



BHAGHEERATHA ENGINEERING LIMITED

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33rd ANNUAL REPORT 2008 - 2009

**BOARD OF DIRECTORS**

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

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@satyammil.com
Website : www.bhagheeratha.co.in

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BHAGHEERATHA ENGINEERING LTD.

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **33rd Annual General Meeting** of the Shareholders of **Bhagheeratha Engineering Limited** will be held at the **Hall "Aangan" of Bharat Tourist Home (BTH), Darbar Hall Road, Gandhi Square, Ernakulam, Cochin-682 016 on Wednesday, the 30th day of September, 2009, at 3 PM**, to transact the following business:

ORDINARY BUSINESS:

- To receive and adopt the Audited Balance Sheet as at 31st March 2009, the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
- To appoint a Director in the place of Shri V C Antony who retires by rotation, and being eligible, offers himself for re-appointment.
- 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 an Ordinary 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, 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 2009 and ending with the conclusion of the 34th Annual General Meeting or 31st December 2010 whichever is earlier upon the terms and conditions given hereunder:

- Salary – Rs.35,000/- per month.
- 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".

By Order of the Board of Directors,

Kochi
20th August 2009

TOMY C. MADATHIL
Managing Director

NOTES:

- 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.**

- 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.
- 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.

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

Item No.4: Re-appointment of Shri Tomy C Madathil as Managing Director

The tenure of Shri Tomy C Madathil as Managing Director expires on 30th September 2009.

The Board of Directors in their meeting held on 20th August 2009 re-appointed Shri Tomy C Madathil as Managing Director for a further period commencing from 01.10.2009 and ending with the conclusion of the 34th Annual General Meeting or 31st December 2010 whichever is earlier 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 51 years of age and holds Degree in Civil Engineering and a Post Graduate Degree in Construction Management. He has 26 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 12 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 as mentioned above.

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 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 Wholetime Directors of the Company effective from 11 April 1995 is available for inspection by the Members of the Company at the Registered Office on all working days.

By Order of the Board of Directors,

Kochi
20th August 2009

TOMY C. MADATHIL
Managing Director



DIRECTORS' REPORT

Your Directors present the 33rd Annual Report together with the Audited accounts of the Company for the financial year 2008-09.

Operating Results:

The Gross income from operations during the year under review was Rs.5111 lakhs as against Rs. 4306 lakhs in the previous year. The company incurred a loss of Rs. 1437 lakhs as against a loss of Rs. 2027 lakhs in the previous year.

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

CDR Scheme:

We have been informed by CDR Cell that the Corporate Debt Restructuring Scheme (CDR) implemented by consortium of banks under the supervision of State Bank of India stands withdrawn with effect from 29th September 2008.

Now Company has submitted a proposal for One Time Settlement of the total dues to the Banks and the same is under their active consideration.

The Corporate Office Building at Vazhakala is sold during the year for Rs. 14.51 crores. Out of the proceeds Rs. 7.40 crores is appropriated by Union Bank of India towards term loan, interest and expenses and the balance is kept in deposit and is earmarked for settling other liabilities charged against the building.

Existing Projects:

The work at Salem under National Highway Authority of India on National Highway-7 is nearing completion.

Fixed Deposits:

As at the end of the year the total fixed deposits repayable aggregate to Rs. 109 lakhs as against Rs. 156 lakhs in the previous year. 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 confirms:

1. that in the preparation of the annual accounts, applicable accounting standards were followed with suitable procedure for material departure.
2. that the Directors have selected such accounting policies and applied them consistently and made judgments 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.
3. 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,
4. that the Directors have prepared the annual accounts on a going concern basis.

Particulars of Employees:

During the year 2008-09 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 tenure of Shri Tomy C Madathil as Managing Director expires on 30.09.09. Proposal for his re-appointment as Managing Director is placed before the Annual General Meeting for decision. Shri V C Antony, 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.

