

20th ANNUAL GENERAL MEETING

Date : 17th September 2004
Day : Friday
Time : 11.30 A.M.
Place : “Tropicana Hall”
 TAJ RESIDENCY Vadodara
 Akota Gardens,
 Vadodara - 390 020



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BOARD OF DIRECTORS

| | |
|------------------------|--|
| Dr. I. G. Patel | <i>Chairman</i> |
| Mr. Andrew Fawthrop | |
| Mr. B. R. Sule | <i>(upto 23.09.2003)</i> |
| Mr. C. K. Mehta | |
| Mr. Deepak S. Parekh | |
| Mr. Hasmukh Shah | |
| Mr. Manu R. Shroff | |
| Mr. Mohammad N. Khan | <i>(from 28.04.2004)</i> |
| Mr. R. Vasudevan | |
| Mr. Rasesh N. Mafatlal | <i>(upto 15.06.2004)</i> |
| Mr. Ronald S. Somers | <i>(upto 23.01.2004)</i> <i>(from 29.01.2004)</i> |
| Mr. Vimal Bhandari | |
| Mr. Rakesh Jain | <i>Managing Director</i> |

AUDITORS

M/s. S. B. Billimoria & Company
Chartered Accountants, Mumbai

PRINCIPAL BANKERS

ABN AMRO Bank
Corporation Bank
HDFC Bank Limited

REGISTERED OFFICE

'HOEC House', Tandalja Road,
Vadodara-390 020 (India)
www.hoec.com
E-mail: contact@hoec.com

MUMBAI OFFICE

Anand House, Khatwari Darbar Road,
Off Linking Road, Khar (West),
Mumbai-400 052 (India)

ASSISTANT COMPANY SECRETARY

Mr. Ketan Thaker

REGISTRARS AND SHARE TRANSFER AGENT

Intime Spectrum Registry Limited
201, Sidcup Towers, Race Course,
Vadodara-390 007 (India)
Tele-Fax: 0265-233 2474
E-mail: vadodara@intimespectrum.com

SENIOR EXECUTIVES

| | |
|-----------------------|---|
| Mr. Amit Shah | — Accounts Controller |
| Mr. Manish Maheshwari | — Head – Business Development & Commercial Services |
| Mr. Ramesh Bhatia | — Principal Geologist |
| Mr. Sagar Mehta | — Head – Cambay Basin Business Unit |
| Dr. Udayan Das Gupta | — Chief – New Exploration Ventures |
| Mr. Vipul Bhatt | — Head – Project Support Services |

DIRECTORS' REPORT

TO THE MEMBERS OF HINDUSTAN OIL EXPLORATION COMPANY LIMITED

Your Directors have pleasure in placing before you the 20th Annual Report and Audited Statement of Accounts for the year ended 31st March 2004.

FINANCIAL HIGHLIGHTS

| | (Rs. in Lac) | |
|---|------------------|------------------|
| | 2003-2004 | 2002-2003 |
| Sales | 4,186.58 | 4,832.68 |
| Other Income | 778.11 | 950.33 |
| Gross Profit before Depreciation/ Depletion/Amortisation/Write offs/ Taxation | 2,783.34 | 3,610.56 |
| Less: Depreciation/Depletion/ Amortisation | 456.18 | 1,441.98 |
| Less: Provisions & Write offs | 122.07 | 1,654.46 |
| Profit before Tax and Prior Period Adjustments | 2,205.09 | 514.12 |
| Less: Prior Period Adjustments | 52.49 | — |
| Less: Provision for Current Tax | 160.00 | 190.00 |
| Add: Provision for Deferred Tax | 219.55 | 836.67 |
| Profit after Tax | 2,212.15 | 1,160.79 |
| Profit/(Loss) brought forward | 2,377.02 | 1,746.40 |
| Profit available for Appropriation | 4,589.17 | 2,907.19 |
| Less: Proposed Dividend on Equity Shares | 587.45 | 469.96 |
| Less: Dividend Tax | 75.27 | 60.21 |
| Balance carried to the Balance Sheet | 3,926.45 | 2,377.02 |

Profit after tax is higher at Rs. 2,212.15 lac as compared to Rs. 1,160.79 lac for the previous year. After considering brought forward profit of Rs. 2,377.02 lac the profit available for appropriation is Rs. 4,589.17 lac.

