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## *Board of Directors*

(As on 30.08.2007)

Chairman-cum-Managing Director	:	Shri G. K. Pillai
Director (Personnel)	:	Shri M. R. Venugopal
Directors	:	Shri N. Gokulram Shri B. B. Singh Shri V. K. Srivastava
Company Secretary	:	Shri Abhay Kumar Kanth
Auditors	:	M/s Salarpuria Jajodia & Co. Chartered Accountants
Bankers	:	State Bank of India
Registered Office	:	Plant Plaza Road, Dhurwa Ranchi-834 004 JHARKHAND)



## ***NOTICE OF ANNUAL GENERAL MEETING***

Notice is hereby given to the Shareholders of Heavy Engineering Corporation Limited that the 48th Annual General Meeting of the Company will be held on Friday, the 29th October 2007 at 2 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 Directors' Report to the Shareholders for the financial year ended 31st March, 2007.
2. To receive, consider and adopt the audited Profit & Loss Account for the financial year ended 31st March, 2007 and Balance Sheet as on that date alongwith the Auditors Report thereon and our replies thereto.
3. To authorise Board of Directors to fix remuneration of the Statutory Auditor for the financial year 2007-2008.

By Order of the Board of Directors

Dated: 06.10.2007

Sd/-  
(A.K. Kanth)  
Company Secretary

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 proxy need not be a Member of the Company.

## DIRECTORS' REPORT

To

**The Shareholders**

**Heavy Engineering Corporation Limited**

**Gentlemen,**

Your Directors have the pleasure to present the 48<sup>th</sup> Annual Report of the Company together with Audited Accounts for the year ended 31<sup>st</sup> March, 2007.

### 1. PERFORMANCE HIGHLIGHTS

It gives us immense pleasure to inform you that your company has shown an appreciable growth in the concluded financial year. The net sales have gone up by 68.23% and production by 69.54% over the previous year inspite of deep financial crunch. Your company has paid the salaries and statutory dues from the funds generated through its own resources.

The Company has also reduced its interest burden of banks by paying off some parts of the loans to the company.

### 2. PRODUCTION & SALES

The performance figures for the year as compared to the previous year are as follows :-

	(Rs. in Crore)		
	2006-2007		2005-2006
	Budget	Actual	Actual
Net Sales	252.79	271.71	161.51
Production	249.29	280.81	165.63

### 3. FINANCIAL RESULTS

	(Rs. in Crore)		
	2006-2007		2005-2006
	Budget	Actual	Actual
Gross Margin	21.74	27.51	(-) 64.51
Interest	23.80	21.32	18.59
Depreciation	4.34	3.30	3.56
Net profit (+)/Loss (-) before VRS Expenditure	(-) 6.40	(+) 2.89	(-) 86.65
VRS Expenditure	0.00	0.03	0.23
Net profit (+)/Loss (-) after VRS expenditure	(-) 6.40	(+) 2.86	(-) 86.88
Cash Gain (+)/Loss (-)	10.41	21.47	(-) 82.96

The equity of the Company as on 31.03.2007 stood at Rs. 453.24 crores as against Rs. 453.24 crores on 31.03.2007. During the year the Company contributed Rs. 52.30 crores to Central and State Exchequers as compared to Rs. 30.63 crores in the previous year.

### 4. MARKETING ACTIVITIES

**ORDERS BOOKED & ORDER BOOK POSITION**

The orders booked by the Company during the financial year 2006-07 has shown an appreciable increase 71.97% over the target set for the year. The orders has been Rs. 407.10 crores.

The order book position of company as on 01.04.2007 has gone up to Rs. 742.21 crores against to Rs. 524.84 crores as on 01.04.2006.

### HIGH LIGHTS OF MAJOR ORDERS RECEIVED

- Largest order was received from NINL (Neelanchal Ispat Nigam Limited) worth Rs. 152 crores consisting of 18 nos. of Cranes, 1 no. of 1300 Mixer, 23 Nos. of Ladle, 10 nos. of Slag Pot and other equipment of BOF.
- Mining Segment  
Coal India Limited and its other subsidiaries have been reposing their confidence on us with orders for 19 nos. of 5 Cum. of Shovels at value of Rs. 102.81 crores.
- Significant orders from other customers are:
  - Bokaro Steel Limited - Wagon Pusher 600T
  - Durgapur Steel Plant - Large bell & Hopper and Hot Coke Quenching Car
  - NALCO - Anode Steam Brackets
  - Samanta, Kolkata - PG Crusher 1500 T
  - BARC Mumbai - RPV forging
  - BSP, Bhilai - 16 Cum. Slag Cup & work roll
  - RSP Rourkela Slag Pot and work roll
  - Uttam Industries, Ghaziabad - shafts of different dia
  - BSL Bokaro - Door body spares
  - MSF Ishapore - m/c for erection & commissioning

### IMPORTANT AGREEMENT SIGNED DURING THE PERIOD

An MOU was signed on 23rd January, 2007, with Mis Hegenscheidt MFD, Germany, for facilitating transfer of contemporary technology related to special purpose Railway machine tools like CNC Surface Wheel lathe, Portal Wheel lathe etc. Upon installation, these machines will be highly advantageous to railway units in terms of increased output and better accuracy levels.

### PROJECT ACTIVITIES

Project Division was reconstituted during the financial year for execution and progress monitoring for NINL (Neelanchal Ispat Nigam Limited). The core activities of the group include arrangement of funds for input and bought out items, procurement of the input and bought out, out sourcing of assemblies and sub-assemblies, co-ordination with in plant activities and customer &



site activities. Apart from the above the Project Coal Handling Plant at Nigahi, NCI is going as per schedule.

This Division will look for new business avenues in the years to come.

#### **BUSINESS SCENARIO AND FUTURE PROSPECT**

The Indian economy has picked up tremendously during the recent times and a growth rate of 7% has been achieved during the concluded fiscal year. The target for 9% growth has been set for the year 2007-08. In manufacturing section, growth rate has been observed of around 12%. Domestic steel sectors has a tremendous scope of growth Major players like SAIL, TISCO, JINDAL, MITTAL, ESSAR etc. have future plans of huge investment in next 5 years. By 2010-2011, it is expected that steel production will be more than 52 million tones.

Similarly, major coal producers have planned huge investment for development of mines to meet the increased demand of coal. Coal India has projected investment of Rs. 14310 crores during the 10th Plan period. There will be large requirement of Heavy Earth Moving Machines and other equipment from subsidiaries of CIL, SCCL, NMDC and SAIL mines.

High value tender enquiries have been received and MOU for production of cranes required by SAIL units under their investment policy, solely by HEC is under consideration.

In the present scenario it is presumed that there shall be no dearth of orders for your company provided we ensure to supply items to our customers, meeting quality and delivery requirements.

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

Company and Deptt. of Heavy Industry (DHI), Govt. of India 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 submitted by the company was put to Board for Reconstruction of Public Sector Enterprise (BRPSE) for their consideration. BRPSE after due deliberation recommended the Revival Proposal for Company in October-2005 which included waiver of interest & non-plan loan, conversion of plan loan into equity, non-plan bridge loan 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, ex-employees, leasing institutional complexes and settlement of dues of CISF and State Government. Recommendation of BRPSE was approved by Cabinet in December-2005. The proposal approved by Cabinet was submitted to Hon'ble High Court of Jharkhand for

consideration

Subsequently Govt. of Jharkhand filed its affidavit indicating their willingness for taking over residential/nonresidential buildings and vacant land and waive outstanding dues on account of electricity, water and sales tax and suitably compensate for funding the revival process.

Thereafter, as per suggestion of Hon'ble High Court of Jharkhand, meetings between Officials of DHI and Govt. of Jharkhand were held in July & August-2006 to give final shape to revival proposal of company.

In view of delay in settlement on quantum of land to be transferred to Govt. of Jharkhand by HEC, Hon'ble High Court of Jharkhand in February 2007 approved the revival plan pending settlement of land. It permitted transfer of 158 acres of land to CISF and asked to settle the land issue as early as possible and put up for consideration of Court.

In 3rd week of April 2007, Govt. of Jharkhand filed LPA against decision of February 2007 given by Hon'ble High Court of Jharkhand on the various grounds related to land.

In May 2007, Govt. of Jharkhand was requested to reconsider the quantum of land to be transferred by HEC and the assistance to be provided by State Govt. to HEC. Jharkhand Govt. has agreed in principle to reconsider the quantum of land & assistance to be provided to HEC. Accordingly, in the last hearing held by High Court of Jharkhand in July 2007, Govt. of Jharkhand has requested two months time to file its new affidavit.

#### **6. SAFETY, ENVIRONMENT AND POLLUTION CONTROL**

As always, your company gives most importance to the occupational safety and health of workers in the company. Various training and awareness programmes were conducted regularly in order to inculcate safety consciousness among the employee. Complete medical check-ups were regularly carried as per the statutory norms. Safety appliances like different types of hand gloves, goggles, protective clothing, safety helmets, safety belts, safety shoes etc. were provided to the employees. National safety day and HEC Safety Week were celebrated by all the units.

The Company does not compromise on environmental pollution and so 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 01.04.2007 stood at 3330 as against 3457 on 01.04.2006.

### 8. INDUSTRIAL RELATIONS

During the year, the industrial relations situation in general remained normal and peaceful. However, meetings were organised by different Trade Unions and Associations during the year to press for their demands mainly related to wage revision w.e.f. 01.01.1997, payment of other dues like LTA, Leave Encashment.

Tripartite Memorandum of Settlement with the recognized Union and bipartite Memorandum of Agreement with Hatia Project Workers' Union, Hatia Mazdoor Lok Manch, Hatia Mazdoor Union (CITU), Hatia Kamgar Union (AITUC) & Heavy Engineering Workers' Union has been signed on 27.11.2006 regarding wage revision of workmen/employees of the Corporation w.e.f. 01.01.1997. The above agreement is subject to approval of competent authority.

Memorandum of Agreement between Management of HEC and Hatia Project Workers' Union, Hatia Mazdoor Lok Manch, & Heavy Engineering Workers' Union held on 24.01.2007 regarding enhancement of the wages of Contract Labour reimbursable by the Corporation to the Contractors has also been signed.

### 9. EMPLOYEE WELFARE AND COMMUNITY DEVELOPMENT

1. The company runs a full fledged 250 bedded Hospital with 12 number of Broad Specialties and is headed by an administrator of proven track record. The employees of the company and their dependent family members are given free medical treatment and in deserving cases, are also referred to outside Referral Hospitals. Retired employees and their spouses are also given free medical treatment to the extent available in the Hospital. The Hospital has at its credit the following achievements to wards Public Health and Community Health Programme during the year :-
  - a) Immunisation programme for protection against BCG, Polio, OPT, Measles, Tuberculosis, DT and Dog Bites covering about 11000 cases in all.
  - b) About 400 family planning operations were performed to employees/their spouses as well as to other non entitled persons.

c) Medical facilities of statutory nature are extended to the society at large to project image of the company.

2. The Company provides subsidized housing and canteen facilities to its employees. Houses are also given on Long Term Lease basis to employees and ex-employees in selected areas.

### 10. HUMAN RESOURCE DEVELOPMENT

The company continues to give great emphasis on Human Resource Development. Training and Development of all levels of employees was given priority by the company during the year to increase their efficiency and effectiveness. Now training and motivation of human resources has been given substantial weightage in annual corporate performance of our Memorandum of Understanding (MOU) signed with Govt. of India. The Human Resource Department also organized company - specific in-house technical and skill development programs for our regular workers and supervisors which includes various topics pertaining to technical, behavioral, safety & environment, health & hygiene, labor legislation, quality of life, etc, through out the fiscal year, as a part of training and motivation programme and also organized Vocational Training for students of technical and professional institutions.

