



BHAGHEERATHA ENGINEERING LIMITED

**37th
ANNUAL REPORT
2012 – 2013**



BOARD OF DIRECTORS

Shri. V.C. Antony	Chairman (upto 11/07/2013)
Shri Tomy C. Madathil	Managing Director
Shri Sunny C. Madathil	Director
Shri Jortin Antony	Director (from 22/08/2013)
Shri E S Menon	Director
Shri Gurbachan Singh Chhatwal	Director
Shri Shyam Narayan Malviya	Director

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>

CONTENTS

	Page No.
Notice	2
Directors' Report	4
Auditors' Report	6
Balance Sheet	10
Profit & Loss Account	11
Notes on Accounts	12
Cash Flow Statement	25



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **37th Annual General Meeting of Bhagheeratha Engineering Limited** will be held at **"AANGAN" Hall of Bharath Tourist Home (BTH), Darbar Hall Road, Gandhi Square, Ernakulam, Cochin - 682 016** on **Tuesday, the 24th September, 2013, at 2.30 PM**, to transact the following business :

ORDINARY BUSINESS:

1. To receive and adopt the Audited Balance Sheet as at 31st March, 2013, 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 E. S. Menon, who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri. Sunny C Madathil, who retires by rotation, and being eligible, offers himself for re-appointment.
4. 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.

The existing Auditors, M/s P C Varghese & Company have not given their consent for re-appointment. Hence it is proposed to appoint M/s Sankar & Moorthy, Chartered Accountants, Ernakulam as Statutory Auditors. M/s. Sankar & Moorthy have given their written consent for appointment. The following resolution may be passed with or without modification(s) as an ordinary resolution:

"RESOLVED THAT M/s Sankar & Moorthy, Chartered Accountants, 37/3640, "Paradise", Ponoth Road, Kaloore, Ernakulam, Kochi - 682 017 having agreed to act as Auditors of the Company, be and is hereby appointed as Statutory Auditors of the Company with effect from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting for auditing the accounts of the Company for the financial year 2013-14 and the Board of Directors be and is hereby authorized to fix their remuneration and reimbursement of other out of pocket expenses incurred by them for carrying out the statutory audit."

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 the conclusion of this Meeting till the conclusion of the 40th 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".

By Order of the Board of Directors

Sd/-

TOMY C. MADATHIL
Managing Director

Cochin
24th August, 2013

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 17th September 2013.
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 20.09.2013 to 24.09.2013, 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 U/s 173(2)

Re-appointment of Shri Tomy C Madathil as Managing Director:

The tenure of Shri. Tomy C Madathil will expire at the ensuing Annual General Meeting. It is proposed to re-appoint him on the terms and conditions mentioned in the resolution.

- a) Brief resume of the Director: Shri Tomy C Madathil, is 55 years of age and holds a Degree in Civil Engineering and Post Graduate Degree in Construction Management. He has 30 years experience in the Company of which during the initial 14 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 Head Office. In the light of his experience, he was made Managing Director in 1997 and for the past 16 years he is continuing in this position.
- b) Nature of his expertise in specific functional areas: He has vast experience and expertise in construction management.
- c) Name of companies in which he holds directorship/membership of committees of the Board: Directorship in Bhagheeratha Energy Controls Ltd.
- d) Shares held by the Director (both own or held/for other persons on a beneficial basis): 40000 shares.
- e) Relationship with any other directors: Shri Sunny C Madathil.

Except Shri. Sunny C Madathil and Shri. Tomy C Madathil, no other Director is concerned or interested in the resolutions.

By Order of the Board of Directors
For Bhagheeratha Engineering Limited

Sd/-

TOMY C. MADATHIL
Managing Director

Cochin
24th August, 2013



DIRECTORS' REPORT

Your Directors present the 37th Annual Report together with the Audited Accounts of the Company for the Financial Year 2012-13.

Operating Results:

The Gross income from operations during the year under review was Rs. 649 lakhs as against Rs. 434 lakhs in the previous year. The Company made a profit of Rs.332 lakhs as against Rs.90 lakhs in the previous year.

