

P. C. BAFNA & CO.

CHARTERED ACCOUNTANTS

P. C. BAFNA B.Com FCA
SUNIL KASHYAP M.Com FCA

MONIKA SALHOTRA B.Com. ACA
VINAY H. PANJABI B.Com. FCA

AUDITORS' REPORT

The Members
 Bhilai Engineering Corporation Limited
 Bhilai (C.G.)

We have audited the attached Balance Sheet of Bhilai Engineering Corporation Limited, Bhilai (C.G.) as at 31st March 2002 and the annexed Profit and Loss Accounts for the year ended on that date and report that 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those 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.

1. As required by the Manufacturing and other Companies (Auditor's Report) order, 1988 issued by the Company Law Board in terms of Section 227 (4-A) 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.
2. Further to our comments in the annexure referred to above, 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 purposes of our audit.
 - (b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from examination of those books.
 - (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account maintained by the Company.
 - (d) In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting standard referred to in section 211 (3C) of the Companies Act, 1956.
 - (e) According to the information and explanation given to us and on the basis of written representations from the Directors of the Company, taken on record by the Board of Directors, none of the Directors is disqualified as on March 31st, 2002 from being appointed as a Director under section 274 (1) (g) of the Companies Act, 1956.
3. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes on accounts and the Significant Accounting Policies, 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 case of Balance Sheet, of the state of affairs of the Company as at 31st March 2002 and
 - (b) In the case of the Profit & Loss Account, of the Loss of the Company for the year ended on that date.

for **P.C. BAFNA & CO.**
 Chartered Accountants

Place : Bhilai
 Date : 5th September, 2002

(**SUNIL KASHYAP**)
 PARTNER

OFF : GANJ PARA, DURG 491 001 (C.G.) RES. : BAFNA HOUSE 5, MALVIYA NAGAR, DURG (C.G.)
 Phone : (O) 323182, 329738 (R) 323082, 322344 Fax : (0788) 210477 E-mail : pcbafnaco@hclinfnet.com

Annexure to Auditors' Report

(Annexure as referred to in paragraph 1 of our report of even date on the accounts of Bhilai Engineering Corporation Limited Bhilai (C.G.) for the year ended 31st March 2002.)

1. The Company is maintaining proper records showing full particulars including quantitative details and situation of the fixed assets as explained to us. Most of the fixed assets of the company have been physically verified by the management during the year and as explained to us, no material discrepancies were noticed on such verification.
2. None of the fixed assets of the company has been revalued during the year.
3. The stocks of Finished goods, stores spare parts and raw materials have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
4. According to the information and explanations given to us, in our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of Company and have been properly dealt with in the books of account.
5. The discrepancies noticed on verification between the physical stocks and book records were not material having regard to the size of operations of the Company and have been properly dealt with the books of account.
6. In our opinion and on the basis of our examination of stock records, the valuation of stocks is fair and proper in accordance with the Accounting Standard-2 and is on the same basis as in the preceding year. Finished goods are valued net of excise duty (refer point No. B(6) of Schedule "I").
7. The Company has taken unsecured loans (including advances) from the companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956 (1 of 1956). The rate of interest and the terms and conditions, wherever specified on such loan, are not, prima facie, prejudicial to the interests of the Company. Further, as per information and records available, we understand that there is/are no Company(s) under the same management within meaning of Section 370 (1-B) of the Companies Act, 1956.
8. The terms and conditions of the unsecured loans (including advances) given to Companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956 (1 of 1956) are not, prima facie, prejudicial to the interests of the Company. Further, as per information and records available, we understand that there is/are no Company(s) under the same management within the meaning of Section 370 (1-B) of the Companies Act 1956.
9. In respect of loans & advances in the nature of loans given by the company, where stipulations have been made, parties are repaying the principal amounts and interest as stipulated and/or re-stipulated.
10. In our opinion and according to the information and explanations given to us, there are adequate internal procedures commensurate with the size of the Company and nature of its business with regard to purchases of raw materials, stores, spare parts, plant and machinery and other assets.
11. No transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements with any party were entered in the register maintained under section 301 of the Companies Act, 1956 during the year.
12. As explained to us, unserviceable or damaged stores, raw materials and finished goods are determined by the management and adequate provisions have been made in the books of account for the loss so determined.
13. The Company has not accepted any deposits to which provisions of section 58-A of the Companies Act, 1956 are applicable.

