



BHAGHEERATHA ENGINEERING LIMITED

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**31st
ANNUAL REPORT
2006 – 2007**

BOARD OF DIRECTORS

Shri V.C. Antony	Chairman
Shri Tomy C. Madathil	Managing Director
Shri Sunny C. Madathil	Director (Projects)
Shri E.S.Menon	Director (Finance)
Shri Vipul Shah	Director

COMPANY SECRETARY

Mr. S. Babu Suresh

AUDITORS

M/s. P.C. Varghese & Co.
Chartered Accountants
1st Floor, Bhagheeratha Square,
Banerji Road, Ernakulam – 682 018.

BANKERS

State Bank of India
Syndicate Bank
Union Bank of India
Dena Bank

REGISTERED OFFICE & HEAD OFFICE

Bhagheeratha Residency, 2nd & 3rd Floor,
Opp: Bank of Baroda (Ernakulam North Br.)
Banerji Road, Ernakulam – 682 018
Telephone : 0484 2397906 to 09
Fax : 0484 2397983
E-mail : belkochi@satyammail.com
Website : www.bhagheeratha.co.in

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AN ISO – 9001-2000
COMPANY

BHAGHEERATHA ENGINEERING LTD.

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 31st Annual General Meeting of the shareholders of **Bhagheeratha Engineering Limited** will be held in "Sowbag" Bharat Hotel (BTH), D.H. Road, Ernakulam, on Friday, 28th September 2007, at 3 p.m., to transact the following business:

ORDINARY BUSINESS :

1. To receive and adopt the Audited Balance Sheet as at 31st March, 2007, the Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in the place of Shri V.C.Antony, who retires by rotation, and being eligible, offers himself for re-appointment.
3. 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 & Co., Chartered Accountants, Cochin, retiring Auditors being eligible, offer themselves for re-appointment.

By Order of the Board of Directors,

Kochi
25.08.2007

S. BABU SURESH
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. Register of Members and Share Transfer Books of the Company will remain closed from 24th September, 2007 to 28th September, 2007 (both days inclusive) in connection with the Annual General Meeting.
4. Members are requested to intimate Share Transfer Agents, M/s.Integrated Enterprises (India) Limited, Kences Towers, No.1 Ramakrishna Street, T. Nagar, Chennai – 600 017, Tamil Nadu, any change in their address immediately for future communication at the correct addresses or to their respective depository participant (DP) in case the shares are held in demat form.
5. Members holding shares in physical form can avail of the Nomination facility by filing Form No.2B (in duplicate) with the company or its Share Transfer Agents. In the case of shares held in demat form, the nominations have to be lodged with shareholders' Depository Participant (DP).
6. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 2000 and thereafter, which remain unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

Information in respect of such unclaimed dividend when due for transfer to the said fund is given below:

Financial year ended	Date of declaration of Dividend	Last date of claiming unpaid Dividend	Due date for transfer to IEP Fund
31.03.2000	22.09.2000	21.09.2007	21.10.2007
31.03.2001	20.09.2001	19.09.2008	19.10.2008

7. As per Clause 49 of the Listing Agreement with Stock Exchanges, the brief background, functional expertise of the Directors proposed for appointment/reappointment are furnished in the Report on Corporate Governance annexed to Directors' Report.

DIRECTORS' REPORT

Your Directors present the 31st Annual Report together with the Audited accounts of the Company for the financial year 2006- 2007.

Operating Results:

The Gross income from operations during the year under review was Rs.8646 lakhs as against Rs.9554 lakhs in the previous year. The Company incurred a loss of Rs.2536 lakhs as against a loss of Rs.11753 lakhs in the previous year.

As against the cumulative loss incurred by the Company due to termination of four projects, Company preferred claims against the losses which are pending in arbitration proceedings. The progress in arbitration cases are being closely followed up. The company is confident in getting decisions in its favour so as to realise substantial portion of the claims in due course.

CDR Scheme:

As reported last year, the CDR Scheme is implemented by Consortium Bankers under the supervision of State Bank of India. In accordance with the Corporate Debt Restructuring Scheme, Company sold one flat at Chennai and one flat at Delhi for a consideration of Rs.2,48,75,000/-. Steps are also being taken for sale of the eight storied Office Building at Vazhakkala, Kakkanad, Ernakulam.

