



BHAGHEERATHA ENGINEERING LIMITED

35th ANNUAL REPORT 2010 - 2011



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
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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **35th Annual General Meeting** of the Shareholders of **Bhagheeratha Engineering Limited** will be held at the **"AANGAN" Hall of Bharat Tourist Home (BTH), Darbar Hall Road, Gandhi Square, Ernakulam, Cochin-682 016** on **Friday, the 30th day of September, 2011, at 3 PM**, to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Audited Balance Sheet as at 31st March 2011, the Profit and 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 Sunhy C Madathil, who retires by rotation and being eligible, offers himself for reappointment.
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 reappointment.

By Order of the Board of Directors,

Sd/

TOMY C MADATHIL
Managing Director

Kochi

26th August 2011

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, in order to be effective, should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Annual General Meeting.



DIRECTORS' REPORT

Your Directors present the 35th Annual Report together with the Audited Accounts of the Company for the Financial Year 2010-11.

Operating Results:

The Gross income from operations during the year under review was Rs.2333 Lakhs as against Rs.4218 Lakhs in the previous year. The Company incurred a loss of Rs. 1067 Lakhs as against a loss of Rs. 1900 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.

Liabilities with Banks & Other Financial Institutions:

As an earnest effort for the Revival of the Company serious steps are taken to have some settlements of liabilities with the Banks and other financial institutions and the proposal for One Time Settlement of the total dues to the Consortium of Banks is under their active consideration.

The landed property at Kottayam and Mavelikkara mortgaged to Syndicate Bank were sold by the Bank and adjusted against their term loan for the IWT Project.

The Company could manage to have settlements of liabilities with Federal Bank Ltd and M/s Srei Equipment Finance Ltd on Equipment Finance with them.

Existing Projects:

Though the main work at Salem under National Highway Authority of India on National Highway-7 is completed, some additional pipeline works are under progress and is in the finishing stage.

Fixed Deposits:

As at the end of the year the total fixed deposits repayable aggregate to Rs.42 Lakhs as against Rs.88 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 2010-11 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.

Shri Sunny C Madathil, 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:

Your Directors place on record their sincere gratitude to the Consortium of Banks consisting of State Bank of India, Syndicate Bank, Union Bank of India and Dena Bank 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
26th August 2011

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:

Receivables against Uncertified work amounting to Rs.720 lakhs, Security deposit and withholding from contract income bills amounting to Rs.345 lakhs relating to closed projects are pending realization due to dispute with the clients and are in different stages of arbitration/legal proceedings. The Management is confident that the above amounts would be realized out of the arbitration proceeds pending with the respective projects.

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. During the year the Company has paid Rs. 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
26th August 2011



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 2011 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, 2011, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 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.4056

lakhs availed from the consortium of bankers and also no interest is charged on term loans of Rs.5889 lakhs for which interest moratorium was allowed. 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 outstanding Rs.281 Lakhs, availed from two hire purchase finance Companies, 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 presently not ascertainable.)
- (iii) Receivables against Uncertified work amounting to Rs.720 lakhs, Security deposit and withholding from contract income bills amounting to Rs.345 lakhs relating to closed projects are pending realization due to dispute with the clients and are in different stages of arbitration/legal proceedings. We are not in a position to comment on the realization of the above amounts at this stage.(Refer Note.No.17)

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, 2011;
- 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
(FRN. 004526S)

Sd/-

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

KOCHI - 18
26.08.2011