In addition to the above HRD has organized re-orientation training in technical trades (equivalent to ITI), and Apprentices training of Graduate Engineers, ITI and matriculate apprentices and also generated revenue through fees of trainees and production to the tune of Rs. 25.00 Lacs (Approx).

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

The number of SC and ST employees on the roll of the company as on 01.04.2007 was 916 (SC-313 and ST603) which constituted 27.51 % (SC-9.40% and ST 18.11 %) of the total manpower strength.

### 12. PROGRESSIVE USE OF HINDI

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

1. The typists and stenographers of English have been given training for typing and stenography in Hindi. All employees were given intensive training for workable knowledge of Hindi for their day to day official work.
2. 7 nos. of manuals and 323 nos. of formats available in bilingual form. Raj Bhasha Fortnight was organized and various competitions such as Essay Writings, Speech, Poetries, Noting, Drafting, Typing as well as for Raj Bhasha Shield and excellent work in Hindi were held. The winners were given attractive prizes. Two Hindi workshops were organized for the benefits of employees up to date their working knowledge in Hindi.





3. The Official Language Implementation Committee organized its quarterly meetings regularly during the year. Various checkpoints have been made to ensure successful implementation of Raj Bhasha Policy and attention of the Heads of Departments/Plants were attracted towards deficiencies found, if any. Directives were also issued to follow the rules rigidly.

### 13. DEVELOPMENT OF ANCIILLARIES AND SSI UNITS

HEC primarily deals with Capital goods items for core sector Industries. For any large engineering industry, manufacturing of small and non critical components are often not economically viable and they can be got manufactured by smaller units in a more cost effective way. In addition to this PSUs have a social responsibility of developing an industrial environment and helping population around it for indirect employment generation. Presently twelve numbers of units are functioning as Ancillary area. In addition to that, many Small Scale Units (SSI) in nearby industrial cities like Bokaro, Rourkela, Dhanbad and Howrah were more prompt and efficient to render their service to HEC.

HEC also took their assistance/services to meet the requirement of the company. There has been a substantial increase in business volume in the recent years. Since the work order position of the corporation improved in the recent years, it is expected that the business volume with Ancillary units will also raise in a faster pace in the coming years. We have included a new vendor M/s Shyamson (India) Pvt. Ltd. in the last financial year 2006-07, as a Ancillary units of HEC Ltd. The total volume of work done during last financial year, which are given below :-

Nature of work

1. Sub-Asslys	152.59 L
2. Fabrication	97.76 L
3. Machining	18.20 L

### 14. VIGILANCE ACTIVITIES

The Vigilance organization of HEC consists of a vigilance unit at the Headquarters under the over all administrative and functional control of a full time external Chief Vigilance Officer, who is an IPS Officer of the rank of an Inspector General of Police. To improve management effectiveness, preventive vigilance has been given a thrust by carrying out 54 surprise inspections and 40 regular inspections covering nearly all major areas including 7 sensitive areas identified. The Vigilance Department thus tried to play a constructive role in the revival of the company, which is coming out of the red now through positive efforts of all.

During the year ninety complaints were attended 20 Nos. of courses were conducted by the Vigilance Department for increasing the awareness of the company functionaries regarding systems and

procedures and for sensitizing them to the need for vigilance at all levels. 50 persons were transferred from sensitive departments on job rotation. Information regarding tenders and contracts were regularly uploaded on the company's website for greater transparency and reduced opportunities for corruption. Vigilance Awareness Week was celebrated involving school children in an essay competition on corruption and its remedies, and the plants organized sensitization sessions for its executives.

The most significant developments during the year were publication of the new Purchase Manual and a Works & Services Manual for putting purchase and contract systems in place. The vigilance department helped the company in widening its vendor base for competitive advantage. A system was made after interactions with the CISF, Plant Chiefs for effective Management of waste disposal and avoidance of valuable materials mix-up, thus staving off corporation's losses. Steps were taken to plug loopholes in the systems and procedures to minimize losses and to optimize efficiency.

### 15. QUALITY CONTROL

Your company never compromises on quality of the products manufactured by the company. 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.

A re-certification audit was conducted by IRQS and an ISO 9001-2000 was accredited to all the three Plants i.e. FFP, HMBP and HMTP and the certificate is valid up to November 2008.

### 16. ENERGY AUDIT

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

### 17. 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'.



## 18. 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 31<sup>st</sup> March, 2007, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors had 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 had prepared the Annual Accounts for the financial year ended March, 2007 on a going concern basis.

## 19. FOREIGN EXCHANGE

The foreign exchange outgo during the year was Rs. 0.58 crore.

## 20. 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 31<sup>st</sup> March, 2007.

## 21. STATUTORY AUDITORS

The Comptroller & Auditor General of India (CAG) has appointed *Mis Salarpuria Jajodia & Co.* Chartered Accountants, Patna as the single Statutory Auditor of the company for the financial year 2006-2007. As authorized by the Shareholders in 47<sup>th</sup> Annual General Meeting, the Board of Directors has fixed the remuneration of the statutory Auditor for the year 2006-2007 at Rs. 1,20,000 (Rs. one lakh twenty thousands) only.

## 22. 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 31.03.2007 alongwith the Review of Accounts of your Company by C&AG and Statutory Auditors' observations alongwith Management's replies thereto are furnished in ANNEXURE-B.

## 23. BOARD OF DIRECTORS

Presently, there are two part time official directors, one part time non official director in addition to Chairman-cum-Managing Director and Director

(Personnel). On the Board of HEC, the posts of Director (Production), Director (Marketing) and Director (Finance) of the Company are lying vacant for the last 5-6 years. However, PSEB has recently shown interest in filling up the vacant posts on the Board of HEC.

Board places on record its deep appreciation for the valuable services and contribution made by Sri Manoj Kumar Singh and Sri S. Siddharth during his tenure as Director on the Board of Directors of HEC Ltd. The Board also places on record its deep appreciation for the valuable services and contribution made by Shri S. Biswas as Director (Personnel) and as Acting CMD of the company.

## 24. AUDIT COMMITTEE

An Audit Committee was re-constituted by the Board in its 265<sup>th</sup> meeting on 13.09.2006 under the Chairmanship of Shri V. K. Srivastava, Managing Director of Mis Bokaro Steel Plant, Bokaro. The other two members of the Audit Committee were Shri S. Biswas, Acting CMDIHEC Ltd. & Shri Manoj Kumar Singh, Director, OHI, who have ceased to be Directors on the Board of H.E.C. and also Audit Committee.

Since the cessation of Shri S. Biswas and Shri Manoj Kumar Singh as members of Audit Committee, the committee has become non-existent and no further meetings of the Audit Committee could be held. Meetings of the Audit Committee shall be held once the Committee is reconstituted.

## 25. ACKNOWLEDGEMENT

The Board places on record its sincere appreciation towards Company's valued customers for the support and confidence reposed by them in the organization and looks forward to the continuance of same in future.

The Board also gratefully acknowledges the support and guidance received from various Ministries of Government of India, particularly the Department of Heavy Industry and Govt. of Jharkhand in processing of Revival Plan of the Company. The Company wishes to place on record its appreciation of the continued cooperation received from technical collaborators and suppliers and the support provided by the Banks and financial institutions. The Directors express their thanks also to the Comptroller and Auditor General of India (CAG) and the Statutory Auditors. The Board wishes to record its deep gratitude to all members of HEC family whose enthusiasm patience, dedication and cooperation has enabled the company to move forward and achieve new heights.

*For & on behalf of Board of Directors*

Sd/-

**(G. K. Pillai)**

Chairman-cum-Managing Director

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

### 1. RESEARCH & DEVELOPMENT ACTIVITIES

The company continued its efforts for the technology up gradation and development! systems during the year.

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

- i) Coke quenching car for RSP was supplied to Rourkela Steel Plant with special feature which will enable coke produced having moisture content less than 4%. This was a case of in house R&D. This has been indigenously developed and first time supplied to any of Steel Plant in India.
- ii) Mould oscillating m/c which is used in continuous casting m/c in B.S.L. having very stringent quality requirement and which was in import substitute has been manufactured and supplied.
- iii) Once again HEC gained the confidence of Indian Space Research Organization (ISRO) SHAR by supplying 2nd set of Folding Cum Vertical Repositioning Platform (FCVRP) whose total weight was 892 tons.
- iv) A crane bridge of 15/15 T EOT crane total span 33 meter for CCM2, RSP, total weight 80 ton was manufactured and supplied to customer as spare.
- v) 5 nos. of 18 Cu.m. Slag Pot Assly with modified design have been supplied to TISCO.
- vi) CNC Single Column Vertical milling machine model: BVS-45/70 NM  
The machine has got features like C-axis for positioning as well as 3rd feed axis, hydraulic clamping of all axes movement, higher rapid traverse rate 6000 mm/min, Ram head with live spindle for milling, online diameter measuring systems, coolant through arrangement, parking station for tool holders, angular milling attachment SINUMERKIK 8400 CNC system, infinitely variable table speed, simultaneous 2-axes feed, accurate positioning control and in-process gauging. The machine has been developed by in-house Design and R&D activities of HMTP
- vii) CNC Deep Hole Boring M/c model: BDH 140 N  
The machine has been designed for solid drilling of diameter 250 mm and counter boring up to diameter 350 mm to 6000mm boring depth in ingots / slag / forging having 400 BHN hardness. The machine is having swing over bed 1400 mm, 100 KW AC

spindle motor is provided for spindle rpm 800 and maximum 16 KNm spindle toque. Contact pressure of 100 KNm can be provided by guide carriage and 100 to 1300 liters of coolant can be supplied during machining. All the machine functions are through SINUMERKIK 840 D system. The machine has been developed by in-house Design and R&D activities of HMTP.

- viii) Single Pass Under Floor Wheel Lathe model: LUW 175B

Single pass Under Floor Wheel Lathe has been designed to meet single pass machining requirement of railways for high productivity and ease of operation.

#### b) Import Substitution Efforts

- i. CNC Deep Hole Boring machine model: BDH 140N for MSF, Ishapore
- ii. CNC Single Pass under Floor Wheel Lathe M/c model : LUW175B for COFMOW, New Delhi.
- iii. CNC Single Pass Column Vertical Turning & Boring m/c model: BVS45/70 NM for HAL, Bangalore.
- iv. 25/10 T Rotating Trolley EOT Crane for DSP  
The crane was earlier supplied by Weilliman/UK. First time slew bearing and worm Gearbox with over Load clutch are used. These cranes will be working in Bloom Caster shop. It has 27 T capacity spreader Beam having four numbers 5 T capacity each magnets. Upper trolley will rotate w.r.t. lower one through Slew mechanism. Design has been developed by RPD.
- v. 50/15 T EOT crane for DSP :  
This crane was earlier supplied by MDH DEMAG, Germany. It is a four Girder tundish handling crane working in Bloom Caster Shop. The crane is equipped with 50T hoist with tundish beam lifted by 2 drums. Aux. Hook 15 T is to be used to lift the Tundis into converter during charging. The design has been developed by RPD.
- vi. Primary Gyrotory Crusher. PGC 1500 (H)  
Design was modified for PG crusher with hydro set mechanism for discharge gap setting, to be manufactured and supplied to NCL, Nigahi. This is an import substitution eqpt. It has capacity of 1600 TPH for crushing Coal from feed size 1500x1000x1000mm to product size 200 mm.





vii) Reduction Gear Box, ratio = 246. FFP

This is used in electrode lifting mechanism of 20 T Arc furnace, FFP, Earlier is was imported from Czechoslovakia. This is Worm Cylindrical Gearbox also equipped with bevel pair for manual operation. The design has been developed by RPD.

