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## *Board of Directors*

(As on 30.09.2009)

<b>Chairman-cum-Managing Director</b>	<b>:</b>	<b>Shri G. K. Pillai</b>
<b>Director (Personnel)</b>	<b>:</b>	<b>Shri M. R. Venugopal</b>
<b>Director (Finance)</b>	<b>:</b>	<b>Shri R. Misra</b>
<b>Director (Marketing)</b>	<b>:</b>	<b>Shri B. Prasad</b>
<b>Director (Production)</b>	<b>:</b>	<b>Shri S. K. Chaudhary</b>
<b>Directors</b>	<b>:</b>	<b>Shri R. Asokan</b>
	<b>:</b>	<b>Shri Ved Prakash</b>
	<b>:</b>	<b>Shri V. K. Srivastava</b>
<b>Company Secretary</b>	<b>:</b>	<b>Shri Abhay Kumar Kanth</b>
<b>Auditors</b>	<b>:</b>	<b>M/s Salarpuria Jajodia &amp; Co. Chartered Accountants</b>
<b>Bankers</b>	<b>:</b>	<b>State Bank of India</b>
<b>Registered Office</b>	<b>:</b>	<b>Plant Plaza Road, Dhurwa, Ranchi - 834004 (Jharkhand)</b>



## *Notice of Annual General Meeting*

Notice is hereby given to the Shareholders of Heavy Engineering Corporation Limited that the 50th Annual General Meeting of the Company will be held on Wednesday the 30th September, 2009 at 6.00 PM at its Registered Office located at Plant Plaza Road, Dhurwa, Ranchi to transact the following business :

### **Ordinary Business**

1. To receive, consider and adopt the Director's Report to the Shareholders for the financial year ended 31st March, 2009.
2. To receive, consider the adopt the audited Profit & Loss Account for the financial year ended 31st March, 2009 and Balance Sheet as on that date along with the Auditors Report thereon and our replies thereto.
3. Appointment of Auditor under Section 619 (2) of the Companies Act, 1956 for the Financial year 2009-10 and authorise Board of Directors to fix remuneration of the Statutory Auditor for the financial year 2009-2010.

By order of Board of Directors

**(A. K. Kanth)**  
Co-Secretary

Dated : 08.09.2009

**NOTE :** A Member of the Company entitled to attend and vote at the meeting is entitled to appoint proxy to attend and vote instead of himself and that the proxy need not be a Member of the Company.



## *Directors' Report*

To  
**The Shareholders**  
**Heavy Engineering Corporation Limited**  
**Ranchi**

**Gentlemen,**

Heavy Engineering Corporation has completed its fifty years of service to the nation and the Directors of the Company have the pleasure to present the 50th Annual Report of the Company together with Audited Accounts for the year ended 31st March, 2009.

The year 2008 was marked as the **Golden Jubilee Year of Heavy Engineering Corporation Limited** and was celebrated through the following events :

- (a) On 11th November, 2008 a Blood Donation Camp at Plant Hospital was organized successfully.
- (b) A "March for Future" was conducted on 15th November, 2008, which was a great success.
- (c) On 2nd & 3rd May, 2009, "Swarn Sandhya" was organized at Jawahar Lal Nehru Stadium of HEC. On 2nd May'09, His Excellency Syed Sibtey Razi, Governor of Jharkhand graced the occasion as Chief Guest on the 1st day. Besides, Sri G. Krishnan, Advisor to Governor, Jharkhand, Dr. S. N. Dash, Secretary, DHI, GOI, Sri Partho Bhattacharya, Chairman, Coal India, Sri V. K. Srivastava, MD, Bokaro Steel Plant, Sri Ambuj Sharma, Jt. Secretary, DHI, MHI & PE, GOI and Sri Sunil Kumar Singh, Deputy Secretary, DHI, GOI were amongst the special Guests on this occasion.  
 On 3rd May'09, cultural evening was arranged with artists from Mumbai & Kolkata and the programme was enjoyed by one and all.
- (d) Also, a wall clock depicting "Golden Jubilee Emblem" was distributed amongst regular as well as contract employees of the company as a Golden Jubilee Souvenir.

It is matter of great pride that HEC has been selected for the **Gold Medal — Scope Award for Excellence and Outstanding Contribution to the Public Sector Management — Special Institutional (Turn Around) category 2007-08.**

### 1. PERFORMANCE HIGHLIGHTS

We are happy to inform you that your company has continued the growth despite economic melt down world wide. Your company has shown an appreciable growth in all the areas in the concluded financial year. The gross turnover has gone up by 9.9% inspite of 6% reduction in duties. The gross turnover during the year has been Rs. 453.87 crore against Rs. 412.92 crore during the previous year. Production during the year has gone up by 9.6% and it has been Rs. 419.47 crore.

### 2. PRODUCTION & SALES

The production & sales figures for the year as compared to the previous year are as follows :

*(Rs. in Crore)*

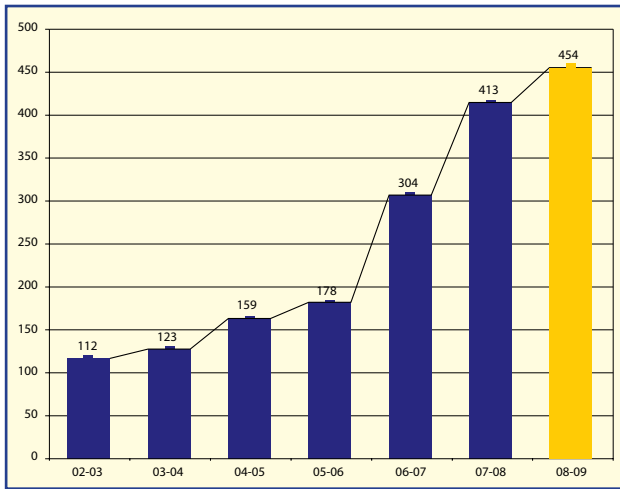
	2008-2009		
	Budget	MOU	Actual
Gross Turnover	430.00	465.00	453.87
Production	390.41	412.60	419.47

	2007-2008		
	Budget	MOU	Actual
Gross Turnover	360.00	360.00	412.92
Production	333.14	333.14	383.27



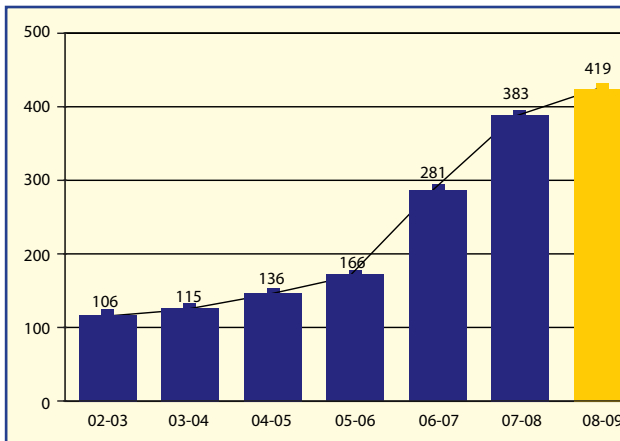
### Gross Turnover

(Rs. Crore)



### Production

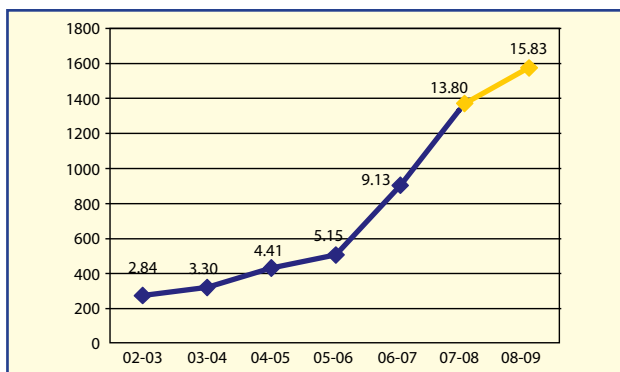
(Rs. Crore)



### Productivity

There is a marked improvement in Gross turnover per employee.

### Gross Turnover per Employee



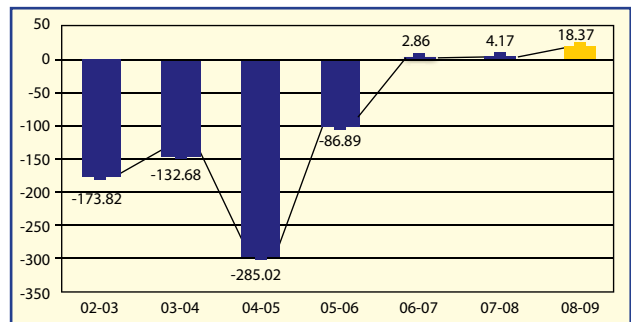
### 3. FINANCIAL RESULTS

(Rs. Lakhs)

Particulars	2008-2009			2007-2008		
	Budget	MOU	Actual	Budget	MOU	Actual
Gross Margin	38.50	39.50	42.81	29.05	30.00	35.24
Interest	28.97	28.97	20.41	24.00	24.00	27.47
Depreciation	4.37	4.37	4.03	4.74	4.74	3.60
Profit before Tax	5.16	6.16	18.37	0.31	1.26	4.17
Net Profit	5.16	6.16	18.37	0.31	1.26	4.17
Cash Profit	30.65	31.84	32.62	23.93	24.50	26.94

### Net Profit

(Rs. Crore)



The equity of the Company on 31.03.2009 remained at the same level of last year at Rs. 453.24 crores. During the year your Company contributed Rs. 63.60 Crores to Central and State Exchequers as compared to Rs. 62.96 Crores in the previous year.

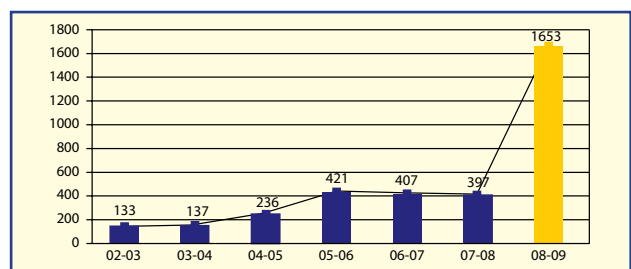
### 4. MARKETING ACTIVITIES

#### Orders Booked & Order Book Position

Despite economic and industrial recession your company has been able to book orders worth Rs. 1653.32 crore which is the highest ever.

### Order Booking

(Rs. Crore)

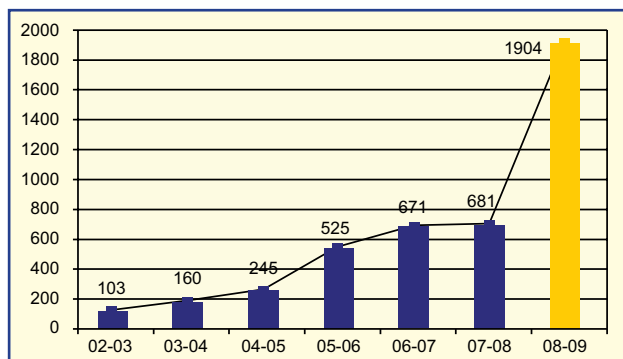


The order book position of company as on 1.4.2009 has gone up to Rs. 1903.69 crores.



## Orders in Hand (at year end)

(Rs. Crore)



### HIGHLIGHTS OF THE MAJOR ORDER RECEIVED

During the year, the Company secured following prestigious orders :

- (1) New Ore Bedding and Blending Plant and Base Blending Facilities (Pkg-090) from RSP Rourkela.
- (2) Coal Handling Plant (Pkg. 062) from BSP, Bhilai.
- (3) 3 nos. of 450T EOT Cranes from BSL, Bokaro and 51 nos. of EOT Cranes from IISCO.
- (4) 23 nos. of 5 CuM Shovels from different subsidiaries of CIL.
- (5) 14 nos. of machine tools.

Apart from the above, Hammer Mill, 15T Pusher Car and number of orders for Slag Cups, Forgings, Spares etc. have also been received from various Steel Plants, Mining & general engineering industries in Private sector.

### PROJECT ACTIVITIES

It was felt essential that to increase the turn over of the company manifold, the company should have orders for big projects on turn key basis. In that direction, the project division has been re-organized and strengthened. The Project division is currently executing turnkey orders of Ore Handling Plant, Par-A (Pkg-060) & Coal Handling Plant (062) of BSP Bhilai and Pkg-090 of RSP, Rourkela. The execution of the projects at these sites are under progress.

The gross turnover of Project Division during 2008-09 was Rs. 60.10 crore against the target of 52 crore.

Two major orders amounting of Rs. 1228 crore have been received from BSP, Bhilai and RSP, Rourkela against International Competitive Bidding.

High value orders are being expected from Steel & Mining Sector for Material/Coal Handling Plant projects in the financial year 2009-10. Project Division has ambitious plan for diversification in following fields :

- (i) Coal Washery Projects : 19 nos. of Coal Washeries are expected to be tendered in near future from different subsidiaries of CIL.
- (ii) Coal Handling Plants for different subsidiaries of CIL, NTPC, Reliance Energy & other Private Sectors.
- (iii) Ash Handling Plants for Power Projects.

### BUSINESS SCENARIO AND FUTURE PROSPECT

The present market is driven by the customer and there is cut throat competition everywhere. The state of art technology is needed to meet the customers' requirement in terms of cost, quality and delivery time. In this direction, your company is also making efforts to update the technology. New machines with latest features are conceived & developed to keep pace with the latest trend and to procure orders against global competition.

Despite the recent melt down in the global economy, there is adequate demand of our products and will further boost up in the various core sector industries.

#### Steel Sector :

More than 6% growth is recorded in the domestic steel industry. It is likely to be 7-10% in the current fiscal and is expected to rise further between 10-12% by 2012. All major steel producers like SAIL, TISCO, JINDAL, MITTAL, ESSAR etc. have future plans of increasing production level by modernization and huge capital investment is expected. Requirement of capital equipments like cranes, spares e.g. forged rolls etc., refurbishment of old plants and equipments are likely to increase the overall business prospect in Steel Sector.



### **Mining Sector :**

Recognizing the pivotal role of the mining sector in supporting the accelerated economic growth, the rapid development of the sector has come into sharp focus. Major coal producers have planned huge investment during the 11th Five Year Plan. There will be large requirement of Heavy Earth Moving Machines and other equipments from subsidiaries of CIL, SCCL, NMDC and SAIL mines.

### **Power Sector :**

There is huge requirement of Castings & Forgings in Power sector. Your company intends to enter this segment and for this purpose the JV with BHEL is planned. Trial orders from BHEL for manufacture of power plant casting has already been received.

### **STRATEGIC SECTOR — SPACE, NUCLEAR & DEFENCE**

Your Company intends to play a very important role in meeting the requirements of the strategic sectors. There is ongoing investment in this sector where your company can find further opportunity. Initial foray into this sector has already been done and in future the role of your company will be substantial.

### **Railways :**

Railway has been the major customer for machine tools. Company had entered into collaboration with M/s Hegenscheidt of Germany for manufacture of new generation railway machine tools.

With the Railway going for modernization of their workshops, a positive impact on order booking is expected for your company.

### **5. BIFR AND REVIVAL PACKAGE**

Consequent upon Company and Dept. of Heavy Industry (DHI), Govt. of India had filed separate appeals before AAIFR for quashing/staying the winding-up order of BIFR. As no bench in AAIFR was functioning at that time, Company filed a writ petition before the Hon'ble High Court of Jharkhand for quashing/staying the winding-up order of BIFR. Several hearings have since been held by the Hon'ble High Court of Jharkhand in this regard.

Revival Plan recommended by Board for Reconstruction of Public Sector Enterprise (BRPSE) in Oct., 2005, which included waiver of interest & non-plan loan, conversion of plan loan into equity fund of Rs. 102 crore, generation of resources to the tune of Rs. 330 crore by company through transfer/lease of residential/non-residential buildings to State Govt./Resident employees and ex-employees, leasing institutional complexes and settlement of dues of CISF and State Government was approved by Cabinet in December, 2005. The proposal approved by Cabinet was submitted to Hon'ble High Court of Jharkhand for consideration. Hon'ble High court of Jharkhand in Feb., 2007 approved the revival plan pending settlement of land in view of dealy in settlement of land with a direction to settle the land issue as early as possible.

Continued efforts were made to settle the various issues including issue of land. Several meetings were held at various levels including meeting between Hon'ble Minister (HI&PE) and Chief Minister of Jharkhand. As a result of which, in Feb., 2009, Govt. of Jharkhand offered modified package. In April, 2009, a meeting was held between Secretary (HI), Govt. of India and Chief Secretary, Govt. of Jharkhand to give the final shape to the package.