DIVIDEND

Considering the performance during the year under review, your Directors recommend dividend @ 10% (Rs. 1.00 per equity share of Rs. 10/- each) on the equity shares of the Company for the year ended 31st March 2004. The proposed dividend will absorb Rs. 662.72 lac (including corporate dividend tax of Rs. 75.27 lac).

FINANCIAL & OPERATION REVIEW

Management Discussion and Analysis of Financial Condition and Results of Operations of the Company as well as the Risk Management Report are given as separate statements in the Annual Report.

CHANGE IN ACCOUNTING POLICY WITH RESPECT TO VALUATION OF STOCK

As prudent valuation of inventories and with a view to link the value of production, to the cost of production for the quarter/year, your Directors have changed the accounting policy with respect to valuation of closing stock of crude oil as "Closing stock of crude oil in saleable condition is valued at net realisable value", effective from 1st April 2003. Such change in the accounting policy falls in line with the guidelines/standards prescribed by the Institute of Chartered Accountants of India.

COST ACCOUNTING RECORDS

The Company has maintained cost records effective 1st April 2003 as required by Cost Accounting Records (Petroleum Industry) Rules, 2002 vide notification dated 8th October 2002.

PY-3 FIELD (CY-OS-90/1 BLOCK)

Beginning May 2004, the PY-3 Consortium has drilled and activated well PD-3-S (replacement to well PD-3-RL). Pursuant to this well going onstream, the aggregate production from the field has increased to around 7000 barrels per day.

Further, your Company has commissioned an independent international petroleum certification agency to certify the PY-3 reserves. The agency has estimated proved developed reserves (P90) of 20.4 MMBO from the core producing area. This translates into balance recoverable reserves (P90) of 6.45 MMBO as of 31st March 2004.

CY-OSN-97/1 BLOCK

During April 2004, on behalf of the Consortium, the Company has successfully completed acquisition of 3D and 2D seismic data in the Cauvery Basin block located offshore East Coast of India. With this acquisition programme, your Company achieved a milestone of managing and operating first Offshore campaign in its history.

While the newly acquired seismic data is being processed, the initial on-board QC processing results from the seismic are encouraging.

SECURITISATION OF PY-3 RECEIVABLES

The Board of Directors has decided to raise a term loan of upto Rs. 350 million from ING Vysya Bank against PY-3 receivables. The loan agreement and the securitisation deeds are being finalised.

HOEC BARDAHL INDIA LIMITED [HBIL] (WHOLLY OWNED SUBSIDIARY OF HOEC)

On account of focussed marketing strategy, HBIL has been able to increase its presence in the automotive segment through strategic alliance with OEMs like Maruti and Hyundai. Further, HBIL is targeting industrial segment, more specifically power generation. The Company could earn a profit of Rs. 83 lac for the year as against Rs. 34 lac for the financial year 2002-03. HBIL has repaid over Rs. 92 lac during the year to the Company towards the loans advanced earlier. Expecting improved profitability and cash position of HBIL, the Company has written back the provision of Rs. 86.42 lac made earlier towards loans advanced to HBIL.

The audited accounts of HBIL together with the report of the directors and auditors, as required under Section 212 of the Companies Act, 1956 are attached.

CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India and the Listing Agreement entered into with the Stock Exchanges, Consolidated Financial Statements are part of this annual report.

AUDITORS' REPORT

With reference to the observation made in Auditors' Report regarding unaudited joint ventures' accounts, we have to state that as per Production Sharing Contracts signed with the Government of India, the Operators have been allowed time upto 30th September to submit audited accounts. Considering this, some of the Operators have not submitted audited accounts till the Company's accounts are audited. Hence, the statements of expenditure/ unaudited accounts submitted by those Operators have been incorporated.

Regarding non-disclosure of outstanding payment to Small Scale Industries with respect to joint ventures, we have to state that the requirement of the said disclosure is not applicable to joint ventures and hence the required information is not available.

FIXED DEPOSITS

Your Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as of the balance sheet date.

