



BHAGHEERATHA ENGINEERING LIMITED

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32nd
ANNUAL REPORT
2007 – 2008

**BOARD OF DIRECTORS**

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

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.)
Banerjee Road, Ernakulam – 682 018
Telephone : 0484 2397906 to 09
Fax : 0484 2397983
E-mail : belkochi@satyammal.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 **32nd Annual General Meeting** of the Shareholders of **Bhagheeratha Engineering Limited** will be held at the Hall "Soubagh" of Bharat Tourist Home (BTH), Darbar Hall Road, Gandhi Square, Ernakulam, Cochin-682 016 on **Wednesday, the 29th day of October, 2008, at 3 PM**, to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Audited Balance Sheet as at 31st March 2008, 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 E. S. Menon, 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.

SPECIAL BUSINESS:

4. Re-appointment of Managing Director:

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

"RESOLVED THAT subject to necessary sanctions and approvals as may be required, the Company do hereby accord its approval and consent under Sections 198, 269, 309, 314(1B), Schedule-XIII and other applicable provisions, if any, of the Companies Act, 1956 for the re-appointment and remuneration payable to Shri Tomy C. Madathil as Managing Director of the Company for a period commencing from 1st October 2008 and ending with the conclusion of the 33rd Annual General Meeting upon the terms and conditions given hereunder:

- a) Salary – Rs.35,000/- per month.
- b) Perquisites, Retirement Benefits and Leave facility will be in accordance with the Service Rules applicable to Whole-time Directors of the Company."

"RESOLVED FURTHER THAT if in any financial year, the Company has no profits or its profits are inadequate, Shri Tomy C. Madathil shall be entitled to be paid the salary and perquisites as given above as the minimum remuneration subject to the limits specified under Section-II of Part-II of Schedule-XIII to Companies Act as may be amended from time to time."

"ALSO RESOLVED THAT the Board of Directors of the Company is hereby authorized to do and perform all such acts, deeds as may be considered necessary or usual to give effect to this resolution."

5. Appointment of Shri Sunny C. Madathil as Director:

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

"RESOLVED THAT Shri Sunny C Madathil, in respect of whom the Company has received a notice from a member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

By Order of the Board of Directors,

Kochi
29th September 2008

TOMY C. MADATHIL
Managing Director

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL 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 (2) 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 24th October 2008 to 29th October 2008 (both days inclusive) in connection with the Annual General Meeting.
5. 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 addresses immediately for future communication at the correct addresses or to their respective depository participant (DP) in case the shares are held in demat form.
6. 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).
7. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 2001, which remains unclaimed as on 19.09.2008 will be transferred by the Company to the **Investor Education and Protection Fund (IEPF)** on 19th October 2008, the prescribed date for transfer.
8. As per Clause 49 of the Listing Agreement with Stock Exchanges, the brief resume, functional expertise and other details of the Directors proposed for appointment/reappointment are furnished.



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

Item No.2. : Retirement of Director, Shri E S Menon and his reappointment:

Shri E S Menon was appointed as Director, liable to retire by rotation at the 30th Annual General Meeting held on 29th September 2006. He retires by rotation at the ensuing Annual General Meeting and is willing and eligible for re-appointment.

Shri E S Menon is 67 years of age and possesses the qualification B.Com, AICWA. He has more than 40 years experience in Financial Management and Accounting. He occupied senior positions in Indian Oil Corporation, Cochin Shipyard and Kochi Refineries. He was Director (Finance) in Kochi Refineries during the period from October 1993 to May 2001. He was also Director (Finance) of our Company from 19th July 2006 to 30th September 2008.

He is not related to any other Director. He does not hold directorship in any other company. He holds no shares in this Company.

Considering his vast knowledge and rich experience, the Board of Directors of the Company recommends his appointment as Director, liable to retire by rotation.

Except Shri E S Menon, no other Director is interested or concerned in this resolution.

Item No.4: Reappointment of Shri Tomy C Madathil as Managing Director

The tenure of Shri Tomy C Madathil as Managing Director expired on 30th September 2008.

The Board of Directors in their meeting held on 25th August 2008 re-appointed Shri Tomy C. Madathil as Managing Director for a further period commencing from 1.10.2008 and ending with the conclusion of the 33rd Annual General Meeting upon the same conditions as at present. Taking into consideration the present financial stringency faced by the Company, the Board of Directors do not propose any increase in his remuneration.