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

- i. Technology of the earlier collaboration was completely absorbed. New features like PLC based electric controls, AC Servomotor, 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. (ii) Improved products was offered to the customers to meet their exact requirements and order was 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.
- iii. Mobile Launch Pedestal, (MLP), ISRO Design of the MLP was developed based on Technical specifications of ISRO. The MLP is used for Launching "Geo-Synchronous Launch Vehicle" (GSLV). It can be moved on the bogie system to launching site and then fixed to the ground through anchor Legs. The launch vehicle is assembled on MLP in the vehicle Assembly Building and then moved on rails to the launching site.
- iv. Slag Pot, 16 Cu.M., for NINL, BOF Pkg.

The slag pot has been designed in conical shape having cast steel body with integrally cast forged Steel trunion. It has effective inner volume of 16 CU.M. The slag pot is used to receive the slag from 110 T LD converter, Hot Metal slagging stand, Ladle maintenance stand etc and transport to slag dumping yard.

**d) Energy Conservation**

Major steps taken to conserve the energy during the year are as follows:

- Reduction in maximum Demand of Power by proper load planning.
- Switching off Power transformers located in Plant on Sundays and holidays.
- The use of energy efficient high pressure sodium vapor lamps/Tub lights.
- Use of producer gas instead of LPG.
- Replacement of MG Sets by use of Static Transformers and Rectifiers.
- Reduction in fuel consumption by providing ceramic lining in Furnaces and by installing programmable controller in electric pit furnace.
- Switching off un loaded transformers to save power.
- Switching of unwanted lights, fans and idle machines.
- Reduction in heat cycle time for melting furnaces etc.
- Monitoring the opening of Burners in heating and heat treatment furnaces for optimum utilization of producer gas.
- Synchronization of the operation of compressor units for optimum utilization of compressor air.
- Provision of Transparent Sheets at roof tops of production shops so as to utilize sunlight for illumination.

As a result of the above steps, energy consumption per MT of physical production during the year has come down significantly as compared to previous year as shown below:

Type of energy	Units of consumption per MT of Production	
	2006-2007	2005-2006
Electricity (KWH)	2709.68	2852.91
Coal (MT)	4.30	4.05
Diesel (Liters)	19.66	24.98

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF HEAVY ENGINEERING CORPORATION LIMITED FOR THE YEAR ENDED 31 MARCH 2007

**COMMENTS**

(Rs.inCrores)

**REPLIES****A. Comments on Profitability**

Net Profit - Rs. 2.85 crores

A reference is invited to Paragraph No. 2 of the Statutory Auditors' Report dated 30th August 2007, where it has been stated that the Profit for the year would have been Loss of Rs. 626.52 crore. The Loss reported by the Statutory Auditor is under stated by Rs. 97.27 lakhs due to :-

- (i) Non-provision of Rs. 97.27 lakhs towards salary and wages of CISF on estimated basis from 1 st January 2006 to 31<sup>st</sup> March 2007 pending pay revision dues w.e.f. 1<sup>st</sup> January, 2006.

The reasons for difference between the reported Profit of Rs. 2.86 crores and Loss as contemplated by Statutory Auditor of Rs. 626.52 crores have already been explained in our replies against the respective Audit Para Nos. 4, 5.1, 6.2, 6.3, 6.4, 6.5, 10.1, 10.2, 10.3 & 10.5.

Further, CISF liability has been provided in Accounts based on claim furnished / Bills raised by them but payment not made by us up to the period of 31 st March, 2007.

Pending submission of Pay Commission Report and its approval by Govt. of India and the receipt of bills / information / claim in this regard from CISF authorities, no provision for prospective pay revision arrear for CISF has been considered in accounts at this stage.

**B. Comments on disclosure**

- (i) Contingent Liabilities (Schedule-24) is understated by Rs. 45.37 crore due to :-  
Non-disclosure of penalty / damages on defaulted CPF / EPF dues for the periods from October '99 to March, 2005.
- (ii) Carrying amount of impaired fixed assets has not been disclosed in the Financial Statements as required under AS-28 "Impairment of Assets" issued by ICAI.
- (iii) Necessary disclosure in respect of Long Term Lease as required under AS-19 "Leases" and Para AS-5 "Net Profit of Loss for the Period, Prior Period items and changes in Accounting Policies" has not been made in the financial statements.

Neither amount of damages nor any notice for payment of damages on defaulted CPF / EPF dues for the period from October '99 to March, 2005 has been received from Regional Provident Fund Commissioner, Ranchi till date. As such this has not been shown as Contingent Liability.

However, this has been noted for compliance in next year's Accounts.

Provision for impaired assets has been separately mentioned under Schedule-13.

However, this has been noted for further compliance in future.

Disclosure regarding amortization of LTL receivable has been made in "Notes on Accounts" as per Sl. NO.3.

However, the above disclosure will be Suitably modified in the next year's Accounts.

Sd/-

**(R. K. VERMA)**

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

Ranchi

Dt.10th October, 2007

Sd/-

**(G. K. PILLAI)**

Chairman-cum-Managing Director



## AUDITORS' REPORT

## REPLIES

### To the members of Heavy Engineering Corporation Limited, Ranchi

We have audited the attached Balance Sheet of HEAVY ENGINEERING CORPORATION LIMITED as at 31st March, 2007, and also the Profit & Loss Account of the Company and Cash Flow statement for the year ended on that date. These financial statements are the responsibility of the management. Our responsibility is to express our opinion on these financial statements based on audit conducted by us.

Except as disclosed in the following paragraph, we conducted our Audit in accordance with Auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation, we believe that our audit provides reasonable basis for our opinion.

- |   |   |
|---|---|
| <p>1. As required by the Companies (Auditor's Report) Order, 2003, as amended by Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Government of India in term's of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matter specified in paragraphs 4 &amp; 5 of the said order, to the extent applicable to the Company.</p> <p>2. Further to our comments in annexure referred to in paragraph. 1 above and subject to our observations contained in paragraphs to 3 to 11 to follow and consequent impact thereof on the profit, assets and liabilities for the items quantified in para no. 4, 5.1, 6.2, 6.3, 6.4, 6.5, 10.1, 10.2, 10.3, and 10.5 and our inability to quantify the impact of Profit, assets and liabilities in the other paras in the absence of proper information/ explanation and record at the end of the Company as stated in appropriate part of those paragraphs read together with "Significant Accounting Policies" and other Notes in "Notes on Accounts" in Schedule-24, we report that :</p> <p>Had the observations made in paras quantified as</p> | <p>1. No comments</p> <p>2. Reply has already been furnished against the relevant audit paras</p> |
|---|---|



above been considered the "Profit for the year" would have been Loss of Rs. 62652.37 lakh (as against the reported profit of Rs. 285.78 Lakh), the figure of Profit & Loss account in the Balance Sheet would have been Rs. 171937.61 lakh (as against the reported Rs. 108999.46 lakhs. Turnover (Net) for the year would have been Rs. 25841.56 lakhs (as against the reported Rs. 26682.18 lakh), "Net current assets" would have been Rs. (-) 102171.70 Lakhs (as against the reported Rs. (-) 39906.87lakhs), (considering para no. 9 of our report) and Capital work in progress would have been Rs. 493.50 lakh (as against the reported Rs. 1166.82 lakh).

- |     |  |   |
|-----|--|---|
| 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.   | 2.1 No Comments   |
| 2.2 | 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.   | 2.2 No Comments   |
| 2.3 | The said Balance Sheet and Profit & Loss Account and Cash Flow Statement are in agreement with the books of account.   | 2.3 No Comments   |
| 2.4 | In our opinion, the Balance Sheet and Profit & Loss Account and Cash Flow Statement have been prepared by the Com pany in compliance with the Accounting Standards referred to in SubSection 3(c) of Section 211 of the Companies Act, 1956 except for the deviations noted in para 11 of this report and except as stated elsewhere and in Significant Accounting Policies and Schedule '24' (Notes on Accounts). | 2.4 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.  | 2.5 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 24 thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conform ity with the accounting principles generally accepted in India:                   | 2.6 No Comments   |
|     | (a) In the case of the Balance Sheet, of the State of affairs as on 31 st March, 2007 and  | (a) No Comments   |
|     | (b) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.   | (b) No Comments   |
|     | In the case of Profit & Loss Account, Profit for the year ended 31st March, 2007 amounted to Rs. 285.78 lakhs which, if quantifiable comments in the Audit Report are given effect to, will become Loss of Rs.   | Reply against the relevant paras has been already furnished |



62766.42 Lakhs.

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 in Note NO.1 of Schedule '24' 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.
3. 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 31.03.2005 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. Waival of Sales tax, water charges and also providing funds in exchange of taking 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. 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.
4. Capital Work-in-Progress includes items amounting to Rs. 673.32 lacs (Rs. 397.94 Lacs HMBP and Rs. 275.38 lacs FFP), the erection, commissioning and completion of which are pending for a period of three years or more and against which no provision has been made and as such the loss for the year is understated and capital work-in-Progress is overstated to that extent.
4. Due to non availability of funds for CAPEX works, these were not completed in earlier years. Now with the availability of funds for CAPEX from Govt. of India, the pending work is gradually being taken up and will be completed very soon.
5. INVENTORIES:
  - 5.1 Inventory includes Goods in transit amounting to Rs. 53.88 lacs the status of which remains unlinked pending which the impact on the loss for the year remains unascertained.
  - 5.1 Goods in transit are well linked with the respective payment allocation vouchers, supplier's Code PO. number and are gradually depleted with the raising of the certified receipt vouchers. Moreover provision has also been made even in case G.I.T. exceeds the period of one year. These are continuous in nature
  - 5.2 In HMBP certain errors in basic data generated from plant / computer system / stores price ledger were noticed, which have affected the rate of conversion cost, shop overhead, material cost etc. without correction of basic data and fresh calculation, we are unable to
  - 5.2 Noted for further improvement in future. However a committee has been constituted to study the existing costing system and suggest for its improvement in future.





express our opinion on valuation or work in progress and finished goods taken in Books of Accounts, further, system of preparation of cost sheet data of HMBP in case of series of work orders and for HMTP in case of Inter Plant transfer work orders needs review.

#### 6. SUNDRY DEBTORS:

- 6.1 Confirmation of balances due from Sundry Debtors were not available for our verification
- 6.1 This has been dealt with Note NO.6 of schedule 24. (Notes on Accounts)
- 6.2 Sundry Debtors includes balances, which are long overdue 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. Such debtors amounting to Rs. 2559.84 lacs (Rs. 72.43 lacs of HMBP and Rs. 2487.41 lacs of township) where no provision has been made in spite of dues pending for over three years. Consequently loss for the year is understated and sundry debtors are overstated to this extent.
- 6.2 The amount against Sundry Debtors in HMBP which are mostly against the running contract will be realised on completion of package/receipt of final acceptance certificate. Moreover an amount of Rs. 16.741akhs has been realised from KMCL during the financial year 2007-08 others are expected to be realised shortly.
- The Debtors in Township 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.
- 6.3 Sundry Debtors includes Rs. 1458.03 lacs from a single party which is resultant of an Arbitration award awarded in favour of the company in February 1997. As the realisation of this entire amount of Rs. 1458.03 lacs is uncertain, since the award has not been implemented, is disputed and is long overdue, warranting a provision of the entire amount, pending which the loss for the year remains understated and the sundry debtors at the end of the year remain overstated.
- 6.3 As per the terms of the contract, the claim was awarded by Sole Arbitrator appointed by the Secretary, Deptt. of Public Enterprises. The award was confirmed by Additional Secretary, Deptt. of Law & Justice and Company Affairs, Govt. of India. As such the award is not disputed. Since these are good debtors with certainty of realisation of the amount awarded, no provision is considered necessary at this stage.
- 6.4 Township debtors include Rs. 819.92 lacs in respect of rent receivable, out of which Rs. 265.92 lacs has been provided for, out of the balance an amount of Rs. 128.40 lacs is doubtful, in absence of any conclusive evaluation the impact of resultant non-provisioning on the loss for the year remains unascertained.
- 6.4 Out of the total debtors of Rs. 819.92 lakhs only an amount of Rs. 152.7 41akhs pertains to debtors of more than 3 years against which a sum of Rs. 265.93 lakhs has been provided in accounts. Further a sum of Rs. 300 lacs from Govt. of Jharkhand and Rs. 50 lacs from Jharkhand State Electricity Board have been realised during the financial year 2007-08. Balance amount of Rs. 203.99 lacs which are of less than 3 years are considered as good debts and are expected to be realised very soon. As such no further provision is considered necessary at this stage.
- 6.5 Sundry Debtors includes Rs. 75.79 lacs (net of provision) outstanding from a Govt. PSU customer,
- 6.5 Liability to Mis BHEL appears in Books of accounts to the extent of Rs. 116.31 lakhs for



which has been deducted & retained by the customer against their old dues & claims. Pending reconciliation at this stage, we are unable to express our opinion in the realisability of the amount due and the amount of provision made

RSP/CCM Project. Against this amount recovered by BHEL to the extent of Rs. 80.541 lakhs up to 31.03.2007. As the reconciliation with BHEL has not been completed as yet the amount so recovered has not been adjusted against the above liabilities.