DIRECTORS

Mr. Rasesh N. Mafatlal passed away on 15th June 2004. He was on the Board of the Company since its inception and was the Chairman of the Company from 10th November 1994 to 26th July 1999. The Board places on record its sincere appreciation of the excellent and outstanding contributions made by Mr. Rasesh N. Mafatlal to the growth of the Company. On his death we have lost a visionary and a guiding force and will miss his valuable counsel.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. C.K. Mehta, Mr. Deepak S. Parekh and Mr. Manu R. Shroff will retire by rotation at the ensuing Annual General Meeting and they, being eligible offer themselves for re-appointment. After more than 16 years of association with the Company, Mr. Ajit C. Kapadia ceased to be the Managing Director/ Director on 1st August 2003. The Board places on record its appreciation for the commendable efforts and leadership of Mr. Kapadia in establishing this Company as the first private sector Exploration & Production Company. Mr. Rakesh Jain has joined as the Managing Director upon the cessation of Mr. Kapadia's term, pursuant to an extensive selection process initiated by the Board. We are confident that Mr. Jain will drive the Company's future growth towards leadership position.

Mr. Ronald Somers ceased to be a Nominee Director of Unocal Bharat Limited effective from 23rd January 2004. The Board appointed Mr. Somers as an Additional Director at its meeting held on 29th January 2004. The Board of Directors has at their meeting held on 28th April 2004 appointed Mr. Mohammad N. Khan, Nominee of Unocal Bharat Limited, as an Additional Director. The Board welcomes Mr. Somers and Mr. Khan and looks forward to their valued contribution

and guidance. Mr. Somers and Mr. Khan shall hold office upto the date of ensuing Annual General Meeting. The Company has received a valid notice and requisite deposit from a member of the Company under Section 257 of the Companies Act, 1956, signifying the intention to propose the name of Mr. Somers and Mr. Khan for the office of the Director at the ensuing Annual General Meeting.

VOLUNTARY DELISTING OF THE COMPANY'S SHARES FROM CERTAIN STOCK EXCHANGES

The Company's equity shares are presently listed on the stock exchanges at Ahmedabad, Bangalore, Chennai, Delhi, Kolkata, Mumbai (BSE) and National Stock Exchange of India Limited (NSE).

The trading volumes at The Stock Exchange Ahmedabad, Bangalore Stock Exchange Limited, The Calcutta Stock Exchange Association Limited, The Delhi Stock Exchange Association Limited and Madras Stock Exchange Limited (hereinafter referred to as "the said Stock Exchanges") are on the decline, as bulk of the equity shares are transacted on the BSE and NSE and the listing fees paid do not offer commensurate benefits to the Company/its investors by continuing the listing of the Equity Shares on the said Stock Exchanges in the changed scenario of the extensive network of nationwide trading terminals set up by BSE and NSE providing access to online dealings in the Company's equity shares across the country. The listing fees paid to the said Stock Exchanges constitute about 68% of the total listing fees paid by the Company and the investors or the shareholders of the Company do not get any additional benefit by continuing the listing of the equity shares on the said Stock Exchanges. The continued listing on the said Stock Exchanges is therefore, not considered necessary. With respect to the same it is proposed to delist the Company's equity shares from the said Stock exchanges.

The proposed delisting of the Company's equity shares from the said Stock Exchanges will not adversely affect any investor including the members located in the regions where the said stock exchanges are situated as the equity shares shall continue to remain listed on BSE and NSE and would further contribute to the reduction in administrative costs/efforts of the Company. The Board of Directors has, therefore, decided to apply for the voluntary delisting under Securities and Exchange

Board of India (Delisting of Securities) Guidelines, 2003, of the Company's equity shares from the said Stock Exchanges. Considering that the equity shares will continue to be listed on BSE and NSE, no exit option/opportunity is required to be offered to the shareholders, pursuant to the said guidelines. A proposal in this respect is contained in the accompanying Notice of the forthcoming Annual General Meeting.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company is engaged in the business of exploration and extraction of crude oil and does not carry out any manufacturing activity. Hence, the particulars relating to conservation of energy and technology absorption stipulated in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are not applicable. Particulars regarding foreign exchange earnings and outgo are as under:

| Particulars | Rs. Lac |
|---------------------------------------|-----------------|
| A. Foreign Exchange Earnings | NIL |
| B. Foreign Exchange Used | |
| • Cash Call Payment to Joint Ventures | 2,206.42 |
| • Expenditure in Foreign Currency | 280.48 |
| • Dividend (Gross) | 167.06 |
| • CIF Value of Imports | 102.02 |
| Total Foreign Exchange used | 2,755.98 |

PARTICULARS OF EMPLOYEES

The particulars of employees required to be furnished pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are attached hereto and form part of this Report.

