



THIRTY EIGHTH ANNUAL REPORT 2001-02

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BHARAT EARTH MOVERS LIMITED

Contents

Board of Directors	1
Financial Statistics / Funds Flow	2
Notice	3
Directors' Report	5
Review of Accounts by the Comptroller & Auditor General of India	16
Significant Accounting Policies	23
Balance Sheet	26
Profit & Loss Account	27
Schedules to Financial Statements	28
Expenditure on Social Overheads	44
Balance Sheet Abstract and Company's General Business Profile	46
Cash Flow Statement	47
SSI's to whom Rupees One Lakh and above are due for more than 30 days	49
Auditors' Report	50
Comments of the Comptroller & Auditor General of India	56
Statement on Subsidiary Company	59
Vignyan Industries Limited	61
Corporate Data	85

38th Annual Report Bharat Earth Movers Limited

Board of Directors*

Dr. K. Aprameyan
Chairman & Managing Director

Dr. A. Ravindra
Chief Secretary
Government of Karnataka

Shri B.V. Ramanna
Director (HRD)

Shri Om Prakash
Joint Secretary (Export)
Department of Defence Production & Supplies
Ministry of Defence

Shri V.S. Venkatanathan
Director (R&D)

Shri R.C. Suthar
Director (Production)

Shri Abhijit Basu
Additional Financial Adviser &
Joint Secretary
Ministry of Defence

Shri P. Mazumdar
Director (Finance)

Shri K.A. Nagaraja
Director (Marketing)

Shri APVN Sarma
Joint Secretary
Ministry of Coal and Mines

***As on 22/08/02**

38th Annual Report

Financial Statistics

	1965-66	81 - 82	93 - 94	95 - 96	96 - 97	97-98	98-99	99-2000	2000-01	2001-02
(Rs. in Lakhs)										
CAPITAL										
Equity Capital	681	1,200	3,000	3,686	3,687	3,687	3,687	3,687	3,687	3,687
Reserves and Surplus	40	5,126	41,755	53,615	54,620	54,877	54,937	55,497	55,689	55,978
Net Worth	653	6,326	44,151	55,622	56,802	56,922	57,752	57,774	55,700	55,559
Loans from Government of India	-	1,992	8,330	4,825	3,660	2,525	1,440	NIL	NIL	NIL
Loans from Banks	-	4,577	28,977	35,842	39,919	41,466	47,305	37,537	23,471	27,255
Other Loans	-	-	36,303	26,562	28,280	27,247	22,951	10,855	6,288	2,778
Gross Block	236	5,010	43,100	44,792	45,815	49,708	50,618	52,199	52,695	52,851
Depreciation	27	2,404	18,835	23,761	26,267	28,613	31,058	33,509	35,805	37,648
Inventories	339	9,529	54,179	62,267	60,605	65,732	67,961	61,079	63,868	63,886
Sundry Debtors	119	3,733	48,544	60,199	71,443	61,882	60,665	52,016	52,067	56,730
Working Capital	447	10,212	92,923	101,287	107,298	106,510	108,655	86,838	67,512	69,190
Capital Employed	656	12,817	117,188	122,317	126,846	127,605	128,215	105,528	84,402	84,392
REVENUE										
Sales	517	22,193	90,239	101,110	116,979	125,971	121,262	131,709	134,740	142,415
Value of Production	523	22,520	96,124	103,207	118,207	128,596	124,415	129,385	134,317	143,610
Value Added	243	7,800	39,229	42,691	47,779	53,809	50,677	51,700	54,777	53,292
Profit before Depreciation & Interest	61	4,158	17,386	15,030	16,661	14,137	11,722	11,438	6,525	5,741
Depreciation	21	284	2,689	2,540	2,541	2,458	2,572	2,679	2,340	2,214
Surplus before Interest & Tax	40	3,874	14,697	12,490	14,120	11,679	9,150	8,759	4,185	3,527
Interest	-	886	10,094	10,244	11,004	10,074	8,878	6,399	3,120	2,226
Profit before Tax	40	2,988	4,603	2,246	3,116	1,605	272	2,360	1,065	1,301
Provision for Tax	8	1,775	650	800	1,300	540	210	900	465	766
Profit after Tax	32	1,213	3,953	1,446	1,816	1,065	62	1,460	600	535
Debenture Redemption Reserve	-	-	-	475	475	147	-	-	-	-
Dividend	-	72	450	553	737	811	-	897	405	441
RATIOS										
Turnover to Capital Employed	78.82	173.05	77.00	82.66	92.22	98.72	94.58	125.15	159.64	168.75
PBIT to Capital Employed	6.06	30.22	12.54	10.21	11.13	9.15	7.14	8.32	4.96	4.18
Profit before Tax to Sales	7.69	13.46	5.10	2.22	2.66	1.27	0.22	1.79	0.79	0.91
Profit after Tax to Net Worth	4.86	19.17	8.95	2.60	3.20	1.87	0.11	2.53	1.08	0.96
Value of Production to Inventories (Mean)	156.30	240.12	186.70	185.10	192.41	203.58	186.12	200.54	215.00	224.82

