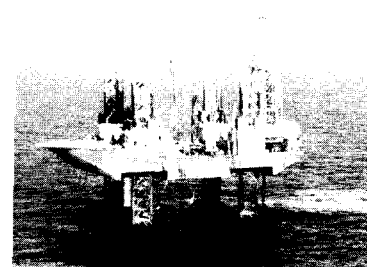
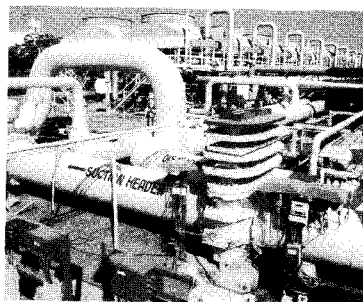
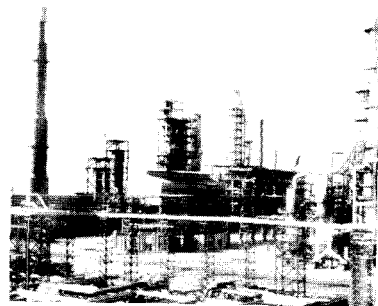
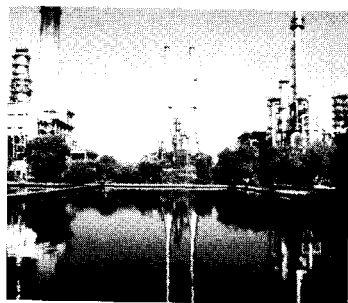


BHEL

42nd
ANNUAL REPORT
2006-2007

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इंजीनियर्स
इंडिया लिमिटेड  ENGINEERS
INDIA LIMITED

Delivering Excellence through People



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OUR VISION

To be a world-class Globally Competitive
EPC and Total Solutions Consultancy Organization

THE MISSION

- To achieve "Total Customer Satisfaction" while delivering innovative, cost effective and value added consulting & EPC services at global level
- To ensure growth and professional excellence by building intellectual capital and distinctive core competencies.
 - To maximize creation of wealth, value and satisfaction for stakeholders
 - To promote and encourage best practices for Health, Safety, Environment and Ethics
- To achieve prominence in developing, adopting and assimilating state-of-the-art technologies for competitive advantage
- To foster a culture of participation and innovation for employees' growth and contribution through a climate of fairness and transparency in operation.



OUR CORE VALUES

- Benchmark to learn from superior role models.
- Nurture the essence of Customer Relationship and bonding.
- Foster Innovation with emphasis on value addition.
- Integrity and Trust as fundamental to functioning.
- Thrive upon constant Knowledge updation as a learning organization.
 - Passion in pursuit of excellence.
 - Quality as a way of life.
- Collaboration in synergy through cross-functional Team efforts.
- Sense of ownership in what we do.

RISK MANAGEMENT POLICY

EIL is committed to effective management of risks across the organization by aligning its risk management strategy to its business objectives through instituting a risk management structure for timely identification, assessment, mitigating, monitoring and reporting of risks.

Risk management at EIL is the responsibility of every employee both individually as well as collectively.



Organizational Structure

Chairman & Managing Director Mukesh Rohatgi

- Company Secretariat
- Corporate Quality Assurance
- Vigilance

■ Director (Projects)

R. K. Grover

- Engineering
- Engineering Technology and Development
- Construction Management
- Refineries
- Petrochemicals
- Offshore Oil & Gas
- Onshore Oil & Gas
- Metallurgy
- Pipelines
- Ports & Terminals
- Power
- LSTK -Onshore
- LSTK -Offshore
- Project Services
- Overseas Projects
- Overseas Offices
- Regional Offices

■ Director (Personnel)

D. K. Gupta

- Corporate Affairs
- Personnel
 - HR Planning & Management
 - HR Welfare & Services
 - HR Training & Development
- Administration
- Estate Management
- Official Language

■ Director (Finance)

D. S. Chakrabarti

- Financial Management
- Project Finance and Appraisal
- Corporate Accounting & Budgeting
- Employee Related Disbursement & Control
- Receivable Management
- Tax Planning & Management
- Internal Audit

■ Director (Commercial)