#### 7. LOANS AND ADVANCES:

- 7.1 Confirmation in respect of various parties included in "Loans & Advances" were not available for our verification and as such we are unable to comment on its correctness and impact on the profit and other accounts.
- 7.2 In certain cases, balances under Sundry Debtors, Sundry creditors including stale cheques, other liabilities, Loans & advances, claims recoverable, Goods in transit, Material on loan, and provision thereon wherever existing have not been analyzed & linked and adjusted. The extent to which such adjustments on analysis or linking of balances will affect the loss or other accounts could not be determined.

7.1 This has been dealt in Note NO.6 of Schedule 24 (Notes of Accounts).

7.2 Noted for improvement. However this will have no effect on profitability.

#### 8. CURRENT LIABILITIES AND PROVISIONS:

- 8.1 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 its impact on the loss and other accounts. Confirmation of balances were also not available for our verification.
- 8.2 In absence of Expert legal opinion & latest position of cases & litigation against the company as referred in Note no. 2 (h) of Schedule - 24, we are unable to express our opinion on additional liability, if any, which are required to be provided under AS-29 lying unprovided.
- 8.3 Attention is invited to Note NO.9 of Schedule 24 regarding withdrawal of LTA liability amounting to Rs. 581.89 lacs with reference to Govt. of India's old circular.
- 8.4 The last pay revision was done in 1997 for the period 1992-1997 for which a provision exists in the books of account amounting to Rs. 3715.25 lacs as on 31.03.2007 after payment to employees in current as well as in earlier years. We are unable to comment on the adequacy or otherwise of provision made in absence of actual bills and consequent impact on year end result, current liabilities, and retirement benefits of employees. Further, the quantum of salary and Provident fund has also not been segregated.
- 8.5 A sum of Rs. 365.57 lakhs was paid to employees as Adhoc advance against salary against which a liability

8.1 Due to non reconciliation of very old dues from various parties as well as old liabilities to them, the complete linking of liabilities as well as assets has not been possible now but efforts have been made for gradual liquidating the same as maximum as possible.

8.2 Based on the list of cases pending as on 31.03.2006 in the Court of Law furnished by the Expert of our Legal Department, the entire amount involved in the cases have been shown under the Head "Contingent liability."

8.3 This has been dealt in Note NO.9 of Schedule 24 (Notes on Accounts).

8.4 Adequate provision has been made in respect of Arrear on account of wage revision w.e.f. 1.1.1992 based on the calculation by System Deptt., Considering the actual salary datas of the employees. Provision for contribution to Provident Fund also is included in the above provision for wage revision arrears.

8.5 The adhoc advance paid to the employee will be recovered from pending wages revision.



for the same amount is outstanding as liability for Pay Revision. Hence assets and liabilities both are overstated by this amount.

- 8.6 No provision has been made for arrear salary payable to employees for the period from 01.01.1997 to 31.12.2006 although a Tripartite agreement towards wage revision was entered on 27.11.2006 (refer Note no. 5 of Schedule 24). As per Certification of the Management, the Management was unable to quantify the impact of liability, the impact of liability on the loss remains unascertained.
- 8.7 As per Tripartite agreement entered on 27.11.2006 the 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 31.03.2007 and its impact, if any, on the loss as well as current liabilities remains unascertained.
- 8.8 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 on ascertained. (refer note no. 11 of Schedule 24).
- 8.9 Audit of Books of Accounts of CPF Trust is updated up to financial year 2004-05 only and latest position is not known. No provision for deficit to employee's CPF Trust, if any, is made in absence of proper information.
- 8.10 The company has in earlier years defaulted in making timely deposits to the Provident 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 loss remains unascertained.
9. SALES  
Attention is invited to Note NO.8 of Schedule 24, Sales for the year I Sundry Debtors in HMBP is overstated by Rs. 840.62 lacs as title in goods has not passed to the customer as on 31.03.2007 and inventory I accretion in finished goods is understated to that extent
10. PROFIT & LOSS ACCOUNT
- 10.1 Bills of Bihar State Electricity Board and Jharkhand
- As such it is treated as Advance in accounts. At the same time full provision has been made to that extent pending decision for wage revision.
- 8.6 This has already been dealt in Note no. 5 of Notes on accounts. Further as regards revisional arrear, it is clearly mentioned in wage agreement that the arrear will be discussed separately depending on the future performance of the company. Apart from non obtaining the approval from Govt. of India for implementation of this wage agreement, the date from which this revision shall be applicable is also not known till date, no quantification as well as provision of arrears is possible at this stage.
- 8.7 Since pay revision w.e.f. 01.01.1997 has not been implemented till date, pay revision for subsequent period i.e. w.e.f. 01.01.2007 has not been considered at this stage.
- 8.8 This has been dealt with Note No. 11 of schedule 24.
- 8.9 Audit of Accounts of CPF Trust for 2005-06 is in progress
- 8.10 Damages for delay remittances of CPF/EPF have been assessed by PF authority up to September, 1999 and the same has been appealed before the Appellate Tribunal and as such this has been shown in accounts as contingent liability. The above matter has not been heard in Appellate Tribunal as yet. 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.
9. This has been dealt in Note NO.8 of Schedule 24 (Notes on Accounts).
- 10.1 Despite agreeing to charge consumption of



State Electricity Board for Delayed Payment Surcharge (DPS) amounting to Rs. 47533.40 lacs (previous year 40212.25 lacs) have not been accounted and Provided for. As an impact of this, loss for the year and current Liabilities are understated to this extent. (Refer Note no. 2(e) in Schedule-24).

10.2 Water charges bills of public Health Engineering Department amounting to Rs. 929.96 lacs (Previous year Rs. 883.91 lacs) have not been accounted and provided for. As an impact of this, loss for the year and current Liabilities are understated to this extent. (Refer Note No. 2(f) in Schedule-24).

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, loss for the year and current Liabilities are understated to this extent. (Refer Note no. 2(g) in Schedule-24).

10.4 Actuarial provision on leave encashment has not revised as per latest incremental leave entitlement. Thus liability on account of incremental liability remains unascertained.

10.5 No interest has been paid to Micro, Small & Medium enterprises. Further Interest payable to Micro, Small & Medium Enterprises amounting to Rs. 23.99 lacs 12.34 lacs HMBP and Rs. 11.65 lacs HMTP) under the Micro Small & Medium Enterprises Act has not been provided. Consequently loss for the year and current Liabilities are understated to this extent. (Refer Note no. 7 in Schedule-24).

#### 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 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 value and there is no scientific method for assessing costs yet to be incurred for incomplete portion of the inventory. (impact not ascertained).

power in Township at domestic rate, it was charged at industrial rate causing DPS as disputed liability. Moreover waiver of DPS is under consideration of Govt. of Jharkhand along with reliefs to be extended by them in the Revival Package of HEC. In view of this DPS has been shown as contingent liability.

10.2 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 PH ED for withdrawal of this excess claim.

10.3 Please refer to reply against 8.10. (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. As such the same has been shown as "contingent liability".

10.4 No. circular has been issued by the company as to the latest incremental leave entitlement for the employees till date.

10.5 This has been dealt with Note No.7 (Notes on Account) of Schedule 24.

11.1 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.

11.2 Disclosed in Note on Accounts vide note no 15(a) in Schedule 24.



- 11.3 Accounting for Deferred Tax Assets / Liabilities were not done as referred in Para no. 9 of Notes on Accounts, which is contrary to AS-22. (Refer Note NO.8 in Schedule - 24).
- 11.4 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).
- 11.5 Accountal of Sales in HMBP without passing of title to the buyer is deviation from Accounting Standard-9.
- 11.3 Disclosed in Notes on Accounts vide note no. 10 in Schedule 24.
- 11.4 No circular has been issued by the company as to the short term employee benefits. As such no deviation seems to exist.
11. 5 Since the items dispatched to the client have been received by their stores and payment against the billed amount along with Sales Tax has been made by them, the title has been deemed to be passed and accordingly Sales have been considered in Accounts. As such there seems to be no deviation from Accounting Standard-9.

## 12. GENERAL

- 12.1 Debit / Credit balance against various parties in Sundry Creditors / Loans & Advances have been deducted from gross aggregate of Sundry Creditors / loan & 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
- 12.1 Noted for further improvement.

**For SALARPURIA JAJODIA & CO.**  
Chartered Accountants  
Sd/- LALAN KUMAR (Partner)

**Sd/-**  
**(S. K. Chakraborty)**  
**Chief of Finance**

Place           Ranchi  
Date            30.08.2007





**AUDITORS REPORT TO THE MEMBERS**  
**(AS REFERRED IN PARAGRAPH-I OF OUR REPORT OF EVEN DATE)**

**AUDITORS' REPORT**

**REPLIES**

- |  |   |
|--|---|
| 1. In respect of its fixed assets:   |   |
| a. The Company has generally maintained proper records show particulars of fixed assets including quantitative details and situation of assets on the basis of available information.  | Noted   |
| b. The fixed assets of the company have not been physically verified in all units by the management during the year. In the absence of Physical verification the material discrepancies, if any, cannot be commented upon.   | Due to dearth of manpower physical verification of fixed assets in all the plants could not be done during the year.  |
| 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   |
| 2. In respect of its inventories:  |   |
| a. Stock of raw materials and stores and spares have been physically verified by the management except HMBP and HMTP, where physical verification of all items were not carried out during the year. The procedure of physical verification of raw materials and stores and spares appears to be reasonable and adequate except in HMBP in relation to the size of the Company and nature of its business.                   | Physical verification of raw materials, stores and spares have been done in all plants. In HMBP only four major groups of materials have been physically verified.              |
| 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 through review. Further separate records were not maintained for indigenous and imported stores and spares in some units.  | Noted<br>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 not 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 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   | No comments   |



- 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.
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 commensurate with the size of the Company and the 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:
    - a) Outstanding balances in Capital Work in Progress;
    - b) Regularisation of invoices related to unbilled debtors;
    - c) Inclusion of un-dispatched goods in Sales;
    - d) Inclusion of goods although dispatched but transfer of title to the buyer is yet to complete as per agreement in sales.
    - e) Stores pricing, codification and grouping; f)
    - f) Accountal of goods in transit
    - g) Payment to supplier against proforma invoice h)
    - h) Accountal of expenses incorrect account code
  5. In respect of transactions covered under Section 301 of the Companies Act, 1956 :
    - (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. No comments
    - (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. Noted
  6. The Company has not accepted deposits from the public within the meaning of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under. No comments
  7. No Internal audit was carried in company during the year. Noted
  8. As explained to us by the management the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956, for any of the products of the Company. No comments
  9. a. According to the information and explanations given by the Company, undisputed statutory dues including Due to stringent financial condition these statutory liabilities could not be discharged in time



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 31<sup>st</sup> March, 2007 for a period of more than six months from the date of becoming payable except the cases which are stated below.