Funds Flow

	93 - 94	95 - 96	96 - 97	97-98	98-99	99-2000	2000-01	2001-02
(Rs. in Lakhs)								
SOURCES OF FUNDS								
Profit after Tax	3,953	1,446	1,816	1,065	62	1,460	600	535
Depreciation	2,574	2,437	2,506	2,346	2,445	2,451	2,296	1,843
Increase in Share Capital	-	4	-	-	-	-	-	-
Share Premium	-	83	4	6	1	-	-	-
Increase in Borrowings	6,589	769	4,629	-	459	-	-	274
Decrease in Working Capital	-	-	-	788	-	22,103	19,039	-
Others	-	-	171	-	774	-	-	-
	13,116	4,739	9,126	4,205	3,741	26,014	21,935	2,652
UTILISATION OF FUNDS								
Fixed Assets	529	905	2,059	2,634	1,596	986	419	(58)
Increase in Working Capital	11,515	2,725	6,012	-	2,145	-	-	1,677
Decrease in Borrowings	-	-	-	621	-	23,305	18,634	-
Dividend & tax thereon	450	553	811	811	-	897	405	441
Investments	10	-	244	-	-	287	210	26
Others	612	556	-	139	-	539	2,267	566
	13,116	4,739	9,126	4,205	3,741	26,014	21,935	2,652



Notice

NOTICE is hereby given that the 38th Annual General Meeting of Bharat Earth Movers Limited will be held on Friday the 27th September, 2002 at 1000hrs. at the 'Khincha Auditorium', Bharatiya Vidya Bhavan, Race Course Road, Bangalore-560 001, to transact the following business :

I. ORDINARY BUSINESS

1. To receive and adopt the Directors Report and Audited Profit and Loss Account for the year ended 31st March, 2002 and the Balance Sheet as at that date and Auditors' Report thereon.
2. To declare a Dividend.
3. To elect a Director in place of Shri. Om Prakash, who retires by rotation and being eligible, offers himself for re-appointment.
4. To elect a Director in place of Shri V.S. Venkatanathan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To elect a Director in place of Shri R.C. Suthar, who retires by rotation and being eligible, offers himself for re-appointment.
6. To fix remuneration of the Auditors.

II. SPECIAL BUSINESS

7. Appointment of Directors

- (a) To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :
"RESOLVED that Shri P. Mazumdar, be and is hereby appointed as Director(Finance) of the Company with effect from 1st April, 2002".
- (b) To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :
"RESOLVED that Shri K.A. Nagaraja, be and is hereby appointed as Director(Marketing) of the Company with effect from 1st May, 2002".
- (c) To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :
"RESOLVED that Shri APVN. Sarma, be and is hereby appointed as Director of the Company with effect from 31st January, 2002".