Now Govt. of jharkhand (GOJ) has agreed to waive outstanding electricity dues plus DPS on it and water dues; provide grant of Rs. 275.51 crore out of which HEC will pay Rs. 25.51 crore to Commercial Tax Dept. to settle the outstanding Commercial Tax Liabilities. HEC will transfer non-residential/residential buildings, presently given on rent to GOJ, and 2342 acres of land (including 85 acres of appurtenant land with buildings) to State Govt. In addition, GOJ agreed for transfer of 158 acres of land by HEC to CISF to settle their dues. 158 acres of Land has been transferred to CISF. 17 Non-residential buildings have been handed over to State Govt. with the receipt of Rs. 91.41 crore from Govt. of Jharkhand.



Affidavits by HEC, DHI and GOJ have been filed before Hon'ble Jharkhand High Court to approve the revised package.

## 6. SAFETY, ENVIRONMENT AND POLLUTION CONTROL

Occupational safety and health of workers are given due importance in your company and following activities are performed in this regard :

- (i) Safety training & awareness programs.
- (ii) Provision of safety appliances like different types of hand gloves, goggles, protective clothing, safety helmets, safety belts, safety shoes etc.
- (iii) Regular health check up of employees.

National Safety Day and HEC Safety Week were celebrated by all the units.

Your company does not compromise on environmental pollution and takes all precautions towards pollution control as detailed below :

- \* Compliance with all Statutory requirements laid down under Air (Prevention and Control of Pollution) Act, Water (Prevention and Control of Pollution) Act and Environment (Protection) Act.
- \* Obtaining running consent from the State Pollution Control Board and compliance with the stipulated conditions.
- \* Testing of water effluent samples regularly for pollutants, based on which consent for discharge of water to inland body is granted.
- \* Ambient air test is carried out regularly to ascertain limit of pollution gases before giving consent for air emission.

## 7. MANPOWER POSITION

The manpower of the Company as on 01.04.2009 stood at 2868 as against 2993 on 1.4.2008.

## 8. INDUSTRIAL RELATIONS

- (i) During the period under review,

the industrial relation situation, in general remained normal. However, gate meetings and general meetings organized by different Trade Unions and Associations during the first half of financial year. Their demands mainly related to implementation of Wage Revision w.e.f. 01.01.1997.

- (ii) Dependants of deceased employees are continuing indefinite Dharna in front of Hqrs. Administrative Building for their demand of employment in the Corporation.
- (iii) Implementation of wage revision w.e.f. 01.01.1997, w.e.f. 18.09.2008 fulfilled the long pending demand of employees.
- (iv) The retirement age was increased to 60 years from present 58 years w.e.f. 18th Sept., 2009.

## 9. EMPLOYEE WELFARE AND COMMUNITY DEVELOPMENT

### Employee Welfare :

The Company runs a full - fledged 250 bedded Hospital with 12 number of Broad Specialities. All employees of the company including their dependent family members are given free medical aid through this hospital and in deserving cases, are also referred to outside Referral Hospitals. The medical facility as such being extended to the retired employees and spouses also.

The hospital is also open to public in general for necessary medical assistance on payment basis.

### Community Development :

The Hospital has at its credit the following achievements towards Public Health and Community Health Program during the year :

- (a) Immunization programme for protection against BCG, Polio, DPT, Measles, Tuberculosis, DT and Dog Bites.
- (b) Ophthalmology department has seen a boost during the period under review.





125 operations were held during the Free Blind Relief Camp out of the 140 cases admitted with 18 cases of Phaco emulsification. These 18 patients were given foldable lense of Rs. 1000/- each.

#### **Town Administration Division :**

Town Administration Division is the caretaker of all real estate of the company in the township which includes company residential quarters for employees, essential services, market area etc.

Main achievements of T.A. Division in the Financial year 2008-09 :

- (i) Revenue collection of Rs. 28.23 crores was done.
- (ii) Construction of an International Cricket Stadium was brought in HEC Township by giving land to Jharkhand State Cricket Association on long term lease.
- (iii) 17 nos. of Non-Residential Buildings were handed over to GOJ and GOJ provided Rs. 91.41 crore, a part of the Grant of Rs. 275.51 crore agreed for.

#### **10. HUMAN RESOURCE DEVELOPMENT**

Your company gives immense importance to human resource development through the following activities during the year :

- (i) Company — Specific in-house training and skill development programs (TSDPs) for our regular workers and supervisors which includes various topics pertaining to technical, behavioral, attitudinal changes; safety & environment, health & hygiene, labor legislations, quality of life, etc.
- (ii) Company-specific in-house and outstation training and motivation programs (TMPs) for our prospective officers as per the need pertaining to latest developmental concepts of technical, managerial, legislations, behavioral, quality, safety & environment,

health & hygiene, administrative vigilance, functional, general and strategic management.

Resource persons for the above trainings are being obtained from Central Board of Workers Education, Ranchi, National Productivity Council, Patna, IICM, Ranchi; MTI, SAIL; Ranchi; etc. other than available in the company.

#### **HEC Training Institute :**

The HEC Training Institute (HTI) conducted re-orientation training in technical trades, craftsmen training in technical Trades (equivalent to ITI), and Apprentices training of ITI and matriculate apprentices. HTI supported the plants with manufacturing of small jobs related to production & maintenance. It also conducted industrial training course leading to NCVT (National Council of Vocational Training).

#### **Education Department :**

Your company is running two schools for the wards of employees & others in the neighboring areas. During the year we provided all support to Education Department to improve the co-curricular activities as well as extra curricular activities in these schools at par with local public schools.

#### **11. STATUS OF SCHEDULED CASTES AND SCHEDULED TRIBES**

- (i) No. of SC & ST employees as on 01.04.2009 stood at 325 and 602 respectively.
- (ii) Percentage of SC & ST employees w.r.t. total employees stood as 11.33% and 20.99% respectively.
- (iii) Out of 175 recruitments made during the year 2008-09, 65 appointment offers were made to SC & ST candidates (32+33) out of which 57 (28+29) joined.

#### **12. PROGRESSIVE USE OF HINDI**

Rajbhasha Vibhag promotes the usage of Rajbhasha Hindi throughout your company as an essential effort for wider implementation under the directives of Govt. of India.





The following steps were taken by the company during the year towards progressive use of Hindi as official language :

- (i) The typist & stenographers working with English are trained for working in Hindi.
- (ii) All employees are being motivated and trained to become conversant with Hindi as a workable language.
- (iii) The Official Language Implementation Committee organized its quarterly meetings on regular basis during the year.
- (iv) Various checkpoints have been made to ensure successful implementation of Raj Bhasa Policy and attention of the Heads of Departments/Plants were attracted towards deficiencies found, if any.
- (v) Raj Bhasa Fortnight was organized and various competitions such as Essay writings, Speech, Poetries, Noting, Drafting, Typing as well as for Raj Bhasa Shield and excellent work in Hindi were held. The winners were given attractive prizes.

### 13. DEVELOPMENT OF ANCILLARIES AND SSI UNITS

As a part of its social responsibility, your company developed an ancillary area near Tupudana with the help of Ranchi Industrial Area Development Authority to create opportunity of employment as well as individual entrepreneurship.

Regular interactions were organized with the SSI units to find out various scopes for mutual cooperation and entry in new areas commensurate with HEC's growth.

### 14. VIGILANCE ACTIVITIES

The vigilance organization of your company operates under the over all administrative and functional control of Chief Vigilance Officer. During the year it has performed following major vigilance activities :

- (i) Attended 59 complaints, 12 departmental proceedings & 5 nos. investigations done.
- (ii) To improve Management effectiveness, the preventive vigilance has been given a thrust by carrying out 77 nos. of Surprise Check and 15 nos. of regular inspection covering all major areas identified.
- (iii) Vigilance training imparted to the employees.
- (iv) Vigilance Awareness Week celebrated involving all employees of the organization.

### 15. DISPOSAL OF REQUEST/APEAL UNDER RTI ACT

During the year 2008-09, 75 requests and 19 first appeals were received. Out of this, 63 (84%) request and 15 (79%) first appeals were disposed of during the period.

### 16. QUALITY CONTROL

Your company never compromises on quality of the products manufactured. The company takes all measures to maintain the quality of its products and services to the utmost satisfaction of its customers. The standards of Quality of products and services are being maintained as per relevant Indian standards and ISO 9001:2000.

#### ISO 9001 : 2000 accreditation :

Periodical internal audit, surveillance audit of ISO 9001-2000 is organized in all three plants. We will switch over to ISO 9001:2008 (latest edition of ISO 9000) alongwith the next certification.

### 17. ENERGY AUDIT

Energy Audit in a limited way was carried out by Petroleum Conservation Research Association (PCRA) in 2004-05 with the objective to study the use of alternate fuel other than the currently being used Producer Gas for Heat treatment/Reheating furnaces after Performance Analysis of six major furnaces at Foundry Forge Plant. It was recommended to operate the furnaces with



Producer Gas since it is the most economical fuel available in the market. However, PCRA also suggested certain improvement and modification of the Producer Gas plant and for operating furnaces for better thermal efficiency and economy. Necessary action has been initiated to modernize the Producer Gas Plant. As Foundry Forge unit is the main energy consuming unit, company is going to have fresh energy audit of this unit with the help of an external agency M/s EEPL.

#### **18. R&D, TECHNOLOGY ABSORPTION, ADAPTATION, AND INNOVATION; ENERGY CONSERVATION**

The particulars required under section 217 (1) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988, regarding R&D, Technology Absorption, Adaptation and Innovation as well as Energy Conservation are furnished in Annexure-'A'.

#### **19. DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under section 217 (2) of the Companies Act, 1956, it is hereby confirmed :

- (i) that in the preparation of the Annual Accounts for the financial year ended March, 31st 2009, the applicable accounting standards have been followed along with the proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the year under review;
- (iii) that the Directors have 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 have prepared the Annual Accounts for the financial year ended March, 2009 on a going concern basis.

#### **20. FOREIGN EXCHANGE**

The foreign exchange outgo during the year was Rs. 5.38 Crores.

#### **21. INFORMATION UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956**

None of the employees of the Company was in receipt of remuneration in excess of limits prescribed under section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 during the financial year ending 31st March, 2009.

#### **22. STATUTORY AUDITOR**

The Comptroller & Auditor General of India (CAG) has appointed M/s Salarpuria Jajodia & Co., Chartered Accounts, Patna as the single Statutory Auditor of the company for the financial year 2008-2009. As authorized by the Shareholders in 49th Annual General Meeting, the Board of Directors has fixed the remuneration of the statutory Auditor for the year 2008-2009 at Rs. 1,44,000 (Rs. One lakh forty four thousands) only.

#### **23. COMMENTS OF C&AG AND STATUTORY AUDITORS AND MANAGEMENT'S REPLIES THEREON**

The comments of C&AG under Section 619 (4) of the Companies ACT, 1956 on the Accounts of the Company for the year ended 31.03.2009 along with the Review of Accounts of your Company by C&AG and Statutory Auditors' observations along with Management's replies thereto are furnished in ANNEXURE-'C'.

#### **24. BOARD OF DIRECTORS**

During the year, there were two parttime Official Directors and one part-time Non Official Director on the Board of HEC, in addition to the CMD, Director (Personnel), Director (Finance), Director (Marketing) and Director (Production).



During the year Shri B. B. Singh and Shri Shashank Goel ceased to be Directors. Board places on record its deep appreciation for the valuable services and contribution made by Sri B. B. Singh and Shri Shashank Goel during their tenure as Director on the Board of Directors of HEC Ltd.

## 25. AUDIT COMMITTEE

An Audit Committee was re-constituted by the Board in its 265th meeting on 13.09.2006 under the chairmanship of Shri V. K. Srivastava, Managing Director of M/s Bokaro Steel Plant, Bokaro. Only one Audit Committee meeting was held on 29.09.2008.

## 26. ACKNOWLEDGEMENT

The Board also gratefully acknowledges the support and guidance received from the various Ministries of the Govt. of India.

The Board is particularly grateful to the Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises for their continued support in the revival of this Company.

The company also wishes to place on record

its thanks to the Govt. of Jharkhand for all their support in the revival process of the company.

The company wishes to place on record its appreciation of the continued co-operation received from all its stake holders including the suppliers, banks, financial institutions, the Controller and Auditor General of India and Statutory Auditors.

The company wishes to record its deep gratitude to all the members of the HEC family who have worked very sincerely and dedicatedly in bringing this company to another year of profitability and growth.

For and on behalf of Board of Directors

A handwritten signature in black ink, appearing to read 'G.K. Pillai', is written above the printed name.

**(G. K. Pillai)**

*Chairman-cum-Managing Director  
Heavy Engineering Corporation Ltd.  
Ranchi.*



## RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION, ADAPTATION, INNOVATION AND ENERGY CONSERVATION

### RESEARCH & DEVELOPMENT ACTIVITIES

The company continued its efforts for the technology upgradation and development/ systems during the year.

(a) **Specific areas in which R&D activities were carried out by the company are detailed below :**

**(i) 450 T Crane for BSL, Bokaro**

450+100/20T, 19m span and 450+100/16T, 25m span hot metal holding cranes has been developed for the first time in India for BSL, Bokaro with highest hoisting speed, Variable Voltage Variable Frequency Control, operated at 690V/415V, motorized wire rope lubrication and automatic rail lubrication systems to enhance the life of wire rope and wheel, main Hoist (450T) with double drive and Planetary gear box to ensure continuous operation, emergency disk brake on both rope drums to avoid accident in case of failure of either drive brakes or output shaft of rope drum and load cell for weighing liquid metal. To accommodate 30m long V.V.V.F. Control Panels, Double Decker fully air conditioned electric Panel Rooms on Double Decker Platforms have been designed for these cranes.

**(ii) 15+15T, 28m Span Grab and Magnet Trolley Crane for BSL, Bokaro**

The crane has two trolleys one for scrap handling and another for hot metal moving at same level with laser operated anti-collision device. Hoist mechanism of Grab trolley will have two drums for closing and opening as well as hoisting/lowering of Grab. All the mechanism is having thyristor control for achieving micro speed. Pressurized

and ventilated wide girder box (2.6m high and 2m wide and 29.5m long) has been designed for this crane and all the control panels are placed inside these pressurized girders.

**(iii) Special Steel Forging for BARC**

HEC developed heaviest size ingot (120T) of ultra clean quality, highly controlled impurities and gaseous elements controlled to extremely low levels. Material was forged, heat treated and qualified by destructive and non-destructive tests. Many innovative technological solutions adopted to achieve the desired results with the existing facilities.

**(b) Import Substitution Efforts**

**Following important items were manufactured and supplied :**

- Mobile Launching Pedestal for ISRO.
- CNC Deep Hole Boring Machine model : BDH 140N/12M to MSF, Ishapore.
- CNC Double Column Vertical Turning and Boring machine model: BV 40/50 NM to VSSC Trivendrum.
- CNC Single column Vertical Turning and Boring machine model BV 555/70NM to HAL Bangalore.

**(c) Technology Absorption, Adaptation and Innovation**

- (i) Technology of the earlier collaboration was completely absorbed. New features like P.L.C. based electric controls, AC Servometer, AC Spindle motors, centralized lubrication system, guide ways covers, bellows, automatic tool clamping system, hydraulic/ pneumatic clamping, splash guards was implemented in the older collaborated



models. New machines with latest features as mentioned above was conceived and developed to keep pace with latest trend in machine tools in the world market.

- (ii) Development of Special purpose CNC Railway machine tool with latest features such as Automatic operator Guidance System. These machines shall be developed as per the collaboration with M/s Hegenscheidt.
- (iii) Improved products were offered to the customers to meet their exact requirements and order procured against global competition. Exercises were carried out continuously to offer the best product with reduced cost through continuous research and adoption of better technology and low rejection of components.

#### (d) Energy Conservation

Company had initiated various steps to conserve the energy. it has been able to reduce the energy cost substantially during 2007-08. All efforts were made to maintain the reduced energy consumption level, however, due to production of high quality steel the energy consumption has slightly gone up on per ton basis. The various steps being taken are as under :

- Reduction in maximum Demand of Power by proper load planning.

- Use of energy efficient high pressure sodium vapor lamps/Tube lights.
- Replacement of MG Sets by use of Static Transformers and Rectifiers.
- Use of ceramic lining in Furnaces and by installing programmable controller in electric pit furnace.
- Reduction in heat cycle time for melting furnaces etc.
- Replacement of centralized compressor unit with decentralized Air Compressor at the load centres.
- Provision of Transparent Sheets at roof tops of production shops so as to utilize sunlight for illumination.

Energy Consumption details per MT of physical production during the recent years are as under :

Type of energy	Units of consumption per MT of production		
	2008-09	2007-2008	2006-07
Electricity (KWH)	2699.88	2695.45	2709.68
Coal (MT)	4.61	4.32	4.30
Diesel (Litres)	21.33	18.93	19.66

Energy Audit by an External Agency has been initiated and company hopes for further reduction in energy consumption thereafter.