Name of the Statute	Nature of Dues	Amount Rs.	Period to which the Amount relates
Bihar Finance Act, 1981	Jharkhand Sales Tax	23086895 5553173	Feb-03 to Sep-05 Octo., 05 to Sept.
	Central Sales Tax	76196959 9011218	Jan-03 to Sep-05 Octo., 05 to Sept.
	Bihar Electricity Duty Act, 1948	Electricity Duty	1603316
3023786			April, 02 to Mar. 03
3166112			April, 03 Mar. 04
3506787			April 04 to Mar. 05
924412			April 05 to Sept. 05
1883572			Oct., 05 to Mar. 06
Municipal tax Act	Municipal Tax	6000000	April, 98 to Mar. 06

As informed to us Investor Education and Protection Fund and Employees' State Insurance Act are not applicable to the Company.

- b. 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.

Disclosed in Notes on Accounts.

Sr. No.	Statutes	Commissioner Appeals (Rs.)	Tribunal (Rs.)	High Court (Rs.)	Total (Rs.)
1.	Jharkhand Sales Tax	12377000	7830000		20207000
2.	Central Sales Tax	11116000	9654000		20770000
3.	Provident Fund		950153513		950153513
4.	Excise		64536620		64536620

10. The accumulated loss of the Company as on 31<sup>st</sup> March 2007 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
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

As per Accounts of the company, it transpires that company has earned a Cash Profit of Rs. 21.47 crores during the Financial year 2006-07

No comments



- of dues to financial institutions, banks or debenture holders. However the company is defaulter in payment of loan to Govt. of India.
12. According to the information and explanations given to us, the Company has not granted any loan or advances on 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 longterm 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. No comments

**FOR SALARPURIA JAJODIA & CO.**

Chartered Accountants

Sd/

**(LALAN KUMAR)**

Partner

Place: Ranchi

Date: 30.08.2007

Sd/-  
**(S. K. Chakraborty)**  
Chief of Finance

## Heavy Engineering Corporation Limited

### Balance Sheet as at 31st March 2007

(Rs. in Lakhs)

	Schedule	31st March 2007	31st March 2006
<b><u>SOURCES OF FUNDS</u></b>			
<b>SHAREHOLDERS' FUND</b>			
Share Capital	1	45323.85	45323.85
Reserves & Surplus	2	11979.07	5181.58
<b>LOAN FUNDS</b>			
Secured Loans	3	6199.05	17626.04
Unsecured Loans	4	12210.75	9785.50
		<b>Total</b>	
		<u>75712.72</u>	<u>77916.97</u>
<b><u>APPLICATION OF FUNDS</u></b>			
<b>Fixed Assets</b>			
Gross Block		32285.08	31783.32
Less : Depreciation to date		<u>26832.13</u>	<u>26501.10</u>
Net Block	5	5452.95	5282.22
Capital Work-In - Progress	6	1166.82	898.60
Investments	7	0.36	0.36
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Inventories	8	12293.59	9258.36
Sundry Debtors	9	10755.44	8712.41
Cash & Bank Balances	10	1456.10	11495.04
Loans & Advances	11	<u>1548.26</u>	<u>1677.48</u>
		<u>26053.39</u>	<u>31143.29</u>
<b>Less :</b>			
<b>Current Liabilities &amp; Provisions</b>			
Liabilities	12	54643.98	55946.99
Provisions	13	<u>11316.28</u>	<u>12745.75</u>
		<u>65960.26</u>	<u>68692.74</u>
<b>NET CURRENT ASSETS</b>		<b>(39906.87)</b>	<b>(37549.45)</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>			
Balance as per annexed Account		108999.46	109285.24
		<b>Total</b>	
		<u>75712.72</u>	<u>77916.97</u>

**Notes to Accounts** 24

Schedules 1 to 24 &amp; Significant Accounting Policies form an integral part of the Accounts.

Sd/-  
A . K . Kanth  
Co. Secretary

Sd/-  
S. K. Chakraborty  
Chief of Finance

Sd/-  
M. R. Venugopal  
Director Personnel

Sd/-  
G. K. Pillai  
Chairman Cum Managing Director

In terms of our report of even date

**For Salarpuria Jajodia & Co**  
**Chartered Accountants**

Sd/-  
**( LALAN KUMAR )**  
Partner

Place : Ranchi  
Date : 30.08.2007





**Heavy Engineering Corporation Limited**  
**Profit & Loss Account for the year ended 31st March, 2007**

Rs In Lakhs

	Schedule	31st March 2007	31st March 2006
<b><u>EARNINGS</u></b>			
Turnover ( Gross )		30390.39	17817.80
Less Excise Duty		3708.21	2102.84
Turnover ( Net )		26682.18	15714.96
Job done for Internal use		488.55	252.79
Accretion / (Decretion) to Semifinished and finished goods	14	909.88	411.70
Other Income	15	1218.64	5392.95
Loss for the year carried down		1148.05	8638.83
		<b>Total</b>	<b>30447.30</b>
			30411.23
<b><u>OUTGOINGS</u></b>			
Consumption of Raw Materials & Components		14169.03	8659.66
Less Interplant Transfer		5481.97	2986.79
Consumption of Stores & Spares		3237.65	3010.98
Research & Development Expenditure	16	7.46	7.37
Employees' Remunerations & Benefits	17	6260.02	5419.39
Other Expenses of Manufacturing , Administration, Selling & Distribution		8920.22	5727.74
Less Interplant Transfer		491.74	650.04
Interest	19	2132.13	1858.80
Depreciation	5	290.88	316.73
Provisions	20	1467.86	4260.41
Township and Social Welfare	21	(122.78)	(228.18)
Miscellaneous Losses written off		58.54	5015.16
		30447.30	30411.23
Profit/ (Loss ) for the year brought down		(1148.05)	(8638.83)
Prior Period Income / (Expenditure)	22	1437.19	(26.62)
		289.14	(8665.45)
Expenditure under V.R.S.		3.36	23.09
Net Profit /( Loss)		285.78	(8688.54)
Balance being loss brought forward from previous year		(109285.24)	(210697.66)
<b>Restructuring</b>	23	0.00	110100.96
Balance being loss carried to Balance Sheet		<b>Total</b>	<b>(108999.46)</b>
			(109285.24)

**Notes to Accounts**

24

Schedules 1 to 24 & Significant Accounting Policies form an integral part of the Accounts.

Sd/-  
A .K .Kanth  
Secretary

Sd/-  
S. K. Chakraborty  
Chief of Finance

Sd/-  
M. R. Venugopal  
Director Personnel

Sd/-  
G. K. Pillai  
Chairman Cum Managing Director

In terms of our report of even date

**For Salarpuria Jajodia & Co**  
**Chartered Accountants**

Sd/-  
**( LALAN KUMAR )**  
 Partner

Place : Ranchi  
 Date : 30.08.2007



## Heavy Engineering Corporation Limited

### Schedule - 1

(Rs. in Lakhs)

	31st March 2007	31st March 2006
<b>SHARE CAPITAL</b>		
<b><u>Authorised Capital</u></b>	<b>50000.00</b>	50000.00
5000000 Equity Shares of Rs. 1000/- each		
<b><u>Issued &amp; Subscribed &amp; Paidup</u></b>		
45,32,335 (Previous year 43,21,485 ) Equity Shares of Rs. 1000/- each fully Paid up, of which 5496 (Previous year 5496 ) Shares allotted for consideration other than cash	<b>45323.35</b>	43214.85
	<b>45323.35</b>	43214.85
Advance against Share Capital ( Pending allotment of share)	<b>0.50</b>	2109.00
	<b>45323.85</b>	45323.85

### Schedule - 2

#### **RESERVES & SURPLUS**

Capital Reserve			
Opening Balance	5181.58	5168.52	
Addition during the year	8007.05	13.06	
<b>Total</b>	<b>13188.63</b>	5181.58	
Deductions during the year	<b>1209.56</b>	<b>0.00</b>	5181.58

### Schedule -3

#### **Secured Loans**

Working Capital Loan			
From Bank	6199.05	17342.40	
Add : Interest accrued & due (Secured by Hypothecation of Raw Materials, Finished Goods , Work-in- Progress, stores and Spare parts and Book Debts)	0.00	283.64	17626.04
<b>Total</b>	<b>6199.05</b>		17626.04

### Schedule-4

#### **Unsecured Loans**

From Govt. of India			
Plan Loan	582.50	582.50	
Non Plan Loan	10221.00	9203.00	
	<b>10803.50</b>		9785.50
Add: Interest accrued and due			
On Plan Loan	72.81	0.00	
On Non Plan Loan	1334.44	0.00	
	<b>1407.25</b>		
Short Term Loan from Bank	0.00	0.00	0.00
Add: Interest accrued & due	0.00	0.00	0.00
<b>Total :</b>	<b>12210.75</b>		9785.50

Rs. 10181.28 lakhs payable within next one year, previous year Rs.3364.35 lakhs.

**Schedule-5**  
**FIXED ASSETS**

(Rs. in Lakhs)

Type of Assets	Gross Block at Cost				Depreciation				Net Block	
	Cost as at 1.4.06	Addition / Adjustment	Deduction / Adjustment	Cost as at 31.3.07	Upto 31.03.06	for the year	Deduction / Adjustment	Upto 31.03.07	As at 31.3.07	As at 31.3.06
1	2	3	4	5	6	7	8	9	10	11
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	21386.39	472.81	0.00	21859.20	18714.31	250.39	0.00	18964.70	2894.50	2672.08
Plant Buildings	4589.12	0.00	0.00	4589.12	4178.41	16.97	0.00	4195.38	393.74	410.71
Residential Buildings	1586.62	0.00	0.00	1586.62	800.60	25.19	0.00	825.79	760.83	786.02
Non- Residential Buildings	1103.69	0.00	0.00	1103.69	433.43	17.72	0.00	451.15	652.54	670.26
Roads & Bridges	272.39	0.00	0.00	272.39	92.71	4.44	0.00	97.15	175.24	179.68
Railway Lines & Sidings	285.67	0.00	0.00	285.67	271.22	0.12	0.00	271.34	14.33	14.45
Water Works & Sewerage	589.23	0.00	0.00	589.23	532.15	1.49	0.00	533.64	55.59	57.08
Electrical Installations	539.00	8.44	0.00	547.44	499.55	1.36	0.00	500.91	46.53	39.45
Vehicles & Locomotives	241.46	12.73	0.29	253.90	224.35	1.96	0.27	226.04	27.86	17.11
Construction & Other Eqpt	316.98	0.00	0.00	316.98	283.66	3.05	0.00	286.71	30.27	33.32
Furniture Fixtures & Other office Equipments	525.64	8.07	0.00	533.71	470.71	8.61	0.00	479.32	54.39	54.93
<b>Total :</b>	<b>31783.32</b>	<b>502.05</b>	<b>0.29</b>	<b>32285.08</b>	<b>26501.10</b>	<b>331.30</b>	<b>0.27</b>	<b>26832.13</b>	<b>5452.95</b>	<b>5282.22</b>
Previous year's figures	31696.86	227.01	140.55	31783.32	26277.29	357.35	133.54	26501.10	5282.22	

Current period Depreciation	290.88
Prior period Depreciation	0.15
Depreciation shown in Schedule "21"	39.27
Depreciation transferred to R & D Expenses	1.00
<b>Total Depreciation</b>	<b>331.30</b>

**Note :-**

- Residential Buildings include 6529 Nos. ( Previous Year. 4652 Nos) Leased out Quarters, at cost of Rs. 757.42 lakhs ( Previous Year. Rs 444.90 Lakhs ), depreciated value Rs 348.36 L ( Previous Year. Rs 212.04 Lakhs ).
- Deed of conveyance of land for 7199.53 acres includes 2313 acres of land obtained free of cost from the State Govt. and also includes 316.19 acres directly transferred by Bihar Govt. to other Govt. agencies.
- Land includes 331.29 acres leased out land at cost of Rs. 16.91 Lakhs.