By order of the Board
for **Bharat Earth Movers Limited**

Bangalore - 560 027
Date : 30th August, 2002

K.C. Medapa
Company Secretary

NOTES:

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy/proxies to attend and vote instead of himself/herself and proxy need not be a member of the Company.
2. Proxy form is attached. The Proxy form should be deposited at the Registered Office of the Company not less than 48 hours before commencement of the meeting.
3. The Register of Members and Share Transfer Book will remain closed from 17th to 27th September, 2002 (both days inclusive).
4. Dividend, if any, approved at the 38th Annual General Meeting of the Company will be paid to those shareholders, whose names appear :
 - a) As beneficial owners as at the end of the business hours on 16th September, 2002 as per the list to be furnished by the Depositories in respect of the shares held in electronic form ; and
 - b) As Members in the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with Registrar and Transfer Agents of the Company at the address given below on or before 16th September, 2002.

M/s. Karvy Consultants Limited
No.51/2, T.K.N. Complex, Vanivilas Road
Opp: National College, Basavanagudi
Bangalore-560 004.

Intimation for change of address, Dividend mandates, if any, in case of physical shares should be lodged with the Registrar and Transfer Agents of the Company at the address given above.

In case of dematerialized shares, the change of address requests, dividend mandates, etc., should be directly sent to the concerned Depository Participants (DPs).

5. The explanatory statement as required under the Companies Act, 1956 is enclosed.
6. Member/Proxy holder must bring the Attendance Slip to the Meeting and hand it over at the entrance duly signed.
7. Members who are holding shares in more than one folio are requested to intimate to the Registrar and Transfer Agents the details of all their folio numbers for consolidation into a single folio.
8. Member are requested to bring their copies of the Annual Report to the meeting.

38th Annual Report

Notes

Explanatory statement pursuant to section 173 of the Companies Act, 1956 relating to special business

1) Appointment of Directors :

The existing Articles of Association of the Company provides for appointment of all Directors by the President of India. Consequent upon disinvestment of shares of BEML by the Government of India, the Company's status has changed from 'Wholly owned Government Company' to a 'Partly owned Government Company' and the exemption granted to Wholly owned Government Company are no longer available. The Government of India holds over 60% of Equity Shares in the Company and is a majority shareholder. The President has appointed Shri P. Mazumdar, as Director(Finance) of the Company with effect from 1st April, 2002 vide Ministry of Defence Letter No.10(1)2001-D(BEML) dated 28.1.2002. The President of India has also appointed Shri K.A. Nagaraja as Director(Marketing) of the Company with effect from 1st May, 2002 vide Ministry of Defence Letter No.10(1)2001-D(BEML) dated 26.3.2002. Shri AVPN Sarma, Joint Secretary(Coal) was appointed as Part-time Official Director on the Board with effect from 31st January, 2002 vide Ministry of Defence Letter No.PC to MF No.24(9)/84-D(BEML) dated 31st January, 2002. under the powers vested in the Articles of Association of the Company and secure the consent of the members for the appointment of the aforementioned Directors with effect from the date of their respective appointments as aforesaid. In view of the provisions of the Companies Act, relating to appointment of Directors, it has become necessary to place these items before the member of the Company.

Shri P. Mazumdar, Director(Finance)

Shri Mazumdar is an honours graduate in Physics from IIT, Kharagpur. He is a fellow member of the Institute of Cost and Works Accountants of India. He underwent an advance Training Programme on "International Board and Directors Seminar" at Stockholm. He also attended an International workshop on privatization, regulatory reform and corporate governance conducted at Harvard University, USA.

He started his career with SAIL, Bhilai Steel Plant and thereafter moved to other PSUs in mining, construction, consultancy, river navigation and aluminium and held varied assignments.

Shri K.A. Nagaraja, Director(Marketing)

Shri Nagaraja is one of the earliest mechanical engineering graduates of Bangalore University. He joined BEML in late sixties and worked in manufacturing and quality at KGF.

