



BHAGHEERATHA ENGINEERING LIMITED

36th ANNUAL REPORT 2011 – 2012



BOARD OF DIRECTORS

Shri V. C. Antony	Chairman
Shri Tomy C. Madathil	Managing Director
Shri Sunny C. Madathil	Director
Shri E S Menon	Director
Shri Gurbachan Singh Chhatwal	Director (wef 15/03/2012)
Dr. Shyam Narayan Malviya	Director (wef 15/03/2012)

AUDITORS

M/s.P.C. Varghese & Co.
Chartered Accountants
Bhagheeratha Residency, I Floor
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 Floors
Opp. Bank of Baroda [Ernakulam North Br.],
Banerji Road, Ernakulam-682 018
Telephone: 0484 2397906 to 09
Fax : 0484 2397983
E-mail : info@belkochi.com
Website : <http://bhagheeratha.in>

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 36th Annual General Meeting of the Bhagheeratha Engineering Limited will be held at the "AANGAN" Hall of Bharath Tourist Home (BTH), Darbar Hall Road, Gandhi Square, Ernakulam, Cochin-682 016 on Friday, the 28th September, 2012, at 3.00 PM, to transact the following business :

ORDINARY BUSINESS:

1. To receive and adopt the Audited Balance Sheet as at 31st March, 2012, 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 place of Shri V. C. Antony, 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 the next Annual General Meeting and to fix their remuneration. M/s. P.C.Varghese & Co., Chartered Accountants, Cochin, the retiring Auditors are eligible and willing for re-appointment.

SPECIAL BUSINESS

4. Appointment of Shri Gurbachan Singh Chhatwal as Director:
To consider and if thought fit, to pass the following resolution with or without modifications, as an Ordinary Resolution: Notice u/s 257 of the Act has been received from a shareholder proposing the candidature of Shri Gurbachan Singh Chhatwal as a Director liable to retire by rotation:
"RESOLVED that Shri Gurbachan Singh Chhatwal, S/o Mr Darshan Singh, R/o 8/137, Ramesh Nagar, New Delhi-110 015 be and is hereby appointed as a Director liable to retire by rotation".
5. Appointment of Dr. Shyam Narayan Malviya as Director:
To consider and if thought fit, to pass the following resolution with or without modifications, as an Ordinary Resolution: Notice u/s 257 of the Act has been received from a shareholder proposing the candidature of Dr. Shyam Narayan Malviya as a Director liable to retire by rotation:
"RESOLVED that Dr. Shyam Narayan Malviya S/o Mr Ram Chandra Malviya, R/o D-49A, Retreat Apartment, I P Extn, New Delhi-110 092, be and is hereby appointed as a Director liable to retire by rotation".
6. Ratification of the resolution passed by the Board of Directors on 22/05/1995 allotting 6000 forfeited shares to persons other than the then existing shareholders:
To consider and if thought fit, to pass the following resolution with or without modification, as a Special Resolution:
"Resolved that the resolution passed by the Board of Directors on 22/05/1995 allotting 6000 forfeited equity shares to persons other than the then existing shareholders be and is hereby ratified u/s 81(1-A) of the Companies Act, 1956"

By Order of the Board of Directors

Sd/-

Cochin
24th August, 2012

TOMY C. MADATHIL
Managing Director

Notes:

1. A member entitled to attend and vote in the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and such a proxy need not be a member of the Company. Form of proxy is attached.
2. Proxies in order to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. Any clarification needed on the accounts shall be lodged in writing at the Registered Office of the Company on or before 5 PM on 20th September 2012.
4. Members/Proxies should bring the attendance slips, duly filled in, and photo IDs for attending the meeting.
5. The share transfer books and the Register of Members shall remain closed from 24.09.2012 to 28.09.2012, both days inclusive.
6. Explanatory statement U/s 173 (2) of the Act is annexed hereto in respect of the special business mentioned in the Notice.



Explanatory Statement

Items 4 & 5

Shri Gurbachan Singh Chhatwal and Dr. Shyam Narayan Malviya were appointed as Additional Directors by the Board of Directors on 15th March 2012 U/s 260 of the Act to hold office till date of this Annual General Meeting. Notices U/s 257 of the Act have been received from the shareholders proposing the candidature of Shri Gurbachan Singh Chhatwal and Dr. Shyam Narayan Malviya for appointment as Directors liable to retire by rotation. The Board recommends their appointment as above.

No Director, other than the above two Directors, is interested or concerned in the resolutions.