AUDITORS

The Auditors M/s. S.B. Billimoria & Co., Chartered Accountants, will retire at the forthcoming Annual General Meeting. As recommended by the Audit Committee, the Board has at its Meeting held on 16th June 2004 proposed their appointment as Statutory Auditors to audit the accounts of the Company for the financial year 2004-05. You are requested to consider their appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- i. that in the preparation of the annual accounts for the financial year ended 31st March 2004, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii. that the directors had selected such accounting policies and applied them consistently unless otherwise stated and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- iii. that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets

of the Company and for preventing and detecting fraud and other irregularities;

- iv. that the directors had prepared the accounts for the financial year ended 31st March 2004 on a 'going concern' basis.

CONCLUSION AND ACKNOWLEDGEMENT

Your Directors place on record their gratitude for the support and co-operation received from Government of India's agencies namely, Ministry of Petroleum and Natural Gas, Director General of Hydrocarbons, Government of Gujarat, Consortium Partners and Bankers. We express our sincere appreciation to our dedicated and committed team of employees who have contributed in the growth of the organization.

For and on behalf of the Board

Place : Mumbai
Date : 16th June 2004

Dr. I. G. Patel
Chairman

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ANNEXURE TO THE DIRECTORS' REPORT

Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March 2004.

| Name & Qualification | Age | Designation | Remuneration received (Rs.) | Experience (No. of years) | Date of joining | Last Employment | |
|--|-----|-------------------|-----------------------------|---------------------------|-----------------|-----------------------------------|-------------------------|
| | | | | | | Name of the Co. | Designation |
| Ajit C. Kapadia B.Sc. (Hons.), M.E., (Chem.), Business Management Certificate, Sr. Course | 62 | Managing Director | 1,456,233* | 40 | 30.03.1987 | Gas Authority of India Limited | Director (Planning) |
| Rakesh Jain B.Tech (Mechanical Engineering), Post Graduate Diploma in Business Management | 45 | Managing Director | 4,346,322* | 21 | 16.06.2003 | Tata Consultancy Services | Principal Consultant |

*** For part of the year**

Notes:

1. Gross remuneration as above includes salary, taxable allowances, sign on bonus, Company's contribution to Provident Fund and Superannuation Fund, Gratuity paid (but excludes Company's contribution to Gratuity Fund), reimbursement of medical expenses, personal accident and mediclaim insurance premium, leave travel assistance and monetary value of perquisites calculated in accordance with the provisions of the Income Tax Act, 1961 and the Rules thereunder.
2. The above mentioned employees are not relatives of any Director of the Company.
3. The nature of employment is contractual.
4. Mr. Rakesh Jain joined the Company as Managing Director-Designate on 16th June 2003 and became the Managing Director w.e.f. 1st August 2003.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

A. Financial Conditions

1. The financial statements have been prepared in compliance with the requirement of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India. The management of HOEC accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgements used therein. The estimates and judgements relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present the company's state of affairs and profits for the year.

2. Share Capital

The Company has only one class of share capital i.e., equity shares of face value of Rs. 10/- each. The authorized share capital of the Company is increased from Rs. 100 crore to Rs. 200 crore mainly with a view to augment the funds at an appropriate time so as to enable the Company to take up work programme of projects on hand.

3. Reserves and Surplus

Profit of Rs. 3,926 lac (after providing for dividend) has been retained in profit and loss account.

4. Fixed Assets

| Rs. lac | | | |
|-------------------------|--------|--------|----------|
| As of 31st March | 2004 | 2003 | Growth % |
| Exploration expenditure | 1,880 | 1,040 | 80.8 |
| Development expenditure | 4,174 | 2,068 | 101.8 |
| Producing properties | 8,706 | 8,925 | (2.5) |
| Other Fixed Assets | 1,748 | 1,524 | 14.7 |
| Total | 16,508 | 13,557 | 21.8 |

During the year, the Company added Rs. 2,951 lac to its gross block of assets on account of following investments made during the year.

4.1. Exploration Expenditure

| Rs. lac | | |
|-----------------------|-------|-------|
| As of 31st March | 2004 | 2003 |
| Assam Business Unit | 416 | 0 |
| Cambay Business Unit | 1,056 | 981 |
| Cauvery Business Unit | 408 | 59 |
| Total | 1,880 | 1,040 |

The Company invested in exploration activities in each of its business units with a view to add new reserves.