**Schedule-6**

	31st March 2007	31st March 2006
<b>Capital Work-In-Progress at Cost</b>		
Plant & Machinery	1639.73	1400.14
Less : Provisions	472.91	501.54
<b>Total</b>	<b>1166.82</b>	<b>898.60</b>

Notes 1. Items under Capital Work-In-Progress above Rs.10 Lakhs having no / slow Progress amounts to Rs 1132.30 L (Previous year Rs 1109.30 L )

**Schedule - 7**

<b>Investments (Other than trade investment), Unquoted</b>		
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>

## Schedule - 8

(Rs. In Lakhs)

	31st March 2007		31st March 2006	
<b>Inventories</b>				
(As certified by the Management)				
Raw Materials & Components	4872.84		3985.86	
Less Provision / Stock Adjustment	<u>1648.55</u>	<b>3224.29</b>	<u>1546.35</u>	2439.51
Stores, Spares & Components including construction materials	874.31		677.58	
Less Provision / Stock Adjustment	<u>303.46</u>	<b>570.85</b>	<u>272.35</u>	405.23
Goods -in-Transit/ Under Inspection	1519.10		844.96	
Less Provision	<u>256.59</u>	<b>1262.51</b>	<u>334.46</u>	510.50
Loose tools, Drawing instruments etc.	726.54		445.36	
Less Provision	<u>0.00</u>	<b>726.54</b>	<u>0.00</u>	445.36
Stock of finished products	827.11		471.42	
Less Provision	<u>252.05</u>	<b>575.06</b>	<u>271.99</u>	199.43
Work-In -Progress	6211.08		5586.09	
Less Provision	<u>276.74</u>	<b>5934.34</b>	<u>402.10</u>	5183.99
Work-In -Progress ( Turnkey Project )	0.00		70.81	
Less Provision	<u>0.00</u>	<b>0.00</b>	<u>0.00</u>	70.81
Discarded Assets	3.47		7.01	
Less Provision	<u>3.47</u>	<b>0.00</b>	<u>3.48</u>	3.53
Total Inventory	15034.45		12089.09	
Less Provision / Stock Adjustment	<u>2740.86</u>	<b>12293.59</b>	<u>2830.73</u>	9258.36

- Note: 1 Finished Stock & WIP includes items worth Rs 86.27 L (Previous Year Rs. 103.28 L) against closed, cancelled & old work orders which has been valued at scrap rates.  
 2 Non-Moving Raw Materials and Store & Spares for more than 3 yrs are Rs 1157.81 L (Previous Year Rs.1083.64 L). The existing Provision is considered adequate.  
 3 Goods In Transit includes CV Duty Rs 101.15 Lakhs, ( Previous Year Rs 23.52 Lakhs ).  
 4 Material lying with third parties amounting to Rs. 144.55 L for which provision exists Rs 116.46 L  
 5 Finished goods includes Rs 57.19 Lakhs lying at Depot.  
 6 Raw Materials & Components including scrap at shop floor Rs. 155.71 L ( Previous year Rs 220.13L )

## Schedule – 9

**Sundry Debtors Unsecured**

<b>Debts outstanding</b>	<b>Over Six Months</b>	<b>Other Debts</b>	<b>Total Debts</b>		<b>Over Six Months</b>	<b>Other Debts</b>	<b>Total Debts</b>	
<b>(A) Public Sector &amp; Govt. Dept.</b>								
Considered Good	<b>5701.12</b>	<b>4703.50</b>	<b>10404.62</b>		5220.94	3068.87	8289.81	
Considered Doubtful	<b>4217.63</b>	<b>76.12</b>	<b>4293.75</b>		3353.74	40.67	3394.41	
	<b>9918.75</b>	<b>4779.62</b>	<b>14698.37</b>	<b>14698.37</b>	8574.68	3109.54	11684.22	11684.22
<b>(B) Others</b>								
Considered Good	<b>152.33</b>	<b>198.49</b>	<b>350.82</b>		245.96	176.64	422.60	
Considered Doubtful	<b>267.12</b>	<b>0.14</b>	<b>267.26</b>		171.21	0.31	171.52	
	<b>419.45</b>	<b>198.63</b>	<b>618.08</b>	<b>618.08</b>	417.17	176.95	594.12	594.12
				<b>15316.45</b>				12278.34
Less : Provision for Doubtful Debts			<b>3688.62</b>				3292.09	
Provision for Liquidated Damages			<b>872.39</b>				273.84	
			<b>4561.01</b>	<b>4561.01</b>			3565.93	3565.93
<b>Total</b>				<b>10755.44</b>				8712.41

Note: Sundry Debtors include unbilled despatches Rs. 1657.00L (Previous year Rs1523.63 L ) after adjustment of contra advance Rs.933.48 Lakhs (Previous year Rs. 0.00 Lakhs) .Sundry Debtors also include Rs. 2241.55 L (Previous year Rs 2072.35 L)towards equipments already supplied but realisation there of is subject to compliance of certain contractual obligation.



## Schedule – 10

(Rs.in Lakhs)

	31st March 2007	31st March 2006
<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)	77.68	24.71
Cheques - in - Transit	885.92	9757.26
Balance with Schedule Bank Current Account	425.58	1713.07
[includes Rs.116.67 lakhs, (Previous. year Rs.147.35 lakhs) kept aside for specific / identified expenses ]		
Short Term Deposit with Bank ( STDR kept as lien )	66.92	0.00
<b>Total</b>	<b>1456.10</b>	<b>11495.04</b>

## 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	0.00		0.00
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**Unsecured**

Considered Good	1165.46		1396.33
Considered Doubtful	<u>830.71</u>		<u>633.85</u>

	1996.17		2030.18
Less : Provision for bad & doubtful Advances	<u>830.71</u>	1165.46	<u>633.85</u>
Balance with employee Co-operative	8.47		8.77
Less : Provision	<u>8.47</u>	0.00	<u>8.67</u>

Deposits with private parties for services and works			
Considered Good	2.31		2.41
Deposits with Government Authorities.	154.60		124.24
Prepaid Expenses	6.96		5.87
Claims Receivable	158.90		137.45
Income Tax deducted at source	59.32		10.37
Security Deposit of Staff and Contractors as per contra in Schedule – 12	0.71		0.71
<b>Total</b>	<b>1548.26</b>		<b>1677.48</b>

Amount due from Directors Rs 0.00 L Maximum amount due at any point of time during the year from Directors 0.22 L

## Schedule - 12

**Liabilities****Sundry Creditors**

Dues to SSI	57.64		104.97
VRS Liabilities	33.73		65.85
Others	<u>47325.16</u>	<u>47416.53</u>	<u>47681.63</u>

**Other Liabilities**

Outstanding VRS Grant	0.00		0.00
Advance from Customers	3940.64		3956.33
Security & Other deposits from contractors etc.	722.26		2175.80
Security & Other deposits as per contra in schedule-11	0.71		0.71
Book Overdraft with Scheduled Bank	414.26		129.98
Miscellaneous	<u>2016.13</u>	<u>7094.00</u>	<u>1818.54</u>
Interest Accrued but not due		<u>133.45</u>	<u>13.18</u>
<b>Total</b>	<b>54643.98</b>		<b>55946.99</b>

**Schedule- 13**

(Rs.in Lakhs)

	31st March 2007	31st March 2006
<b>Provisions</b>		
Provision for Gratuity	5018.88	4808.23
Provision for Leave Encashment	2343.64	2252.45
Provision for Revision of Pay Scale for employees	3715.25	5527.21
Provision for Impaired Assets	17.35	2.09
Provision for After Sales Services	218.39	154.41
Provision for misc. loss	2.77	1.36
<b>Total</b>	<b>11316.28</b>	<b>12745.75</b>

**Schedule – 14****ACCRETION / (DECRETION) TO VALUE OF W.I.P & FINISHED STOCK**

<b>Work-In-Progress</b>		
Opening Stock	5656.90	4438.70
Closing Stock	<u>6211.09</u>	<u>5656.90</u>
	554.19	1,218.20
<b>Finished Stock</b>		
Opening Stock	471.42	1416.62
Transferred to Raw Materials	0.00	138.70
Closing Stock	<u>827.11</u>	<u>471.42</u>
	355.69	(806.50)
<b>Total</b>	<b>909.88</b>	<b>411.70</b>

**Schedule – 15****Other Income**

Interest	9.27	5.17
Rent	0.89	0.68
Miscellaneous Income	437.99	268.22
Profit on Sale of Asset	11.49	0.00
Excess provision written back	565.43	4960.58
Profit on Sale of Stores	185.04	148.90
Income from HTI	8.53	9.40
<b>Total</b>	<b>1218.64</b>	<b>5392.95</b>

**Schedule – 16****Research & Development Expenses**

Material Stores & Spares Consumed	1.05	0.60
Salary & Allowances	5.41	5.77
Others	0.00	0.00
Depreciation	1.00	1.00
<b>Total</b>	<b>7.46</b>	<b>7.37</b>



## Schedule – 17

(Rs.in Lakhs)

	31st March 2007	31st March 2006
<b>Employee's Remunerations &amp; Benefits</b>		
Salaries, Wages & Bonus	5599.86	4733.09
Corporation Contribution to Provident Fund & Employee's Pension Fund 408.98	419.53	
Workmen and Staff Welfare Expenses (includes LTA provision Rs. 41.37 L, ( Previous Years Rs.133.46 L) made on estimated basis)	260.14	342.78
Gratuity	623.88	520.20
<b>Total</b>	<b>6903.41</b>	<b>6005.05</b>
Less : i) Transferred to Township & Social Overhead Expenses	637.98	579.89
ii) Transferred to R & D Expenses	5.41	5.77
<b>Total</b>	<b>6260.02</b>	<b>5419.39</b>

**REMUNERATION TO DIRECTORS**

( including Chairman cum Managing Director )

Salary ( including Leave Salary )	3.41	2.56
Provident Fund Contribution	0.33	0.26
Gratuity	0.15	0.13
<b>Total</b>	<b>3.89</b>	<b>2.95</b>

Note : Full time Directors have been allowed the 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 – 18

**Other Expenses of Manufacturing , Administration, Selling & Distribution**

Power & Fuel	2780.49	2595.51
Rent ( incl. Rates & taxes Rs. 1.41 Lakhs, pre. year Rs.1.44 Lakhs)	4.90	7.03
Excise Duty	69.65	108.81
Insurance	27.14	10.51
General Expenses (including Rs.659.43 lakhs , previous. Year Rs 649.23 lakhs on exp. On CISF )	1249.44	1041.58
Wealth Tax	0.09	0.00
Motor Vehicle Running Expenses	38.92	26.51
Sales Promotion	220.29	126.01
Repairs & Maintenance		
Plant & Machinery	181.73	239.11
Buildings	16.83	29.74
Others	116.88	97.25
Auditor's Remuneration		
Audit Fees	1.35	1.35
Tax Audit Fees	0.22	0.22
Service tax	0.00	
Expenses for Audit	0.00	
Amortisation of Tools	485.56	364.70
Training Expenses	0.15	0.52
Other Charges For Production		
Machining Charges	446.30	528.49
Others*	3280.28	1078.89
<b>Total</b>	<b>8920.22</b>	<b>5727.74</b>