The Company has preferred claims against various Clients to reduce cumulative loss. Majority of the cases are pending in arbitration proceedings. One of the claims pertaining to West Bengal was settled during this period. The progress in the arbitration cases is being closely watched. The Company is hopeful of getting favourable decisions so as to realize substantial portion of the claims.

Liabilities with Banks & Other Financial Institutions

The Company is making earnest efforts to reduce its liabilities to creditors, banks and fixed deposit holders. During the year part of the liabilities were discharged. In regard to the One-Time Settlement proposed for settlement of dues to the consortium banks the matter was being actively followed up. In the light of certain discussions with the banks certain improvements were also made. The settlement is under their active consideration.

Existing project

The Company has completed all projects under execution and there are no projects remaining to be executed. At present the Company is engaged in settlement of outstanding liabilities for which resources are to be found from arbitration awards and through liquidation of amounts due to the Company. The Company will be able to undertake any new projects only after liquidating all the liabilities and getting new lines of credit from the Banks.

Fixed Deposits

At the end of the year the total outstanding fixed deposit was Rs. 14.78 lakhs. Earnest efforts are being taken to pay off the amount at the earliest.

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 2012-13 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. E.S. Menon and Shri. Sunny C Madathil Directors, will retire at the ensuing Annual General Meeting and being eligible, offers themselves for re-election.

The tenure of Shri. Tomy C Madathil, as Managing Director will expire at the ensuing Annual General Meeting. It is proposed to re-appoint him for a further period of three years.

Auditors

M/s. P.C. Varghese & Co., Chartered Accountants, Auditors of the Company, retire at the ensuing Annual General Meeting. They have not given their consent for the re-appointment.

We are proposing to appoint M/s Sankar & Moorthy, Chartered Accountants, Ernakulam, who have given their consent for the purpose to accept of office of the Statutory Auditors, for auditing the accounts of 2013-14.

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

Kochi
24th June 2013

Sd/-
V.C. ANTONY
Chairman

ADDENDUM TO DIRECTORS' REPORT

In regard to the opinion given in the Auditor's Report, the Directors' clarifications are as follows:-

1. Loan liability of Consortium of Bankers

The CDR terms extended by the Consortium of Banks to the Company were withdrawn with effect from 29th September 2008. There was no communication from the Banks conveying the revised rate of Interest charges to be paid from 1st October 2008. The Company has already submitted a proposal for One-Time-Settlement of these loans which is under consideration of Banks. In view of the above the management is of the view that the provision already made will be sufficient to cover the Interest liability.

2. Balance with Bankers

(a) The matter regarding appropriation of Fixed Deposits by the Bankers towards the loan account has been disputed. The matter is pending before the Court of Law. We are hopeful of a favourable decision from the Court.

(b) Deposits amounting to Rs.200 lakhs earmarked by the bankers have been done on the basis of the Court Order.

3. The financing Company has taken possession of hypothecated assets forcibly pending settlement of accounts in respect of the assets. In spite of repeated requests by the Company they have not furnished details of amounts outstanding after disposal of the seized assets. In view of the above the management is of the view that no over due Interest is payable after date of seizure.

4. Receivables against Uncertified Work as well as Security Deposit with-held from Contract Income are pending realization due to dispute with the client and are under arbitration/legal proceedings. The Company is confident of realizing the above amounts from the respective project authorities through arbitration.

5. These accounts are being analyzed in depth and action will be taken to clear the accounts.

Annexure to the Auditor's Report.

1. (b) In regard to assets under the custody of clients the Company is entitled to suitable compensation from the client. In regard to assets under the custody of creditors, the value can be adjusted against amount due to them. Hence no loss on account of impairment is anticipated.

2. In regard to stock of materials under the custody of clients, the Company is entitled to compensation from the client, which is claimed through arbitration. Hence no loss is anticipated on this account.

3. (a) In regard to payment of Rs.506 Lakhs by guarantors it may be noted that this has reduced the liability of the Company to the Consortium of Bankers. Consequently the Company is liable to the guarantors to the extent of the amount advanced by them to the Banks as well as interest if any thereon.

6. (a) During the year the Company has paid Rs.5 Lakhs to Fixed Deposit holders and some of the balance amount pending are in respect of depositors who could not be located. Efforts are under way to locate them and redeem the liability.