Shri Tomy C. Madathil is 50 years of age and holds a Degree in Civil Engineering and a Post Graduate Degree in Construction Management. He has 25 years experience in the Company, of which during 19 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 11 years back and he has discharged his functions with considerable ability and care and he is well versed with the affairs of the Company.

He holds directorship/membership of committees of the Board of Bhagheeratha Energy Controls Limited and Bell Leasing & Hire Purchase Limited.

Number of Shares held by Shri Tomy C. Madathil in this Company is 40,000.

Considering his experience and contribution, the Board of Directors of the Company recommends for his re-appointment for a further

period commencing from the 1st October 2008 and ending with the conclusion of the 33rd Annual General Meeting.

In the event of absence 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 resolution by way of minimum remuneration.

Pursuant to the provisions of Section 269 read with Schedule XIII and Section 314(1B) of the Companies Act, 1956, the re-appointment and fixation of remuneration require approval of the Shareholders in General Meeting by Special Resolution and sanction from Ministry of Corporate Affairs.

Shri Tomy C Madathil, Managing Director is interested in his re-appointment and remuneration payable to him. Shri Sunny C Madathil, Director, is also interested as he is brother of Shri Tomy C Madathil. No other Director is concerned or interested in the resolution.

A copy of the Service Rules for Wholtime Directors of the Company effective from 11th April 1995 is available for inspection by the Members of the Company at the Registered Office on all working days.

Item No.5: Appintment of Shri Sunny C Madathil as Director

The tenure of Shri Sunny C Madathil as Director expires on 30.09.2008. The Company has received a Notice from a Member U/S 257 proposing candidature of Shri Sunny C Madathil for appointment as a Director, liable to retire by rotation.

Sri. Sunny C Madathil is 43 years of age and is a B.Tech. (Civil) First Rank holder and Gold Medalist of Kerala University and holds a Post Graduate Diploma in Management from Xavier Institute of Management, Bhubaneswar. He has 18 years experience in the Company of which during the initial 10 years, he was in the over-all charge of construction activities of several projects of the Company and at different sites and thereafter co-ordinating matters at the Head Office. In the light of his experience, he was made Director (Projects) 8 years back and he has discharged his functions with considerable ability and care and he is well versed with the affairs of the Company.

He holds directorship/membership of committees of the Board of Bhagheeratha Developers Limited.

Number of Shares held by Shri Sunny C. Madathil in this Company is 18,000.

Considering his experience and contribution the Board of Directors of the Company recommends for his appointment as a Director.

Shri Sunny C Madathil and his brother Shri Tomy C Madathil are interested in the Resolution. No other Director is interested or concerned in this.

By Order of the Board of Directors,

Kochi
29th September 2008

TOMY C. MADATHIL
Managing Director



BHAGHEERATHA ENGINEERING LTD.

DIRECTORS' REPORT

Your Directors present the 32nd Annual Report together with the Audited accounts of the Company for the financial year 2007- 2008.

Operating Results:

The Gross income from operations during the year under review was Rs.4306 Lakhs as against Rs.8646 Lakhs in the previous year. The Company incurred a loss of Rs.2027 Lakhs as against a loss of Rs.2536 Lakhs in the previous year.

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

CDR Scheme:

As reported last year, the Corporate Debt Restructuring Scheme (CDR) is implemented by consortium of banks under the supervision of State Bank of India. During the year the company sold land at Pattom, Trivandrum for a consideration of Rs. 255.00 Lakhs in line with the Scheme.

Existing Projects:

The work at projects in Salem and WB-III were in progress with funding arranged from Banks under CDR Scheme up to January 2007. Thereafter, the banks stopped extending working capital assistance. The matter was discussed with National Highways Authorities of India(NHAI). NHAI agreed to offer required Working Capital assistance to complete these projects. The work was restarted on the strength of assistance assured by NHAI. Although some progress was made initially, the WBIII Project was terminated by the company as required financial assistance was not being provided by NHAI. The work at Salem is continuing satisfactorily and slated for completion by December 2008.

Fixed Deposits:

As at the end of the year the total fixed deposits repayable aggregate to Rs.156 Lakhs. Every effort is being made to liquidate this liability as early as possible.

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, for 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 on a going concern basis.