Existing Projects:

The work at projects in Salem and WB-III were in progress with funding arranged from Banks under CDR Scheme upto January 2007. Thereafter, the banks have stopped extending working capital assistance from January/February 2007. The matter was discussed with National Highway Authorities of India(NHAI). NHAI has agreed to offer required Working Capital assistance to complete these projects. The work is being restarted on the strength of assistance being given by NHAI. It is expected that these projects would be completed by June 2008.

Personnel:

The Company has at present 182 employees on its rolls, out of which 108 belong to management and other staff, and 74 skilled personnel employed at various project sites. The relation between the management and the workers was cordial throughout the year under review.

Fixed Deposits:

As at the end of the year the total fixed deposits repayable aggregate to Rs.206 lakhs.

Directors:

In accordance with the principle of retirement of Directors by rotation, Shri. V.C.Antony, Chairman, will retire at the ensuing Annual General Meeting and being eligible for reappointment, offers himself for re-election.

Sri.Vipul Shah, Director, who is liable to retire at the ensuing Annual General Meeting, has not offered himself for re-election.

Shri R. C. Barua vacated the office of the Director effective from 31.01.2007 on account of invocation of Section 283(1) (g)

of the Companies Act by the Board of Directors of the Company as he consecutively absented from all meetings of the Board held after 12.06.2006, without obtaining leave of absence from the Board.

Directors' Responsibility Statement pursuant to Section 217 (2AA) of the Companies Act, 1956.

The Board of Directors hereby confirm:

- (i) that in the preparation of the annual accounts, applicable accounting standards were followed with suitable procedure for material departure.
- (ii) that the Directors have 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.
- (iii) that the Directors have taken adequate and proper care for the maintenance of accounting records in accordance with the provisions of the Companies Act, 1956, safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and,
- (iv) that the Directors have prepared the annual accounts as an ongoing concern basis.

Management Discussion and Analysis Report and Report on Corporate Governance.

As required in terms of the listing agreement with Stock Exchanges, a management discussion and analysis report and a report on Corporate Governance are annexed.

Particulars of Employees:

During the year 2006-07 no employee of the Company was in receipt of remuneration in excess of the limit prescribed in Sub-section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975.

Auditors:

M/s P.C.Varghese & Co., Chartered Accountants, Auditors of the Company, retire at the ensuing Annual General Meeting, and being eligible for re-appointment, have expressed their willingness to accept office of the Statutory Auditors, if re-appointed. They have given a certificate to the effect that the re-appointment, if made, would be within the limit prescribed under Section 224 (1B) of the Companies Act, 1956.

Subsidiary Company: 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, 2007 in respect of the subsidiary namely; Bhagheeratha Energy Controls Limited is annexed.

Bankers:

The Consortium of Bankers, consisting of State Bank of India, Syndicate Bank, Union Bank of India and Dena Bank continued to extend their valuable support to the company. Your Directors place on record their sincere gratitude to the Bankers for their co-operation and confidence reposed on the Company.

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Particulars pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988:**(a) Conservation of Energy:**

Energy conservation measures are taken in all activities of the Company by careful monitoring and implementation of suitable measures for optimizing energy consumption.

(b) Technology Absorption:

On account of the nature of operations of the Company, no special efforts have been put in this regard.

(c) Foreign Exchange earnings and outgo:

Total foreign exchange used and earned during the year

	Current year Rupees in Lakhs	Previous year Rupees in Lakhs
Foreign Exchange used	Nil	Nil
Foreign Exchange earned	Nil	Nil

Acknowledgement

Your Directors thank the Central and State Governments, Financial Institutions, Financial Agencies, Stock Exchanges, Sub-contractors and their staff, Material Suppliers, Consultants, Clients, Deposit holders and Shareholders for their continued support and co-operation. The Directors also place on record their appreciation for the services rendered by employees at all levels.