R. K. Saxena

- Marketing
- Procurement Services
- Contracts
- Infrastructure
- Regional Procurement Offices
- Overseas Offices

Prabh Das

Director (Govt. Nominee)

Ravi Capoor

Director (Govt. Nominee)

U. N. Bose

Director

B. N. Bankapur

Director

Dr. Avinash Chandra

Director

(w.e.f 20.06.2007)

R. Soundararajan

Company Secretary

■ Director (Technical)

M. K. Joshi

- Process Design & Development
- Research & Development
- Heat and Mass Transfer
- Plant Operation and Safety
- Information Technology Services
- Environment
- Specialist Materials & Maintenance Services
- Library



Ten Years' Performance at a Glance

Rs. in Lakhs

PARTICULARS/ YEARS 1997-1998 1998-1999 1999-2000 2000-2001 2001-2002 2002-2003 2003-2004 2004-2005 2005-2006 2006-2007

A Operating Statistics

Turnover*	31120.46	39173.36	61567.05	78762.93	53699.44	81826.92	106953.03	91580.11	79048.04	57108.13
Other Income	4139.16	6997.09	7764.78	7129.27	7003.84	4100.96	4759.33	5786.74	6666.63	8227.26
Expenditure	23835.37	27392.63	50011.21	66323.77	49456.19	74812.58	98713.29	80073.64	65551.08	44899.47
Prior Period Adjustments (Net)	-	-	-	-	-	-	-	627.63	185.67	(28.07)
Profit before Tax	11424.25	18777.82	19320.62	19568.43	11247.09	11115.30	12999.07	16665.58	19977.92	20463.99
Tax	4100.00	6971.92	6700.47	7182.99	3829.14	5452.49	5407.75	6989.22	8025.57	8647.19
Fringe Benefit Tax	-	-	-	-	-	-	-	-	255.00	275.00
Deferred Tax (Assets) / Liability	-	-	-	-	(733.20)	(753.65)	(426.78)	(1,587.15)	(2,166.99)	(2757.61)
Profit after Tax @@	7324.25	11805.90	12620.15	12385.44	2470.88	6416.46	8018.10	11263.51	13864.34	14299.41
Dividend including Dividend Tax @@@	823.56	3116.57	4336.80	4146.64	1544.40	2533.96	4117.15	4811.75	5122.57	6183.11
Retained Surplus	6500.69	8689.33	8283.35	8238.80	926.48	3882.50	3900.95	6451.76	8741.77	8116.30

B Financial Position

Capital Employed**	46099.77	54790.22	63074.56	71313.36	71240.28	75122.78	79023.73	86292.27	95034.04	103150.34
i) Fixed Assets***	4673.19	4767.86	5222.41	5581.02	5045.59	4408.52	4729.79	4148.89	4001.49	3967.54
ii) Net current Assets	24016.80	29120.74	36929.10	46703.28	51210.93	52869.28	56958.71	63394.15	71017.71	77135.37
Shareholders' Funds	46099.77	54790.22	63074.56	71313.36	71240.28	75122.78	79023.73	86292.27	95034.04	103150.34
i) Share Capital	1871.73	1871.81	5615.62	5615.62	5615.62	5615.62	5615.62	5615.62	5615.62	5615.62
ii) Reserve & Surplus @44	228.04	52918.41	57458.94	65697.74	65624.66	69507.16	73408.11	80676.65	89418.42	97534.72

C Ratios

PBT / Turnover	36.71 %	47.94%	31.38%	24.84%	20.94%	13.58%	12.15%	18.20%	25.27%	35.83%
PBT/Capital Employed	24.78%	34.27%	30.63%	27.44%	15.79%	14.80%	16.45%	19.31%	21.02%	19.84%
PAT/ Net Worth	15.89%	21.55%	20.01%	17.37%	3.47%	8.54%	10.15%	13.05%	14.59%	13.86%
Turnover / Net Worth (number of times)	0.68	0.71	0.98	1.10	0.75	1.09	1.35	1.06	0.83	0.55
Sundry Debts/ Turnover (Month's Turnover)	4.23	3.76	3.13	3.38	4.43	3.15	2.06	4.23	3.40	3.90
Turnover to Total Assets (number of times)	0.37	0.35	0.40	0.61	0.46	0.48	0.82	0.58	0.52	0.35

Notes:

*Turnover includes accretion / decrction to Work in Progress .