Management Discussion and Analysis Report and Report on Corporate Governance.

As required by 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 2007-08 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.

Directors:

The tenures of Shri. Tomy C Madathil as Managing Director, Shri Sunny C Madathil as Director (Projects) and Shri E. S. Menon as Director (Finance) expire on 30.09.08. Proposals for reappointment of Shri Tomy C. Madathil as Managing Director and Shri Sunny C Madathil as Director liable to retire by rotation are placed before the Annual General Meeting for decision. Shri. E.S.Menon, Director will retire at the ensuing Annual General Meeting and being eligible, offers himself for re-election.

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:

Bhagheeratha Energy Controls Limited has ceased to be a subsidiary during the year.

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.

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,

Sd/-

Kochi
29th September 2008

V. C. ANTONY
Chairman



ADDENDUM TO DIRECTORS' REPORT

As regards the qualifications in the Auditors' Report vide para (i) & (ii) and (vi) of the Annexure to Auditors' Report, the Directors furnish the following explanation:

- (1) Para (i) and (ii) of Annexure to Auditors' Report: After terminating the contracts in three projects, the respective Clients have imposed restrictions on transfer of the equipment/vehicles, stores & spares out of the project sites, pending settlement of disputes. Our Company has challenged the terminations as well as the forcible taking over custody of the Company's assets. The Company is confident of getting the decisions in its favour.

The Directors are of the opinion that the Company is entitled to carry the value of the above assets in its books of account, since the ownership of the assets continue to vest in the Company and that the market value of the above assets would be much more than their book values, so as to compensate impairment/ deterioration losses, if any, caused to the assets.

In the case of assets which have been forcibly taken over by the hire purchase finance companies also, the Directors are of the view that the Company is justified in carrying both the assets and liabilities in its books, pending settlement of their accounts after resolving the disputes with them. The Company has taken steps to negotiate with those Companies in this respect.

- (2) Para (vi) of Annexure to Auditors' Report: The non-compliance of Section 58A of Companies Act was 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 Consortium Banks. Earnest efforts are being made to rectify the position at the earliest.



BHAGHEERATHA ENGINEERING LTD.

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

In compliance with the requirement of Clause 49 of the Listing Agreement with Stock Exchanges, your Company presents below the Annual Report on 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 of the Board, Category of the 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	6	6	Yes
2.	Shri Tomy C. Madathil Managing Director	Promoter, Executive	6	6	Yes
3.	Shri Sunny C. Madathil Director (Projects)	Promoter, Executive	6	—	No
4.	Shri E.S.Menon Director (Finance)	Executive	6	6	Yes
5.	Shri Vipul Shah* Director	Non-Executive	4	—	Yes

* Shri Vipul Shah was Director till the 31st Annual General Meeting held on 28.09.07.

Except Mr Tomy C. Madathil and Shri Sunny C. Madathil who are related each other as brothers, no director is related to any other Director.

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 is member in more than ten statutory committees or 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.

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 consideration all the relevant factors and had decided not to increase the remuneration while re-appointing wholetime 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, 2008 :

(Rs. in 000)

Name & Designation	Salary & Perquisites	Commission (on net profit)
Shri Tomy C. Madathil, Managing Director	521	Nil
Shri Sunny C. Madathil, Director (Projects)	Nil	Nil
Shri E.S.Menon, Director (Finance)	345	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. 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, all complaints were settled. No transfers were pending at the close of this financial year.

7. General Body Meetings

Year	Date	Venue
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.
2007	28 th September, 2007	"Sowbag", Bharat Hotel (BTH), T.D.Road, Ernakulam.

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. Bombay Stock Exchange has suspended trading in the company's shares with effect from 14.09.2007.

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. General Shareholder Information:

Next Annual General Meeting

Day, Date & Time	Venue
Wednesday, 29 th October 2008, at 3 p.m.	"Sowbag", Bharat Hotel (BTH), T.D.Road, Ernakulam.

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

Financial reporting for

Quarter ending 30 th June, 2008	- 3 rd week of August, 2008
Quarter ending 30 th September, 2008	- Last week of October, 2008
Quarter ending 30 th December, 2008	- Last week of January, 2009
Quarter ending 31 st March 2009	- Last week of June, 2009

12. Dividend Payment Date

- N.A.

Registered Office

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