For and on behalf of the Board of Directors,

Place : Kochi
Dated: 25.08.2007

V.C. ANTONY
Chairman

ADDENDUM TO DIRECTORS' REPORT

In the matter of the qualifications to Auditors' Report relating to non-compliance with the provisions of section 58A and other provisions of Companies Act, it may be noted that the non-compliance is due to financial difficulties experienced by the Company, on account of the fact that all receipts are required to be deposited in a Trust and Retention Account maintained by State Bank of India, under a debt restructuring scheme. Disbursements from this account are done by State Bank of India on priorities fixed by the consortium banks. Earnest efforts are being made to rectify the position at the earliest.

ANNEXURE TO THE DIRECTORS' REPORT**Report on Corporate Governance**

In compliance with the requirement of Clause 49 of the Listing Agreement with Stock Exchanges, your Company submits the below mentioned Annual Report of Corporate Governance

A. COMPLIANCE OF MANDATORY REQUIREMENTS:**1. Company's Philosophy on Corporate Governance**

The Company's philosophy on Corporate Governance envisages the Company as a forward looking organization and believes that paying due attention to sound Corporate Governance would protect the interest of all the stakeholders.

2. Board of Directors

The Composition, Category of the Board of Directors and their attendance at the Board Meetings during the financial year and at the last annual general meeting are given below:

Sl. No.	Name of Director	Category	No. of Board Meetings held	No. of Board Meetings attended	Attendance at the last AGM
1.	Shri V. C. Antony, Chairman	Promoter, Non Executive	7*	7	Yes
2.	Shri Tomy C. Madathil, Managing Director	Promoter, Executive	7	7	Yes
3.	Shri Sunny C. Madathil, Director (Projects)	Promoter, Executive	7	6	Yes
4.	Shri E.S.Menon, Director (Finance)	Executive	7	5	Yes
5.	Shri Vipul Shah, Director	Non-Executive	7	1	Yes

*A resolution will be suggested for adoption in the ensuing Annual General Meeting for re-election of Sri V.C.Antony as a Director of the Company, retiring by rotation. He is a Promoter Director, closely associated with the affairs of the Company ever since incorporation of the Company, possessing expertise and vision in construction activities.

The norms relating to composition of board could not be complied with, as vacancies in the Board remained not filled up. Efforts are being made to comply with the norms relating to composition of the Board. None of the Directors of the Board are members in more than ten statutory committees and they do not act as Chairman of more than five statutory committees across all companies in which they are Directors.

3. Code of Conduct for Directors and Senior Management

Necessary further steps are being taken to implement guideline relating to code of conduct for Directors and Senior Management.

4. Audit Committee

Clause 49 of the Listing Agreement emphasizes the role of Audit Committee. The gist of the same are as follows:

- ◆ Review of the Company's financial reporting process, the financial statement and the financial policies.
- ◆ Review of the adequacy of the internal control systems and functioning of the internal Auditing Team.
- ◆ Discussion with the Internal and External Auditors, scope of audit including the observations of the Auditors for the financial year and a joint post audit review of the same.
- ◆ Reviewing with management the annual financial statements before submission to the Board.

An Audit Committee consisting of three Independent Directors and one promoter Director was functional. On account of the resignation/ retirement of Independent Directors, Board could not reconstitute Audit Committee in the financial year under report. Efforts are being made to constitute Audit Committee at the earliest by inducting Independent Directors on the Board of the Company.

In the matter of disclosure related to subsidiary Company, it may be noted that the subsidiary company does not have turnover worth 20% of the consolidated turnover of the listed company.

5. Remuneration Committee:

Board could not constitute the remuneration committee on account of the retirement /resignation of independent directors. As such, remuneration payable to whole time directors were fixed by the Board. While fixing the remuneration, Board had taken into

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consideration all the relevant factors and had decided not to increase the remuneration while re-appointing wholtime directors. Non Executive Directors were not given any remuneration. They were not given sitting fees also.