Note : Repairs & Maintenance includes Stores & Spares Rs. 198.88 Lakhs ( Previous year Rs. 200.52 Lakhs)  
\* Includes Bonus of Rs. 46.14 Lakhs Pre. Year Rs. 35.28 Lakhs payable under Works Contract

**Schedule – 19**

(Rs.in Lakhs)

	31st March 2007	31st March 2006
<b>Interest</b>		
Interest on Govt. Loan	1527.52	13.18
Interest on Deferred Credits	0.00	0.00
Interest on Others	604.61	1845.62
	<b>2132.13</b>	<b>1858.80</b>

**Schedule – 20**

<b>Provisions</b>		
Provision for Bad & Doubtful Debts and Advances	274.18	2202.61
Provision for Liquidated Damages	817.72	251.41
Provision for Impaired Assets	15.26	2.09
Miscellaneous Provisions	360.70	1804.30
	<b>Total</b>	<b>Total</b>
	<b>1467.86</b>	<b>4260.41</b>

**Schedule – 21****Township and Social Welfare**

<b>Expenses</b>		
Payment to and Provision for Employees	637.98	579.89
Genl. expenses (including environmental exp. Rs. 2.00 lakhs & previous year Rs. 2.00 lakhs)	15.15	9.49
Water & Electricity Charges	113.59	119.39
Municipal Taxes / Charges	8.00	8.00
Motor Vehicle Running Expenses	1.47	3.16
Repairs & Maintenance(incl .Stores Rs. 0.84 lakhs, pre. year Rs.4.28 lakhs)		
Buildings	6.71	2.24
Others	<b>12.64</b>	<b>13.66</b>
Loose Tools charged off	0.00	0.00
Depreciation	39.27	39.13
Loose on Sale of Fixed Assets	0.00	0.00
Provision	160.71	11.69
	<b>Total</b>	<b>Total</b>
	<b>995.52</b>	<b>786.65</b>
<b>Income from Township</b>		
Rent, Water and Electricity Charges	1048.93	787.41
Excess provision written back	0.00	0.00
Interest	1.35	0.01
Miscellaneous Income	1048.93	227.41
	<b>68.02</b>	<b>1014.83</b>
Debit to Profit & Loss Account	<b>Total</b>	<b>Total</b>
	<b>(122.78)</b>	<b>(228.18)</b>

**Schedule- 22****Prior Period Adjustment**

<b>Income</b>		
Sales (including services)	(0.57)	39.69
Previous yr. exp. Written back	533.76	2.59
Other Miscellaneous Income	(0.01)	363.91
	<b>Total</b>	<b>Total</b>
	<b>533.18</b>	<b>406.19</b>
<b>Less : Expenses</b>		
Raw Materials Consumed	28.70	133.17
Stores & Spare Parts Consumed	32.14	16.70
Payment to & Provision for Employees	12.03	52.56
Township Load	(992.65)	283.39
Depreciation	0.15	0.44
Miscellaneous Expenses (Net)	15.62	(53.45)
	<b>Total</b>	<b>Total</b>
	<b>(904.01)</b>	<b>432.81</b>
	<b>Net</b>	<b>Net</b>
	<b>1437.19</b>	<b>(26.62)</b>

**Schedule- 23 Restructuring :**

(i) Waiver of Non Plan loan	0.00	78640.06
(ii) Waiver of Govt. Interest	0.00	31460.90
	<b>Total</b>	<b>Total</b>
	<b>0.00</b>	<b>110100.96</b>



Cash Flow Statement Annexed to the Balance Sheet  
for the period April 2006 - March 2007

	(Rs. in Lakhs)	
	2006-07	2005-06
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
<b>Net Profit before Tax</b>	285.78	101412.44
<b>Adjustments for:</b>		
Depreciation	331.03	357.35
Interest Expenses	2132.13	1858.80
Impact of Restructuring	0.00	(110100.96)
Lease Income	(1209.56)	0.00
Incremental Provisions	(1429.47)	331.30
<i>Operating Profit before Working Capital Changes</i>	109.91	(6141.07)
<b>Adjustments for:</b>		
Trade and Other Receivables	(2043.03)	1907.09
Inventories	(3035.23)	886.48
Trade Payables	(1303.01)	135.25
Loans & Advances	129.22	(306.72)
<i>Cash Generated from Operations</i>	(6142.14)	(3518.97)
<i>Net Cash from Operating Activities</i>	(6142.14)	(3518.97)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of Fixed Assets	(502.05)	(227.01)
Sale/Adjustment of Fixed Assets	0.29	7.01
Adjustment in Capital Work-in-Progress	(268.22)	146.59
Lease income	1209.56	0.00
<i>Net Cash from Investing Activities</i>	439.58	(73.41)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Increase/(Reduction) in Share capital	0.00	2109.00
Proceeds from Long-Term Borrowings	897.73	0.00
Interest Payment	(604.61)	(1858.80)
Waival / Restructuring of Unsecured Loan	0.00	(99528.24)
Impact of Restructuring	0.00	110100.96
Short Term Loans	(11426.99)	2068.09
Liability for leased assets	6797.49	13.06
<i>Net cash from in financing activities</i>	(4336.38)	12904.07
<b>Net increase /(Decrease) in cash and cash equivalents</b>	(10038.94)	9311.69
Opening Balance of Cash and Cash Equivalents	11495.04	2183.35
Closing Balance of Cash and Cash Equivalents	1456.10	11495.04
	(10038.94)	9311.69

## SCHEDULE "24" NOTES ON ACCOUNTS

1. The accounts of the Company have been prepared on a "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 had 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 26.04.2007. Department of Heavy Industry and Government of Jharkhand have filed affidavits at 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 waival 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 is also approved by the Hon'ble High Court of Jharkhand on 13.07.2006 and accordingly this was considered in the Annual accounts of 2005-06. The settlement of JSEB dues, CISF dues and also Sales Tax dues are pending due to quantum of land to be transferred to Govt. of Jharkhand has not yet decided.

The last hearing of AAIFR was on 15.05.2007. The Appellate forum was apprised the development so far made in the Company Petition in the Hon'ble High Court, Ranchi. The Appellate forum was of the view that as the scheme has already been sanctioned for the revival of the Company the question of winding up of the Company as confirmed by BIFR is no longer subsisting. The AAIFR should keep the matter in abeyance till the Hon'ble High Court finally adjudicates upon the matter.

### 2. Contingent Liabilities :

- a) Estimated amount of contracts, remaining to be executed on capital account and not provided for is Rs 23.89 Lakhs (Previous year Rs. 29.62 Lakhs) .
- b) Claims against the corporation not acknowledged as debts Rs. 6664.27 Lakhs (Previous year Rs. 6688.37 Lakhs)
- c) Unexpired Letter of Credit Rs. 2830.15 Lakhs (Previous year Rs. 509.09 Lakhs)
- d) Unexpired Bank Guarantee Rs.4667.17 Lakhs (Previous year Rs. 1563.23 Lakhs)



- e) Delayed payment surcharge on Energy charges Rs 47533.40 Lakhs (Previous Year Rs. 40181.15 lakhs)
- f) Water Charges Rs. 929.96 Lakhs (Previous year Rs. 883.91 Lakhs)
- g) Damages of PF dues **Rs. 9501.54 Lakhs** (Previous year Rs. 9501.54 Lakhs)
- h) Others including Legal Cases **Rs 1770.48 Lakhs** (Previous year Rs. 1402.35 Lakhs)
3. One time premium of **Rs. 8007.05 lakhs** received during this year against leasing out of quarter on long term basis. Further, out of Rs. 12921.72 lakhs received towards Long Term Lease from 1995 – 96 onwards to 31.03.2007, a sum of Rs. 1209.56 lakhs has been amortised on the basis of period of lease irrespective of the date of agreement.
4. (a) Turnover includes services Rs. 268.91 Lakhs (Pr. Yr. Rs. 255.66 Lakhs).
- (b) Turnover include unbilled sales amounting to Rs. 637.62 lakhs including escalation (previous year Rs. 1377.60 lakhs).
- (c) Turnover include Rs. 2024.01 Lakhs in respect of turnkey contract executed by HMBP (previous year Rs. 80.69 lakhs ) valued at provisional rate on the basis of payment terms of the contract to the extent goods completed, inspected, despatched / on delivery to the carrier and billed.
- (d) Interplant transfer of Rs.5973.71 Lakhs (previous year Rs. 3636.83 Lakhs) including services of Rs.468.75 Lakhs (previous year Rs. 438.37 Lakhs) have been excluded from total Turnover of the Company.
5. Since the wage agreement dated 27.11.06 still awaits approval by Govt. of India, no provision for pay revision due from 01.01.1997 has been considered in accounts.
6. Confirmation of balances of various Accounts like Sundry Debtors, Loans & Advances, Deposits, Sundry Creditors etc. could not be obtained from the respective parties.
7. Interest amounting to Rs.23.99 Lakhs on over due amount of Rs. 57.64 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 lakhs was outstanding for more than 45 days are as at Annexure-1.
8. Although transfer of title will pass on commissioning and acceptances by clients a sum of Rs 840.62 lakhs has been considered is Sales to SDSC, SHAR based on actual dispatch of equipment and receipt of the same by their stores. The customer has paid the billed amount against dispatches along with Sales tax.
9. Liabilities for LTA amounting to Rs. 581.89 Lacs already made in earlier years have been withdrawn from 2001-02 to 2005-06 except for those employees who had retired during these periods with reference to Govt. of India circular No. 31011/3/2001-(Estt.-A) dt. 02.03.2001, 22.05.2001 and 2 (3) /2001 -DPE (WC) dt. 28.02.2002 and HEC Policy Section Circular dt. 27.08.2001, 28.10.2003 , 13.06.2005 and 03.07.2007.
10. 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 recognised 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.
11. Interest for delay in depositing statutory dues and other remittances is provided wherever applicable and ascertained.
12. Segment information in accordance with Accounting Standard –17 (AS-17) issued by ICAI are furnished at Annexure-2.
13. Disclosure as required by 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		
	Key Management Personnel	Period	Remunerations	Terminal Benefits
1	Sri S. Biswas, D(P) Acting CMD	4/2006 - 2/2007	3.02	0.36
2	Sri M R Venugopal Director (P)	3/2007- 3/2007	0.46	0.05
		<b>Total :</b>	<b>3.48</b>	<b>0.41</b>

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

14. In certain areas like Transport, Hospital consumable like Petrol, Diesel, Medicines and Stationary are treated as consumed during the year.
15. 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 could not be done in some cases in conformity with the requirement of AS – 2 as the amount is not ascertainable.
16. The previous years figures have been regrouped, recast, reclassified and rearranged to make them comparable as far as practicable with those of current year.
17. The schedule 1 to 24 and the Statement of Accounting Policy form an integral part of these accounts.