For and on behalf of the Board of Directors

Kochi
24th June 2013

Sd/-
V.C. Antony
Chairman

P.C. VARGHESE & CO.

Chartered Accountants

41/3197 B1, Bhagheeratha Square,
1st Floor, Banerji Road, Kochi - 682 018

P.C. Varghese B.Com. F.C.A.

P.C. Alexander B.Sc. F.C.A.

(O) (0484) 2394886, (R) (0484) 2344901, 2809002

E-mail: pcvargheese@gmail.com

INDEPENDENT AUDITOR'S REPORT

To the Members of Bhagheeratha Engineering Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Bhagheeratha Engineering Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedure to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

- (i) **Loan liability to consortium of Bankers** as at 31.03.2013 as per the books of the Company is Rs. 9031 lakhs excluding interest payable amounting to Rs. 2021 lakhs credited to interest payable account. All the loan accounts are defaulted since the financial year 2005-2006. The Company was under a Corporate Debt Restructuring Scheme with the Bankers since 2005. Since the company could not comply with the terms stipulated by bankers, the terms of the Scheme are no more applicable. But the company is still providing interest on the above loans as per terms agreed up on by the Bankers in CDR Scheme. The company has provided interest at a concessional rate of 8.25 % p.a on loans amounting to Rs. 2719 lakhs, at 17.5% on Rs. 423 lakhs and no interest is charged on the balance amount of Rs. 5889 lakhs (for which interest moratorium was originally allowed). The Bankers have filed suits for recovery of these advances. It is informed that the Company has since submitted a scheme for One-Time-Settlement of these loans which is under the consideration of the banks. The balance in the loan accounts are not confirmed and reconciled. The total liability as claimed by the Bankers originally in the Debt Recovery Tribunal is reported to be Rs.16400 lakhs and this is disputed by the Company. Since the matter is under litigation and application for One-Time-Settlement is under the consideration of bankers, short provisions of interest and other charges if any on these loan accounts are not presently ascertainable (Refer Note No. 5).
- (ii) **Balance with Bankers** (a) Fixed deposits of Rs. 295 lakhs is appropriated by Bankers towards their loan accounts. The Company has disputed these appropriations by the bankers and has not given effect to the same in its books. Since the matter is under litigation, we are not in a position to comment on the correctness of the deposits shown by the company (b) Deposits amounting to Rs. 200 lakhs is earmarked by the Bankers against liability to one of the creditors of the Company on the basis of a Court Order (Refer Note No. 15).
- (iii) The Company has not provided overdue interest on hire purchase loans outstanding Rs.256 lakhs availed from a hire purchase finance Company, who have taken possession of the hypothecated assets, pending settlement of accounts in respect of the assets seized by it. Liability if any on this account is presently not ascertainable (Refer Note No. 5).
- (iv) **Receivables against Uncertified Work** amounting to Rs. 623 lakhs, Security Deposit and Withholding from Contract Income amounting to Rs. 312 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. 35).



(v) *Balances in Trade Payables and Receivables, Loans & Advances and Clients accounts are long outstanding and subject to confirmation.*

Subject to our observation in para above, in our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 March 31, 2013.
- (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (e) on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For P. C. VARGHESE & CO.
Chartered Accountants
(FRN: 004526S)

(Sd/-)
P.C. VARGHESE, B.Com, F.C.A.
Partner
(M. No. 10408)

Kochi
24.06.2013

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph III of our report of even date

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of all fixed assets.
- (b) Physical verification of fixed assets was carried out by the management during the year as per its program of verification. In this regard, we report that:

Fixed assets of the Company mainly consisting of Equipments and Machinery are located at various places including four terminated projects. Machinery and equipments with w.d.v of Rs. 318 lakhs are under the custody of the clients and creditors. Company continue to carry on the value of the above assets in its books of accounts pending settlement of disputes with them. It is reported that all the machinery and equipments are very old and are in a depleted condition due to non usage for a long time and lack of proper maintenance. Many of the assets are stated to be beyond commercial repairs. During the year the company has decided to scrap some of such assets the original cost of which is Rs. 727 lakhs (w.d.v- NIL). Realizable value if any of the scrapped assets is not taken in to account at this stage.