- (i) **Assam Business Unit:** Rs. 416 lac on account of seismic interpretation and well planning activities undertaken prior to drilling of the first exploration well.
- (ii) **Cambay Business Unit:** Rs. 75 lac has been on account of onshore block CB-ON-7 (Palej) comprising of remedial work of the well, preparatory work on commercial discovery report for Palej and G&A expenses, as well as expenditure on account of offshore exploration CB-OS-1 wherein HOEC enhanced its non-operating interest from 17.36% to 57.11%.
- (iii) **Cauvery Business Unit:** Rs. 349 lac have been incurred in exploration block CY-OSN-97/1, covering exploration expenses towards seismic acquisition programme initiated during the year as well as payment to Mosbacher India LLC. for acquisition of 50% participating interest along with transfer of Operatorship.

4.2. Development Expenditure

| Rs. lac | | |
|-------------------------------|-------|-------|
| As of 31st March | 2004 | 2003 |
| Cambay Business Unit | 125 | 57 |
| Cauvery Business Unit | 4,049 | 2,011 |
| Total Development Expenditure | 4,174 | 2,068 |

The Company invested in development activities with a view to bring on production existing commercial reserves in an optimal manner.

- (i) **Cambay Business Unit:** An amount of Rs. 68 lac has been incurred on block CB-ON-7 (Palej) and North Balol field with the view to develop existing commercial discoveries and secure first oil and first gas sale respectively from the two projects.
- (ii) **Cauvery Business Unit:** Total amount of Rs. 2,038 lac has been incurred in the Cauvery Business Unit covering following activities:
 - (a) Rs. 925 lac towards drilling of the replacement well in the PY-3 project with the objective of establishing higher

proved developed producing reserves from the core area and enhancing the field production rate. The said well is producing from May 2004. The Insurance claim for the lost PY-3 D3 well has been lodged.

- (b) Rs. 603 lac towards settlement amount payable on account of receipt of final award from the London Court of International Arbitration covering the settlement of the forfeiture of Energy Equity India Pty. Ltd. (EEIPL)'s interest in the PY-1 project.
- (c) Rs. 131 lac incurred towards legal and technical due diligence work undertaken to support Company's decision to exercise its pre-emptive rights and acquire MIL's 53.85% interest in PY-1 project and 50% interest in CY-OSN-97/1 block along with Operatorship.
- (d) Rs. 379 lac incurred on account of HOEC having undertaken integrated sub-surface work as well as conceptual engineering work, post execution of a Sales and Purchase Agreement with MIL. The objective of this work was to arrive at a revised plan of development to be submitted to the Government for approval.

4.3. Producing Properties

| Rs. lac | | |
|----------------------|-------|-------|
| As of 31st March | 2004 | 2003 |
| Producing Properties | 8,706 | 8,924 |

- (i) Rs. 72 lac was added to the producing property namely, PY-3 Block and comprises of the depreciation on water injection facility that has been commissioned with the objective of increasing the field production from the existing core producing area.
- (ii) Reduction in the producing property namely, PY-3 and amounting to Rs. 289 lac took place on account of receipt of insurance claims towards the physical damage of the equipments and control of well which was lost due to storm conditions and Rs.1 lac on account of sale of material from Asjol to another project.

4.4. Other Fixed Assets

| Rs. lac | | |
|------------------------------|-------|-------|
| As of 31st March | 2004 | 2003 |
| Land-Freehold | 34 | 34 |
| Buildings | 446 | 441 |
| Office Equipments | 122 | 123 |
| Computers | 91 | 110 |
| Office Furniture | 96 | 73 |
| Plant & Machinery | 734 | 655 |
| Vehicles | 60 | 42 |
| Intangible Assets (software) | 165 | 43 |
| Others | 0 | 3 |
| Total | 1,748 | 1,524 |

During the year, the Company invested in upgradation of technologies, in terms of advanced software along with associated hardware, so as to enable its technical team perform high quality subsurface work keeping in view its enhanced Operatorship position in the Cauvery basin. The Company also invested in refurbishing its office as well as in water injection facility at PY-3 (Plant and Machinery).