14. As explained to us, scrap is recycled and used in production. Closing stock of scrap and other arisings is considered on the basis of physical verification. In our opinion, the records maintained for sale are reasonable, considering the volume.
15. The Company has an internal audit system commensurate with size and nature of the business of the Company.
16. As explained to us, the Company has maintained cost records for its Fertiliser Division, Steel Casting & foundry unit of Engineering Division under section 209(1)d of Companies Act. However, we are not required to and have not carried out any detailed examination of such accounts and records.
17. As explained to us, the Company is generally regular in depositing Provident Fund & ESI (wherever applicable) dues with the appropriate authorities.
18. According to the information and explanations given to us, there were no undisputed amounts payable in respect of Income Tax, Sales tax, Custom duty and Excise Duty whichever is applicable to the Company, outstanding as on 31st March 2002 for a period of more than six months from the date they become payable.
19. According to the information and explanations given to us and records of the Company explained by us, no personal expenses have been charged to revenue account other than those which are payable under the contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial Company within the meaning of clause (O) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of training activities, damaged goods have been determined at the time of physical consequential adjustments, if any, have been made in accounts.
22. The Company has kept generally adequate records of its transactions in securities, debentures and other investments for its Investment Division and timely entries have been made therein. As informed to us, the securities, debentures and other investments are in the name of the Company or in the process of transfer to the Company's name.

for P.C. Bafna & Co.
Chartered Accountants

Place : Bhilai
Date : 5th September, 2002

SUNIL KASHYAP)
PARTNER

BHILAI ENGINEERING CORPORATION LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2002

Particulars	Schedule	As At 31st March	
		2002 (Rs. in Lacs)	2001 (Rs. in Lacs)
SOURCES OF FUNDS			
SHARE HOLDERS' FUNDS			
Share Capital	'A'	466.95	466.95
Reserves & Surplus	'B'	2,781.46	3,024.82
		3,248.41	3,491.77
LOAN FUNDS			
Secured Loans	'C'	6,895.83	6,207.23
Unsecured Loans	'D'	281.35	256.32
Total Loan Funds		7,177.18	6,463.55
Total Funds Employed		10,425.59	9,955.32
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	'E'	7,037.43	5,960.03
Less : Depreciation		4,445.71	4,108.35
Net Block		2,591.72	1,851.68
Capital Work-in-Progress		21.24	738.75
		2,612.96	2,590.43
INVESTMENTS (At Cost)	'F'	107.69	123.86
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	'G'	4,351.12	4,463.99
Sundry Debtors		5,002.65	3,290.56
Cash & Bank Balances		487.57	697.46
Other Current Assets		72.22	57.54
Loans & Advances		2,125.61	1,794.82
		12,039.17	10,304.37
Less :			
CURRENT LIABILITIES & PROVISIONS.			
Current Liabilities	'H'	4,380.20	3,063.34
		4,380.20	3,063.34
Net Current Assets		7,658.97	7,241.03
Deferred Tax Assets		45.97	0.00
Total Funds Utilised		10,425.59	9,955.32
ACCOUNTING POLICIES & NOTES ON ACCOUNTS			
Schedules referred to above form an integral part of the Balance Sheet.			

This is the Balance Sheet referred to in our report of even date.

FOR P.C. BAFNA & CO.
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD

(SUNIL KASHYAP)
Partner
Place : Bhilai
Date : 5th September, 2002S.P. GUPTA
G.M. Finance &
Company SecretaryB.R. Jain
Chairman
Pramod Jain
DirectorA.K. Jain
Jt. Mg. DirectorVeenu Jain
Jt. Mg. Director
Ashish Jain
Director

BHILAI ENGINEERING CORPORATION LIMITED**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2002,**

Particulars	Schedule	For the year ended 31st March	
		2002 (Rs. in Lacs)	2001 (Rs. in Lacs)
INCOME			
Income from Operations	'J'	19,381.83	12,765.88
Variation in Stock	'K'	(460.46)	91.58
TOTAL INCOME		18,921.37	12,857.46
EXPENDITURE			
Material	'L'	13,206.41	7,878.36
Operational Expenses	'M'	4,741.10	4,078.47
Financial Charges	'N'	886.73	823.05
Depreciation		376.46	316.14
		19,210.70	13,096.02
PROFIT / (LOSS)		(289.33)	(238.56)
Transferred To/From Investment Allowance Utilised Reserve		0.00	36.00
Transferred To / From Deferred Tax Assets		45.97	0.00
Balance transferred to General Reserve		(243.36)	(202.56)

Schedules referred to above form an integral part of the Profit & Loss account

This is the Profit & Loss Account referred to in our report of even date.

FOR P.C. BAFNA & CO.
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD;

(SUNIL KASHYAP)
Partner
Place : Bhilai
Date : 5th September, 2002

S.P. GUPTA
G.M. Finance &
Company Secretary

B.R. Jain
Chairman

Pramod Jain
Director

A.K. Jain
Jt. Mg. Director

Veenu Jain
Jt. Mg. Director

Ashish Jain
Director

BHILAI ENGINEERING CORPORATION LIMITED
SCHEDULES TO ACCOUNTS

SCHEDULE "A" - SHARE CAPITAL

Particulars	As At 31st March	
	2002 (Rs. in Lacs)	2001 (Rs. in Lacs)
AUTHORISED :		
1,00,00,000 Equity Shares of Rs. 10/- each	1,000.00	1,000.00
ISSUED, SUBSCRIBED & PAIDUP :		
46,69,520 Equity Shares of Rs. 10/- each fully paidup (46,69,520)	466.95	466.95
TOTAL	466.95	466.95

Note:

- Share Capital includes 22,76,200 Equity Shares of Rs. 10/- each issued as fully paid Bonus Shares on Capitalisation of General Reserve.
- 1,74,120 share of Rs. 10/- each allotted during 96-97 to erstwhile partners of M/s BECO Steel Castings for consideration other than cash.