Details of remuneration paid to whole-time Directors during the financial year ended 31st March, 2007 :

(Rs. in 000)

Name & Designation	Salary & Perquisites	Commission (on net profit)
Shri Tomy C. Madathil Managing Director	515	Nil
Shri Sunny C. Madathil Director (Projects)	354	Nil
Shri E.S.Menon Director (Finance)	238	Nil

6. Shareholders'/Investors' Grievance Committee :

Share Transfers are attended by the Registrar and Transfer Agents (RTA), Integrated Enterprises (India) Limited, Cochin. RTA periodically submits details of transfer/transmission proposals. Immediate steps are always taken for redressal of Grievances of the shareholders/ Investors by the Compliance Officer. All letters/Complaints are generally replied within a week's time of their lodgement. During the year under report, there were 26 Complaints. Except one, all were settled. One Complaint which is pending would be sorted out shortly. No transfers were pending at the close of this financial year.

7. General Body Meetings

Year	Date	Venue
2004	30 th September, 2004	"Versilles" Hotel Renaissance, Palarivattom, Ernakulam- 682 025.
2005	16 th December, 2005	"Dewans Hall", The Avenue Centre, Panampilly Nagar, Ernakulam - 682 036.
2006	29 th September, 2006	"Dewans Hall", The Avenue Centre, Panampilly Nagar, Ernakulam - 682 036.
No special resolution was put through postal Ballot last year and the Company does not propose to pass any special resolution through postal Ballot this year.		

8. Disclosures

During the year under report, no transaction of material nature has been entered into by the Company with its Promoters, Directors, the management, or their relatives which have potential conflict with the interest of the Company. Transactions with related parties are disclosed in Note to the Accounts in the Annual Report.

The Company has generally complied with the requirement of the stock Exchanges and SEBI on matters related to capital market. No penalties have been imposed on the Company by Stock Exchanges/SEBI.

9. Secretarial Audit

A Practicing Company Secretary carried out secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and total issued and listed capital.

10. Whistle Blower Policy:

In the matter of Whistle Blower Policy, no person has been denied access to audit Committee.

11. General Shareholder Information:

Next Annual General Meeting

Day, Date & Time	Venue
Friday, 28th September 2007, 3 p.m.	Bharat Hotel (BTH), D.H. Road, Ernakulam

12. Financial Calendar (tentative) for the year 2007-2008

Financial reporting for

Quarter ending 30 th June, 2007	- 3 rd Week of August, 2007
Quarter ending 30 th September, 2007	- Last week of October, 2007
Quarter ending 31 st December, 2007	- Last week of January, 2008
Quarter ending 31 st March, 2008	- Last week of June, 2008
Date of Book Closure	- 24th September 2007 to 28th September 2007 (both days inclusive)

BHAGHEERATHA ENGINEERING LTD.

13. Dividend Payment Date

- N.A.

Registered Office

- Bhagheeratha Residency,
2nd Floor, Banerji Road,
Opp: Bank of Baroda,
(Ernakulam North Branch)
Ernakulam – 682 018, Kerala

Listing on Stock Exchanges at :

The Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers, 36/1565
Dalal Street, Mumbai 400 001

- **The Cochin Stock Exchange Limited**
4th Floor, MES Building, Judges Avenue
Kaloor, Kochi – 682 017

Stock Code – Scrip Code Nos.

- 522136

Demat ISIN Number for NSDL & CSDL

- INE 869E01012

Share Transfer Agent & :
Depository Interface

- Integrated Enterprises (India) Limited
Kences Towers, No.1 Ramakrishna Street, T. Nagar,
Chennai - 600 017

14. Stock Market Data

Month	Bombay Stock Exchange	
	High (Rs.)	Low (Rs.)
April, 2006	31.00	15.85
May, 2006	41.20	28.40
June, 2006	29.80	16.50
July, 2006	20.15	16.25
August, 2006	18.30	14.00
September, 2006	17.90	13.80
October, 2006	18.40	15.00
November, 2006	18.60	13.90
December, 2006	23.25	15.90
January, 2007	19.65	16.20
February, 2007	18.40	12.50
March, 2007	15.35	10.15

15. Distribution of Shareholding as on 31st March, 2007:

Slab of shareholdings	Shareholders	% Holders	Shares	% Shares
Upto 500	14153	92.30	1879333	24.04
501 to 1000	563	3.67	480043	6.14
1001 to 2000	254	1.66	401726	5.14
2001 to 3000	111	0.72	290320	3.71
3001 to 4000	60	0.39	216073	2.76
4001 to 5000	43	0.28	202957	2.50
5001 to 10000	84	0.56	647780	8.29
10001 and above	66	0.42	3699868	47.32
TOTAL	15334	100.00	7818100	100.00