## REPORT ON CORPORATE GOVERNANCE

(As on 31.03.2009)

The Directors present the Company's activities on Corporate Governance.

### CORPORATE MAIN OBJECTIVE ON CODE OF GOVERNANCE

Heavy Engineering Corporation Limited (HEC Ltd.) trusts the conduct of its business activities and enhance the value of all those who are associated with the company viz., Customers, Suppliers, Govt. of India, Ministry of Heavy Industry, Department of Public Enterprises, various State Governments, other Governmental agencies/departments and the society at large. Essentially it involves practising of good Corporate Governance and HEC believes in transparency, accountability and attaining maximum level of enrichment of the enterprises. HEC also price the global recognition by ensuring the integrity, value addition to its domestic as also the International customers in it product commitments.

HEC complies with all the laws and regulates its affairs in a competitive system and monitors effectively the management policies/decision and executing its strategies. HEC takes its senior management accountable in the pursuit of achieving company's objectives.

HEC is committed to practice Good Corporate Governance by letter and spirit. Keeping with the spirit of the code, the Company has enlarged and strengthened the scope of the committees formed in accordance with the Companies Act, 1956.

### Board of Directors :

The Board of Directors oversees all major actions/activities proposed to be under taken by the company. The Board also reviews and approves the strategic and business plans including monitoring of corporate performance.

In accordance to the provisions of the Articles of Association, the number of Directors of the

Company shall neither be less than two nor more than fifteen. The Directors are not required to hold any qualification shares.

As on the date of reporting, the Board of HEC Ltd. consists of eight Directors who have been classified in three classes viz. (i) Full time Functional Directors, (ii) Government Nominee Official Directors and (iii) Government Nominee Non-Official Directors. This include (a) Chairman-cum-Managing Director (CMD), Four Functional Directors i.e. Director (Personnel), Director (Finance), Director (Marketing) and Director (Production), (b) Two Government of India Nominee Official Directors from Ministry of Heavy Industry, (c) One Government Nominee Non-Official Director. The terms, conditions and tenure of appointment of Directors including CMD are decided by Government of India, Ministry of Heavy Industry.

The remuneration/compensation payable to Directors is also fixed by Government of India and the CMD and Full Time Functional Directors are paid monthly remuneration as fixed by Government of India.

### The Full-time functional Directors are :

- (a) Shri G. K. Pillai : Chairman-cum-  
Managing Director
- (b) Shri M. R. Venugopal : Director (Personnel)
- (c) Shri R. Misra : Director (Finance)
- (d) Shri Bharat Prasad : Director (Marketing)
- (e) Shri S. K. Chaudhary : Director  
(Production)

### Govt. of India Nominee Part-time Official Director are :

- (a) Shri R. Asokan
- (b) Shri Sunil Kumar Singh

### Govt. of India Nominee Non-Official (Part-time) Director is :

- (a) Shri V. K. Srivastava





**Meeting of the Board**

The Board Meetings are held at Company's Registered Office at Ranchi. The Company Secretary serves as Secretary to the Board.

**Number of Board Meetings :**

During the years 2008-09, Five (5) meetings were held, the details of which are given below :

Sl. No.	Date	Board Strength	No. of Directors present
1.	20.06.2008	07	06
2.	02.08.2008	07	06
3.	29.09.2008	08	06
4.	06.12.2008	08	06
5.	20.03.2009	08	07

**Attendance of each Director at Board Meetings**

Name of the Directors	Period	No. of Board Meetings held	No. of Board Meetings Attended	No. of Directorship in other Board
<b>(a) Executive Directors (Whole-time Functional Directors)</b>				
1. Shri G. K. Pillai, CMD	01.04.2008 to 31.03.2009	05	05	—
2. Shri M. R. Venugopal Director (Personnel)	01.04.2008 to 31.03.2009	05	05	—
3. Shri R. Misra Director (Finance)	16.05.2008 to 31.03.2009	05	05	—
4. Shri Bharat Prasad Director (Marketing)	16.06.2008 to 31.03.2009	05	05	—
5. Shri S. K. Chaudhary Director (Production)	03.09.2008 to 31.03.2009	03	03	—

**(b) Govt. of India Nominee Part-time Official Director**

1.	Shri B. B. Singh	01.04.2008 to 13.02.2009	03	03	03
2.	Shri R. Asokan	01.04.2008 to 31.03.2009	05	03	04
3.	Shri Shashank Goel	13.02.2009 to 01.04.2009	01	01	04

**(c) Part-time Non-Official Director**

1.	Shri V. K. Srivastava	01.04.2008 to 31.03.2009	05	02	02
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**Board Agenda and Material :**

The Board believes that a carefully planned Agenda is important for effective Board Meetings. All major issues included in the Agenda are backed by comprehensive background information to enable the Board to take decisions. The agenda is flexible enough to accommodate any unexpected development(s) requiring Board's attention and its decision. Agenda papers are, generally circulated well in advance to the Members of the Board. The Board members, in consultation with the Chairman may bring up any relevant matter for the consideration of the Board.

**Attendance of each member in Audit Committee Meetings**

Name of the Members	Period	No. of Meetings held	No. of Meetings Attended
1. Shri V. K. Srivasatava Chairman, Audit Committee	01.04.2008 to 31.03.2009	02	02
2. Shri B. B. Singh Member	01.04.2008 to 13.02.2009	02	00
3. Shri M. R. Venugopal Member	01.04.2008 to 31.03.2009	02	02







Had the observations made in paras quantified as above been considered the "Profit for the year" would have been Loss of Rs.6091.97 lakhs (as against the reported profit of Rs.1957.87, the figure of Profit & Loss account in the Balance Sheet would have been Rs.181251.15 lakh (as against the reported Rs. 106461.36 ), Turnover (Net) for the year would have been Rs.39723.52 lakh (as against the reported Rs. 41738.74 lakh), "Net current assets" would have been Rs.(-) 106240.41 Lakhs (as against the reported Rs.(-) 33382.98 lakhs.

- |   |  |
|---|--|
| 2.1 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.  | No. comments   |
| 2.2. Subject to our comments in para 2.6, 4,11 and 12 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.  | No. comments   |
| 2.3 The said Balance Sheet and Profit & Loss Account and Cash Flow Statement are in agreement with the books of account   | No. comments   |
| 2.4 In our opinion, the Balance Sheet and Profit & Loss Account and Cash Flow Statement have been prepared by the Company in compliance with the Accounting Standards referred to in Sub-Section 3(c) of Section 211 of the Companies Act, 1956 except for the deviations noted in Para 11, 12 & 13 of this report and except as stated elsewhere and in Significant Accounting Policies and Schedule '25' (Notes on Accounts). | No. comments   |
| 2.5 As explained to us, as per Notification No. GSR 829 (E) issued by Department of Company Affairs the provisions of Section 274(1)(g) of the Companies Act, 1956 are not applicable to a Government Company.  | No. comments   |
| 2.6 In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant Accounting Policies and other Notes in Schedule 25 thereon, give the information required by the Companies Act, 1956 in the manner so required except for  | The matters of deviations as listed by audit under para 12 have already been explained in Notes on Accounts. Besides the above other matter in the deviation list under Para 12 and 13 have been suitably replied against the respective paras. The accounts have been prepared based on reality and the circumstantial evidence where |



the deviations noted in Para 4,11 and 12 of this report and as the profit reported in profit and loss account converts into loss, it does not give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the State of affairs as on 31st March, 2009 and
- (b) In the case of Profit & Loss Account, of the profit for the year ended on 31st March, 2009, and
- (c) In the case of cash flow statement, of the cash flows for the year ended on that date.

waiver/ withdrawal of company's long pending non admitted liability is certain. As such these were not considered in Accounts. Moreover Govt. of Jharkhand Union Govt. and the Company had submitted affidavits in the Hon'ble High Court of Jharkhand whose acceptance by the Court is a must before implementing / accounting for any of the waiver of the liabilities/ transfer of assets. Here it may be mentioned that the BIFR had recommended winding up of the company against which the company and Govt. of India had filed writ applications before Hon'ble High Court of Jharkhand and the matter is yet to be disposed of and is sub-judice. Until and unless Hon'ble High Court of Jharkhand passes appropriate orders it would neither be prudent nor advisable to pass entries in the Books of Account to give effect to the suggestion of the Audit. Although there were some sort of understanding between Govt. of India, Govt. of Jharkhand and HEC that in DPS on electricity dues payable by HEC would be waived along with other items included in Para 11 & 12 as a total package deal, in the absence of any specific agreement to this effect perhaps C & AG audit had observed on the Accounts for 2007-08, that non provision of such items would result into a loss and as such it was commented on the Auditor's report as to the "true and fair view" of the accounts of 2007-08.. But the audit had not taken into cognizance the subsequent developments like the agreement amongst Govt. of India, Govt. of Jharkhand and the company and filing of affidavits before the Hon'ble High Court of Jharkhand. If these affidavits are considered in its entirety there would be no impact on profitability, as creating of liability for DPS and waiver of the same would have no impact on the profitability in the Accounts. But the audit has considered only the DPS liable but at the same time ignored waiver of the same which had been agreed to between Govt. of India and Govt. of Jharkhand. Similar is the case of other liabilities. In the absence of specific order of Hon'ble High Court and as the matter is sub-judice company can not pass entries to give effect to the same in the accounts as suggested by the Auditor.

As such it is requested to reconsider the



3. As referred in Para 1.0 of Accounting Policy, the Accounts have been prepared on the Going Concern assumption. In view of facts referred in Note No. 1 of Schedule "25" regarding order of BIFR dated 06.07.2004 for winding up the company and in view of the huge accumulated losses, the negative net worth of the company, the company's ability to continue as a going concern is dependent on availability of substantial finance, decision of High Court / AAIFR as well as future production performance and profitability, etc.

4. **FIXED ASSETS :**

Although 17 nos. of non residential building were transferred by the Company during the current financial year on a consideration of Rs. 80.00 crores and consideration amount received on 31st March, 2009, no accounting entry were passed for such transfer as well as for profit / loss on such transfer, pending acceptance of Revival Package of Govt. of Jharkhand by Hon'ble Jharkhand High Court( refer notes no. 7 of schedule 25). In absence of WDV of specific asset( which also includes in some cases part of the building), we are unable to quantify the amount of profit /loss

deletion of the comments that the Accounts prepared by the company fails to give "true and fair view".

Board for Reconstruction of Public Sector Enterprises (BRPSE) recommended the revival proposal of the company and was duly approved by Union Cabinet on 15.12.2005. The Govt. of India also implemented the conversion of plan loan into equity, waiver of Non plan loan and the interest due on plan & non plan loan stood as on 31.3.2005 and also provided funds as bridge loan of Rs. 102 crores to HEC before the end of the financial year 2005-06. Govt. of Jharkhand also furnished affidavits in the Hon'ble High Court for settlement of JSEB dues. Waiver of Sales tax, water charges and also providing funds as grant. The Govt. of Jharkhand has also agreed to take over the available surplus land of HEC and all the residential and non residential building which are already on rent with State Government. Moreover substantial cash has been generated by way of transferring the residential quarter on Long Term Lease. Union Govt. has also converted the above bridge loan along with interest into equity. Company has also increased its volume of operation drastically and generation of cash also has tremendously been increased. As such, no shortage of cash towards working capital Would be faced by HEC in near future even after liquidating the company's liability to employees. Statutory bodies and other outside parties and the company would be entirely capable of running as a "going concern "with adequate financial resources.

This has been dealt with note no. 7 of Schedule-25 (Notes on Accounts).



on transfer of such 17 nos. of non residential buildings.

#### 5. INVENTORIES

In HMTP errors in basic data generated from plant/computer system/stores priced ledger/sales value related to inter plant items submitted by PPC/ cost yet to be incurred estimated by PPC were noticed, which might have affected the cost of material /direct labour, shop overhead etc. and its correction was not carried out by the unit. Without correction of basic data and fresh calculation, we are unable to express our opinion on valuation of work in progress taken in Books of Accounts in that plant. Further, due to errors in valuation of cost of opening stock in some items of WIP and finished goods in earlier year and continuing during the year in HMBP, we are unable to express our opinion on valuation of work in progress and finished goods taken in books of accounts.

This has been corrected to the extent possible during the year. Cost yet to be incurred for completion has been prudently calculated by PPC nearest to actual and therefore, existence for errors in estimation has been minimised/ eliminated.

#### 6. SUNDRY DEBTORS

6.1 Confirmation of balances due from Sundry Debtors were not obtained by the company for our verification sundry debtors include balances, which are long over due and are appearing as sundry debtors for more than three years and which have not been confirmed by the parties from whom these are receivable. Consequently profit and sundry debtors are over stated to that extent.

This has been dealt with Note No. 9 of schedule 25. (Notes on Accounts)

The long pending Debtors relates to the amount receivable from PHED towards supply of electricity for water Filtration Plants – This is to be adjusted against their dues from HEC towards supply of process as well as drinking water. This has already been considered in the revival package by Govt. of Jharkhand and settlement is expected shortly. Hence no provision has been considered at this stage and therefore no debtors are overstated.

6.2 Sundry Debtors include Rs. 1458.03 lakhs from a single party which is resultant of an arbitration award awarded in favour of the company in February, 1997 against which the party filed an appeal before Hon'ble Delhi High Court. The Hon'ble High Court rejected the appeal but the party has again filed an appeal before Hon'ble Delhi High Court. At this juncture of time, as the realisation of this entire amount of Rs. 1458.03 lakhs is uncertain, since the award has not been implemented, is disputed and is long over due, warranting a provision of the entire

As observed by the statutory audit the appeal of the party before Hon'ble High Court Delhi has been rejected. As such there is no uncertainty regarding realisation of the amount. Accordingly no provision is considered necessary at this stage.



amount, pending which the profit remains overstated and accumulated loss remains understated and the sundry debtors at the end of the year remain overstated.

## 7. LOANS AND ADVANCES

7.1 Confirmation in respect of various parties included in "Loans and Advances" were not obtained for our verification and as such we are unable to comment on its correctness and impact on the profit and other accounts.

This has been dealt in Notes no. 9 of Schedule-25 (Notes on Accounts).

## 8. CURRENT LIABILITIES AND PROVISIONS

8.1 Confirmation in respect of various parties included in "current liabilities/sundry creditors" were not obtained for our verification and as such we are unable to comments on its correctness and impact on the profit and other accounts. Further, in the absence of details, linking or reconciliation of various heads of accounts under Liabilities, we are unable to verify the correctness of the different amount in the schedule and comment on it's impact on the profit./loss and other accounts. :

Due to non reconciliation of very old dues from various parties as well as old liabilities to them, complete linking of liabilities as well as assets has not been possible till date. But efforts are being made for gradual adjustment of the same at an early date.

8.2 In absence of expert legal opinion/latest position of cases/litigation against the company as referred in notes no. 2(g) of Schedule-25, we are unable to express our opinion on additional liability, if any , which are required to be provided under AS-29 lying unprovided.

Based on the list of cases pending as on 31.03.2009 in the Court of Law and internal scrutiny, the entire amount involved in the cases have been shown under the head contingent liability.

8.3 Pay Revision of employees is due since 01..01.2007. No provision has been made for incremental pay for the period 01.01.2007 to 31.03.2009 and its impact, if any, on the profit as well as current liabilities remains unascertained. (Refer note no. 5 of Schedule-25).

This has been dealt in note no. 5 of Schedule-25 (Notes on accounts). Moreover no tripartite agreement has been entered into by the company for implementation of Pay Revision w.e.f. 01.01.2007.

8.4 The Company has not provided for interest payable on defaulted deposits since 1999 recovered from salaries of the employees and payable to the Employees Co-operative. The impact on the loss remains unascertained (Refer notes no. 14 of Schedule-25).

This has been dealt with Note no. 14 of Schedule-25 (Notes on Accounts)

8.5 The company has in earlier years defaulted in making timely deposits to the Provident

Damages fir delay remittances of CPF/EPF have been assessed by PF authority up to





Fund Authorities of amounts recovered from the salaries of the employees as well as the company's own contributions. No provision for penal interest / damages payable to Provident Fund Authorities has been made for defaults in payment occurring from September,99 onwards and the impact on profit for the year and accumulated loss remains unascertained(Refer note no. 15 of Schedule-25).

September,99 and the same has been appealed before Appellate Tribunal and as such this has been shown in Account as contingent liability. The above matter has not been heard in Appellate Tribunal as yet. Company also filed an appeal in the Hon'ble High Court of Jharkhand for directing Chairman, Central Board of Trustees, Employees Provident Fund Organisation to consider the waiver of damages and accordingly the Hon'ble High Court has given direction to Chairman, CBT for consideration of waiver of damages as per Law.

Further, due to non availability of assessment for the period from October, 1999 to March, 2006 by PF authority no provision has been considered in accounts. This has already been dealt with Note No. 15 of Schedule 25 of Notes on Accounts.