He moved over to Head Quarters/Marketing Division during seventies. In a period that spanned 25 years, he held varied assignments that saw him handle sale forecasts, product promotion, application engineering and restructuring commercial operations. He was instrumental in developing the first corporate plan and finalizing the list of prospective collaborators.

As head of International Division, he helped BEML develop a significant presence in over 30 countries and penetrate into European markets as well. He successfully implemented counter trade with Syria and developed goods business in Jordan, UAE and Tunisia. His tenure saw BEML being declared as an Export House with star exporter status.

Taking over as Chief General Manager (Service & Spare Parts) he introduced long-term maintenance contracts, midlife reliability improvement concept, service audit, rationalisation of parts prices, strengthening of service centres, networking of parts depots and spearheaded recon exchange programme and reduction of inventory.

Shri A.P.V.N Sarma, Part-time Director

Shri Sarma is a Bachelor of Engineering from Regional Engineering College, Warangal. He is an IAS Officer of the Andhra Pradesh Cadre. He has held several important position including that of Chairman & Managing Director, Singareni Collieries Company Ltd., and is currently Joint Secretary (Coal) in the Ministry of Coal & Mines. In this capacity he will be of immense help to leverage the Company's point relating to procurement and realization from the Mining Segment.

None of the Directors of the Company except Shri P. Mazumdar, Shri K.A. Nagaraja and Shri APVN Sarma are interested in these Resolutions.

The Directors recommend the resolution set out in the meeting notice to the members for their approval.

Directors' Report

The Directors present the 38th Annual Report together with Audited Statement of Accounts for the year ended 31.03.2002.

FINANCIAL RESULTS

	Rs. In lakhs	
	2001-2002	2000-2001
Sales	1,42,415	1,34,740
Value of Production	1,43,610	1,34,317
Profit before Depreciation		
Interest and Tax	5,741	6,525
Interest	2,226	3,120
Depreciation	2,214	2,340
Profit before Tax	1,301	1,065
Provision for Taxation	766	465
Profit after Tax	535	600
APPROPRIATIONS		
Proposed Dividend	441	368
Tax on Dividend	—	37
General Reserve	150	100
Profit & Loss Account	157	213
Net Worth	55,559	55,700

DIVIDEND

The need to support the investors with a sustained and stable return is of primary concern to the Company. The amount available for distribution is small. It has therefore been recommended to declare a Dividend of 12% for the year 2001-2002.

TURNOVER AND PROFITABILITY

The prolonged economic slow down in the Country adversely affected the entire Earthmoving Equipment segment as also Railway Segment resulting in a sharp drop in demand for the products in this segment. A small number of AC EMU's and Rail Buses were rolled out and delivered. The Company indigenously developed and delivered a small number of Mil-Rail Coaches to the Defence for their specific use. This partially made good the shortfall of order from Railway Board. Yet another year passed by without orders being placed for Rail Coaches by Railway Board. This had a telling effect on the operation

of the Company which is visible in the profitability position. In spite of these adversities the Company registered a growth of 5.70% in Sales, 6.92% in Value of Production and 22.16% in Profit before Tax. Several measures taken by the Company for cost reduction and interest savings have yielded results.

The Company has three segments in its range of products, they are :

Earthmoving Equipments which accounted for Rs.81,200 lakhs in turnover, Defence Products which accounted for a turnover of Rs.58,406 lakhs and Railway Products for the balance turnover of Rs.2,809 lakhs in turnover. In comparison to the previous year the sale to Defence has shown considerable increase constituting 41% of the total turnover. Major supplies to Defence included Tatra Trucks & Variants, Heavy Recovery Vehicles, Armed Recovery Vehicles, Engineering Mine Plough for which repeat orders have been received.

EXPORTS

The Export turnover stood at Rs.11543 lakhs, of which Rs.3655 lakhs related to physical export to Syria, Tunisia, Bangladesh, etc. Substantial portion of the exports related to in-house developed equipments like BH-40 Dumpers, 70 Ton Pipe Layers and BL-30 Loaders.

