

45TH ANNUAL REPORT
2004 - 2005



Bhilai Engineering Corporation Limited


BHILAI ENGINEERING CORPORATION LIMITED
BOARD OF DIRECTORS
Directors

B.R. Jain,
N.K. Jain
S.K. Jain
A.K. Jain, Joint Managing Director
Veenu Jain, Joint Managing Director
Pramod Jain
Ashish Jain, Whole-time Director

G.M. Finance & Company Secretary

S.P. Gupta

Auditors

P.C. Bafna & Co.
Chartered Accountants
Durg (C.G)

Bankers

Central Bank of India
State Bank of India
UCO Bank

Regd. Office & Works I

Hathkhaj Village
Industrial Area,
Bhilai (C.G)

Works II

BEC Fertilizers I
Sirgiti Industrial Complex,
Bilaspur (C.G)

Works III

BEC (Projects Division)
Urla Industrial Area,
Raipur (C.G)

Works IV

BEC Foods
Village Kuthrel
PO Anda
Durg (C.G)

Works V

BEC Fertilizers II
Village- Guhjkhedra- Taluka-Deoli
Pulgaon-Dist Wardha (M.S)

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BHILAI ENGINEERING CORPORATION LIMITED
DIRECTORS' REPORT

To The Members,

Your Directors present their 45th Annual Report together with the Audited accounts of the Company for the financial year ended 31st March, 2005.

FINANCIAL RESULTS :-

(Rs. in lacs)

	<u>FY. 2005</u>	<u>FY. 2004</u>
Sales & Other Income	19720.15	15854.97
Profit after financial charges & before depreciation	551.13	324.51
Less : Depreciation	382.47	407.13
Profit (Loss) during the year	168.66	(82.62)
Provision for Taxation	(12.75)	-
Income Tax for earlier year	(3.58)	(1.59)
Balance transferred to General Reserve	152.33	(84.21)

THE YEAR IN RETROSPECT :-

Company's overall performance during the year has improved considerably. Turnover has increased by 24%. Company has earned a net profit of Rs. 169 lacs and a cash profit of Rs. 551 lacs during the year.

As Food Division was incurring losses continuously, its operation has been suspended during the year.

FUTURE PROSPECTS :-

Turnover in the Engineering Division is expected to be improved further during the current year because of the orders in hand from various steel plants. In Fertilizer Division a granulation plant is being installed which will commence production during the year and thus turnover of Fertilizer Division will also increase.

DIVIDEND :-

The Board of Directors have decided not to recommend dividend for the year 2004-2005.

PERSONNEL :-

None of the employee is drawing a salary in excess of Rs.2,00,000/- per month or Rs.24,00,000/- per annum and as such particulars in accordance with the provision of Section 217(2A) of the Companies Act, 1956 are not furnished.



BHILAI ENGINEERING CORPORATION LIMITED

DIRECTORS RESPONSIBILITY STATEMENT :-

The Mandatory accounting standards have been followed.

The accounting policies are reasonable and prudent and are consistently followed to give a true and fair view of the state of affairs of the Company.

Proper and sufficient care has been taken for maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities.

The Annual Accounts have been prepared on a going-concern basis.

AUDITORS :-

The term of M/s. P.C. Bafna & Co. Chartered Accountants, as auditors expires at the conclusion of the Annual General Meeting and they are eligible for re-appointment. The auditors have given certificate to the effect that their re-appointment, if made, will be within the prescribed limits specified under section 224(1B) of the Companies Act, 1956.

COST AUDIT :-

Pursuant to Section 233-B, the Central Government has directed to carry out audit of the Company's Cost account records in respect of Engineering & Fertilizer Divisions. Accordingly your Directors have appointed Mr. Satish Chander, Cost Accountant to conduct Cost Audit for the year ending March, 2005.

DIRECTORS :-

Shri S.K. Jain retires from the Board by rotation and being eligible offers himself for re-appointment

Shri P.K. Jain retires from the Board by rotation and being eligible offers himself for re-appointment

The Company has reappointed Shri A. K. Jain and Shri Veenu Jain as Joint Managing Director w.e.f. 01/04/2005 for the period of 5 years.

ACKNOWLEDGEMENT :-

Your Directors take this opportunity to place on record their warm appreciation of the valuable contribution and the spirit of dedication by the employees at all levels during the year. The Directors also express their deep gratitude for the business assistance, co-operation and support extended to your Company by Customers, Distributors, Suppliers/Service Providers, Financial Institutions, Banks, various Governmental Organizations/Agencies and Shareholders and look forward for their continued support and co-operation in future also.