BHAGHEERATHA ENGINEERING LTD.**16. Categories of Shareholders as on 31st March, 2007:**

Categories	Number of Shares	Amount in Rs.	%
i) Promoters	2619928	26247280	33.43
ii) Financial Institutions	—	—	—
iii) Foreign Institutional Investors	—	—	—
iv) Banks	181582	1815820	2.31
v) Bodies Corporate	459861	6766000	8.62
vi) Non Resident Individuals	60926	564510	0.72
vii) Non Resident Indian Corporate Bodies	22100	221000	0.28
viii) Indian Public	4473703	42889390	54.64
TOTAL	7818100	78504000	100.00

17. Share Transfer System:

As per SEBI guidelines, Company has offered the facility of transfer-cum-demat to the investors.

18. Dematerialization of Shares

The Company has entered into agreement with National Securities Depository Limited (NSDL) as well as the Central Depository Services Limited (CDSL) for smooth operation of demat mode of shareholding.

19. Investor Correspondence

For lodgment of share transfer deeds and any other documents or for any grievance/complaints, kindly contact the following at the given addresses:

Shri S. Babu Suresh
Company Secretary
Bhagheeratha Engineering Limited
2nd Floor, Bhagheeratha Residency
Banerji Road, Ernakulam – 682 018, Kerala
Tel. : (0484) 2397906 to 09
Fax : (0484) 2397983
E-mail : belkochi@satyammail.com

OR

Shri Suresh Babu
General Manager
M/s. Integrated Enterprises (India) Ltd
Kences Towers, No.1 Ramakrishna Street
T. Nagar, Chennai 600 017
Tel. : (044) 28140801 - 803
Fax : (044) 28143378
E-mail : sureshbabu@iepindia.com
shaji@iepindia.com

On behalf of the Board of Directors,

Place : Kochi

Dated : 25.08.2007

V.C.ANTONY
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Industry Structure & Developments:

Construction Industry continued to be one of the key segments in Industrial Sectors of India as development of infrastructure such as Power, IT, Transportation, Mining, Large and Heavy Industries and Housing have been given added thrust by Government of India and State Governments. Careful planning and timely investments will definitely give good returns to all Construction Companies.

2. Opportunities and Threats:

Immense opportunities are there for BEL with its good track record and brand image as one of the leading South Indian based construction companies. Heavy investments made by the Company in mobilising equipments for the Road Projects, implementation of the same got unduly delayed due to factors beyond the control of the Company together with very low realisation from projects resulted in mounting the debts. Invocation of bank guarantee against road projects added to the debts of the Company. Corporate Debt Restructuring is implemented by Consortium Bankers under the leadership of State Bank of India.

3. Performance:

Our Company could not take advantage of the favourable factors in the construction sector on account of the financial stringency. Earnest efforts are being made to tide over the present difficulties and to show improvements in performance.

4. Outlook

Steps are being taken to induct a strategic partner who will bring in adequate capital to enable the company to participate in bids and to undertake new projects so as to add on to the

turnover of the Company. It is expected that by undertaking new projects, it would be possible for the Company to wipe off the losses at least to some extent in the near future.

5. Risk & Concerns:

Heavy dependence on Road Projects by your Company has resulted in unpredictable loss. Hence the Company is planning to reduce dependence on Road Projects and to concentrate on other sectors also.

6. Human Resources:

The Company recognizes the importance and contribution of its human resources for its growth and development and is totally committed to the development of its employees. The Company continues to make efforts to upgrade the skills and effectiveness of all its employees through various initiatives. Relations between the management and employees were cordial during the year under report.

7. Cautionary Statement:

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be viewed as "forward-looking statement" within the meaning of applicable laws and regulations and have been made in good faith. Actual result could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include changes in Government's regulations, tax regimes, economic developments, and delay in disbursement or lack of funds with Government and their agencies, within India and other incidental factors.