STRUCTURE SEGMENT REPORT & PROSPECTS

The Company manufactures Heavy Earthmoving Equipments catering to core sectors of industry like mining, irrigation projects, steel / cement plants, infrastructure sector, Defence equipments and aggregates supplied exclusively to the Defence Forces and Railway Rolling Stock primarily for Indian Railways. The Company has three plants one each located at Bangalore, Mysore and KGF, each of which is interdependent.

The prospects in the Defence segment is encouraging. The Company holds orders to the tune of Rs.1700 crores for execution over the next two years in this segment. The Earthmoving Equipment segment is largely dependent on the core sector of the economy performing well. The economic slow down of the previous year is continuing. This is having effect on the core sector. The projected off-take of equipment is not materializing due to several factors which in turn is affecting our operations. The infrastructure development is under implementation, but at a pace far slower than indicated. Notwithstanding this the Company is making efforts to increase its share of business in this

38th Annual Report

Directors' Report

segment by introducing a large number of equipment catering to almost every viable area. In the Railway segment the outlook for the year is not encouraging. Efforts made for securing order for supply of Rail Coaches has not been yielding results. To overcome the position Company has broadened its scope of operations by taking up manufacture of Mil Rail Coaches and Wagons for Defence use. The Company has entered into a Memorandum of Understanding with M/s. Rotem, Korea for manufacture of Electrical Multiple Units (EMU) with transfer of technology for state of art stainless steel coaches. With several states showing interest for Metro Rail Transport system, to overcome the existing problem of congestion, the potential for sale of these Coaches appears to be good. M/s. Rotem have secured an order for implementation of the Delhi Metro Rail Project in which BEML has been selected for manufacturing of EMUs. This would give the Company dual advantage of access to latest technology in manufacture of EMUs as also establish our capability to supply such Coaches for envisaged projects in the Country.

The Company has fixed for itself a target of Rs. 167470 lakhs towards sales with better results and is gearing itself to meeting this target. In short the Company is poised for growth in the years to come considering the product line it is in and the demand for which as indicated in the economic growth forecast by the Government.

The Earthmoving equipment segment is facing severe competition. Consequent on liberalisation of economy imports have become easy as also economical. Coupled with entry for International manufacturers being made simple, the competition for the limited market is very severe. We will need to fight this competition for a good share in the market. The Defence Sector has been opened up for entry to all Sectors. With this the competition in the Defence segment will also grow for a limited market. The market for Railway rolling stock is scheduled to grow considering the large population and material that is to be transported. However, the growth is linked to establishing new lines etc., for which funds is a major constraint.

QUALITY

In line with its commitment towards improving quality and eliminating defects it is vital for the Company not only to enhance technology but also constantly improve processes through application of preventive quality tools

may be rephrased. Several measures were implemented to attain this. Quality consciousness is also inculcated in Vendors. Vendors holding ISO Certification are given preference for supply of materials. The Company also extends technology support and assistance to Vendors to ensure accepted level of quality for goods supplied.

RESEARCH & DEVELOPMENT

Research and Development is an on going measure for any industry for sustenance and growth. During the year a 160 Ton Class Hydraulic Excavator the Largest of its kind in India and Second Largest in Asia was indigenously manufactured. The R&D also designed and developed the side discharge loaders, Articulated Motor Grader which were rolled out successfully.

The Company also designed, developed and rolled out Special Wagons and Mil Rail Coaches for use by the Defence.

Presently work is on hand for design and development of Disaster Management Equipment with Financial Assistance from Technology Information, Forecasting and Assessment Council (TIFAC) of the Department of Science and Technology. The project envisages, design changes to accommodate special attachment on 30 Ton Class Excavators for application in clearance of material in disaster affected areas. A radio control Dozer is also under development to enable put it to use in hazardous environment.

The information on R&D, Technology Absorption, Adaptation and Innovation is at **Annexure-I**.