**Includes Investments .

*** Fixed Assets includes Capital Work -in-progress.

@ Includes Capital Grant of Rs. 2 Crores received in 1984-85 for R&D Centre.

@@ Profit after tax for 2001-2002 is after adjustment of provision for dimunition in the value of long term investments of Rs. 56.80 crores.

@@@ Includes excess/short provision of dividend / dividend tax for earlier years.

- Shareholders funds include share application money of Rs. 99.36 lakhs received in 1996-97 made up of Rs. 7.20 lakhs towards Share Capital and Rs. 92.16 Lakhs towards share premium.



Notice

NOTICE is hereby given that the 42nd Annual General Meeting of the Members of Engineers India Limited will be held on Monday, the September 17, 2007 at 3:00 P.M. at SCOPE Auditorium, CGO Complex, Lodhi Road, New Delhi-110003 to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Profit & Loss Account of the Company for the year ended 31st March, 2007 and the Balance Sheet as on that date together with the Reports of Directors and Auditors thereon.
2. To consider declaration of final dividend.
3. To appoint a director in place of Shri D. S. Chakrabarti, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Shri M. K. Joshi, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a director in place of Shri U. N. Bose, who retires by rotation and being eligible, offers himself for re-appointment.
6. To fix remuneration of Auditors for the financial year 2007-2008 and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT the Board of Directors of the Company be and are hereby authorized to fix the remuneration, out of pocket, statutory taxes and other ancillary expenses of Auditors to be appointed by the Comptroller and Auditor General of India for the financial year 2007-2008."

Special Business:

7. To consider and if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution:

"RESOLVED THAT Shri D. K. Gupta, who was appointed as an Additional Director, in the capacity of Director (Personnel), by the Board of Directors of the Company and who, as per the provisions of Section 260 of the Companies Act, 1956, holds office up to the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice from Shri Gupta himself in

writing proposing his candidature for the office of director, be and is hereby appointed as a director of the Company, liable to retire by rotation."

8. To consider and if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution:

"RESOLVED THAT Shri R. K. Saxena, who was appointed as an Additional Director, in the capacity of Director (Commercial) by the Board of Directors of the Company and who, as per the provisions of Section 260 of the Companies Act, 1956, holds office up to the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice from Shri Saxena himself in writing proposing his candidature for the office of director, be and is hereby appointed as a director of the Company, liable to retire by rotation."

9. To consider and if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution:

"RESOLVED THAT Shri B. N. Bankapur, who was appointed as an Additional Director by the Board of Directors of the Company and who, as per the provisions of Section 260 of the Companies Act, 1956, holds office up to the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice from a member in writing proposing the candidature of Shri B. N. Bankapur for the office of director, be and is hereby appointed as a director of the Company, liable to retire by rotation."

10. To consider and if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution:

"RESOLVED THAT Shri R. K. Grover, who was appointed as an Additional Director, in the capacity of Director (Projects) by the Board of Directors of the Company and who, as per the provisions of Section 260 of the Companies Act, 1956, holds office up to the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice from Shri Grover himself in writing proposing his candidature for the office of director, be and is hereby appointed as a director of the Company, liable to retire by rotation."



11. To consider and if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution:

"RESOLVED THAT Dr. Avinash Chandra, who was appointed as an Additional Director by the Board of Directors of the Company and who, as per the provisions of Section 260 of the Companies Act, 1956, holds office up to the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice from Dr. Avinash Chandra himself in writing proposing his candidature for the office of director, *be and is hereby* appointed as a director of the Company, liable to retire by rotation."

12. To consider and if thought fit, to pass, with or without modifications, the following resolutions, as a Special Resolution:

(i) **"RESOLVED THAT** the post facto approval be and is hereby accorded for authorizing the Board of Directors of the company for payment of sitting fee of Rs. 10,000/- to non-official (Independent) part-time directors of the company for attending each meeting of the Board of Directors and committee(s) thereof, along with expenses incidental thereto, w.e.f. 3rd July, 2007."