## 9. SALES

Attention is invited to Note No.11 of Schedule 25, Sales for the year / Sundry Debtors in HMBP and FFP is overstated by Rs. 2015.22 lacs as title in goods has not passed to the customer as on 31.03.2009 and inventory / accretion in finished goods is understated to that extent. Had these been treated as inventory the profit for the year would have been lower by Rs. 82.86 lakhs.

This has been dealt in Note no. 11 of Schedule-25 (Notes on accounts).

## 10. PROFIT & LOSS ACCOUNT

10.1 Bills of Bihar State Electricity Board and Jharkhand State Electricity Board for Delayed Payment Surcharge (DPS) amounting to Rs. 62270.94 lacs (previous year 54886.86 lacs) have not been accounted and provided for. As an impact of this, profit for the year is overstated by Rs. 7384.08 lakhs and accumulated loss and current Liabilities are understated to this extent of Rs. 62270.94 lakhs (Refer Note no. 2 (d) in Schedule-25).

Despite agreeing to charge consumption of power in Township at domestic rate, it was charged at industrial rate causing DPS as disputed liability. Moreover waiver of DPS is under active consideration of Govt. of Jharkhand along with relief to be extended by them in the Revival Package of HEC. Since the waiver of DPS has been approved by the Cabinet / Governor's advisory Council on 13.02.2009 and later based on decision taken in the meeting held between Secretary, DHI, Govt. of India and Chief Secretary, Govt. of Jharkhand on 6.4.2009 that DPS would be waived up to the date of final settlement by J.S.E.B. after approval of Hon'ble High Court of Jharkhand, this has been shown as contingent liability.





- 10.2 Water charges bills of public Health Engineering Department amounting to Rs. 1022.44 lacs (Previous year Rs. 976.38 lacs) have not been accounted and provided for. As an impact of this, profit for the year is overstated by Rs. 46.06 lakhs and accumulated loss and current Liabilities are understated to the extent of Rs. 1022.44 lakhs. (Refer Note no. 2 (e) in Schedule-25).
- Water charges has been accounted for on the basis of actual consumption and considering increase of water charges effective from the date of receipt of order, excess claim over actual consumption and increase of rate for retrospective period has been protested and shown under contingent liability. Moreover this is in the process of reconciliation with PHED for withdrawal of this excess claim. Further waiver of water charges has also been approved by the Cabinet /Governors Advisory Council on 13.02.2009. As such no provision in this regard is required at this stage.
- 10.3 Damages of Rs. 9501.54 lacs levied by Regional Provident Fund Commissioner U/S 14B of the Employees Provident Fund and Miscellaneous Provisions Act, 1952 for delayed remittances during the period March 1976 to September, 1999 have not been accounted and Provided. As an impact of this, accumulated loss and current Liabilities are understated to this extent. (Refer Note no. 2(f) in Schedule-25).
- Please refer to reply against 8.5. ( No provision has been made against the damages of Rs.9501.54.lacs levied by PF authority against which company has filed an appeal before Appellate Tribunal. Company has also filed an appeal in the Hon'ble High Court of Jharkhand for directing Chairman, Central Board of Trustees, Employees Provident Fund Organisation to consider the waiver of damages and accordingly the Hon'ble High Court has given direction to Chairman, CBT for consideration of waiver of damages as per Law. As such the same has been shown as "contingent liability").
- 10.4 As per Revival Package sanctioned by the Govt. of Jharkhand, the company as well as Government of Jharkhand have agreed to settle all commercial tax liability up to 31.03.2007 including penalty / penal interest for delayed payment, etc after payment of Rs. 2551.00 lakhs by the company. Out of that a sum of Rs. 500 lakhs has been paid during the year and Rs. 1536.04 lakhs is outstanding in the Books of the Company and balance of Rs. 514.96 lakhs was not accounted by the Company, due to which the profit remains overstated and accumulated loss remains understated and the current liabilities at the end of the year remain understated (Refer Note no. 1 in Schedule-25).
- This has been dealt with note no. 1 (Notes on Accounts ) of Schedule-25. The Govt. of Jharkhand as part of the revival package has agreed to pay Rs. 25.51 crores to HEC towards final settlement of commercial taxes liability up to 31.03.2007. The liability for payment of commercial taxes will materialize only on assessment on sales tax return. As the commercial taxes deptt. has completed sales tax assessment up to 2002-03 only, the agreed liability under the revival package has been finalised to take care of further demand, if any, arising out of the future assessment for the year 2003-04 to 2006-07.
- The liability shown under contingent liability are lying in appeal before adjudicating authorities. Such liabilities would arise only upon the adverse decision of the adjudicating authorities.
- Therefore, it can not be said that the future out flow is definite and quantifiable and hence no liability has accrued to be accounted for at this stage.
- Therefore, mere mention of the amount of



10.5 Interest on over due amounts to small scale industries undertaking amounting to Rs. 21.88 lakhs (Rs. 17.33 lakhs HMBP and Rs.4.55 lakhs HMTP) has not been provided. Consequently profit for the year is overstated by this amount and accumulated loss and current liabilities are understated to this extent.(Refer note no. 10 in Schedule-25).

#### 11. DEVIATION FROM ACCOUNTING STANDARDS

11.1 The element of Profit/ Loss if any, on items of inter plant transfers held in closing stock has not been ascertained or eliminated. This is not in accordance with AS-2.

11.2 In some cases valuation of inventories of finished and semi finished goods is not fully in conformity with the requirements of AS-2 in as much it is not based on proper cost booked and estimated net realisable value and there is no scientific method for assessing costs yet to be incurred for incomplete portion of the inventory. (impact not ascertained).

11.3 Non disclosure of transfer of 1148 residential quarters to Govt. of Jharkhand on 27.04.2009, being events occurring after Balance Sheet date is non compliance of AS-4.

11.4 Non accountal of interest and penal interest payable on CISF dues as ordinary business activities/prior period activities and waiver of interest by CISF as extra ordinary activities in Books of Accounts as well as in financial statements is deviation from Accounting Standard-5.

Rs. 25.51 crores in the revival package does not fasten a liability to be disclosed by the company to the commercial taxes deptt, as the accountal of the liability is dependent on the assessment under the respective Act. Hence there is no definite and quantifiable liabilities to be accounted for in the books of account at this stage.

This has been dealt with note no. 10 (Notes on accounts) of Schedule-25.

Excepting a very few cases no element of profit has been considered in the transfer price of inter plant transfer due to supply of materials or for machining towards services to sister plant. Hence elimination of profit element in the closing stock does not arise. As such no deviation from AS-2 on this point seems to exist.

Disclosed in Notes on Accounts vide note no. 19(a) in Schedule-25.

This has been suitably disclosed in Note No.1 of Notes on Accounts (Schedule-25)

This has been suitably disclosed in Note No.6 of Notes on Accounts (Schedule-25).



- 11.5 Accountal of Sales in HMBP and FFP without passing of title to the buyer is deviation from Accounting Standard-9. This has been suitably disclosed in Note No. 11 of Notes on Accounts (Schedule-25).
- 11.6 Non accountal of transfer of 17 Non residential building to Govt. of Jharkhand and non calculation of profit / loss on such transfer is deviation from Accounting Standard-10. This has been suitably disclosed in Note No.7 of Notes on Accounts (Schedule-25).
- 11.7 Non provision of short term employee benefits ( due arrear salary according to wage revision) as well as short provision in Post retirement benefits is deviation of Accounting Standard-15 (Revised - 2005). Further provision for LTA liabilities has been made on estimated basis and not on the basis of third party actuarial valuation as suggested by AS-15. No circular has been issued by the company as to short term employee benefit on account of wage revision. As such no deviation seems to exist. No LTA liabilities has been provided in the Accounts of 2008-09 as the same had already been provided in the year 2007-08. As per Govt. of India circular, LTA would be payable only to the employees retiring in the next 2 years in the sick industries. Since the retirement age of the employees of the company has been enhanced by 2 years , no further provisions is considered necessary at this stage.
- 11.8 Accounting for Deferred Tax Assets/ Liabilities were not done as referred in Para no. 12 of Notes on Accounts, Schedule-25, which is contrary to AS-22. This has been suitably disclosed in Note No. 12 of Notes on Accounts (Schedule-25).
- 11.9 Non accountal of commercial tax liability amounting to Rs 514.96 lakhs. is deviation from Accounting Standard-29 The matter of payment of commercial tax on receipt of grant from Govt. of Jharkhand has been disclosed in Notes No.1 of Schedule-25 (Notes on Accounts).
- 11.10 Non Accountal of DPS liability amounting to Rs. 62270.94 lakhs is deviation from AS-29. Please refer to reply against Para 11.1. Further this has been dealt with Note no.2 (d) (Notes on Accounts) of Schedule-25.
12. **DEVIATION FROM PART-II OF SCHEDULE-VI UNDER COMPANIES ACT, 1956**  
Non accountal of a sum of Rs.3791.00 lakhs, being the amount of interest and penal interest on CISF dues and its waiver by the CISF after the transfer of Land to CISF. This has been suitably disclosed in Para 6 of "Notes on Accounts (Schedule-25).
13. **DEVIATION FROM SECTION 211(3B) OF COMPANIES ACT**  
The company has deviated from Accounting Standards in preparation of Financial statements as mentioned in Para no. 11.2, 11.3, 11.4, 11.6, 11.7, 11.8, 11.10 and 11.11, but the deviation, reason for deviation and its impact was not disclosed by the company. The reply has already been furnished against the relevant audit paras.



Further, impact of deviation in Para No. 11.5 and 11.10 was not disclosed by the company.

14 **GENERAL**

Although there is some improvement still in some cases Debit/Credit balances against various parties in Sundry Creditors/Loans & Advances have been deducted from gross aggregate of Sundry Creditors/loans & Advances instead of adding the debit/credit aggregate of respective accounts with Loans & Advances /Current Liabilities. The quantum of understatement of Sundry Creditors/Loans and Advances and corresponding Loans and Advances/Current liabilities remain unascertainable for non availability of detailed information from the Company. This requires rectification.

Noted for further improvement.

For **SALARPURIA JAJODIA & CO.**  
Chartered Accountants,

A handwritten signature in black ink, appearing to read 'Lalan Kumar'.

**(Lalan Kumar)**  
M.No. 75101  
PARTNER

Place : Ranchi

Date : The 18th day of August, 2009

A handwritten signature in black ink, appearing to read 'S. K. Chakraborty'.

**(S. K. Chakraborty)**  
Chief of Finance  
HEC Ltd.



## AUDITORS REPORT TO THE MEMBERS

(As referred in paragraph 1 of our report of even date)

	AUDITORS REPORT	REPLIES
<b>1.</b>	<b>In respect of its fixed assets:</b>	
(a)	The Company has generally maintained proper records to show particulars of fixed assets including quantitative details and situation of assets except furniture and fixture, office equipment on the basis of available information.	Noted
(b)	The Fixed Assets of the company (except building) have been physically verified in all units by an outside Chartered Accountant Firm during the year .However, some of the assets were not located during the course of physical verification and it was not dealt by the Company.	These assets were movable in nature and therefore, there is no fixed location of these assets, These are used in various places as per requirement of the different users in the shop.
(c )	In our opinion and according to the information and explanations available to us, the Company has not disposed off substantial part of fixed assets during the year, which would affect the going concern status of the Company.	No comments
<b>2.</b>	<b>In respect of its inventories:</b>	
(a)	Stock of raw materials and stores and spares have been physically verified by an outside Chartered Accountant firm during the year. The procedure of physical verification of raw materials and stores and spares need improvement considering the size of the Company and nature of its business.	Physical verification of raw materials, stores and spares have been done in all plants.
(b)	In our opinion, present system of SPL accounting i.e. accounting of items of different value having different specifications in same material code needs thorough review. Further, separate records were not maintained for indigenous and imported stores and spares in some units.	Noted. Further separate accounting records such as issue voucher as well as certified receipt voucher have been maintained for identifying the indigenous and imported items.
(c )	In our opinion and according to the information and explanations given to us and based on our examination of the records of inventory we have to state that company has maintained proper records of its inventory. As explained to us, there were discrepancies noticed on physical verification of inventory as compared to the book records and it has been adjusted during the year by way of suitable provision.	Steps have been already been initiated for improvement
3(a)	The Company has not granted any loans secured or unsecured to any companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act,1956. Accordingly clause 4(iii)(b) to (d) of the order are not applicable.	No comments



(b)	The Company has not taken any loan secured or unsecured from any companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Accordingly clause 4(iii)(f) to (g) of the order are not applicable.	No comments
4.	On the basis of checks carried out during the course of audit and as per explanations given to us, we are of the opinion that the internal control system are generally adequate but need to be strengthened to make the same commensurate with the size of the company and nature of its business relating to purchase of inventory and fixed assets and for sale of goods and services. Some of the major areas where internal control system in operation needs to be strengthened and strictly adhered to are as follows:	Noted. Action has already been taken for improvement.
	<ul style="list-style-type: none"> <li>a) Outstanding balances in Capital Work in Progress;</li> <li>b) Regularisation of invoices relating to unbilled debtors;</li> <li>c) Inclusion of goods although dispatched but transfer of title to the buyer is yet to complete as per agreement in sales</li> <li>d) Stores pricing, codification and grouping;</li> <li>e) Accountal of goods in transit</li> <li>f) Account of expenses in correct account code</li> <li>g) Payment of expenses in some cases after sanction/post facto sanction of appropriate authority</li> <li>h) Payment of transporting charges to transporters without proper verification about type of vehicle for bills / gate pass.</li> </ul>	
5.	<p>In respect of transactions covered under Section 301 of the Companies Act, 1956:</p> <ul style="list-style-type: none"> <li>(a) According to the information and explanation given to us, in our opinion the Company has entered particulars of contracts or arrangements referred to in Section 301 of the Act in the register maintained under that Section.</li> <li>(b) According to the information and explanation given to us, in our opinion transactions made in pursuance of such contracts or arrangements have been made at prices, which are reasonable having regard to the prevailing market prices at the relevant time.</li> </ul>	<p>No comments</p> <p>No comments</p>
6.	The Company has not accepted deposits from the public within the meaning of Section 58A and 58 AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under.	No comments
7.	Internal audit of the company was carried out by an outside chartered Accountant Firm during the year. However, considering the size of the company and nature of its business, it needs more coverage of financial transactions.	Noted. Covered vast areas like plants, HQrs, Township, Branch Offices to the extent possible.