BHILAI ENGINEERING CORPORATION LIMITED**PUBLIC DEPOSIT :-**

The Company has not accepted any deposit within the meaning of Section 58 A of the Companies Act 1956 and the Rules made thereunder.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING & OUTGO :-**a) Conservation of Energy :-**

Information relating to Energy consumption and conservation as required under Rule 2 of the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1989 is given in Annexure-I forming part of this report.

b) Technology Absorption and Research & Development :-

The Company has Research & Development Section recognized by the Department of Science & Technology and steps have been taken during the period for :

- i. Improvement in product quality.
- ii. Reduction in raw material consumption.
- iii. Improvement in cost effectiveness.

c) Foreign Exchange Earning & Outgo .

- | | | |
|-------------|---|------------------|
| i. Earnings | : | Rs. 3096.61 lacs |
| ii. Outgo | : | Rs. 271.74 lacs |

Registered Office :

Hathkoj Village,
Industrial Area,
Bhilai (CG)

PLACE BHILAI
DATE : 20-06-2005

FOR AND ON BEHALF OF THE BOARD

A.K. JAIN
JT. MANAGING
DIRECTOR

ASHISH JAIN
WHOLE TIME
DIRECTOR

BHILAI ENGINEERING CORPORATION LIMITED**ANNEXURE-I : TO DIRECTOR'S REPORT**

For disclosure of particulars with respect to conservation of Energy :-

SNo	Power & Fuel Consumption	2004-2005	2003-2004
1.	Electricity		
	a) Purchased		
	Units	2,05,98,496	1,85,35,120
	Total Amount (in Rs.)	7,98,63,976	7,06,48,440
	Average rate per unit (in Rs.)	3.88	3.81
	b) Own Generation		
	Units	210,202	90,383
	Units/Litre of Diesel Oil	2.37	2.63
	Cost/Unit (in Rs.)	12.75	9.52
2.	Furnace Oil		
	Qty. (K.L.)	726	1653
	Total Amount/K.Ltrs. of Oil	16,484	14,030
3.	Consumption per Unit of Production Standard (if any) :		
	Electricity Consumption (KWH)/MT Finished Steel and Iron Castings Structural Steels & Equipments.	860	837
	Electricity Consumption (KWH)/MT of SSP	21.74	21.81
	Electricity Consumption (KWH)/MT Fruit pulp and concentrate	467.92	182.95
	Furnace Oil Consumption (KL) per MT of Steel & Iron Castings.	0.111	0.098



BHILAI ENGINEERING CORPORATION LIMITED

CORPORATE GOVERNANCE REPORT

(Pursuant to clause 49 of the listing agreement)

Company's philosophy on Corporate Governance

Corporate Governance is a dynamic concept varying in form and content to suit the needs of the organisation and its shareholders. The Company believes that good Corporate practices inculcate professional management, increase the value of shareholders and customer's satisfaction.

Board of Directors

The Board consists of seven Directors out of whom two are Jt. Managing Directors and one is whole time Director.

During the year eight Board Meetings were held on the following dates :-

27/04/2004, 16/06/2004, 02/09/2004, 22/10/2004, 05/01/2005, 29/01/2005 & 05/03/2005

Constitution of Board of Directors and related information.

Name of the Directors	Category	No. of Board Meeting with Attendance	Attendance at last AGM	No. of outside Directorship(s) as on March 31, 2005
Shri B.R. Jain	Non-executive Director	7/8	Yes	17
Shri N.K. Jain	Non-executive Director	1/8	No	09
Shri S.K. Jain	Non-executive Director	1/8	No	06
Shri A.K. Jain	Jt. Managing Director	7/8	Yes	17
Shri Veenu Jain	Jt. Managing Director	1/8	No	11
Shri P. K. Jain	Independent, Non-executive Director	8/8	Yes	05
Shri Ashish Jain	Whole Time Director	6/8	Yes	04

Remuneration to Directors

The remuneration payable to the Jt. Managing Directors and Whole Time Director is fixed by the shareholders. The remuneration paid to Jt. Managing Directors and Whole Time Director in aggregate for the financial year 2004-2005 was as follows :-

Particulars	Amt. in lac
Salaries	8.70
Contribution to PF & Perquisites	1.04
Bonus	0.05
Total :	9.79

BHILAI ENGINEERING CORPORATION LIMITED**Details of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting :-**

[Pursuant to Clause 49 of the Listing Agreement]

Name of Director	Shri S.K. Jain	Shri P.K. Jain
Date of Birth	24-04-1942	31-07-1947
Date of Appointment	29-09-2001	25-08-1986
Expertise in Specific functional areas industries	Has experience of 42 years of heading & managing the Industries	Has experience of more than 32 years in the fields of heading Finance & Accounts.
Qualifications	B.Sc.	Commerce Graduate
Directorship in other Public Limited Companies	Madhu Memorial Hospital Ltd.	Kirtimoya Capital Limited
Membership of committees in other Public Limited Companies		

Board Committees :-

The Company has constituted two Committees of Directors, namely, Audit Committee and Share Transfer & Grievance Committee to deal with matters which need urgent decisions and monitoring of the activities falling within their terms of reference. Each of these Committees have their respective charters approved by the Board. The minutes of the Meetings are recorded and placed before the Board for its information.

