

50th
ANNUAL REPORT
2009-10



BHILAI ENGINEERING CORPORATION LIMITED

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| 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 Kutherel, P.O. Anda, Durg (C.G.) | | |
| Works - V | | |
| BEC Fertilizers - II Village - Gunjkheda, Taluka-Deoli Pulgaon, Dist. Wardha (M.S.) | | |

DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting their 50th Annual Report together with the Audited accounts of the Company for the financial year ended 31st March 2010.

FINANCIAL RESULTS

| | (Rs. in lacs) | |
|--|------------------|------------------|
| | F.Y. 2010 | F.Y. 2009 |
| Sales and other Income | 44,176.42 | 44,871.02 |
| Profit after financial charges but before depreciation | 4,017.87 | 3143.03 |
| Less: Depreciation | 1,467.91 | 1288.87 |
| Profit during the year | 2,549.96 | 1854.16 |
| Provision for Taxation | (1,000.00) | (800.00) |
| Provision for Fringe Benefit Tax | -- | (48.12) |
| Provision for Taxation of earlier years w/back | 137.76 | -- |
| Profit after Tax transferred to General Reserve | 1,687.72 | 1006.04 |

THE YEAR IN RETROSPECT & FUTURE PROSPECTS : -

Company's overall profitability i.e. profit before tax and deprecation enhanced to Rs.4017.87 Lac as compared to Rs.3143.03 lac. Due to tax provision of Rs.1000 Lac as compared to Rs. 800 Lac in the preceding year the net profit (PAT) for the year remained at Rs. 1687.72 Lac registering an increase of 68% approx over last year's (PAT) of Rs. 1,006.04 Lac.

DIVIDEND : -

The Board of Directors has decided not to recommend dividend for the year 2009-10 with a view to consolidate its financial strength.

DIRECTORS :-

Smt Krishna Jain and Miss Geetika Jain were appointed as additional directors of the Company with effect from 04/12/2009. Both of them retire in the forthcoming Annual General Meeting and being eligible offers themselves for reappointed as Directors.

It is proposed to appoint Smt Krishna Jain and Miss Geetika Jain as salaried Directors of the Company for a period of 5 years with effect from 01/10/2010 in the forthcoming Annual General Meeting.

The present term of Shri B.R.Jain and Shri S.K.Jain, Whole Time Directors of the Company expires on 31/03/2010 and 30/05/2010 respectively. It is proposed to reappoint them for a further period of 5 years with effect from 01/04/2010 and 01/06/2010 in the forthcoming Annual General Meeting of the Company.

The present term of Shri A.K.Jain and Shri Veenu Jain, Managing Directors of the Company also expires on 31/03/2010. It is proposed to reappoint them for a further period of 5 years with effect from 01/04/2010 in the forthcoming Annual General Meeting of the Company.

The present term of Shri Ashish Jain, whole time director of the Company proposed to be modified with effect from 01/10/2010. It is proposed to reappoint for a further period of 5 years with effect from 01/10/2010 in the forthcoming Annual General Meeting of the Company.

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.

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 terms 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 has given certificate to the effect that 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 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 2010.

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 there under.

COMPLIANCE REPORT :-

The Company has taken Compliance Report from practicing Company Secretary for the F.Y. ended 31st March, 2010 as per Section 383A of the Companies Act, 1956.

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 –1 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 step has 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. 2,084.90 lac.
- II. Outgo : Rs. 6,006.20 lac.

Registered Office :

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

FOR AND ON BEHALF OF THE BOARD

B.R.JAIN
CHAIRMAN

A.K. JAIN
MANAGING DIRECTOR

Place: Bhilai

Date: 07.09.2010

ANNEXURE – 1 to Directors' Report

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

| S.No. | Power and Fuel Consumption | 2009-10 | 2008-09 |
|-------|--|-------------|-------------|
| 01 | Electricity | | |
| | a) Purchased | | |
| | Units | 19322631 | 19367111 |
| | Total Amount | Rs.78657305 | Rs.76320795 |
| | Average rate per unit | Rs. 4.07 | Rs. 3.94 |
| | b) Own Generation | | |
| | Units | 2452793 | 185284 |
| | Units/Liter of Diesel oil | 2.93 | 3.09 |
| | Cost/Unit | Rs. 12.34 | Rs. 12.72 |
| 02 | Furnace Oil | | |
| | Qty. (K.L.) | 1672 | 560 |
| | Total Amount/ K.Ltrs.of.oil | Rs. 88934 | Rs. 27611 |
| 03 | Consumption per unit of production standard (if any) | | |
| | Electricity Consumption (KWH)/MT Finished Steel and Iron Castings Structural Steel & Equipment | 1183 | 1133 |
| | Electricity Consumption (KWH)/MT of SSP | 28.10 | 21.27 |
| | Electricity Consumption (KWH)/MT of GSSP | 18.28 | 18.22 |
| | Electricity Consumption (KWH)/MT of NPK | 23.61 | 19.43 |
| | Electricity Consumption (KWH)/MT of BRP | 40.21 | 34.83 |
| | Furnace Oil Consumption (KL) per MT of Steel and Iron Castings. | 0.219 | 0.092 |