8.	As explained to us by the Management, the Central Government has not prescribed maintenance of Cost records under section 209(1)(d) of the Companies Act, 1956 for the products of the Company.	No comments																																								
9.a.	<p>According to the information and explanations given by the Company, undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues are generally deposited regularly and no undisputed dues were outstanding as at 31st March, 2009 for a period of more than six months from the date of becoming payable except the cases which are stated below.</p> <table border="1" data-bbox="245 741 1034 1196"> <thead> <tr> <th>Name of the Statute</th> <th>Nature of Dues</th> <th>Amount</th> <th>Period to which the amount relates</th> </tr> </thead> <tbody> <tr> <td>Bihar Finance Act, 1981</td> <td>Jharkhand Sales Tax</td> <td>28639798</td> <td>Feb,03 to March,06</td> </tr> <tr> <td></td> <td>Central Sales Tax</td> <td>85208177</td> <td>Jan,03 to March,06</td> </tr> <tr> <td>Bihar Electricity Duty Act, 1948</td> <td>Electricity Duty</td> <td>1603316</td> <td>Oct,01 March,02</td> </tr> <tr> <td></td> <td></td> <td>3023786</td> <td>April,02 Mar,03</td> </tr> <tr> <td></td> <td></td> <td>3176112</td> <td>April,03 March,04</td> </tr> <tr> <td></td> <td></td> <td>3506787</td> <td>April,04 to March,05</td> </tr> <tr> <td></td> <td></td> <td>1811220</td> <td>April,05 to March,06</td> </tr> <tr> <td></td> <td></td> <td>2024115</td> <td>April,06 to March,07</td> </tr> <tr> <td>Municipal tax Act</td> <td>Municipal Tax</td> <td>5550000</td> <td>Jan, 1999 to Dec, 05</td> </tr> </tbody> </table> <p>As informed to us Investor Education and Protection Fund and Employees' State Insurance Act are not applicable to the Company.</p>	Name of the Statute	Nature of Dues	Amount	Period to which the amount relates	Bihar Finance Act, 1981	Jharkhand Sales Tax	28639798	Feb,03 to March,06		Central Sales Tax	85208177	Jan,03 to March,06	Bihar Electricity Duty Act, 1948	Electricity Duty	1603316	Oct,01 March,02			3023786	April,02 Mar,03			3176112	April,03 March,04			3506787	April,04 to March,05			1811220	April,05 to March,06			2024115	April,06 to March,07	Municipal tax Act	Municipal Tax	5550000	Jan, 1999 to Dec, 05	Due to stringent financial condition these statutory liabilities could not be discharged in time.
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9.b.	<p>According to the information and explanations given by the Company, there is no disputed dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise, Cess that have not been deposited on account of matters pending before appropriate authorities except the cases which are stated as below.</p> <table border="1" data-bbox="245 1509 1034 1749"> <thead> <tr> <th>Sl.No.</th> <th>Statutes</th> <th>Commissioner/ JCCT/Appeals/ CTO (Rs.)</th> <th>Tribunal (Rs.)</th> <th>Total (Rs.)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Jharkhand Sales Tax</td> <td>33767000</td> <td>5060000</td> <td>38827000</td> </tr> <tr> <td>2</td> <td>Central Sales Tax</td> <td>58039000</td> <td>6775000</td> <td>64814000</td> </tr> <tr> <td>3</td> <td>Provident Fund</td> <td>-</td> <td>950153513</td> <td>950153513</td> </tr> <tr> <td>4</td> <td>Excise Duty</td> <td>-</td> <td>63198187</td> <td>63198187</td> </tr> </tbody> </table>	Sl.No.	Statutes	Commissioner/ JCCT/Appeals/ CTO (Rs.)	Tribunal (Rs.)	Total (Rs.)	1	Jharkhand Sales Tax	33767000	5060000	38827000	2	Central Sales Tax	58039000	6775000	64814000	3	Provident Fund	-	950153513	950153513	4	Excise Duty	-	63198187	63198187	Disclosed in Notes on accounts.															
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10.	The Accumulated loss of the Company as on 31st march,2009 exceed 50% of its net worth. The company has not incurred cash losses during the current financial year covered by our audit and also in the immediately preceding financial year.	As per Accounts of the company, it transpires that company has earned a Cash Profit of Rs. 32.62 crores during the Financial year 2008-09.
11.	Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders. However the company was defaulter in payment of loan to Govt. of India and as per latest sanction, the loan was converted into equity.	No comments.
12.	According to the information and explanations given to us, the company has not granted any loan or advances on the basis of security, by way of pledge of shares, debentures and other securities.	No comments
13.	In our opinion, the Company is not a chit fund or a Nidhi/ Mutual benefit fund/society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.	No comments
14.	The Company has not done any transactions for trading in Shares, securities, debentures and other investments during the financial year under audit.	No comments
15.	The Company has not given guarantees for loans taken by others from Banks or financial institutions, the terms and conditions, whereof, in our opinion, are prima facie prejudicial to the interest of the company.	No comments
16.	According to the information and explanation given to us and on an overall examination of the Balance Sheet of the Company, We are of the opinion that the term loans were applied for the purpose for which the loans were obtained.	No comments
17.	According to the information and explanation given to us and on an overall examination of the Balance Sheet of the Company, We report that no funds raised on short-term basis have been used for long-term investment by the Company.	No comments
18.	During the year the Company has not made any preferential allotment of shares.	No comments
19.	The Clauses 4(xix) & (xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.	No comments



20	During the course of our examination of the books and records of the company carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanation given to us, we have neither come across any instances of fraud on or by the company, noticed or reported during the year, nor we have been informed of such case by the Management except an instance of fraud in HMBP against the company. The quantum of fraud could not be assessed as matter is under investigation by the Vigilance Department of Company.	No comments
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For SALARPURIA JAJODIA & CO.  
Chartered Accountants

**(Lalan Kumar)**

M.No. 75101

PARTNER

Place: Ranchi

Dated: The 18th day of August,2009.

**(S. K. Chakraborty)**

Chief of Finance /HEC Limited



## **Comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956 on the Accounts of Heavy Engineering Corporation Limited for year ended 31st March, 2009**

The preparation of financial statements of Heavy Engineering Corporation Limited for the year ended 31st March, 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent Audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 18th August, 2009.

I, on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 619 (3) (b) of the Companies Act, 1956 of the financial statements of Heavy Engineering Corporation Limited for the year ended 31st March, 2009. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to enquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619 (4) of the Companies Act, 1956.

**(Rakesh Mohan)**

*Principal Director of Commercial Audit  
& Ex-Officio Member Audit Board  
Ranchi*

Place : Ranchi

Dated : 25th September, 2009

**HEAVY E**

**Ranchi - 834004**





## SIGNIFICANT ACCOUNTING POLICIES

- 1 The Financial statements have been prepared as of a going concern on historical cost convention and on accrual method of accounting in accordance with the generally accepted accounting principles.
- 2 **FIXED ASSETS**  
Fixed assets (Other than land acquired free of cost from State Government) are carried at the cost of acquisition or construction less accumulated depreciation  
Land acquired free of cost from State Government is valued of Rs.1/- per acre.
- 3 **INVENTORY VALUATION**
  - i) Inventory is valued at actual / estimated cost or net realisable value, whichever is lower.
  - ii) Finished goods and work in progress are valued at actual /estimated factory cost or net realisable value whichever is lower.
  - iii) Raw material, components, loose tools, stores & spares are valued at weighted average cost.
  - iv) Items that are not ordinarily interchangeable and goods or services produced & segregated for specific projects – By specific identification of individual cost.
  - v) Rejection and scrap/used as raw material for production is valued at closing book rate.
  - vi) Bye products are valued at market price.
  - vii) The percentage of completion of work in progress is taken as certified by Shop management on technical assessment.
  - viii) Loose tools, Drawing instruments, etc. issued to shops are carried to inventory after writing off in 4 years in case of ordinary tools, in 10 years in case of special tools, in 2 years in case of Moulds and on estimated life in case of other items. Patterns are charged out in the year of issue itself. Only quantitative records are maintained in respect of these items in shops floor, wherever practicable.
- 4 **REVENUE RECOGNITION**
  - i) Sales are recorded when significant risks and rewards of ownership are transferred to the customers. Part supplies against long term contracts for which bills have been raised are accounted for at contract price or provisional price. In case of dispatches for which challans and gate passes have been issued but bills are not raised, sales are accounted for at contract or provisional prices as unbilled sales.
  - ii) Escalations on contracts are accounted for as per the terms of relevant contract to the extent ascertained with reasonable certainty though these are subject to confirmation/acceptance by customers. Variation is accounted for when there is provision in contract or evidence of acceptance by the customer.
  - iii) Sales are accounted for inclusive of excise duty but exclusive of sales tax.
- 5 **LONG TERM TURNKEY CONTRACTS**
  - i) **Revenue recognition**  
Revenue is recognized on percentage completion method based on the percentage of actual cost incurred up to the reporting date to the total estimated cost of the contract.  
Income from supply/ erection of equipment/ system and civil works is recognized based on dispatches to customers and works done at Project Site. Works executed but not measured/part executed at the end of the



year are accounted for based on certification by the Engineers at Project Site.

**ii) Valuation of Work-in-progress :**

Expenditure incurred from year to year limited to the certified value of work done against the contract value including escalation less amount credited to sales against the respective contract, is accounted for as WIP.

iii) The necessary provision for losses, if any, on work to be done is made.

**6 PROVISION FOR WARRANTY**

A provision of 0.5% on sales is made for liabilities under contractual obligations/warranties. Expenses on warranties/contractual obligation are accounted for against natural heads in the year of incurrence.

**7 EMPLOYEES BENEFITS**

Long term employee benefits (benefits which are payable after the end of twelve months from the end of the period in which the employees render service namely sick leave and post retirement benefits namely gratuity, Retirement Traveling Assistance and Leave Encashment are measured on a discounted basis by the Projected Unit Credit Method on the basis of annual third party actuarial valuation and Leave Travel Allowance (for eligible employee) are accounted on estimated basis.

Long Term employee benefits recognized in the balance sheet represent the present value of the obligation as adjusted for unrecognized past service cost, if any, and as reduced by the fair value of plan assets, wherever applicable and actuarial gain / loss to the extent recognized in Profit & Loss Account.

Actuarial gains and losses are recognized in the Profit and loss account to the extent it exceeds the unrecognized portion of transitional liability

The transitional liability in respect of long term employee benefit is recognized as an expense on a straight line basis over a period of five years.

Gratuity and Leave encashment are provided for on the basis of actuarial valuation made, based on the data of the Balance sheet date.

**8 DEPRECIATION**

Depreciation on fixed assets is charged on straight line method as per the rates prescribed in the Schedule XIV of the Companies Act and in respect of additions to / deductions from the fixed assets during the year; depreciation is charged on prorata monthly basis. Wherever breakup of foundation cost for plant and machinery and plant building is not available, depreciation is charged at the rate applicable to plant building.

**9 SUNDRY DEBTORS**

This includes items billed at provisional rates pending finalization of prices and receipt of formal orders from customers and also value of dispatches which are unbilled after adjustment on pro-rata basis of advances/ progress payments received against the relevant contract.

**10 GRANT-IN-AID**

Government grants received against Voluntary Retirement Scheme are set off against related expenses. Unspent balances of Grants-in-Aid are carried forward to subsequent years under Head "Liabilities". Grants received against other revenue are recognized as other income over the years to which it relates.

**11 INVESTMENT**

Investment held/intended to be held over one year (i.e. being long term ) are valued at cost less provision for diminution in value other than temporary, while current quoted investments are valued at lower of cost or market value.

**12 RESEARCH & DEVELOPMENT**

Major expenditure relating to Research & Development is charged to profit & loss account in the year of incurrence. However, expenditure on fixed assets relating to





Research & Development is treated in the same way as other fixed assets. Depreciation on such fixed assets is shown along with other Research & Development Expenditure.

### 13 FOREIGN CURRENCY TRANSACTIONS

Monetary assets and liabilities relating to foreign currency transactions including deferred credit payments remaining outstanding at the Balance Sheet date are converted at year end rates. The differences in conversion of assets and liabilities and realized gains and losses on foreign exchange transaction during the year are accounted for in the Profit & Loss Account, except those relating to acquisition of fixed assets which are adjusted in the cost of fixed assets.

### 14 DEFERRED REVENUE EXPENDITURE

To lump sum payment towards foreign collaboration in the form of technical know-how, documentation and reports for any product is treated as Deferred Revenue Expenditure, which is written off in five years.

### 15 CLAIM BY/AGAINST THE COMPANY

- (i) Liquidated damages payable as per contracts are accounted for on ascertainment and cases of specific damages and claims disputed by the company are provided for on reasonable estimate by the Company.

- (ii) Liquidated damages recovered are recognized as income after expiry of three years of recovery.
- (iii) Export incentives, Railways and Insurance claim sale of sundry disposable materials & certain scraps, refund of excise & custom duty and income from other similar items are accounted for on ascertainment of the amount and certainty of their realization / claim.

### 16 INTER PLANT COST ALLOCATION

The following expenses are allocated in different Plants on the basis stated hereunder :

- (a) HQRS expenses (Net) – Budgeted production of each Plant.
- (b) Township expenses (Net) – No. of quarters allotted to each Plant.
- (c) Interest – Actual cash utilization by each plant in the preceding year.
- (d) CISF expenses – No. of CISF personnel deployed in each Plant.

### 17 INVENTORY

Non moving items of stores are analysed from time to time. Materials found surplus on physical verification are either disposed off or reviewed to find out alternative uses for the same. Loss, if any, is accounted for when it is ascertained.



## HEAVY ENGINEERING CORPORATION LIMITED

### Balance Sheet as on 31st March 2009


(Rs. in Lakhs)

	Schedule	AS AT 31.03.2009	AS AT 31.03.2008
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUND</b>			
Share Capital	1	60607.89	45323.85
Reserves & Surplus	2	21118.27	12064.04
<b>LOAN FUNDS</b>			
Secured Loans	3	54.83	8196.06
Unsecured Loans	4	0.00	14096.29
Total		81780.99	79680.24
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets :</b>			
Gross Block		33705.40	33140.77
Less : Depreciation to date		27619.05	27206.04
Net Block	5	6086.35	5934.73
Capital Work-In - Progress	6	2151.61	2710.36
Investments	7	0.36	0.36
Deffered Tax Assets			
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Inventories	8	12305.62	12465.39
Sundry Debtors	9	20460.21	14529.19
Cash & Bank Balances	10	5531.23	1077.08
Loans & Advances	11	1510.62	1522.41
Total		39807.68	29594.07
Less :			
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
Liabilities	12	62535.44	56161.55
Provisions	13	10655.22	11354.61
Total		73190.66	67516.16
<b>NET CURRENT ASSETS</b>			
Deffered Revenue Expenditure	14	(33382.98) 464.29	(37922.09) 658.44
<b>PROFIT &amp; LOSS ACCOUNT :</b>			
Balance as per Annexed Account		106461.36	108298.44
Total		81780.99	79680.24

**Notes to Accounts****25**

Schedules 1 to 14, 25 &amp; Significant Accounting Policies form an integral part of the Balance Sheet.

  
A. K. Kanth  
Company Secretary

  
S. K. Chakraborty  
Chief of Finance

  
R. Misra  
Director (Finance)

  
G. K. Pillai  
Chairman Cum Managing Director

In terms of our report of even date  
For Salarpuria Jajodia & Co  
Chartered Accountants

  
( LALAN KUMAR )  
Partner  
M.No.75101

Camp : Ranchi  
Date : 18.08.2009



## HEAVY ENGINEERING CORPORATION LIMITED

### Profit & Loss Account for the year ended 31st March, 2009

(Rs. in Lakhs)


	Schedule	2008-09	2007-08
<b>EARNINGS</b>			
Turnover ( Gross )		45387.45	41292.39
Less Excise Duty		3648.71	4408.06
Turnover ( Net )		41738.74	36884.33
Job done for Internal use	896.05		369.65
<b>Add</b> Interplant Transfer	159.90	1055.95	40.50
Accretion / (Decretion) to Value of W.I.P and Finished Stock	15	(847.75)	1032.26
Other Income	16	1085.20	971.66
<b>Total</b>		43032.14	39298.40
<b>OUTGOINGS</b>			
Consumption of Raw Materials & Components	14659.00		16791.98
<b>Less</b> Interplant Transfer	4993.56	9665.44	5327.55
Consumption of Stores & Spares	6974.20		6441.59
<b>Less</b> Interplant Transfer	735.20	6239.00	68.84
Research & Development Expenditure	17	5.66	6.03
Employees' Remunerations & Benefits	18	10168.79	7193.78
Other Expenses of Manufacturing , Administration, Selling & Distribution	19	12047.47	11263.68
<b>Less</b> Interplant Transfer	601.60	11445.87	529.41
Interest	20	2041.11	2746.99
Depreciation	5	363.18	320.43
Provisions	21	1108.09	769.12
Township and Social Welfare	22	(9.98)	(320.22)
Miscellaneous Losses written off		47.11	0.00
<b>Total</b>		41074.27	39287.58
Profit/ (Loss ) for the year brought down		1957.87	10.82
Prior Period Income / (Expenditure)	23	(84.82)	433.14
<b>Net Profit /( Loss) Before Tax</b>		1873.05	443.96
Provision for Taxation - Fringe Benefit Tax		35.97	27.35
<b>Net Profit /( Loss) After Tax</b>		1837.08	416.61
Balance being loss brought forward from previous year		108298.44	108999.46
<b>Adjustment for Employee Benefits Provision</b>	24	0.00	284.41
Balance being loss carried to Balance Sheet	<b>Total</b>	106461.36	108298.44
<b>Earning Per Share (Face value Rs.1000/-) - Basic (in Rs.)</b>		40.53	9.19
<b>- Diluted (in Rs.)</b>		30.31	9.19

Notes to Accounts


25

Schedules 15 to 25, 5 &amp; Significant Accounting Policies form an integral part of the Profit &amp; Loss Accounts.