Audit Committee :-

The Audit Committee of the company comprises of the following three Directors :-

Name	Status
Shri B.R. Jain	Non-executive Director
Shri N.K. Jain	Non-executive Director
Shri P.K. Jain	Independent, Non-executive Director

Shri P.K. Jain has proficiency in the areas of finance and accounts.

The members of the committee met on the following dates during the financial year 1st April, 2004 to 31st March, 2005:-

26.04.2004, 16.08.2004, 18.10.2004 & 05.02.2005

The attendance of members of the meetings are as follows :-

Name of Members	No. of meetings held	Attended
Shri B.R. Jain	4	4
Shri N.K. Jain	4	1
Shri P.K. Jain	4	4

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The company secretary Shri S.P. Gupta is the Secretary of the Committee.

The terms of reference of the Audit Committee are as per the guidelines set out in the listing agreements with the Stock Exchanges and also as per section 292A of the Companies Act. The broad terms of reference are as follows :-

1. Review of company's financial reporting process and its financial statements.
2. Reviewing the adequacy of the internal control system.
3. Review of the financial and risk management policies of the company.

Share Transfer & Grievance Committee :-

The Share Transfer & Grievance Committee approves and monitors transfers, transmissions, splitting and consolidation of shares issued by the company. This committee also monitors complaints of shareholders relating to transfer of shares, non receipt of balance sheet, dividend etc. The share transfer committee comprises of Shri A.K. Jain, Jt. Managing Director as Chairman, Shri Veenu Jain, Jt. Managing Director and Shri P.K. Jain Director of the company.

The Board has designated Shri S.P. Gupta, Company Secretary as Compliance Officer of the Company.

Investors Complaints :-

During the year the company has not received any complaints from investors of the company.

Annual General Meetings :-

The last three Annual General Meetings were held as under :-

Financial Year	Date	Time	Venue
2003-2004	30.09.2004	11:30 am	Hathkhoj Village, Industrial Area, Bhilai
2002-2003	30.09.2003	11:00 am	— do —
2001-2002	30.09.2002	11:30 am	— do —

Management Discussion and Analysis Report :

- a) **Industry Structure and Developments** :- Your company has four business divisions, namely Engineering & Project Divisions, Fertilizer Division I, Fertilizer Division II, and Food Division. The principal products include steel castings, fabricated steel structures, heavy equipments, single super phosphates (SSP) Granulated SSP, fruit pulp and concentrate, sulphuric acid etc. Engineering Division also undertakes projects on Turnkey basis.
- b) **Opportunities and Threats** :- Due to the boom in the steel sector all the steel plants of SAIL and the private sector are expanding their capacities by installing new machineries. Our Engineering division has already bagged no. of orders from Rourkela Steel Plant, Bokaro Steel Plant and Bhilai Steel Plant of SAIL. Apart from this, the company also received some big orders from ISCOR, South Africa and RINL Vishakhapatnam. Due to good monsoon expected in the current year and likely hood of commencement of production of NPK (Fertilizer) the Fertilizer Division are also expected to do well.

BHILAI ENGINEERING CORPORATION LIMITED

- c) **Segment wise or product wise performance** :- During the year under review your company achieved sales and other income of Rs.19720.15 lacs. The details of which are as under :-

Amt. in Lacs

Engineering Division	10,885.21
Fertilizer Divisions	8,225.26
Food Division	468.93
Corporate Division	140.75
Total :	19,720.15

- d) **Outlook** :- The future outlook of your company largely depends on the prevalent condition in various sectors e.g. Steel, Cement, Mining, Railways, Agriculture etc. With the steel sector having turned around the demand for products of Engineering division has gone up. Similarly due to good monsoon expected in the current year the demand for the fertilizer is also bound to look up.
- e) **Risks & Concerns** :- As in other industries, there are challenges of technological up-gradation, risks on account of poor demand, increase in raw material prices, poor monsoon etc.
- f) **Internal Control systems and their adequacy** :- Your company has instituted adequate internal control systems. The audit committee periodically reviews such systems with the help of internal and statutory auditors and reports to the board on its adequacy.
- g) **Discussion on financial performance with respect to operational performance** :- The relevant details are given in the Directors' Report.
- h) **Human Resources and Industrial Relations** :- Industrial relations during the year under review have been cordial and peaceful. The company has been continuously making concerted efforts aimed at development of Human Resources to equip them to meet the growing organisational needs and challenges.

General Information for Shareholders :-**Annual General Meeting :-**

The Annual General Meeting of the Company will be held on Thursday the 25th August, 2005 at 11:00 am at the Registered office of the Company at Hathkhoj Village, Industrial Area, Bhilai, District Durg (Chhattisgarh)

Book Closure dates :-

Register of members of the Company will remain closed from 21/08/2005 to 25/08/2005 (both days inclusive)