FINANCE

The working capital requirement was met from internal resources and cash credit facilities from Banks. There is no overdue instalment of principal / interest. High cost debts were repaid wherever possible. The final instalment of redemption of Debentures issued to Public was made during the year. The second instalment of redemption of privately placed with Army Group Insurance was made during the year. No fresh debts were raised. By closely monitoring the funds position, discharging high cost debts, improving realisation, the interest burden in the year came down to Rs.2,226 lakhs.

The Company's contribution to the Exchequer was of the order of Rs.16,767 lakhs during the year by way of Excise Duty, Customs Duty, Sales-tax and Income Tax.

Directors' Report

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year the Company's export earning was Rs. 3388 lakhs. The total foreign exchange utilised during the year was Rs. 56400 lakhs.

FIXED DEPOSITS

At the end of the Financial Year fixed deposits accepted / renewed from the Public stood at Rs1,934 lakhs. Fixed Deposit aggregating to Rs.2.03 lakhs remained unclaimed.

VIGILANCE

An elaborate and well structured Vigilance system has been established covering all area of operations. The Vigilance Department scrutinizes/checks selectively records/documents to ensure that systems established are strictly followed. Periodical meetings of Vigilance Officers are held and reports submitted to various agencies including Central Vigilance Commission.

CORPORATE GOVERNANCE

The amendments to the Companies Act, 1956 and the listing Agreement with Stock Exchanges require compliance with specified Corporate Governance practices. The progress on implementation of these practices is **Annexed** hereto.

SUBSIDIARY COMPANY

M/s. Vignyan Industries Limited, Tarikere has reported improved results, attaining a turnover of Rs.1353 lakhs, Value of Production of Rs.1360 lakhs, Profit of Rs.15.88 lakhs recording a growth of 11% in Sales, 13% in Value of Production and 2.32% in Profit over the previous year. During the year Company successfully developed U2 Grade Steel Castings for specific use by MIDHANI.

The statement and particulars relating to M/s. Vignyan Industries Limited, Tarikere, pursuant to Section 212 of the Company's Act, 1956 are attached.

SMALL SCALE AND ANCILLARY INDUSTRIES

The Small Scale and Ancillary Units continue to get support and preference from BEML wherever there is shortage of in-house capacity. The Company extends technical guidance and requisite support to these industries wherever required. Our Quality Control personnel visit the industries to assist and ensure that quality of the products meet the requisite standard. During 2001-02, the Company procured items worth Rs.2923 lakhs from these Units.

RAJBHASHA

The Company continues to give importance for accelerating the use of Hindi in official work. More than 1500 employees have been trained so far in Prabodh, Praveen and Pragya courses. Incentives are extended for learning and use of Hindi in official work. Important letters and sign boards are bilingually issued. During the year a Joint Inspection Committee on official languages visited and inspected our Corporate Office during October, 2001 and appreciated the work done in the implementation of Hindi in the Company.

AWARDS

During the year following awards were received :

The Bangalore Complex won the National Safety Award 1999 for achieving lowest average frequency rate of accidents.

The Mysore Complex, Equipment Division won the National Safety Award 1999 (Runner up) for achieving lowest average frequency rate of accidents.

The Company was awarded certificate of Export Excellence by EEPC Southern Region in recognition of achieving highest export performance during 1999-2000 in the category Construction and Earthmoving Machinery.

MANPOWER & INDUSTRIAL RELATIONS

The manpower strength as on 31st March, 2002 stood at 13838 as against 14357 of the previous year. With focus on reducing the manpower the VRS Scheme introduced was availed by 268 employees at a cost of Rs.14.72 crores.