  
A. K. Kanth  
Company Secretary

  
S. K. Chakraborty  
Chief of Finance

  
R. Misra  
Director (Finance)

  
G. K. Pillai  
Chairman Cum Managing Director

In terms of our report of even date  
For Salarpuria Jajodia & Co  
Chartered Accountants

  
( LALAN KUMAR )  
Partner  
M.No. 75101

Camp : Ranchi  
Date : 18.08.2009



# HEAVY ENGINEERING CORPORATION LIMITED

(Rs. in Lakhs)

	AS AT 31.03.2009	AS AT 31.03.2008
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Aauthorised Capital</b>	100000.00	50000.00
10000000 ( previous Year 5000000 ) Equity Shares of Rs. 1000/- each		
Issued & Subscribed & Paidup 45,32,335 (Previous year 45,32,335 ) Equity Shares of Rs. 1000/- each fully Paid up, of which 5496 (Previous year 5496 ) Shares alloted for consideration other than cash	45323.35	45323.35
	45323.35	45323.35
<b>Share Application Money</b> (Pending allotment of share)	15284.54	0.50
<b>Total</b>	60607.89	45323.85
<b>SCHEDULE - 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
Capital Reserve		
Opening Balance	12064.04	11979.07
Addition during the year	9530.73	536.77
<b>Total</b>	21594.77	12515.84
Deduction / Amortisation during the year	476.50	451.80
<b>Total</b>	21118.27	12064.04
<b>SCHEDULE - 3</b>		
<b>Secured Loans</b>		
Working Capital Loan		
From Bank	54.83	8196.06
Add : Interest accrued & due (Secured by Hypothecation of Raw Materials, Finished Goods , Work-in- Progress, stores and Spare parts and Book Debts)	0.00	0.00
<b>Total</b>	54.83	8196.06
<b>SCHEDULE - 4</b>		
<b>Unsecured Loans</b>		
From Govt. of India		
Plan Loan	0.00	582.50
Non Plan Loan	0.00	10221.00
Add: Interest accrued and due		
On Plan Loan	0.00	161.76
On Non Plan Loan	0.00	3131.03
<b>Total</b>	0.00	14096.29



**SCHEDULE - 5**

**FIXED ASSETS**

(Rs. in Lakhs)

Type of Assets	Gross Block				Depreciation				Net Block	
	Cost as at 01.04.2008	Addition / Adjustment	Deduction / Adjustment	Cost as at 31.3.09	Upto 31.03.08	for the year	Deduction / Adjustment	upto 31.03.09	As at 31.3.09	As at 31.3.08
	1	2	3	4	5	6	7	8	9	10
Land	233.35	0.00	0.00	233.35	0.00	0.00	0.00	0.00	233.35	233.35
Development of Land	113.78	0.00	0.00	113.78	0.00	0.00	0.00	0.00	113.78	113.78
Plant & Machinery	22582.14	459.32	1.55	23039.91	19243.50	315.32	1.47	19557.35	3482.56	3338.64
Plant Buildings	4606.80	0.00	0.00	4606.80	4209.50	16.52	0.00	4226.02	380.78	397.30
Residential Buildings	1586.62	0.00	0.00	1586.62	850.98	25.19	0.00	876.17	710.45	735.64
Non- Residential Buildings	1149.69	0.00	0.00	1149.69	481.60	18.59	0.00	500.19	649.50	668.09
Roads & Bridges	272.39	0.00	0.00	272.39	101.59	4.39	0.00	105.98	166.41	170.80
Railway Lines & Sidings	334.67	0.00	0.00	334.67	276.01	3.95	0.00	279.96	54.71	58.66
Water Works & Sewerage	589.23	0.00	0.00	589.23	535.13	1.50	0.00	536.63	52.60	54.10
Electrical Installations	554.21	23.88	0.00	578.09	503.76	1.66	(1.47)	506.89	71.20	50.45
Vehicles & Locomotives	261.06	13.70	0.00	274.76	226.62	3.01	0.00	229.63	45.13	34.44
Construction & Other Equip.	316.98	1.45	0.00	318.43	289.79	3.29	0.00	293.08	25.35	27.19
Furniture Fixtures & Other office Equip.	539.85	69.17	1.34	607.68	487.56	19.71	0.12	507.15	100.53	52.29
<b>Total :</b>	<b>33140.77</b>	<b>567.52</b>	<b>2.89</b>	<b>33705.40</b>	<b>27206.04</b>	<b>413.13</b>	<b>0.12</b>	<b>27619.05</b>	<b>6086.35</b>	<b>5934.73</b>
Previous year's figures	32285.08	855.69	0.00	33140.77	26832.13	373.91	0.00	27206.04	5934.73	

Current period Depreciation	<b>363.18</b>
Prior period Depreciation	<b>9.84</b>
Depreciation shown in Schedule "22"	<b>40.11</b>
<b>Total Depreciation</b>	<b>413.13</b>

**Notes :**

- Residential Buildings include 6743 Nos.( Previous Year. 6529 Nos) Leased out Quarters, at cost of Rs. 807.08 lakhs (Previous Year. Rs 782.25 Lakhs), depreciated value Rs 371.20 L (Previous Year. Rs 359.78 Lakhs).
- Deed of conveyance of land for 7199.53 acres includes 2313 acres of land obtained free of cost from the State Govt, includes 316.19 acres directly transferred by Bihar Govt. to other Govt.agencies and also includes 158 acres of land transferred to CISF on Long term Lease.
- Land includes 362.99 acres leasedout land at cost of Rs. 16.91 Lakhs.
- Fixed Assets includes impaired assets worth Rs.351.44 Lakhs ,WDV Rs. 17.57 Lakhs For which necessary provision has been made.
- Non-Residential Buildings includes 17 Nos. Non Residential Building along with appurtenant Land transferred to Govt. of Jharkhand on 21.03.09.

**SCHEDULE - 6**

Capital Work-In-Progress at Cost

Plant & Machinery	3030.57	3190.97
Less : Provisions	<u>878.96</u>	<u>480.61</u>
<b>Total</b>	<b><u>2151.61</u></b>	<b><u>2710.36</u></b>

**Note 1. :** Items under Capital Work-In-Progress above Rs.10 Lakhs having no / slow Progress amounts to Rs 833.93 L (Previous year Rs 1132.30 L )

**SCHEDULE - 7**

**Investments** (Other than trade investment), Unquoted

918 ( Pr. Yr. 918 ) Equity Share of Rs. 38.95 each of Engineering (Projects) India Limited. *	0.36	0.36
<b>Total</b>	<b>0.36</b>	<b>0.36</b>

\*The paid up value of equity share of Engineering (Projects) India Limited has been reduced from Rs. 1000/- to Rs. 38.95 due to restructuring as confirmed by Central Government vide order no. 40/1/2003-CL-III Dated 17.11.2003.



## SCHEDULE - 8

(Rs. in Lakhs)

	AS AT 31.03.2009		AS AT 31.03.2008	
<b>Inventories</b>				
(As certified by the Management)				
Raw Materials & Components	5122.49		4259.13	
Less Provision	1715.79		1599.57	
Less Stock Adjustment	63.71	3342.99	65.08	2594.48
Stores, Spares & Components including- construction materials	1061.94		922.45	
Less Provision / Stock Adjustment	402.82	659.12	333.07	589.38
Goods -in-Transit/ Under Inspection	569.09		1301.27	
Less Provision	346.24	222.85	346.24	955.03
Loose tools, Drawing instruments etc.	1119.67		817.44	
Less Provision	50.03	1069.64	10.75	806.69
Stock of finished products	409.30		1462.92	
Less Provision	87.83	321.47	126.38	1336.54
Work-In -Progress	5687.42		6584.55	
Less Provision	123.85	5563.57	424.26	6160.29
Work-In -Progress ( Turnkey Project )	1125.98		22.98	
Less Provision	0.00	1125.98	0.00	22.98
Discarded Assets	3.48		3.48	
Less Provision	3.48	0.00	3.48	0.00
<b>Total Inventory</b>	<b>15099.37</b>		<b>15374.22</b>	
<b>Less Provision / Stock Adjustment</b>	<b>2793.75</b>	<b>12305.62</b>	<b>2908.83</b>	<b>12465.39</b>

## NOTES :

1. Finished Stock & WIP includes items worth Rs. 48.31 L (Previous Year Rs. 78.62 L) against closed cancelled & old workorders which has been valued at scrap rates.
2. Non-Moving Raw Materials and Store & Spares for more than 3 yrs are Rs 1847.14 L ( PreviousYear Rs.1685.65 L ). The existing Provision is considered adequate.
3. Goods In Transit includes CV Duty Rs 16.54 Lakhs, ( Previous Year Rs 84.40 Lakhs ).
4. Material lying with third parties amounting to Rs. 149.16 L for which provision exists Rs. 141.75 L
5. Finished goods includes Rs 34.91 Lakhs ( Previous year Rs. 74.12 lakhs ) lying at Depot.
6. Raw Materials & Components including scrap at shop floor Rs. 76.01 L ( Previous year Rs 70.61 L )

## SCHEDULE - 9

Sundry Debtors - Unsecured Debts outstanding	Over Six Months			Total Debts	Over Six Months			Total Debts
	Over Six Months	Other Debts	Total Debts		Over Six Months	Other Debts	Total Debts	
(A) Public Sector & Govt. Deptt.								
Considered Good	5770.65	14321.96	20092.61		5005.73	8980.00	13985.73	
Considered Doubtful	5192.19	73.70	5265.89		4670.59	107.49	4778.08	
	<u>10962.84</u>	<u>14395.66</u>	<u>25358.50</u>	25358.50	<u>9676.32</u>	<u>9087.49</u>	<u>18763.81</u>	18763.81
(B) Others								
Considered Good	0.92	366.68	367.60		133.56	409.90	543.46	
Considered Doubtful	381.63	52.89	434.52		341.81	0.00	341.81	
	<u>382.55</u>	<u>419.57</u>	<u>802.12</u>	802.12	<u>475.37</u>	<u>409.90</u>	<u>885.27</u>	885.27
				26160.62				19649.08
Less : Provision for Doubtful Debts			4121.98				3953.79	
Provision against LD deducted & charged			<u>1578.43</u>	<u>5700.41</u>			1166.10	<u>5119.89</u>
<b>Total</b>			<u>20460.21</u>					<u>14529.19</u>

- NOTE :** i.) Sundry Debtors include unbilled despatches Rs. 1414.99 L (Previous year Rs 599.89 L ) after adjustment of contra advance Rs.0.00 Lakhs (Previous year Rs. 443.68 Lakhs) .
- ii.) Sundry Debtors also include Rs. 5422.42 L (Previous year Rs 2854.13 L) towards equipments already supplied but realisation there of is subject to compliance of certain contractual obligation.

**SCHEDULE - 10**

(Rs. in Lakhs)

	AS AT 31.03.2009	AS AT 31.03.2008
<b>Cash and Bank Balances</b>		
Cash , Cheques and Draft in hand (including stamps/Mutilated note Rs. 0.07 lakhs Previous Year Rs. 0.07 lakhs)	12.24	14.76
Cheques - in - Transit	323.89	150.19
Balance with Schedule Bank Current Account [includes Rs.115.71 lakhs, (Previous. year Rs.115.81 lakhs) kept aside for specific / identified expenses ]	486.38	724.29
Cash Credit Account	4583.53	0.00
Short Term Deposit ( STDR kept as lien )	0.00	66.92
Balance with Other Bank		
Short Term Deposit	125.19	120.92
Total	<u>5531.23</u>	<u>1077.08</u>

**SCHEDULE - 11**

## Loans and Advances

Advances and other amounts recoverable in cash  
or in kind or for value to be received ( including  
cost of materials supplied to the contractors,  
outside parties and/ or pending adjustment)

**Secured**

Considered Good	3.71	62.26
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**Unsecured**

Considered Good	865.08	832.24
Considered Doubtful	938.92	897.85
	<u>1804.00</u>	<u>1730.09</u>

<b>Less</b> : Provision for bad & doubtful Advances	938.92	865.08	897.85	832.24
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Balance with employee Co-operative	9.00	9.00
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<b>Less</b> : Provision	9.00	0.00	9.00	0.00
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Deposits with private parties	2.41	2.41
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Deposits with Government Authorities.	178.15	127.41
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Prepaid Expenses	11.07	11.59
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Claims Receivable	154.25	339.54
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Income Tax deducted at source	295.14	146.15
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Security Deposit of Staff and Contractors as per contra in Schedule - 12	0.81	0.81
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Total	<u>1510.62</u>	<u>1522.41</u>
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Amount due from Directors Rs 0.11 L Maximum amount due at any time during the year from Directors Rs.0.35 Lakh







**SCHEDULE - 15**

(Rs. in Lakhs)

	2008-09	2007-08
<b>ACCRETION / (DECRETION) TO VALUE OF W.I.P &amp; FINISHED STOCK</b>		
<b>Work-In-Progress</b>		
Opening Stock	6607.53	6211.08
Closing Stock	6813.40	6607.53
	205.87	396.45
<b>Finished Stock</b>		
Opening Stock	1462.92	827.11
Closing Stock	409.30	1462.92
	(1053.62)	635.81
<b>Total</b>	<b>(847.75)</b>	<b>1032.26</b>

**SCHEDULE - 16**

<b>Other Income</b>		
Interest	10.91	13.86
Rent	0.91	0.92
Miscellaneous Income	184.10	199.41
Profit on Sale of Asset	0.12	0.00
Excess provision written back	675.14	342.93
Sale of Stores	202.93	405.35
Income from HTI	11.09	9.19
<b>Total</b>	<b>1085.20</b>	<b>971.66</b>

**Note:** Sales of stores including ED Rs 0.12 Lakhs Previous year Rs. 0.80 Lakhs

**SCHEDULE - 17**

<b>Research &amp; Development Expenses</b>		
Material Stores & Spares Consumed	0.87	0.00
Salary & Allowances	4.79	5.03
Depreciation	0.00	1.00
<b>Total</b>	<b>5.66</b>	<b>6.03</b>

**SCHEDULE - 18**

<b>Employee's Remunerations &amp; Benefits</b>		
Salaries, Wages & Bonus	8754.25	6592.82
Corporation Contribution to Provident Fund & Employee's Pension Fund	511.29	420.45
Workmen and Staff Welfare Expenses includes LTA provision Rs. 0.00 L, ( Previous Years Rs.32.16 L) made on estimated basis)	249.66	305.57
Gratuity	1572.19	575.93
<b>Total</b>	<b>11087.39</b>	<b>7894.77</b>
<b>Less :</b>		
i) Transferred to Township & Social Overhead Expenses	913.81	695.96
ii) Transferred to R & D Expenses	4.79	5.03
<b>Total</b>	<b>10168.79</b>	<b>7193.78</b>
<b>REMUNERATION TO DIRECTORS</b> ( including Chairman cum Managing Director )		
Salary ( including Leave Salary )	28.06	10.05
Provident Fund Contribution	2.31	0.93
Gratuity	1.28	0.36
<b>Total</b>	<b>31.65</b>	<b>11.34</b>

**Note** 1. Full time Directors have been allowed use of Company's Car including private journeys upto a ceiling of 750 Kms. per month on payment of Rs. 325/- per month in accordance with the latest amendment issued vide Govt. of India, Ministry of Industry, dated 23 rd Sept 1999



## SCHEDULE - 19

(Rs. in Lakhs)

	2008-09	2007-08
<b>Other Expenses of Manufacturing , Administration, Selling &amp; Distribution</b>		
Power & Fuel	2524.24	2741.78
Rent	9.03	5.23
Excise Duty	199.43	131.22
Insurance	67.86	20.63
Security Expenses (CISF)	1296.81	716.95
Travelling & Conveyance Expenses	251.96	141.57
Consultancy and Legal Expenses	381.38	290.35
Bank Charges	413.38	123.28
Miscellaneous Expenses	294.11	327.57
Wealth Tax	0.48	0.20
Motor Vehicle Running Expenses	77.81	50.98
LD deducted and Charged	423.41	557.80
Sales Promotion	174.21	105.27
Repairs & Maintenance		
Plant & Machinrey	316.45	334.20
Buildings	30.28	20.03
Others	143.58	148.64
Auditor's Remuneration		
Audit Fees	1.44	1.44
Tax Audit Fees	0.20	0.20
Service tax	0.17	0.20
Amortisation		
Tools	650.63	515.36
Techinal know how	39.39	4.38
Training Expenses	8.07	1.88
Other Charges For Production		
Machining & Assembly Charges*	2372.07	2372.05
Turnkey Project Expenses	2309.36	2613.43
Others*	61.72	39.04
<b>Total</b>	<b>12047.47</b>	<b>11263.68</b>

**Note** : Repairs & Maintenance includes Stores & Spares Rs. 395.87 Lakhs ( Previous year Rs. 416.55 Lakhs)

\* Includes Bonus of Rs. 76.43 Lakhs ( Pre. Year Rs. 74.18 Lakhs ) payable under Works Contract

## SCHEDULE - 20

Interest		
Interest on Govt. Loan	1022.05	1917.78
Interest on Others	1019.06	829.21
<b>Total</b>	<b>2041.11</b>	<b>2746.99</b>



**SCHEDULE - 21**

(Rs. in Lakhs)

	2008-2009	2007-2008
<b>Provisions</b>		
Provision for Bad & Doubtful Debts	162.43	230.31
Provision for Bad & Doubtful Advances	0.28	2.47
Provision for Warranty Expenses	195.56	174.67
Provision for Impaired Assets	0.00	0.35
Miscellaneous Provisions	749.82	361.32
<b>Total</b>	<u>1108.09</u>	<u>769.12</u>

**SCHEDULE -22**

<b>Township and Social Welfare Expenses</b>			
Payment to and Provision for Employees		913.81	695.96
Genl. expenses (including environmental exp. Rs. 1.35 lakhs & previous year Rs. 2.00 lakhs)		69.31	57.36
Water & Electricity Charges		115.20	121.95
Municipal Taxes / Charges		8.00	8.00
Motor Vechile Running Expenses		2.22	1.44
Repairs & Maintenance : (including Stores Rs. 0.05 lakhs, previous year Rs.21 lakhs)			
Buildings	14.35		6.30
Others	18.06	32.41	15.67
Depreciation		40.11	39.56
Provision		84.76	81.14
<b>Total</b>		<u>1265.82</u>	<u>1027.38</u>
<b>Income from Township</b>			
Rent, Water and Electricity Charges		1225.25	1202.67
Excess provision written back		0.00	43.43
Interest		1.01	1.35
Miscellaneous Income		49.54	100.15
		1275.80	1347.60
Debit to Profit & Loss Account		(9.98)	(320.22)

**SCHEDULE - 23**

<b>Prior Period Adjustment</b>			
<b>Income</b>			
Sales (including services)		19.34	(115.64)
Inter Plant Transfers		0.00	0.00
Previous yr. exp. written back		151.45	13.89
Liability not required written back		0.00	784.25
<b>Total</b>		<u>170.79</u>	<u>682.50</u>
<b>Less : Expenses</b>			
Raw Materials Consumed		144.48	159.79
Payment to & Provision for Employees		12.72	40.48
Township Load		56.14	0.52
Depreciation		9.84	12.40
Miscellaneous Expenses (Net)		32.43	36.17
<b>Total</b>		<u>255.61</u>	<u>249.36</u>
<b>Net</b>		<u>(84.82)</u>	<u>433.14</u>

**SCHEDULE - 24**

<b>Adjustment for Employee Benefits Provision</b>			
(i) Actuarial Valuation of Gratuity		0.00	245.71
(ii) Actuarial Valuation of Leave Encashment		0.00	38.70
<b>Total</b>		<u>0.00</u>	<u>284.41</u>



## SCHEDULE “25” - NOTES ON ACCOUNTS

1. The accounts of the Company have been prepared on “going concern basis” which is dependent on the availability of finance and its future profitability. The Company continues to be a Sick Industrial Company within the meaning of Section 3(1)(o) of Sick Industrial Companies (Special Provisions) Act, 1985 with its negative net worth. The Company was referred to the Board for Industrial and Financial Reconstruction (BIFR) on 24th February, 1992. BIFR on 26.08.96 sanctioned the Rehabilitation Scheme and Government of India approved the same on 07.02.97 with cut off date as on 31.03.95. BIFR declared this scheme as failed and directed the company to submit a revised revival proposal which was submitted to the Operating Agency on 11.07.2003. BIFR issued an order for winding up of the company on 06.07.2004.