SCHEDULE "B" - RESERVES & SURPLUS

Particulars	As At 31st March	
	2002 (Rs. in Lacs)	2001 (Rs. in Lacs)
(I) CAPITAL RESERVE		
As per last Balance Sheet	68.31	68.31
Total (I)	68.31	68.31
(II) INVESTMENT ALLOWANCE UTILISED RESERVE		
As per last Balance Sheet	0.00	36.00
Tfd from /to Profit & Loss Account	0.00	(36.00)
Total (II)	0.00	0.00
(III) GENERAL RESERVE		
As per last Balance Sheet	2,956.51	3,164.81
Income Tax for earlier years	0.00	(5.74)
Transferred from Profit & Loss Account	(243.36)	(202.56)
Total (III)	2,713.15	2,956.51
TOTAL (I TO III)	2,781.46	3,024.82

BHILAI ENGINEERING CORPORATION LIMITED

SCHEDULES TO ACCOUNTS

SCHEDULE "C" - SECURED LOANS

Particulars	As At 31st March	
	2002 (Rs. in Lacs)	2001 (Rs. in Lacs)
Term Loan from Financial Institutions & Banks	1,646.94	1,636.91
Working Capital Loans from Banks	4,873.29	4,061.50
Advances from Customers	375.60	508.82
TOTAL	6,895.83	6,207.23

Notes :

1. Secured by way of charges on immovable and movable properties of the Company both present and future subject to prior charges on specified mortgage created/to be created in favour of the Company's Bankers & SICOM.
2. Secured against hypothecation of Stock in trade including goods in transit. Book Debts etc., ranking pari passu between the financing bankers, viz. Central Bank of India, UCO Bank and State Bank of India.
3. Secured by guarantees from the Company's Bankers including the Guarantees expired but not yet discharged.
4. Term Loans, Working Capital Loans and advances from Customers have also been guaranteed by some of the Directors.

SCHEDULE "D" - UNSECURED LOANS

Particulars	As At 31st March	
	2002 (Rs. in Lacs)	2001 (Rs. in Lacs)
Short term Loans		
From Companies	62.62	75.44
Sales Tax Loans	79.39	104.85
Other Loans & Advances	139.34	76.03
TOTAL	281.35	256.32

BHILAI ENGINEERING CORPORATION LIMITED

SCHEDULE 'E' FIXED ASSETS

Particulars	Gross Block				Depreciation				Net Block	
	As at	During the year		As at	Up to	During the year		Up to	As at 31st March	
	31st March 2001 Rs in lacs	Addition Rs in lacs	Sale/Transfer Rs in lacs	31st March 2002 Rs in lacs	31st March 2001 Rs in lacs	Provided Rs in lacs	Adjustments Rs in lacs	31st March 2002 Rs in lacs	2002 Rs in lacs	2001 Rs in lacs
Land-Free hold	7.37	0.00	0.00	7.37	0.00	0.00	0.00	0.00	7.37	7.37
Land-Lease hold	66.01	8.47	0.00	74.48	0.00	0.00	0.00	0.00	74.48	66.01
Buildings	859.88	122.20	0.00	982.08	352.42	37.45	0.00	389.87	592.21	507.46
Plant & Machinery	4230.93	894.96	4.14	5121.75	3216.18	277.71	3.35	3490.54	1631.21	1014.75
Water, Electricity & Telephone Installations	131.67	1.54	0.00	133.21	79.61	4.74	0.00	84.35	48.86	52.06
Furniture, Fixtures & Equipment	240.98	9.86	0.00	250.84	162.28	10.97	0.00	173.25	77.59	78.70
Vehicles	273.46	52.73	43.57	282.62	185.31	26.43	35.75	175.99	106.63	88.15
Computer	149.73	35.35	0.00	185.08	112.55	19.16	0.00	131.71	53.37	37.18
Total	5960.03	1125.11	47.71	7037.43	4108.35	376.46	39.10	4445.71	2591.72	1851.68
Capital WIP	738.75	147.51	865.02	21.24	0.00	0.00	0.00	0.00	21.24	738.75
Grand Total:	6698.78	1272.62	912.73	7058.67	4108.35	376.46	39.10	4445.71	2611.96	2590.43
Previous Year	5844.85	943.90	89.97	6698.78	3803.61	316.14	11.40	4108.35	2590.43	