Item No. 6

During the year 1995, the Company had forfeited 38,300 equity shares for non receipt of the monies due on them. Out of the said forfeited shares, 6,000 equity shares were allotted by the Board of Directors on 22/05/1995, in exercise of the powers vested in them by the Articles of Association of the Company, to persons other than the then existing shareholders. In order to comply with the relevant condition of the Listing Agreement with the Stock Exchanges, the Bombay Stock Exchange has advised the Company to get ratification of the said resolution of the Board of Directors at a general meeting. The proposed Special Resolution to be passed u/s 81(1-A) of the Act is intended for the above purpose. No Director is interested or concerned in this resolution

By Order of the Board of Directors
For Bhagheeratha Engineering Limited

(Sd/-)

Cochin
24th August, 2012

TOMY C. MADATHIL
Managing Director

Details of Directors seeking appointment / reappointment at the meeting are furnished below in pursuance of Clause 49 of the Listing Agreement:

(1) Shri V C Antony:

(a) Brief resume of the director:

Born in 1931, Shri V C Antony has more than 5 decades of experience in the Construction Industry. He was the founder Managing Director of Bageeratha Engineering Ltd. from 1976 and he has been holding the position of Chairman since 1997. During his tenure of 21 years as Managing Director, the Company executed many prestigious projects in India as well as in countries like Iraq, UAE, Kuwait and Yemen.

Under his leadership Bhagheeratha had won the Engineering Export Promotion Council Award for three years for the projects completed in Iraq. He was actively associated with various industrial / management associations in the construction industry.

(b) Nature of his expertise in specific functional areas: He has expertise in all functional areas of the construction management.

(c) Names of companies in which he holds directorship/membership of committees of the Board: NIL

(d) Shares held by the Director (both own or held / for other persons on a beneficial basis: NIL

(e) Relationship with other directors: NIL.



(2) Shri Gurbachan Singh Chhatwal:

- (a) Brief resume of the director: Shri Gurbachan Singh Chhatwal, aged 60 years, is a post graduate in Agriculture (MSc in Agriculture). He has a vast experience of over 35 years in banking and related financial field. He had worked as Branch Manager and Credit Manager in Punjab & Sind Bank, New Delhi. Thereafter he had worked in ICICI Bank and HDFC Bank as Consultant. He has also a distinct 15 years' experience in teaching the Managers/Officers in Credit/loan/inspection/recovery etc. He has attended a number of seminars and exhibitions with national and international organizations on various issues related to financial management.
- (b) Nature of his expertise in specific functional areas: Shri Gurbachan Singh Chhatwal is a financial expert and has vast experience in this field.
- (c) Names of companies in which he holds directorship / membership of committees of the Board: NIL
- (d) Shares held by the director (both own or held / for other persons on a beneficial basis: NIL
- (e) Relationship with other directors: NIL

(3) Dr. Shyam Narayan Malviya:

- (a) Brief resume of the director: Dr. Shyam Narayan Malviya holds his Doctorate in Philosophy and has experience over 45 years in social works. He has also organized many services, national workshops national level exhibitions on social work. He has also supervised the programme titled 'Condensed course of education and vocational training programme' organized by the Central Social Welfare Board. He has also worked as Jt. Director (Media) with Chairperson of the Central Social Welfare Board. He got an opportunity of working in the Central Social Welfare Board.
- (b) Nature of his expertise in specific functional areas: Dr. Shyam Narayan Malviya is an expert in social works and holds vast experience in this field.
- (c) Names of companies in which he holds directorship/membership of committees of the Board: NIL
- (d) Shares held by the director (both own or held / for other persons on a beneficial basis: NIL
- (e) Relationship with other directors: NIL



DIRECTORS' REPORT

Your Directors present the 36th Annual Report together with the Audited Accounts of the Company for the Financial Year 2011-12.

Operating Results:

The Gross income from operations (including JV) during the year under review was Rs.434 Lakhs as against Rs.2333 Lakhs in the previous year. The Company made a profit of Rs. 90 Lakhs as against a loss of Rs. 1067 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.

Existing Projects:

As of now the Company has completed all projects under execution. The main work at Salem under National Highway Authority of India on National Highway-7 is completed; we are exploring ways and means to undertake new projects which do not involve high amount of working capital or other facilities.

Fixed Deposits:

As at the end of the year the total fixed deposits repayable aggregate to Rs.20 Lakhs as against Rs.42 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 2011-12 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

Shri V. C. Antony, Director, will retire at the ensuing Annual General Meeting and being eligible, offers himself for re-election.

Shri Gurbachan Singh Chhatwal and Dr. Shyam Narayan Malviya were appointed as Additional Directors by the Board of Directors on 15th March, 2012 u/s 260 of the Act to hold office till the date of the ensuing Annual General Meeting. Notices u/s 257 of the Act have been received from the shareholders proposing the candidature of Shri Gurbachan Singh Chhatwal and Dr. Shyam Narayan Malviya for appointment as Directors liable to retire by rotation. Necessary resolutions are placed at the Annual General Meeting for this purpose.

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/-

V C ANTONY
CHAIRMAN

Kochi
24.08.2012



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 loans at 8.25% (concessional rate as per CDR) p.a. on Rs 3810 Lakhs and 17.5% on Rs 423 Lakhs and no interest was charged on Rs 5889 Lakhs 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:

The bank has conveyed this appropriation and the company has contested this and informed that this amount was specifically for part of OTS with banks which they have not refuted; hence the deposit of Rs 245 lakhs is a deposit of the company.