Subsequent to the issue of winding up order by the BIFR on 06.07.2004, the Company filed an appeal before Appellate Authority for Industrial and Financial Reconstruction (AAIFR) on 02.08.2004 for quashing/ staying the winding up order. The Department of Heavy Industry also filed an appeal for revival of the company before AAIFR on 20.08.2004.

As no bench of AAIFR was functioning at that time, the company filed a writ Petition No. 4513/04 on 18.08.04 before the Hon’ble High Court of Jharkhand for quashing/staying the winding up order. Several hearing have been held by the Hon’ble High Court of Jharkhand between 09.09.2004 to 24.04.09. Department of Heavy Industry, GOI and Government of Jharkhand have filed affidavits before the Hon’ble High Court showing their earnest desire to revive HEC.

Meanwhile the Revival proposal of the Company submitted to Board for Reconstruction of Public Sector Enterprises (BRPSE) was considered on 07.10.2005 and the proposal was duly recommended by BRPSE and was

approved by Union Cabinet on 15.12.2005. The proposal as approved was duly implemented by Govt. of India by way of converting the plan loan of Rs. 15.27 crores in to equity and waiver of non plan loan and interest on plan and non plan loan of Rs. 1101.02 crores. Mean while Govt. of India has provided funds of Rs. 102 Crores in the form of Non Plan loan of Rs. 92.03 crores, plan loan of Rs. 4.985 crores and the balance amount of Rs. 4.985 crores as equity. This was also approved by the Hon’ble High Court of Jharkhand on 13.07.2006.

The revival package to be finally obtained from Govt of Jharkhand by way of Waival of electricity dues (Rs 306.37 crores), delayed payment Surcharge (Rs 547.05 crores) as on 31.03.08, Water charges (Rs 32.65 crores) and payment of Rs 275.51 crores as grant was duly approved by their Cabinet/ Governor’s Advisory Council on 13-2-2009. Further based on decision taken in the meeting held between Secretary DHI, Govt. of India and Chief Secretary Govt. of Jharkhand on 06.04.2009, the DPS would be waived upto the date of final settlement by JSEB after approval of Hon’ble High Court of Jharkhand. The Commercial taxes of Rs 25.51 crores is to be paid directly by HEC on receipt of grant from Govt. of Jharkhand. Besides surrendering 1148 Nos residential quarters and 17 No. Non-residential building, HEC is also required to surrender 2342 acres of land to Govt. of Jharkhand.

HEC transferred 158 acres of land to CISF against the due amount to them of Rs 79.16 crores. Further 31.70 acres of land was also transferred to JSCA on long term lease.

Out of Rs.275.57 crores Govt. of Jharkhand released Rs 91.41 crores as partial grant amount in the month of March 2009. The joint affidavit regarding the above revised Revival package has been approved by Govt. of Jharkhand and Govt. of India and the same has been filed in the Hon’ble High court by



HEC, Govt. of India and Govt. of Jharkhand on 25.6.09, 2.7.09 and 6.7.09 respectively.

Further Govt of India converted the Plan loan, (Rs 5.825 crores), Non Plan loan (Rs 102.21 crores) and the interest thereon of Rs 44.81 crores up to 18-9-2008 in to equity and the Govt. guarantee has been enhanced from Rs. 150 crores to Rs. 253 crores. The Authorized Share Capital of the company has been increased from Rs. 500 crores to Rs. 1000 crores on 29.09.2008 to allot the additional Equity Share Capital.

Regarding damages towards Provident fund dues amounting to Rs. 95.02 crores, the Hon'ble High Court of Jharkhand on 24.04.2009 has directed the Chairman, CBT, EPFO to consider the request of HEC for waiver of damages and to pass a speaking order there on in accordance with the Law after hearing the concerned parties as early as possible within 2 months from the date of receipt of order.

The last hearing of AAIFR was held on 25.05.2007. The Appellate forum was apprised of the developments so far made in the Company Petition before the Hon'ble High Court, Ranchi. The Appellate forum was of the view that as the revival of HEC is now under consideration by the Hon'ble High Court of Jharkhand and the fact that several directions have been issued between 5-08-2004 to 26-04-2007 for the purpose of revival of HEC the appeals filed by HEC and Union of India against the order dated 6-07-2004 of BIFR for the winding up of HEC have become infructuous.

## 2. Contingent Liabilities :

- a) Estimated amount of contracts, remaining to be executed on capital account and not provided for is **Rs 28.01 Lakhs** (Previous year **Rs 476.95 Lakhs**).
  - b) Unexpired Letter of Credit Rs. 1031.60 Lakhs (Previous year Rs. 302.58 Lakhs)
  - c) Unexpired Bank Guarantee Rs. 10,077.07 Lakhs (Previous year **Rs. 4853.58 Lakhs**)
  - d) Delayed payment surcharge on Energy charges **Rs 62,270.94 Lakhs**  
(Previous Year Rs. 54,886.86 Lakhs)
  - e) Water Charges **Rs. 1022.44 Lakhs**  
(Previous year Rs. 976.38 Lakhs)
  - f) Damages towards PF dues **Rs. 9,501.54 Lakhs** (Previous year Rs. 9,501.54 Lakhs)
  - g) Others including Legal Cases Rs 2341.04 Lakhs (Previous year Rs.2536.09 Lakhs)
3. One time premium of **Rs. 9530.73 lakhs** received during this year against leasing out of Land and quarter on long term basis. Further, out of Rs. 22989.22 Lakhs received towards Long Term Lease from 1995 - 96 onwards to 31.03.2009, a sum of Rs. 476.50 Lakhs has been amortised in proportion to the period of lease irrespective of the date of agreement and the profitability for the year has been increased to that extent.
  4. (a) Net Turnover includes services **Rs. 868.65 Lakhs** (Pr. Yr. Rs. 482.37 Lakhs).  
(b) Net Turnover includes unbilled sales amounting to Rs 1213.65 Lakhs including escalation (previous year Rs. 558.59 Lakhs) due to part supply as per billing schedule under respective work orders.  
(c) Net Turnover includes **Rs. 6210.65 Lakhs** in respect of turnkey contract executed by Project Division (previous year Rs. 6502.36 lakhs ) valued on the basis of as approved billing schedule and payment terms of the contract to the extent works completed, inspected, despatched / on delivery to the carrier and billed.  
(d) Interplant transfer of **Rs. 6490.26 Lakhs** (previous year Rs. 5966.30 Lakhs) including services of **Rs. 753.31 Lakhs** (previous year Rs. 676.92 Lakhs) have been excluded from total Turnover of the Company.



5. In absence of Wage Revision Agreement, no provision for pay revision due from 01.01.2007 has been considered in accounts.
6. Interest on delayed payment of dues of CISF to the extent of Rs.37.91 Crores was neither shown as recognized liability nor as contingent liability in earlier years. As such the waiver of Interest has not been considered in Accounts of 2008-09. Moreover final orders of Hon'ble High Court, Jharkhand is yet to be received for incorporation or otherwise in the books of Accounts of the Company.
7. Pending acceptance of the Revival Package of Govt. of Jharkhand by the Hon'ble High Court of Jharkhand, the receipt of partial amount of Rs. 91.41 Crores including Rs. 80 Crores against transfer of 17 Nos. of Non Residential Building has been kept as advance in accounts of 2008-09 and the same has been mentioned in Schedule- 5.
8. Due to change in Accounting Policy in regard to recognition of sales (revenue) for long term Turnkey Contracts owing to revision of mandatory Accounting Standard - 7, the turnover has been increased by Rs. 2321.72 Lakhs and the profit has been increased by Rs. 158.33 Lakhs.
9. Confirmation of balances of various Accounts like Sundry Debtors, Loans & Advances, Deposits, Sundry Creditors etc. could not be obtained from the respective parties.
10. Interest amounting to Rs. 21.88 Lakhs on over due amount of Rs. 124.63 Lakhs to Micro Small & Medium Enterprises has not been provided. Name of the Micro Small & Medium Enterprises to whom an amount exceeding of Rs 1.00 Lakh was outstanding for more than 45 days are as at **Annexure - I**.
11. Since the title would pass on acceptance for BSP, BSL, MCL and VSP and on acceptance and commissioning for NINL a sum of Rs.762.19 Lakhs and 1253.03 Lakhs respectively has been considered as sales based on actual dispatch of equipment.
12. As a measure of prudence, the deferred tax assets(Net) in terms of AS-22 issued by the Institute of Chartered Accountants of India (ICAI) have not been recognized in the absence of their being virtual certainty supported by convincing evidence that sufficient future taxable income would be available against which such deferred tax assets could be realised. The Provision for current Income Tax has not been made as the Company has unabsorbed depreciation and carry forward of losses which would be set off against taxable income.
13. The Company accounted for the liability towards Employee Benefits under Accounting Standard-15 (Revised 2005) as amended by the Companies ( Accounting Standard ) Amendment Rules , 2008 w.e.f. 1st April,2007 and also the transitional liability on actuarial valuation towards (a) Sick Leave amounting to Rs.572.91 Lakhs, and (b) Retirement Travelling Assistance amounting to Rs.200.91 Lakhs as an expenses over a period of five years.  
During the year a sum of Rs 154.77 Lakhs has been charged as expenses and balance amounting to Rs 464.29 Lakhs has been shown under Deferred Revenue Expenditure in Schedule - 14. Disclosure Requirements has been shown in **Annexure - II**.
14. Interest for delay in depositing statutory dues and other remittances has been provided wherever applicable and ascertained.
15. Contingent liability for damages excludes the payment of damages on defaulted CPF/ EPF dues for the period from October'99 to March '2005 as no notice for payment of the same has been received from Regional Provident Fund Commissioner, Ranchi,
16. Segment information in accordance with Accounting Standard -17 (AS-17) issued by ICAI are furnished at **Annexure-III**.
17. Disclosure as required under Accounting Standard- 18 (AS -18) "Related Party Disclosures" issued by ICAI is as follows : (Rs. in lakhs).



**Names of the Related Parties****Details of Transaction**

	<b>Key Management Personnel</b>	<b>Period</b>	<b>Remunera-tions</b>	<b>Terminal Benefits</b>
1	Sri G. K. Pillai CMD	04/2008- 03/2009	6.96	0.88
2	Sri M R Venugopal Director (P)	04/2008- 03/2009	7.29	0.82
3	Sri R Misra Director (F)	05/2008-03/2009	6.43	0.81
4	Sri Bharat Prasad Director (Mkt.)	06/2008-03/2009	4.44	0.55
5	Sri S.K. Choudhary Director (Prod.)	09/2008-03/2009	3.07	0.40
		<b>Total :</b>	<b>28.19</b>	<b>3.46</b>

In addition to the above they had been provided housing, car at concessional rate.

18. In certain areas like Transport and Hospital consumables like Spare Parts, Medicines and Stationary are treated as consumed during the year.
19. As required under section 211(3A), (3B) and (3C) of the companies act, 1956 the following disclosure is made.

Deviation from Accounting Standards as mentioned in sub section (3C) with reasons and impact are mentioned below :-

- (a) Valuation of inventories of finished and semi finished goods covered under Inter Plant items could not be done in conformity with the requirement of AS - 2 as the amount is not ascertainable.
- (b) Accountal of Net Turnover in a few cases as mentioned in Note No. 11 is not in conformity with AS - 9 as the goods has been dispatched / delivered to the carrier.
20. The previous year's figures have been regrouped, recasted, reclassified and rearranged to make them comparable as far as practicable with those of current year.
21. The schedules 1 to 25 and the Statement of Accounting Policy form an integral part of these accounts.

**A. K. Kanth**  
Company Secretary

**S. K. Chakraborty**  
Chief of Finance

**R. Misra**  
Director (Finance)

**G. K. Pillai**  
Chairman Cum Managing Director

Signed for identification  
For Salarpuria Jajodia & Co.  
Chartered Accountants

**(LALAN KUMAR)**

Partner  
M.No. 75101

**ANNEXURE TO NOTE NO. 10 OF SCHEDULE ‘25’**

Name of the Micro Small & Medium Enterprises to whom an amount exceeding of Rs 1.00 lakhs was outstanding for more than 45 days.