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 organization and its shareholders. The Company believes that good corporate practices inculcate professional management, increase the value of shareholders and customers and customer's satisfaction.

Board of Directors:-

The Board consists of seven Directors out of whom two are Managing Directors and three are whole time Directors.

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 31 st March, 2010 |
|-----------------------|---------------------|--------------------------------------|------------------------|--|
| Shri B.R.Jain | Whole Time Director | 4/4 | Yes | 12 |
| Shri S.K.Jain | Whole Time Director | 1/4 | No | 05 |
| Shri A.K.Jain | Managing Director | 4/4 | Yes | 09 |
| Shri Veenu Jain | Managing Director | 2/4 | No | 12 |
| Shri Ashish Jain | Whole Time Director | 4/4 | Yes | 04 |
| Smt Krishna Jain | Director | 1/4 | Yes | 04 |
| Miss Geetika Jain | Director | 1/4 | Yes | 03 |

Remuneration to Directors

The remuneration payable to the Managing Directors and Whole Time Directors are fixed by the shareholders. The remuneration paid to them in aggregate for the financial year 2009-2010 is as follow:-

| Particulars | Amount in Lac |
|----------------------------------|------------------|
| Salaries | Rs. 67.25 |
| Contribution to PF & perquisites | Rs. 6.64 |
| Bonus | - |
| Total | Rs. 73.89 |

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 | 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 2009 to 31st March 2010.

27/04/2009, 21/08/2009, 19/10/2009 & 11/02/2010

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 broad 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 monitor 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, Managing Director as Chairman, Shri Veenu Jain, 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 |
|----------------|------------|------------|---|
| 2008-2009 | 30.09.2009 | 11.00 A.M. | Hathkoj Village Industrial Area, Bhilai |
| 2007-2008 | 30.09.2008 | 11.30 A.M. | -do- |
| 2006-2007 | 29.09.2007 | 11.30 A.M. | -do- |

Management Discussion and Analysis Report :-

- a). **Industry Structure and Developments** :- Your company has five business divisions, namely Engineering and Project Divisions, Fertilizer Division-I, Fertilizer Division-II, Constructions Division & Foods Division. The principal product includes steel castings, fabricated steel structures, heavy equipments, single super phosphates (SSP), sulphuric acid, Foods etc. Engineering Division also undertakes projects on Turnkey basis.
- b). **Outlook on Opportunities, Threats, Risk & Concerns** :- Due to the boom in steel sector all the steel plants of SAIL and of private sector are expanding their capacities by installing new machineries. Our Engineering Division has already bagged no. of orders from different steel plants. Apart from this, the company also received substantial order from RINL Vishakhapatnam. The Plants 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.
- c). **Segment wise or product wise performance** :- During the year under review your Company achieved Sales and other income of Rs.44,176.42 Lacs and segment wise details of which are as under:-

| Division | Amount in lac |
|---------------|---------------|
| Engineering | Rs. 31,499.81 |
| Fertilizers | Rs. 10,563.51 |
| Constructions | Rs. 1,779.56 |
| Foods | Rs. 333.54 |
| Total | Rs. 44,176.42 |

The future outlook of your company largely depends on the prevalent conditions in various sectors e.g. Steel, Cement, Mining Railways, and 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 affects the validity of company's products. However the single super phosphate has now covered under NBS (Nutrient base subsidy) with effect from 01/05/2010 which will increase the business value.

- d). **Internal Control systems and their adequacy** :- Your Company has already installed 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 2010 at 11.30A.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 25.09.2010 to 30.09.2010 (both days inclusive)

Listing on Stock Exchange :-

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

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 31st March, 2010 :-

| 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& above | 19 | 46.34 | 46,65,722 | 98.86 |
| Total | 41 | 100.00 | 47,19,320 | 100 |