Representation of SC/ST and Ex-Servicemen category wise as on 1.1.2002 and recruitments made during 2001 are as under :

Representation of SC/ST Ex-Servicemen as on 01.01.2002

Category/ Group	Total Strength As on		No. of SC/ST and Ex-servicemen					
			Scheduled Caste		Scheduled Tribe		Ex-service men	
	1.1.01	1.1.02	1.1.01	1.1.02	1.1.01	1.1.02	1.1.01	1.1.02
Group 'A'	1453	1410	154	174	31	38	10	8
Group 'B'	1284	1041	180	140	31	22	23	21
Group 'C'	11642	11099	2480	2441	380	379	878	778
Group 'D' (ESH)	265	283	78	93	16	16	21	20
Group 'D' (SH)	12	7	8	4	0	0	0	0
MREs	274	36	87	4	8	0	0	0
Total	14930	13876	2987	2856	466	455	932	827

38th Annual Report

Directors' Report

Recruitment during 2001

Group	General	SC	ST	EX-S	OBC	TOTAL
Group-A	1	-	-	-	-	1
Group-B	9	2	1	-	1	13
Group-C	103	71	5	-	33	212
Group-D	16	20	-	-	3	39

HUMAN RESOURCES DEVELOPMENT

Training and Development of Employees continues to be an area of prime focus with key personnel being sent for training within the country and abroad. Thrust was given for continuously updating technical/professional skills of employees and bringing about attitudinal changes in developing good work culture in all areas of operation particularly shop floor. The industrial relations continued to be harmonious during the year.

PARTICULARS OF EMPLOYEES

There was no employee of the Company who received remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, read with the Companies (Particulars of Employees) Rules, 1975.

SOCIAL OBLIGATIONS

A mass pulse-polio programme was arranged at KGF Medical Centre for Children below 5 years when over 730 Children were immunised under the programme. Driving training programme was imparted for SC/ST youths for building job opportunity.

ENVIRONMENT AND POLLUTION CONTROL

During the year over eighteen lakh saplings were planted in and around the Company's premises located at KGF and Mysore. This is an on-going measure to protect and improve the environment.

The Company has also adequate number of water treatment plants to re-circulate the treated industrial waste water. Measure to minimise pollution as per Pollution Control Act have been taken. Necessary facilities have been created to control Air Pollution through various measures recommended by the Pollution Control Board.

ENERGY CONSERVATION

Energy conservation is an on-going measure. During the year the following additional steps were taken for ensuring better energy conservation :-

- 1) Maintaining the power factor 0.90 and above;
- 2) Battery operated trucks were used for light loads;

- 3) Regulating DG Set operation based on load requirements and improving the efficiency by proper tuning and adjusting the fuel system;
- 4) Installed higher capacity Solar Hot Water systems for Canteen;
- 5) Thermostatic controls provided for Pre-treatment Tanks;

AUDITORS

M/s. P. Chandrasekar, Chartered Accountants, Bangalore, were re-appointed as Statutory Auditors for the year 2001-02.

The Company was brought under Cost Audit for IC Engines and Heavy Earth Moving Equipments. Accordingly, Cost Auditors were appointed for conducting the Audit under Section 233B of the Companies Act, 1956.

Reply of the Board of Directors to the observations made in the report of the Statutory Auditors and the Comptroller & Auditor General of India on the Accounts are given in addendum to this report.

REVIEW OF ACCOUNTS

The review of accounts by the Comptroller and Auditor General of India for the year 2001-02 is attached to this report at **Annexure-II**.

DIRECTORS

The President of India appointed Sri P. Mazumdar as Director (Finance) in the place of Sri J.B. Diwale upon superannuation on 31.3.2002. The President of India also appointed Sri K.A. Nagaraja as Director (Marketing) in place of Sri K.R. Anantharaman upon superannuation on 30.4.2002. Sri A.P.V.N. Sarma was appointed as Part time Director in place of Sri Devdas Chhotray by the President of India. Sri Romesh Kumar resigned from the Directorship of the Company upon attaining Superannuation. The Board placed on record its deep appreciation of the valuable services rendered by Sri J. B. Diwale, Sri K.R. Anantharaman, Sri Devdas Chhotray and Sri Romesh Kumar.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirm :

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii) that the selected accounting policies were applied consistently and the Directors made judgements and