	<b>Rs. In Lakhs</b>
1. Bholia Industries	18.71
2. Subernrekha Enterprises	6.82
3. New Standard Engg. Works	5.64
4. Transgletz Enterprises	46.53
5. Tirupati Technical Services Pvt. Ltd.	6.73
6. Magnum Industries	2.74
7. Dey Brothers	1.07



## ANNEXURE TO NOTE NO. 13 OF SCHEDULE - “25”

### EMPLOYEE BENEFITS

- (A) The company has determined the liability for Employee Benefits as at March 31,2009 in accordance with the revised Accounting Standard 15 - Employee benefits issued by ICAI
- (B) Defined benefit plans - As per Actuarial valuation on March 31,2009

(Rs. in Lakhs)

	GRATUITY	LEAVE ENCASHMENT	RETD. TRAVEL. ALLOWANCE	SICK LEAVE
<b>Expense recognised in the statement of Profit &amp; Loss Account for the year ended March 31,2009</b>				
1. Current Service Cost	213.78	301.58	5.36	42.37
2. Interest Cost	370.64	174.77	17.08	48.70
3. Net actuarial(gain) / loss recognised during the year	987.77	1006.87	(80.01)	(85.11)
4. Total Expense	1572.19	1483.22	(57.57)	5.96
<b>Net Asset/ (Liability) recognised in the Balance Sheet</b>				
1. Present value of the obligation	5703.86	3473.76	141.37	578.87
2. Funded status [(surplus/( deficit)]	(5703.86)	(3473.76)	(141.37)	(578.87)
3. Net Asset/ (Liability) recognised in the Balance Sheet	5703.86	3473.76	141.37	578.87
<b>Change in the Present value of the Obligation during the year ended March 31, 2009</b>				
1. Present value of the obligation as at April 1, 2008	4633.05	2184.68	200.91	572.91
2. Current service cost	213.78	301.58	5.36	42.37
3. Interest Cost	370.64	174.77	17.08	48.70
4. Benefits paid	(501.38)	(194.14)	(1.97)	0.00
5. Actuarial (gain)/ loss on obligation	987.77	1006.87	(80.01)	(85.11)
6. Present value of obligation as at March 31,2009	5703.86	3473.76	141.37	578.87
<b>Actuarial Assumptions</b>				
1. Discount rate	7.00%	7.00%	7.00%	7.00%
2. Rate of Increase in Compensation	6.00%	6.00%	6.00%	6.00%
2. Mortality rate		LIC (1994-96) Table		



**ANNEXURE TO NOTE NO. 16 OF SCHEDULE - “25”**  
**INFORMATION ABOUT DIFFERENT BUSINESS UNITS (SEGMENTS)**

(Rs. in Lakhs)

	FFP	HMBP	HMTF	PROJECT	HEC
<b>REVENUE</b>					
External Sales	6761.46	29934.42	2480.92	6210.65	<b>45387.45</b>
Inter-plant/Job done for own use	5699.64	1390.36	225.21	71.10	<b>7386.31</b>
<b>Total Revenue</b>	<b>12461.10</b>	<b>31324.78</b>	<b>2706.13</b>	<b>6281.75</b>	<b>52773.76</b>
<b>RESULT</b>					
Net Profit (Before Intt.)	(2288.96)	6598.01	(902.07)	556.03	<b>3963.01</b>
Interest	510.28	1347.14	183.69	0.00	<b>2041.11</b>
Profit from ordinary activities	(2799.24)	5250.87	(1085.76)	556.03	<b>1921.90</b>
Prior Period Income	111.04	(190.27)	(5.59)	0.00	<b>(84.82)</b>
V.R.S. Exp.	0.00	0.00	0.00	0.00	<b>0.00</b>
<b>Net Profit</b>	<b>(2688.20)</b>	<b>5060.60</b>	<b>(1091.35)</b>	<b>556.03</b>	<b>1837.08</b>
<b>OTHER INFORMATION</b>					
Segment Assets	11420.82	18914.44	3854.65	3648.12	<b>37838.03</b>
Addition during the year	376.38	79.69	8.58	41.54	<b>506.19</b>
Unallocated Assets					<b>9701.78</b>
<b>Total Assets</b>					<b>48046.00</b>
Segment Liabilities	38059.67	13333.47	2343.37	3334.22	<b>57070.73</b>
Unallocated Liabilities					<b>16119.93</b>
<b>Total Liabilities</b>					<b>73190.66</b>
Capital Expenditure	283.66	(386.34)	8.58	41.54	<b>(52.56)</b>
Unallocated Capital Expendt.					<b>58.44</b>
<b>Total Capital Expendt.</b>					<b>5.88</b>
Depreciation	269.40	54.27	30.55	2.11	<b>356.33</b>
Unallocated Depreciation					<b>56.80</b>
<b>Total Depreciation</b>					<b>413.13</b>



## CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE PERIOD APRIL 2008 - MARCH 2009

(Rs. in Lakhs)

	2008-09	2007-08
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax	1873.05	443.96
Adjustments for:		
Depreciation	413.13	373.91
Interest Expenses	2041.11	2746.99
Adjustment for Employee Benefits Provision	0.00	284.41
Deffered Revenue Expenditure	194.15	(658.44)
Lease Income	(476.50)	(451.80)
Incremental Provisions	<u>(699.39)</u>	<u>38.33</u>
<b>Operating Profit before Working Capital Changes</b>	<b>3345.55</b>	<b>2777.36</b>
Adjustments for:		
Trade and Other Receivables	(5931.02)	(3775.14)
Inventories	159.77	(171.80)
Trade Payables	6373.89	1883.15
Payment of Fringe Benefit Tax	(35.97)	(27.35)
Loans & Advances	<u>11.79</u>	<u>578.46</u>
Cash Generated from Operations	3924.01	235.50
Net Cash from Operating Activities	3924.01	235.50
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(567.52)	(855.69)
Sale/Adjustment of Fixed Assets	2.89	0.00
Adjustment in Accumulated Depreciation	(0.12)	0.00
Adjustment in Capital Work-in-Progress	558.75	(1543.54)
Lease income	<u>476.50</u>	<u>451.80</u>
Net Cash from Investing Activities	470.50	(1947.43)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds/ Adj on Govt. Loan from Long-Term Borrowings	(15118.34)	(32.24)
Interest Payment	(1019.06)	(829.21)
Short Term Loans	(8141.23)	1997.01
Adjustment of Share Application Money	15284.04	0.00
Liability for leased assets	9054.23	84.97
Net cash from in financing activities	<u>59.64</u>	<u>1220.53</u>
<b>Net increase /(Decrease) in cash and cash equivalents</b>	<b><u>4454.15</u></b>	<b><u>(491.40)</u></b>
Opening Balance of Cash and Cash Equivalents	1077.08	1568.48
Closing Balance of Cash and Cash Equivalents	<u>5531.23</u>	<u>1077.08</u>
	<u>4454.15</u>	<u>(491.40)</u>



**Note :** Cash Flow has been prepared by following Indirect method

**Details of Opening Balance of Cash and Cash Equivalents**

Cash, Cheques and Draft in hand	14.76	77.68
Cheques - in- Transit	150.19	885.92
Balance with Schedule Bank in Current Account	724.29	425.58
Balance with Schedule Bank in Short Term Deposit	66.92	66.92
Balance with Other Bank in Short Term Deposit	120.92	112.38
<b>Total</b>	<u>1077.08</u>	<u>1568.48</u>

**Details of Closing Balance of Cash and Cash Equivalents**

Cash, Cheques and Draft in hand	12.24	14.76
Cheques - in- Transit	323.89	150.19
Balance with Schedule Bank in Current Account	486.38	724.29
Balance with Schedule Bank in Cash Credit Account	4583.53	0.00
Balance with Schedule Bank in Short Term Deposit	0.00	66.92
Balance with Other Bank in Short Term Deposit	125.19	120.92
<b>Total</b>	<u>5531.23</u>	<u>1077.08</u>

**A. K. Kanth**  
Co. Secretary

**S. K. Chakraborty**  
Chief of Finance

**R. Misra**  
Director (Finance) (Chairman-cum-Managing Director)

**G. K. Pillai**  
(Chairman-cum-Managing Director)

For Salarpuria Jajodia & Co.

**(LALAN KUMAR)**  
Partner  
M.No. 75101



### Additional Information Pursuant to the Provision of Part-II of Schedule-VI to the Companies Act. 1956

- A. Employees who were in receipt of or were entitled to receive emoluments (including benefits) of Rs 24,00,000.00 or more for the year (and Rs 2,00,000 or more per month when employed for apart of the year for current year).

(Rs. in Lakhs)

Current Year  
NilPrevious Year  
Nil

#### B. CAPACITY AND PRODUCTION

	Licensed Capacity		Installed Capacity		Actual Production	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
	III / II	III / II				
	Stage in		Stage in			
	M.T.	M.T.	M.T.	M.T.	M.T.	M.T.
<b>Goods Manufactured</b>						
<b>F.F.P.</b>						
G.I. castings	33345	33345	33345	33345	1973	1229
Steel Castings	40182	40182	40182	40182	4245	4860
Forging and Forged Rolls	41463	41463	41463	41463	4950	6516
N.F. Castings	700	700	700	700	94	97
G.I. Moulds	1110	1110	1110	1110	207	162
Steel Ingots, Core and Synthetic Iron	40000	40000	40000	40000	5411	5961
Rolls (G.I. & Steel)	17740	17740	17740	17740	0	0
	174540	174540	174540	174540	16880	18825

**Notes :** Production Figures are inclusive of production for internal use and is indicated on the production of individual shop against each license. Some of the finished products are used as inputs in other Shops. Production figures are as certified by the Management.

#### H.M.B.P.

Metallurgical Machinery & Equipment	80000	80000	80000	80000	9326	8877
Structurals	25000	25000	25000	25000	0	0
	105000	105000	105000	105000	9326	8877

- Notes :**
1. Production figures are as certified by the management.
  2. Total Production figures derived by deduction of opening stock from total sales and closing stock.
  3. Actual Production includes despatches from off-loading parties and other suppliers.
  4. Production figures are inclusive of production for internal use.

**Turn Key Project : No of Contract - 3 No.**

**6,210.65      6,502.36**

#### H.M.T.P.

Machine Tools, Accessories/ Spares & Other products	10000	10000	10000	10000	294	410.17
Including Machinery			13 Nos.	(Previous year 6 Nos.)		
Including special accessories and jobbing			934 Nos.	(previous year 333 Nos.)		

**Note:-** 1. Production figures are as certified by the Management.



**C. Net Turnover**

(Rs. in lakhs)

	Quantity M.T		Sales less return value	
	2008-09	2007-08	2008-09	2007-08
<b>F.F.P.</b>				
G.I. Castings	1357.03	383.32	779.31	197.02
Steel Castings	1123.40	991.00	1091.15	786.21
Forging & Forged Rolls	1128.92	1871.47	4087.43	2832.36
Coal Tar	0.00	0.00	276.21	490.29
Services	0.00	0.00	70.05	0.00
	<b>3609.35</b>	<b>3245.79</b>	<b>6304.15</b>	<b>4305.88</b>

**Notes :** Sales exclude Excise duty Rs. 457.31 lakhs ( previous Year Rs. 584.24 lakhs ) ,inter unit transfer and items for internal use.

**H.M.B.P.**

Metallurgical Machinery & Equipment	10000.70	8593.20	27008.14	22612.78
	<b>10000.70</b>	<b>8593.20</b>	<b>27008.14</b>	<b>22612.78</b>

**TurnKey Project****H.M.T.P.**

	3 No	1 No		
Machine Tools 13 Nos. (pre. year 6 Nos.)	171.11	353.80	1138.35	2592.70
Special Accessories & Jobbing (932 Nos.) (pre. year 333 Nos.) and services	161.96	98.50	1077.45	870.61
	<b>333.07</b>	<b>452.30</b>	<b>2215.80</b>	<b>3463.31</b>

**D. STOCK OF FINISHED GOODS**

	Opening Stock (01.04.2008)		Closing Stock (31.03.2009 )	
	Quantity (MT)	Value (Rs.in lakhs)	Quantity (MT)	Value (Rs.in lakhs)
<b>Goods Manufactured</b>				
<b>F.F.P.</b>				
G.I. Castings	13.50	6.49	12.44	9.45
	(0.00)	(0.00)	(13.50)	(6.49)
Steel Casting	0.00	0.00	0.00	0.00
	(1.35)	(0.08)	0.00	0.00
Steel Forging & Forges Rolls	25.19	26.78	1.92	0.12
	(15.97)	(59.36)	(25.19)	(26.78)
Non Ferrous Castings	0.00	0.00	0.32	1.26
	0.00	0.00	0.00	0.00
Bye-Product-Coal Tar	46.97	6.99	869.11	78.44
	(400.00)	(39.49)	(46.97)	(6.99)
	85.66	40.26	883.79	89.27
	(417.32)	(20.58)	(85.66)	(40.26)
<b>H.M.B.P.</b>				
Metallurgical Machinery & Equipments	858.33	1395.12	183.64	302.52
	(574.46)	(594.55)	(858.33)	(1190.26)

**H.M.T.P.**

	Value			Value		
	Quantity	(MT)	(Rs.in lakhs)	Quantity	(MT)	(Rs.in lakhs)
Machine Tools	0 No	0.00	0.00	0 No	0.00	0.00
	(0 No.)	(0.00)	(0.00)	(0 No.)	(0.00)	(0.00)
Special Accessories & Spares & Jobbing work.	11 No	22.83	27.54	1 No	17.00	17.51
	(8 Nos.)	(17.12)	(20.65)	(11 Nos.)	(22.83)	(27.54)
	11 No	22.830	27.54	1 No	17.00	17.51
	(8 Nos)	(17.12)	(20.65)	(11 Nos.)	(22.83)	(27.54)

**Note :** Figures in brackets are for previous year.



## E. RAW MATERIAL CONSUMPTION

(Including bought out items and direct despatches )

Items		2008-09		2007-08	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
<b>F.F.P.</b>					
Alloy Steel	MT	179.27	144.41	317.78	174.99
Ferrous & Ferro Alloy	MT	12523.17	2094.23	10579.72	2304.79
Non- Ferrous Alloy	MT	113.64	216.85	154.92	450.18
Crank Shaft		12.71	54.14	88.96	390.80
Timber	CM	82.06	18.15	52.77	31.29
	SQ.FT	9749.68		9163.49	0.00
	<b>Total</b>		<b>2527.78</b>		<b>3352.05</b>
<b>H.M.B.P.</b>					
Grey Iron Castings	MT	50.92	28.06	155.66	108.23
Steel Castings	MT	1773.62	1870.21	2353.60	2242.24
Steel Forging	MT	1276.44	2324.33	1505.61	2331.83
Non-Ferrous Castings	MT	34.29	331.93	59.48	503.41
Steel Plates, Profiles & Other Materials	MT	3138.75	1341.81	4075.91	1669.06
Component/ Accessories & Miscellaneous (GR-99)	NOS	718.00	1291.12	2347.00	1082.66
	LTR	1669.00	138.46	9508.00	537.94
	MT	9.61		1239.69	
	MTRS	720.00		10325.00	
	NOS	13.00		10.00	
Fabricated Items	NOS	314982.00	541.96	322939.00	352.74
Machinery Parts	MTRS	24398.32		23487.45	
Spares	KG	1697.15		3895.12	
Bolts, Nuts, Tools etc.	SQR MT	148.00		114.66	
Electricals	MTRS	164789.00	3251.34	91243.50	2851.67
	NOS	63264.00		52157.00	
	KG	1110.00		2590.07	
Bearings	NOS	2238.00	177.71	3187.00	195.83
	<b>Total</b>		<b>11296.93</b>		<b>11875.61</b>
<b>H.M.T.P</b>					
Castings (Indigenous)	Nos	1930	112.53	13335	592.85
Components (Imported)	Nos	500	387.14	234	396.02
Misc.Items (Indigenous)	Nos	247881	334.62	426776	575.45
	<b>Total</b>		<b>834.29</b>		<b>1564.32</b>



**Value of consumption of Raw Materials, Components, Stores & Spare Parts  
(Including purchase of finished goods) and percentage thereof.**

(Rs.in lakhs)

	2008-09		2007-08	
	Value	%	Value	%
<b>(a) Raw Materials</b>				
(i) Imported*	830.65	5.67	1190.03	7.09
(ii) Indigenous	13828.35	94.33	15601.95	92.91
<b>Total</b>	<b>14659.00</b>	<b>100.00</b>	<b>16791.98</b>	<b>100.00</b>
<b>(b) Stores &amp; Spares</b>				
( Including stores and spares used for repairs & Maintenance)				
(i) Imported	69.54	0.94	114.53	1.66
(ii) Indigenous	7301.40	99.06	6793.85	98.34
<b>Total</b>	<b>7370.94</b>	<b>100.00</b>	<b>6908.38</b>	<b>100.00</b>

**Note:** Exclusive of imports through canalised agencies.

**F. Value of Imports on CIF Basis**

Raw materials, Spare Parts

Components	485.47	1325.80
Capital Goods	47.43	1783.60
<b>Total</b>	<b>532.90</b>	<b>3109.40</b>

In case of HMBP CIF value of Raw Material, Spare Parts include Cost of material and 5.5 % of cost material for insurance and freight.

**G. Expenditure in Foreign Currency**

Technical know-how fee	0.00	0.00
Directors & Officers Abroad	4.62	10.59
<b>Total</b>	<b>4.62</b>	<b>10.59</b>



# HEAVY ENGINEERING CORPORATION LTD.

Annexed to and forming part of the Account

(Rs.in Lakhs)

Additional Information pursuant to Part IV of Schedules VI to the Companies Act, 1956.

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### 1. Registration details

Registration No.

0	0	0	6	3	0
---	---	---	---	---	---

Balance Sheet Date

3	1	0	3	0	9
---	---	---	---	---	---

Date

Month

Year

State Code

	0	3
--	---	---

### 2. Capital raised during the year

Public Issue

N	I	L
---	---	---

Bonus Issue

N	I	L
---	---	---

Right Issue

N	I	L
---	---	---

Private Placement

1	5	2	8	4
---	---	---	---	---

 \*

### 3. Position of mobilisation and deployment of funds.

Total Liabilities

	8	1	7	8	1
--	---	---	---	---	---

Sources of Funds :

Paid - up Capital

	6	0	6	0	8
--	---	---	---	---	---

Secured Loans

				5	5
--	--	--	--	---	---

Application of Funds:-

Net Fixed Assets

		8	2	3	8
--	--	---	---	---	---

Net Current Assets

-	3	3	3	8	3
---	---	---	---	---	---

Accumulated Loss

1	0	6	4	6	1
---	---	---	---	---	---

Total Assets

	8	1	7	8	1
--	---	---	---	---	---

Reserve &amp; Surplus

	2	1	1	1	8
--	---	---	---	---	---

Unsecured Loans

					0
--	--	--	--	--	---

Investment

					1
--	--	--	--	--	---

Misc.Expenditure

			4	6	4
--	--	--	---	---	---

