Shri. Tomy C. Madathil, Managing 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, Director (Projects) being related to [Shri. Tomy C. Madathil] no other Director is concerned or interested in the said re-appointment or payment of remuneration.

The resolutions 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.

Item No. 8

As per the existing Article the maximum number of Directors shall be twelve which is now proposed to be increased to fifteen.

No Director is interested in this resolution.

The copy of the Company's Articles of Association together with the proposed amendment is available at the Registered Office of the Company for inspection at any time during business hours.

Item No. 9

The number of Directors of the Company for the time being in office is twelve. With the substantial expansion and growth of the Company over the years, it has been felt necessary to broad base and strengthen the Board by inducting more number of Directors with knowledge and experience, both in business and professional management and to ensure higher degree of corporate governance. It is therefore considered necessary to pass a resolution under Section 258 of the Companies Act, 1956 for increasing the number of Directors in office for the time being from twelve to fifteen. The approval of the Central Government is also required under the provisions of Section 259 of the Companies Act, 1956 since the increase in the number of Directors is beyond twelve. No Director is interested or concerned in this resolution.

(By Order of the Board of Directors)

M.S. NAMBIAR
Company Secretary

Kochi
3rd August, 2001

BHAGHEERATHA ENGINEERING LTD.

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting their 25th Annual Report and the Audited Statement of Accounts of the Company for the year ended 31st March 2001.

INCOME

The "contract income", representing work completed as per contracts in hand and forming part of the total income was Rs. 728.64 million compared to Rs. 1257.03 million in the previous year. The profit "before tax" for the year under review was Rs. 24.16 million as compared to Rs. 174.55 million in the previous year. The profit "after tax" for the year under review was Rs. 22.16 million as against Rs. 91.4 million in the previous year.

TAX LIABILITY

The provision for income tax liability in respect of the income during the year under review was Rs. 2 million, as compared to Rs. 64.5 million in the previous year.

RESERVES

- a) In order to meet the additional quantum of "gratuity entitlements" of employees in service, an additional provision of Rs. 0.526 million was made during the year based on actuarial valuation, raising the cumulative provision upto the end of the year to Rs. 5.39 million.
- b) Provision has also been made for the proposed dividend for the year under review and, as already stated earlier, for the tax by the Company.
- c) Transfer to Housing Project Reserve during the year amounting to Rs. 9.28 million as per requirement of Section 80HHBA of Income Tax Act, 1961 relating to Housing projects is also proposed.
- d) After making these provisions and the proposed transfer of the balance to general reserve, the Reserves & Surplus of the Company, as at 31st March 2001, stands at Rs. 357.32 million compared to Rs. 343.77 million, at the close of the previous year.

DIVIDEND

Though the profit after tax during the year under review was only Rs. 22.14 million compared to Rs. 91.42 million in the previous year, your Directors have recommended to continue to maintain a dividend of 10% as in the past.

FIXED ASSETS

During the year under review the company continued the policy of systematic modernization of its fleet of construction machinery by acquisition of new equipments at a total cost of Rs. 92 million apart from maintaining the competence of the existing machinery through proper repairs and maintenance.

COMPUTERISATION

User friendly software packages/modules as well as custom-built software are used for functions like planning, budgeting, project monitoring etc. and integration of these modules have been planned for the future. With improvement in the telecommunication infrastructure by the Government, better connectivity to all the projects sites for effective application of information system are also envisaged.

ISO 9002

After achieving ISO 9002 Certification during 1999-2000, the Company is implementing expeditiously the Quality System as per ISO 9002 in various new project sites also. Your Company successfully completed the Surveillance Audit by M/s. DNV, the certifying agency.

The Company is already in the process of upgrading the Quality System to meet the requirements of newly introduced ISO 9001-2000 version with emphasizes on Organisational objectives and continuous improvement. ISO 9001-2000 version Certification is expected by September, 2001 and would be another landmark.

PERSONNEL**a) Industrial Relations**

Industrial Relations continued to remain cordial during the year under review throughout the projects, field offices and corporate office. The Company places on record its appreciation of the contributions made by all the employees and of their co-operation and support.

b) Human Resources Development

The Company continued to focus its attention on training and development of employees at all levels. During the year 117 training programmes covering approx. 48% of employees were conducted, which included training programmes, designed to

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develop cross-functional skills. The Performance Management System analyses competency as well as performance, in order to take appropriate steps for raising competency.

c) Safety & Welfare

Safety and Welfare of the employees are the prime concern of the Company. A Safety Manual has been formulated which is being strictly adhered to at all Projects. Safety awareness programmes are conducted at regular intervals, which has resulted in reducing accidents and the number of consequential man-days lost.

During the year under review there was no employee who was in receipt of a remuneration of Rs. 12 lakhs per annum or more if employed for the whole year, or Rs. 1,00,000/- per month or more, if employed for part of the year.

MARKETING

Last year, your Company had reported about the severe drought for orders faced by it in view of the cut-throat competition and depressed market environment. The introduction of new management concepts and strategies being inducted in your Company was also reported. We are glad to inform that we have secured Rs. 2685 million worth of orders during the year and our order book is now comfortable at Rs. 3262 million. Successful forays have been made into the Highways and Road Sector and your Company has expanded its horizon of operations in this sector to Northern India also with contract in Uttar Pradesh, West Bengal etc. Strategic tie-up has been made with several companies including a tie-up with a Malaysian Company for participation in large value contracts of magnitude over Rs. 2000 million. Last year, your Company secured pre-qualification for over Rs. 100,000 million worth of contracts. Consequently the potential for the current year is bright and we are targeting an order book of over Rs. 5000 million by the end of this year.

**NEW PROJECTS AWARDED TO THE COMPANY
AFTER 31-03-2001**

	(Rs. in million)
1. Four laning of km 180.00 to 199.200 of Bangalore – Salem – Madurai section of NH-7 in Tamilnadu	707.10

FIXED DEPOSITS

The Company had collected Rs. 15.97 million as at the end of the

year under review. Two Fixed Deposits amounting to Rs. 10,000/- remaining unclaimed by the depositors as on 31st March, 2001 since the date of this report have been claimed and paid.

DIRECTORS

Among our Directors, Prof. J. Philip, Mr. James Joseph and Mr. Jortin Antony will retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

The Board of Directors have recommended the re-appointment of Shri. Tomy C. Madathil as Managing Director from 17th September, 2001 on the terms and conditions stated under Item No. 7 of the Notice convening the said meeting.

The Company is taking necessary steps for full implementation of the Corporate Governance in terms of listing agreement, which is required to be complied by March, 2002. The Audit Committee constituted by the Board has started functioning.

**DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT
TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956**

The Directors hereby confirm:

- that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- that the Directors had prepared the annual accounts on a going concern basis.

**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.

BHAGHEERATHA ENGINEERING LTD.**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, 2001 in respect of the subsidiaries namely; Bhagheeratha Energy Control Limited and Bhagheeratha Electricals & Structural Limited are annexed.

Your Directors are happy to report that Bhagheeratha Electricals & Structural Limited recorded an income of Rs. 128.33 million in the year under review, against an income of Rs. 130.20 million in the previous year. At the close of the year under review, the order book of this Subsidiary Company stood at Rs. 156 million.

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.

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: 3rd August, 2001

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 2001 and the Profit and Loss Account of the Company for the year ended on that date.

1. 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 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. 48.87 lacs (48.92) 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. 48.87 lacs is fully secured and no interest is charged during the year.
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 for which schedule of repayments is not fixed.
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 with the appropriate authorities.
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, 2001 for a period of more than six months from the date they became payable.