In regard to Rs 250 Lakhs, an amount of Rs 200 lakhs earmarked as liability for one of the customer on account of an arbitration award and the matter is sub-judice and Rs 50 Lakhs was deposited by one of the parties for purchase of our property. Both the cases are pending final decision of the court; we have to consider the amount as deposit due to the company.

3. Para IV.6 (iii) 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.

4. Para IV.6 (iv) of Auditors' Report:

Receivables against Uncertified work amounting to Rs. 623 Lakhs, Security deposit and withholding from contract income bills amounting to Rs. 330 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

5. Para IV.6 (v) of Auditors' Report:

The loans & advances and trade payables relate to the projects completed and terminated. These advances were given for suppliers of materials as well as for sub-contractors. By and large all the supplies of goods and sub-contracts were completed. Major portion of these accounts will be eliminated as at present we are taking up an exercise to match the credits and debits relating to each project.

6. 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.

7. During the year the Company has paid Rs. 22 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
24.08.2012



Management Discussion and Analysis

Indian Construction Industry has seen continued performance and those actively involved in this sector are growing in a steady manner. Unfortunately your Company is unable to participate and share its benefits because of the precarious financial situation.

Since we have already started the restructuring processes we are looking forward to revamp our operations and actively participate in the near future, to regain its past glory.

Report on Corporate Governance

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

1. Company's Philosophy on Corporate Governance:

Your Company is committed to compliance with law paying due attention to sound Corporate Governance practices which would protect the interest of all the stakeholders.

2. Board of Directors:

Sl.No.	Name	Category
1	Shri V. C. Antony Chairman	Promoter, Non-Executive
2	Shri Tomy C Madathil Managing Director	Promoter-Executive
3	Shri Sunny C Madathil	Promoter, Non-Executive
4	Shri E.S. Menon	Independent Director
5	Shri Gurbachan Singh Chhatwal (w.e.f. 15.03.2012)	Independent Director
6	Dr. Shyam Narayan Malviya (w.e.f. 15.03.2012)	Independent Director

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

Attendance of each Director in the Board Meetings and last Annual General Meeting:

Name of Director	No. of Board Meetings attended	Attendance at the last AGM	No. of other Directorships held	No. of membership in Board Committees
Shri V. C. Antony	Six	Present	-	-
Shri Tomy C Madathil	Six	Present	-	Two
Shri Sunny C Madathil	One	Absent	One	-
Shri E.S. Menon	Six	Present	-	Two
Shri Gurbachan Singh Chhatwal	Nil	NA	-	Two
Dr. Shyam Narayan Malviya	Nil	NA	-	-

During the financial year, Six Board Meetings were held on 24.06.2011, 26.08.2011, 30.09.2011, 30.12.2011, 25.01.2012 and 15.03.2012.

Last Annual General Meeting was held on 30th September 2011.

**3. CODE OF CONDUCT:**

The code of conduct has been circulated to all members of the Board and Senior Management and the compliance of the same has been affirmed by them. A declaration signed by the Managing Director is given below:

I hereby confirm that the Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the code of conduct during the financial year 2011-12!

Sd/-

Tomy C Madathil
Managing Director

4. Audit Committee:

Brief description of terms of reference:

To oversee the company's financial reporting process, internal control systems, reviewing the accounting policies and practices; ensuring that financial statements are correct, sufficient and credible; reviewing with management the annual financial statements for submission to the Board; reviewing the internal audit observations and action taken thereon; ensuring compliance with Stock Exchange and other legal requirements and also recommending the appointment and removal of external auditors, fixation of audit fee and approval for payment for any other services. The composition, role, functions and powers of the Audit committee are in accordance with the requirements of the applicable regulations

Composition:

Audit Committee was constituted on 15.03.2012 with Shri E S Menon as Chairman and Shri Gurbachan Singh Chhatwal and Shri Tomy C Madathil as Members.

The Committee did not hold any meetings during 15.03.2012 to 31.03.2012.

5. Remuneration of Directors:

Details of remuneration paid to Wholetime Directors for the financial year ended 31st March, 2012 is given below:

(i) Wholetime Directors :

Managng Director	Salary & Perquisites	Commission
Shri Tomy C. Madathil	Rs. 5,05,549/-	Nil

(ii) Non-Executive Directors

There was no remuneration to the Non-executive directors:

1. Shri V C Antony
2. Shri Sunny C Madathil
3. Shri E S Menon
4. Shri Gurbachan Singh Chhatwal
5. Dr. Shyam Narayan Malviya

6. Shareholders'/Investors' Grievances Committee:

The Shareholders'/Investors' Grievances Committee was constituted on 15.03.2012 with Shri E S Menon as Chairman and Shri Gurbachan Singh Chhatwal and Shri Tomy C Madathil as Members.

The Committee did not hold any meeting between 15.03.2012 to 31.03.2012.