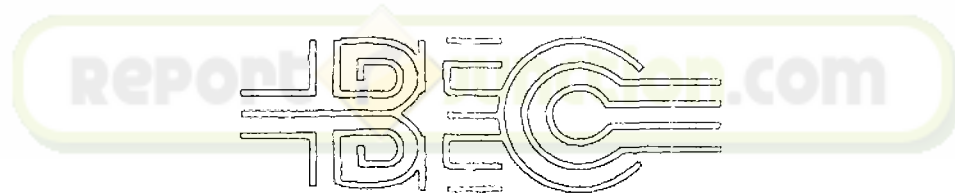


**48th ANNUAL REPORT
2007-2008**



Bhilai Engineering Corporation Limited

BHILAI ENGINEERING CORPORATION LIMITED**BOARD OF DIRECTORS**

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

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

Hathkhoj Village
 Industrial Area,
 Bhilai (C.G.)

Works-II

BEC Fertilizers - I
 Sirgitti Industrial Complex
 Bilaspur (C.G.)

Works-III

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

Works-IV

BEC Foods
 Village Kutharel,
 P.O. Anda
 Durg (C.G.)

Works-V

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

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BHILAI ENGINEERING CORPORATION LIMITED**DIRECTORS' REPORT**

To
The Members,

Your Directors have pleasure in presenting their 48th Annual Report together with the Audited accounts of the Company for the financial year ended 31st March 2008.

FINANCIAL RESULTS

(Rs. in lacs)

	F.Y. 2008	F.Y. 2007
Sales and other Income	31,225.75	32,476.14
Profit after financial charges but before depreciation	2,738.44	1,987.64
Less: Depreciation	874.49	617.70
Profit during the year before Tax	1,863.95	1,369.94
Provision for Taxation	(430.00)	(153.00)
Provision for Fringe Benefit Tax	(45.23)	(33.77)
Profit after Tax transferred to General Reserve	1,388.72	1,183.17

THE YEAR IN RETROSPECT & FUTURE PROSPECTS :-

Company's overall profitability during the year has improved. Profit before tax enhanced to Rs. 1,863.95 Lac from Rs. 1,369.94 Lac i.e. growth of more than 36%.

Net profit (PAT) for the year stood at Rs. 1,388.72 lac as compared to Rs. 1,183.17 lac in the previous year. Company is hopeful of significant growth in coming years also.

DIVIDEND :-

The Board of Directors has decided not to recommend dividend for the year 2007-08 with a view to consolidate its financial strength.

DIRECTORS

During the year under review Shri N.K.Jain left for his heavenly abode. The Board places on record its appreciation for the services rendered by him during his tenure as Director.

BHILAI ENGINEERING CORPORATION LIMITED**PERSONNEL: -**

None of the employees is drawing 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.

DIRECTORS RESPONSIBILITY STATEMENT: -

The Mandatory accounting standards have been followed.

Regarding AS-15, the Company has taken up the matter with LIC to revive the Group Gratuity Scheme.

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 going concern basis..

AUDITORS :-

The term of M/s P.C.Bafna & Company, 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 the Section 233-B, the Central Government has directed to carry out audit of the Company's Cost account records in respect of Engineering and Fertilizers Divisions. Accordingly your Directors have appointed M/s S. Chander and Associates, Cost Accountant to conduct cost audit for the year ended March 2008.

ACKNOWLEDGEMENT: -

Your Directors take this opportunity to place on record their due appreciation of the valuable contribution and the spirit of dedication of 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.

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.