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:

No foreign exchange was used or earned during the year and previous year.

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
20th August 2009

V. C. ANTONY
Chairman



ADDENDUM TO DIRECTORS' REPORT

As regards the qualifications in the Auditor's Report, the Directors furnish the following explanation:

1. Para IV.6 (i) of the Auditors' Report:

The Company has been providing interest on term loans and over drafts availed from the Consortium of Banks at 8.25% p.a. and no interest was charged on term loans on which interest moratorium was allowed as per CDR Terms. The CDR terms were withdrawn with effect from 29th September 2008, but the applicable rate of interest from 1st October 2008 is not fixed / communicated to the Company. In the mean while the Company has submitted a proposal for One Time Settlement (OTS) of its liabilities to the Banks which is under their active consideration. The Management is confident that the provision already made will sufficiently cover the interest liability when the OTS terms are fixed.

2. Para IV.6 (ii) of Auditors' Report:

Hire Purchase Finance Companies have seized and taken possession of the assets hypothecated to them for liquidating their dues. However, in spite of repeated requests by the Company, they have not furnished the details of the settlements of accounts. The Management is of the opinion that no over due interest is payable after the date of seizure.

3. Para IV.6 (iii) of Auditors' Report:

No interest is provided on the Loan from M/s. Vinsons Projects India Pvt. Limited since the company has disputed the interest liability and has counter claim against the above company. The matter is under litigation before the court and the management expects a favourable order.

4. Para (1) & (2) of Annexure to Auditors' Report:

After terminating the contracts in four 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 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.

5. Para (6) of Annexure to Auditors' Report:

During the year the Company has paid Rs. 46.46 lakhs to Depositors. Earnest efforts are continuing to clear off the entire outstanding.

For and on behalf of the Board of Directors,

Sd/-

V. C. ANTONY
Chairman

Kochi
20th August 2009



AUDITORS' REPORT

To the Members of Bhagheeratha Engineering Limited

- I. We have audited the attached Balance Sheet of **M/s. Bhagheeratha Engineering Limited, Kochi**, as at 31st March 2009, the Profit and Loss Account of the Company for the year ended on that date annexed thereto and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- II. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- III. As required by the Companies (Auditors Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
- IV. Further to our comments in the Annexure referred to in paragraph III above we report that:
 1. we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit.
 2. in our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books.
 3. the Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts
 4. in our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 5. On the basis of written representations received from the directors, as on 31st March, 2009, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 6. (i) *On the basis of the terms agreed upon in the Corporate Debt Restructuring scheme, the company has provided interest at a concessional rate of 8.25 % p.a on the term loans and overdraft amounts of Rs.4122 lakhs availed from the*

consortium of bankers and also no interest is charged on term loans of Rs.4037 lakhs for which interest moratorium was allowed. Now it is learned that the Company is no longer covered by the CDR scheme and therefore the above concessional rate of interest on the loans and overdraft are no more applicable. It is understood that the Company has now submitted a scheme for One Time Settlement of these loans and overdrafts which is under the consideration of the banks. Short provisions if any on this account is not presently ascertainable.

(ii) *The Company has not provided overdue interest on hire purchase loans availed from financiers, who have taken possession of the hypothecated assets, pending settlement of accounts in respect of the assets seized by them. Liability if any on this account is not presently ascertainable.*

(iii) *The company has not provided interest on a loan of Rs.543 lakhs taken from a company, pending disposal of a suit in the court regarding various counter claims against the said company. Liability if any on this account is not presently ascertainable.*

Impact of our observations in Para 6 (i), (ii) and (iii) on the accounts of the company is not presently ascertainable.

Subject to our observation in Para IV (6) above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009;
- b. in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- c. in case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For P. C. VARGHESE & CO.
Chartered Accountants

P.C.VARGHESE, B.Com, F.C.A.
Partner
(Membership. No. 10408)

Kochi
20.08.2009