5. Investment

| Rs. lac | | |
|--|-------|------|
| As of March 31 | 2004 | 2003 |
| Equity Shares of HOEC Bardahl India Limited | 50 | 50 |
| Equity Shares of Reliance Industries Ltd. | 1 | 1 |
| Equity Shares of Gujarat Securities Ltd. | 10 | 10 |
| HDFC Income Fund Premium Plan | 1,059 | 0 |
| IL & FS Bond Fund Institutional Plan | 135 | 0 |
| HDFC Liquid Fund | 282 | 191 |
| JM Short Term Plan | 366 | 166 |
| Total | 1,903 | 418 |
| Provision for Diminution in value of Investments | 60 | 60 |
| Total | 1,843 | 358 |

The increase in investment during the year is as a result of investment strategy of diverting the surplus funds from bank deposits/ICDs to liquid income mutual funds. It may be noted that HOEC Bardahl India Limited (HBIL) has turned profitable since last three years and has repaid the substantial amount of the loan during the year. Hence, the Company has

written back the provision made earlier towards loan given to HBIL. However, considering the accumulated loss of the subsidiary, the Company has retained the provision made towards the investment made in equity shares of HBIL.

6. Deferred Tax Asset

The standard on accounting for taxes on income became mandatory effective 1st April 2001. The Company recorded deferred tax assets in the book aggregating Rs. 1,214 lac as of 31st March 2004 (Rs. 995 lac as of 31st March 2003). The deferred tax asset represents timing differences in the financial and tax books arising mainly out of exploration expenses written off, provision for contingencies and provision for site restoration etc.

7. Sundry Debtors

| As of 31st March | 2004 | Rs. lac 2003 |
|------------------------------|-----------|-----------------|
| Due for more than six months | 25 | 21 |
| Others | 17 | 349 |
| Total | 42 | 370 |

As the crude oil produced is supplied to the government nominated refineries, the payment of invoices raised have been received strictly within the credit limit defined, i.e., 30 to 45 days. However, the buyer of crude oil produced from Asjol field has disputed the sales tax payment. Considering the long pending issue the said amount has been provided as contingencies. The Company has sundry debtors of Rs. 25 lac due for more than six months. The Company is regularly depositing sales tax with the appropriate authorities.

8. Cash and Cash Equivalents

| As of 31st March | 2004 | Rs. lac 2003 |
|---|--------------|-----------------|
| Cash balances | 1 | 1 |
| Bank balances with scheduled banks | | |
| Current accounts | 98 | 119 |
| Deposit accounts | 1,593 | 1,156 |
| Bank balances with non-scheduled banks | | |
| Current accounts | 16 | 2 |
| Inter Corporate Deposits | 2,800 | 500 |
| Total Cash and Cash Equivalents | 4,508 | 1,778 |

The cash and bank balances include Company's share in those balances in various joint ventures merged on line to line basis as per the Company's accounting policy.

The Company's treasury policy calls for investing Company's surplus funds with highly rated banks and financial institutions for preferably short term maturities with a limit on investments in individual entities. The details of the Bank deposits placed by the Company.

| As of 31st March | 2004 | Rs. lac 2003 |
|--|--------------|-----------------|
| ABN AMRO Bank | 305 | 808 |
| Corporation Bank | 11 | 11 |
| HDFC Bank Ltd. | 155 | 355 |
| ICICI Bank Ltd. | 2,482 | 600 |
| IDBI Bank Ltd. | 1,500 | 200 |
| UTI Bank Ltd. | 2,400 | 806 |
| State Bank of India (Site Restoration) | 209 | 192 |
| Total Bank deposits | 7,062 | 2,972 |

9. Loans and Advances

| As of 31st March | 2004 | Rs. lac 2003 |
|---|--------------|-----------------|
| Loans and advances to the subsidiary (including accrued interest) | 109 | 201 |
| Advances recoverable in cash or in kind or for value to be received | 320 | 466 |
| Claims recoverable | 101 | 105 |
| Inter Corporate Deposits | 3,300 | 7,875 |
| Advance taxes | 1,624 | 1,908 |
| Total | 5,454 | 10,556 |
| Less: Provision for Doubtful Claims/Loans | 41 | 127 |
| Total Loans and Advances | 5,413 | 10,429 |

9.1. During the year the subsidiary company has repaid Rs. 92 lac towards the unsecured loans given to them. The repayment schedule for the balance loan amount has been defined.

9.2. Advances Recoverable in Cash or Kind

Advances are primarily towards amounts paid in advance to joint ventures, for material and services to be received in future, staff loans and joint venture books loans and advances merged on line to line basis. As per the terms of Joint Operating Agreement signed with JV partners we are required to place the funds with operator