BHILAI ENGINEERING CORPORATION LIMITED

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

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 as on March 31, 2008
Shri B.R.Jain	Whole Time Director	5/5	Yes	12
Shri N.K.Jain	Whole Time Director	0/2	No	NIL
Shri S.K.Jain	Whole Time Director	0/5	No	05
Shri A.K.Jain	Jt. Managing Director	5/5	Yes	08
Shri Veenu Jain	Jt. Managing Director	1/5	No	12
Shri Ashish Jain	Whole Time Director	5/5	Yes	03

Remuneration to Directors

The remuneration payable to the Jt. Managing Directors and Whole Time Directors are fixed by the shareholders. The remuneration paid to them in aggregate for the financial year 2007-2008 is as follow:-

Particulars	Amount in Lac
Salaries	Rs, 29.65
Contribution to PF & perquisites	Rs, 4.61
Bonus	Rs, 0.22
Total	Rs, 34.68

Board Committees:-

The Company has constituted two Committees of Directors, namely Audit Committee and Share Transfer & Governance 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	Whole Time Director
Shri S.K.Jain	Whole Time Director
Shri Ashish Jain	Whole Time Director

Shri Ashish Jain has proficiency in the area of finance and accounts.

The members of the committee met on the following dates during the financial year 1st April 2007 to 31st March 2008.
27/04/2007, 21/08/2007, 17/10/2007 & 11/02/2008

BHILAI ENGINEERING CORPORATION LIMITED

The attendance of members in the meetings is as follow:-

Name of Members	No. of meeting held	Attended
Shri B.R.Jain	4	4
Shri S.K.Jain	4	1
Shri Ashish Jain	4	4

Shri Rahul Dasgupta, General Manager (Finance) 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 board terms of reference are as follow:-

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 and Grievance Committee:-

The Share Transfer and Grievance Committee approve 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 Ashish Jain Whole Time Director of the Company.

The Board has designated Shri Rahul Dasgupta, General Manager (Finance) as Compliance Officer of the Company.

Investors Complaints:-

During the year the Company has not received any complaint from investors of the Company.

Annual General Meetings were held as under:-

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

Financial year	Date	Time	Venue
2006-2007	29.09.2007	11.30 A.M.	Hathkoj Village Industrial Area, Bhilai
2005-2006	30.09.2006	11.30 A.M.	-do-
2004-2005	25.08.2005	11.00 A.M.	-do-

Management Discussion and Analysis Report:-

- Industry Structure and Developments:-** Your company has three business divisions, namely Engineering and Project Divisions, Fertilizer Division-I & Fertilizer Division-II. The principal product include steel castings, fabricated steel structures, heavy equipments, single super phosphates (SSP), sulphuric acid etc. Engineering Division also undertakes projects on Turnkey basis.
- Outlook on Opportunities, Threats, Risk & Concerns:-** Due to the boom in steel sector all the steel plant of SAIL and of private sector are expanding their capacities by installing new machineries. Our Engineering Division has already bagged no. of orders from Rourkela Steel Plant, Durgapur Steel Plant, Bokaro Steel Plant and Bhilai Steel Plant of SAIL. Apart from this, the company also received substantial order from RINL Vishakhapatnam. The Plants

BHILAI ENGINEERING CORPORATION LIMITED

of Fertilizer Divisions are of very advanced technology, Established brand name of company's products, effective distribution net work, increase in irrigation facilities will support favourably to the company to grow its market size.

Due to good monsoon in the current year and production of NPK (Fertilizer) the Fertilizer divisions are also expected to do well.

- c). **Segment wise or product wise performance :-** During the year under review your Company achieved Sales and other income of Rs 31,225.78 Lacs and segment wise details of which are as under:-

Division	Amount in lac
Engineering	Rs, 22,232.57
Fertilizers	Rs, 8,977.38
Food Division	Rs, 15.83
Total	Rs, 31,225.78

The future outlook of your company largely depends on the prevalent conditions 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.

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. The subsidy policy of Govt. plays a very vital role. Unbalanced favouring to complex fertilizers effects the viability of company's products.

- d). **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.
- e). **Discussion on financial performance with respect to operational performance**
The relevant details are given in the Directors' Report.
- f). **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 organizational needs and challenges.