(ii) **"RESOLVED THAT** pursuant to the provisions of Section 31 and other applicable provisions of the Companies Act, 1956 and subject to the approval of the Central Government, if required, the existing Articles of Association of the Company be and is/are hereby amended and/or altered in the manner and to the extent as set out below:

A) Article 85

Directors' Fees Remuneration

The existing Article 85 of the Articles of Association shall be substituted by the following new Article:

"The fees payable to a Director for attending a meeting of the Board or Committee thereof shall be decided by the Board of Directors from time to time within the maximum limits of such fees that may be prescribed by the Act or by the Central Government. The Directors shall be entitled to be paid their reasonable traveling and hotel and other expenses incurred in consequence of their attending at Board and committee meetings or otherwise incurred in the execution of their duties as Directors. "

B) The existing Article 99 of the Articles of Association shall be substituted by the following new Article:

"The Chairman of the Board of Directors shall be appointed by the President of India. The Chairman of the Board shall preside over all meetings of the Board. If no such Chairman is appointed or if at any meeting of the Board the Chairman, be not present with in half an hour after the time appointed for holding the meeting of the Board , the Directors present shall choose one of their members to be the Chairman of such meeting".

By order of the Board

PLACE: NEW DELHI
DATE : AUGUST 16, 2007

R. Soundararajan
Company Secretary



Notes

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON AS HIS PROXY AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE TIME OF HOLDING THE MEETING.
2. The Explanatory Statement pursuant to the provisions of Section 173 (2) of the Companies Act, 1956 setting out the material facts in respect of business under item nos. 7 to 12 is annexed herewith.
3. Members/proxies should bring their copy of Annual Report and Attendance Slip, duly filled in, to the meeting. Members holding shares in dematerialized form are requested to bring their Client Id and DP Id Numbers for easy identification of attendance at the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, September 7, 2007 to Monday, September 17, 2007 (both days inclusive) for the purpose of ascertaining the entitlement of dividend.
5. Dividend, if any approved at the 42nd 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 September 6, 2007 as per the list to be furnished by the Depositories in respect of 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 the Registrar and Share Transfer Agent of the Company on or before September 6, 2007.
6. Members holding shares in physical form are requested to notify immediately Change of Address, if any, to the Registrar and Share Transfer Agent of the Company at the address: M/s Mas Services Limited, AB-4, Safdarjung Enclave, New Delhi - 110 029, Phone: 26104142, Fax: 26181081, quoting their Folio Number, to ensure prompt receipt of communications and other corporate actions. Similarly, members holding shares in Electronic / Demat form are requested to notify any change of address and change of Bank Account to their respective Depository Participant (DP) with whom the Demat account is maintained as the Company is obliged to use only the data provided by NSDL / CDSL.
7. In order to provide protection against fraudulent encashment of dividend warrants, Members are requested to provide their Bank Account Number, Name and address of the Bank / Branch to the Registrar and Share Transfer Agent of the Company i.e. Mas Services Ltd, in respect of shares held in physical mode and to their respective DPs for demat mode to enable them to incorporate the same in the dividend warrant.
8. Shareholders may avail the facility of Electronic Clearing Service (ECS) for receiving direct credit of Dividend to their accounts with the Banks. This will enable expeditious credit of dividend amount and protect from loss, theft and postal delay of dividend warrant.
9. The balance lying in the unpaid dividend account of the Company in respect of dividend declared on 26.09.2000 for the financial year 1999-2000 will be transferred to the Investors Education and Protection Fund (IEPF) of the Central Government by 06.11.2007 (tentative date). Members who have not encashed their dividend warrants pertaining to the said year may approach to the Company or its Registrar & Share Transfer Agent for obtaining the payments thereof.
10. All documents referred to in the accompanying notice and explanatory statements are open for inspection at the registered office of the Company on all working days between 10.30 A.M. to 12.30 P. M. prior to the Annual General Meeting.
11. Pursuant to the requirements of Corporate Governance, a brief resume of the Directors proposed for appointment / re-appointment vide S.No. 3 to 5 and 7 to 11 (except for S.No. 11 in respect of Dr. Avinash Chandra whose resume has been given in the Annexure to AGM Notice) is included in the Corporate Governance Report attached to Directors' Report.
12. Members desirous of obtaining any information / clarification (s) concerning the accounts and operations of the Company or intending to raise any query are requested to forward the same at least 10 days before the date of meeting to Company Secretary at the Registered Office of the Company so that the same may be attended to appropriately.
13. **No Gifts shall be distributed in the AGM or afterwards.**



EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item Nos. 7 to 11

Shri D. K. Gupta, Shri R. K. Saxena, Shri B. N. Bankapur, Shri R. K. Grover and Dr. Avinash Chandra were appointed as Additional Directors by the Board of Directors of the Company. In terms of Section 260 of the Companies Act, 1956, they shall hold office up to the date of Annual General Meeting of the Company. The Company has received valid notice along with requisite deposits from the respective Directors / members of the Company under Section 257 of the Companies Act, 1956 proposing their candidature for the office of Directors. In view of the background and vast experience, it will be in the interest of the Company that they all continue as Directors of the Company. Brief resume of these Directors have been given in the Corporate Governance report attached to the Directors' Report and Annexure to the AGM Notice. Shri B. N. Bankapur and Dr. Avinash Chandra, the non-executive Directors have disclosed that they are not holding any shares in the Company.

Your Directors recommend the resolutions for approval of members.

None of the Directors, except the directors who are proposed to be re-appointed, are interested in the resolutions.

Item No. 12

The Board of Directors has approved the amendments / alterations in the Articles of Association of the Company subject to the approval of the members in the General Meeting.

- i) The President of India has appointed Dr. Avinash Chandra as non-official (Independent) part time Director of your company vide Ministry of Petroleum and Natural Gas letter no. 34011/20/2005-CA(Pt) dated 19th June, 2007. Thereafter, in terms of the provisions of the Companies Act, 1956, Dr. Avinash Chandra was appointed by the Board of Directors as an Additional Director of the company. Most of the Public Sector undertakings are paying sitting fees to its non-official (Independent) part time directors for attending each meeting of the Board of Directors and Committee thereof. Therefore, as a good practice, the Board decided that EIL should also pay sitting fees to its non-official (Independent) part time directors. In view of this, The Board approved and passed the following Resolutions in its Board meeting held on 3rd July, 2007.

"RESOLVED that the consent of the Board be and is hereby accorded to pay sitting fee of Rs. 10,000/- to non-official (Independent) part-time directors of the company for attending each meeting of the Board of Directors and

committee(s) thereof, along with expenses incidental thereto."

RESOLVED further that the above approval of the Board would be placed before the Shareholders for ratification in the forthcoming Annual General Meeting of the Company.

In view of above decision of the Board, the company had paid sitting fees to Dr. Avinash Chandra during the period from 3rd July, 2007 to the date of this AGM subject to the ratification by the shareholders.

The Special Resolution vide item no. 12(i) in this regard has been placed before the Members with a request to accord their post facto approval.

- ii)(A) At present the article 85 of the Articles of Association of EIL which deals with the Directors' Fees and Remuneration states that "Unless otherwise determined by the Company in General Meeting, no fee shall be paid to a director for his services in attending meetings of Board or committee of the Board.....". The Government is appointing Independent Directors on the Board of EIL. As it is not practicable to approach shareholders in General Meeting every time for payment of sitting fees to non-official part time directors, the amendment in the Articles of Association is initiated authorizing the Board to decide the sitting fees.

- (B) As per the Article 99 of the Articles of Association of the company, the Chairman of the Board of Director shall be nominated annually by the President of India from the Directors of the company. As the President of India appoints all directors including C&MD for a fixed term or on the terms and conditions as decided by the President of India, hence, this article is re-drafted.

After these amendments are carried out, the Company's Articles will become more comprehensive containing necessary provisions within the parameters of the existing statutes and therefore will assist in the smooth functioning of the Company in accordance with the law of the land on the subject.

Your Directors recommend the resolution for approval of the members.

None of the Directors is, in any way, concerned or interested in this resolution except non-official (Part-Time) Independent Directors in respect of Amendment in Article 85 relating to Directors' Remuneration/ Sitting Fees.

By order of the Board

PLACE : NEW DELHI
DATE : AUGUST 16, 2007

R. Soundararajan
Company Secretary