General Information for Shareholders :-

Annual General Meeting:-

The Annual General Meeting of the company will be held on the 30th September 2008 at 11.00A.M. at the Registered office of the Company at Hathkoj Village, Industrial Area, Bhilai District Durg (Chhattisgarh)

Book Closure date:-

Register of Members of the Company will remain closed from 26.09.2008 to 29.09.2008 (both days inclusive)

BHILAI ENGINEERING CORPORATION LIMITED**Listing on Stock Exchange:-**

The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001	Madhya Pradesh Stock, Indore 201, Palica Plaza, Phase-11, MTH Compound, Indore-452001	The Calcutta Stock Exchange Association Limited 7, Lyons Range, Kolkata- 700001
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Share Transfer Systems:-

The Share and Grievance Committee of the Company is generally held as and when required.

Dematerialization of Shares:-

Shares of the Company are yet to be dematerialized.

Distribution of shareholding as on March,31,2008:-

Category No. of Shares held	Total No. of Shareholders	% of total holders	Total shares Held	% of total Equity
0-100	4	9.75	242	00.01
101-200	1	2.44	199	00.00
201-500	-	---	---	---
501-1000	5	12.20	4,335	00.09
1001-5000	8	19.51	13,026	00.28
5001-10000	5	12.20	35,796	00.76
10001	19	46.34	46,65,722	98.86
Total	41	100.00	47,19,320	100

Shareholding pattern of the Company as on 31st March, 2008:-

Sl.No.	Class of investors	No. of Shares	% of Shares
01	Promoters	90,173	1.91
02	Non-Resident Indians/Overseas Corporate Bodies	---	---
03	Foreign Companies	---	---
04	UTI & Mutual Fund	99,999	2.12
05	Bank/ Financial Institutions/Insurance Companies	---	---
06	Bodies Corporate	42,52,826	90.12
07	Others	2,76,322	05.85
	Total	47,19,320	100.00

Financial Reporting Calendar:-

- a). For the quarter ending June, 2008 : 3rd/4th week of July, 2008
b). For the quarter ending September, 2008 : 3rd/4th week of October, 2008
c). For the quarter ending December, 2007 : 3rd/4th week of January, 2009
d). For the year ending March 31, 2009 : 3rd/4th week of May, 2009

BHILAI ENGINEERING CORPORATION LIMITED

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE****TO THE MEMBERS OF BHILAI ENGINEERING CORPORATION LIMITED:**

We have examined the compliance of the conditions of Corporate Governance by Bhilai Engineering Corporation Limited, for the year ended on 31st March 2008 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We further state that such compliance is neither an assurance to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Bhilai

Date: 1st September 2008.

for P.C.BAFANA & CO.

(SUNIL KASHYAP)
PARTNER

BHILAI ENGINEERING CORPORATION LIMITED



AUDITORS' REPORT

To

The Members of
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 2008 and also Profit & Loss Account and the Cash Flow Statement for the year ended on that date. 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 statements presentation. We believe that our audit provides a reasonable basis of our opinion.

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 we annex hereto 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 in paragraph (1) above, we state 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, the Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
 - (d) In our opinion, the Balance Sheet, the Profit & Loss Account and Cash Flow Statement dealt with comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956. Subject to AS-15, Please refer point no.B(19) of notes on accounts, schedule "I".
 - (e) In our opinion and based on information and explanations given to us, none of the directors are disqualified as on 31st March, 2008 from being appointed as director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, 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;
 - i) in the case of Balance Sheet of the state of affairs of the Company as at 31st March, 2008
 - ii) in the case of the Profit & Loss Account, of the profit for the year ended on that date and
 - iii) in the case of cash flow statement, of the cash flows for the year ended on that date.

Place : Bhilai
Date : 01st September 2008

for P.C. BAFNA & CO.
Chartered Accountants

(SUNIL KASHYAP)
PARTNER
Membership No.75681