**ANNEXURE – I****ANNEXURE TO NOTE NO.7 OF SCHEDULE '24'**

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

- |                              |                             |
|------------------------------|-----------------------------|
| 1. Bholia Industries         | 7. Eastern Alloys Pvt. Ltd. |
| 2. Subernrekha Enterprises   | 8. Shanti Engg. Works       |
| 3. New Standard Engg. Works  | 9. Sterling Abrasive        |
| 4. Transgletz Enterprises    | 10. Meditron                |
| 5. Hatia Engineering Complex | 11. Dey Brothers            |
| 6. S K Industrial Gases      |                             |

**Annexure to Note No. 12 of Schedule - "24"**  
**Information about different business units (Segments)**

(Rs. in Lakhs)

	<b>Foundry Forge Plant</b>	<b>Heavy Machine Building Plant</b>	<b>Heavy machine Tools Plant</b>	<b>H E C Ltd (including HQ &amp; Township)</b>
<b>REVENUE</b>				
External Sales	5532.19	22100.96	2757.24	<b>30390.39</b>
Inter-plant/Job done for own use	5923.61	271.69	266.96	<b>6462.26</b>
Total Revenue	11455.80	22372.65	3024.20	<b>36852.65</b>
<b>RESULT</b>				
Net Profit (Before Intt.)	(1595.02)	3024.70	(445.60)	<b>984.08</b>
Interest	875.07	1065.30	191.76	<b>2132.13</b>
Profit from ordinary activities	(2470.09)	1959.40	(637.36)	<b>(1148.05)</b>
Prior Period Income	609.65	668.41	159.13	<b>1437.19</b>
V.R.S. Exp.	0.00	3.11	0.25	<b>3.36</b>
Net Profit	<b>(1860.44)</b>	<b>2624.70</b>	<b>(478.48)</b>	<b>285.78</b>
<b>OTHER INFORMATION</b>				
Segment Assets	7121.00	14613.29	4394.65	<b>26128.94</b>
Addition during year	447.96	9.62	22.68	<b>480.26</b>
Unallocated Assets				<b>6064.32</b>
Total Assets				<b>32673.52</b>
Segment Liabilities	37807.43	10750.19	3249.26	<b>51806.88</b>
Unallocated Liabilities				<b>14153.38</b>
Total Liabilities				<b>65960.26</b>
Capital Expenditure	645.36	80.17	22.68	<b>748.21</b>
Unallocated Capital Expenditure.				<b>21.77</b>
Total Capital Expenditure.				<b>769.98</b>
Depreciation	190.03	48.77	45.31	<b>284.11</b>
Unallocated Depreciation				<b>47.19</b>
Total Depreciation				<b>331.30</b>

**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 Rs2,00,000 or more per month when employed for part of the year for current year).

**(Rs. in Lakhs)**

Current Year  
Nil

Previous Year  
Nil

**B. CAPACITY AND PRODUCTION**

	Licensed Capacity		Installed Capacity		Actual Production	
	2006-07 III/II Stage in MT	2005-06 III/II Stage in MT	2006-07 MT	2005-06 MT	2006-07 MT	2005-06 MT
<b>Goods Manufactured</b>						
<b><u>F.F.P.</u></b>						
G.I. castings	33345	33345	33345	33345	1079	1196
Steel Castings	40182	40182	40182	40182	3821	3632
Forging and Forged Rolls	41463	41463	41463	41463	6951	5941
N.F. Castings	700	700	700	700	48	83
G.I. Moulds	1110	1110	1110	1110	217	145
Steel Ingots, Core and Synthetic Iron	40000	40000	40000	40000	7414	5841
Rolls (G.I. & Steel)	17740	17740	17740	17740	-	-
	<b>174540</b>	<b>174540</b>	<b>174540</b>	<b>174540</b>	<b>19530</b>	<b>16838</b>

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.

<b><u>H.M.B.P.</u></b>						
Mettallurgical Machinery & Equipment	80000	80000	80000	80000	7379	4159
Structurals	25000	25000	25000	25000	-	-
	<b>105000</b>	<b>105000</b>	<b>105000</b>	<b>105000</b>	<b>7379</b>	<b>4159</b>

- 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.

		<u>Rs. In Lakhs</u>	
Turn Key Project : No of Contract - 1 No	2024.01	80.69	

<b><u>H.M.T.P.</u></b>						
Machine Tools, Accessories/ Spares & Other products Including Machinery including special accessories and jobbing.	10,000 6 Nos. (Prev year 4 No.) 418 Nos. (Previ yr 275 No.)	10,000	<b>10,000</b>	10,000	537.71	579.44

- Notes: 1. Production figures are exclusive of Inter Plant Transfer but includes 0 No. of CNC Machine manufactured for Sister Plant (Previous Year 0 No.)  
2. Production figures are as certified by the Management.

**C. Turnover**

(Rs.in lakhs)

	<b>Quantity M.T.</b>		<b>Sales less return value</b>	
	<b>2006-07</b>	2005-06	<b>2006-07</b>	2005-06
<b><u>F.F.P.</u></b>				
Iron Castings	-	-	-	-
G.I. Castings	<b>49.00</b>	828.82	<b>80.28</b>	367.24
Steel Castings	<b>801.06</b>	1398.79	<b>647.06</b>	945.34
Forging & Forged Rolls	<b>2461.33</b>	1894.96	<b>3765.59</b>	3120.08
Export Sales	-	-	-	-
Rolls	-	-	-	-
Coal Tar	-	-	<b>392.96</b>	-
Excise Duty recovered	-	-	<b>646.30</b>	231.29
Services	-	-	-	550.06
	<b>3311.39</b>	4122.57	<b>5532.19</b>	5214.01
<b><u>H.M.B.P.</u></b>				
Metallurgical Machinery & Equipment	<b>7230.50</b>	4756.20	<b>15190.17</b>	9443.76
Structural	-	-	-	-
<b>Turn Key Project</b>	<b>1 Nos</b>	2 Nos	<b>2,024.01</b>	80.69
	<b>7230.50</b>	4756.20	<b>17214.18</b>	9524.45

**Note:**

Sales Excludes :-

- i) Rs. 2681.33 lakhs (pre. year Rs. 1397.88 lakhs) on account of Excise Duty.
- ii) Rs. 90.71 lakhs (pre. year Rs. 111.61 lakhs) on account of services rendered.
- iii) Inter Plant Transfer of 354.741 MT valued at Rs. 216.66 lakhs (pre. year 355.677 MT Valued at Rs. 211.67 lakhs)
- iv) Rs. 55.03 lakhs on account of job done for own use (pre. year Rs. 14.95 lakhs).
- v) Production figures are inclusive of production for internal use.

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

Machine Tools 6 Nos. (pre. year 4 Nos.)	<b>304.40</b>	290.00	<b>1566.56</b>	1167.15
Special Accessories & Jobbing (418 nos.) (pre. year 275 Nos.)	<b>147.23</b>	133.97	<b>757.69</b>	206.25
	<b>451.63</b>	423.97	<b>2,324.25</b>	1,373.40

- Notes: 1. Income from services amounting to Rs. 52.41 lakhs has been excluded from the above turnover (previous year Rs. 41.55 lakhs).
2. Excise Duty recovered amounting to Rs. 380.58 lakhs has not been shown in the above turnover (previous year Rs. 154.90 Lakhs).



## E. RAW MATERIAL CONSUMPTION

(Including bought out items and direct despatches)

Items		2006-07		2005-06	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
<b>FFP</b>					
Alloy Steel	MT	353.12	198.65	575.74	281.95
Ferrous & Ferro Alloy	MT	9,598.58	2,051.01	6,754.28	1,197.78
Non-Ferrous Alloy	MT	121.40	240.58	143.20	215.52
Crank Shaft		100.80	464.77	94.70	352.27
Timber	CM		25.12	37.23	71.09
	SQ.FT	0.00	-	6464.97	
			<u>2,980.13</u>		<u>2,118.61</u>
<b>H.M.B.P</b>					
Grey Iron Castings	MT	143.73	110.82	125	72.28
Steel Castings	MT	1,873.60	2,066.40	1,549	1,440.07
Steel Forging	MT	1,244.43	2,262.72	863	1,161.64
Non Ferrous Castings	MT	26.93	244.16	24	105.50
Steel Plates, Profiles &	MT	2,959.70	857.95	2,569	959.32
Component/Accessories &	NOS	436.00	478.88	402	830.78
Miscellaneous (GR-99)	LTR	63.88	209.87		
	MT	273.58			
	MTRS	10,098.00			
	NOS	5,168.00			
Fabricated Items	NOS	34,204.00	208.94	227,570	124.16
Machinery Parts	MTRS	313,921.97		8,709	
Spares	KG	4,211.30		2,498	
Bolts, Nuts, Tools etc.	SOR MT	44.30		92	
Electricals	MTRS	1,547.42	2,883.98	27,015	574.49
	NOS	711.39			
	KG	1,220.89		769	
	SET			88,015	
Bearings	NOS	4,428.00	232.33	1,709	86.90
				638	219.03
			<u>9,556.05</u>		<u>5,574.17</u>
<b>H.M.T.P.</b>					
Castings (Indigenous)		973 Nos.	773.31	11373 Nos.	501.97
Components (Imported)		306 Nos.	432.39	385 Nos.	138.37
Misc. Items (Indigenous)		194360 Nos.	427.15	367039 Nos.	326.54
			<u>1,632.85</u>		<u>966.88</u>

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

(Rs. in Lakhs)

	<u>2006-07</u>		<u>2005-06</u>	
	<u>Value</u>	<u>%</u>	<u>Value</u>	<u>%</u>
(a) Raw Materials				
(i) Imported*	<b>1,044.21</b>	<b>7.37</b>	1,199.23	13.85
(ii) Indigenous	<b>13,124.82</b>	<b>92.63</b>	7,460.43	86.15
	<b>14,169.03</b>	<b>100.00</b>	8,659.66	100.00
(b) Stores & Spares (including stores and spares used for repairs & Maintenance)				
(I) Imported	<b>124.46</b>	<b>3.84</b>	170.48	5.66
(ii) Indigenous	<b>3,113.19</b>	<b>96.16</b>	2,840.50	94.34
	<b>3,237.65</b>	<b>100.00</b>	3,010.98	100.00

Note : \* Exclusive of imports through canalised agencies.

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

Raw materials, Spare Parts

Components	<b>1,341.81</b>	1,538.30
Capital Goods	-	-
Total :	<b>1,341.81</b>	1,538.30

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**

Salaries & Allowances to Foreign Experts (including TA, DA etc)	-	-
Expenses on Trainees Technical know-how fee	<b>43.77</b>	-
Liaison Office Maintenance expenses at U.S.S.R & Others	-	-
Fees & Air Fair to Foreign Experts	-	-
Travelling Allowances to Directors & Officers Abroad	<b>13.90</b>	-
Payment for Tech. Supr.	-	-
Interest for Deferred Credit	-	-
Royalty	-	-
Others	-	6.52
	<b>57.67</b>	6.52

**H. Earnings in Foreign Exchange**

Export of Goods calculated on F.O.B. Basis	-	-
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**HEAVY ENGINEERING CORPORATION LTD.**

Annexed to and forming part of the Account

(Rs. in Lakhs)

*Additional Information pursuant to Part IV of Schedule 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
---	---	---	---	---	---

State Code

	0	3
--	---	---

Balance Sheet Date

3	1	0	3	0	7
---	---	---	---	---	---

Date                      Month                      Year

**2. Capital raised during the year**

Public Issue

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

Right Issue

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

Bonus Issue

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

Private Placement

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

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

Total Liabilities

	7	5	7	1	3
--	---	---	---	---	---

Total Assets

	7	5	7	1	3
--	---	---	---	---	---

**Sources of Funds**

Paid - up Capital

4	5	3	2	4
---	---	---	---	---

Secured Loans

	6	1	9	9
--	---	---	---	---

Reserve &amp; Surplus

1	1	9	7	9
---	---	---	---	---

Unsecured Loans

	1	2	2	1	1
--	---	---	---	---	---

**Application of Funds**

Net Fixed Assets

	6	6	2	0
--	---	---	---	---

Investment

			1
--	--	--	---

Net Current Assets

-	3	9	9	0	7
---	---	---	---	---	---

Misc/ Expenditure

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

Accumulated Loss

1	0	8	9	9	9
---	---	---	---	---	---

**4. Performance of Company**

Turn Over

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

Total Expenditure

3	0	4	4	7
---	---	---	---	---

+ - Profit / Loss before Tax

			2	8	6
--	--	--	---	---	---

+ - Profit / Loss before Tax

			2	8	6
--	--	--	---	---	---

Earning per Share (in Rs.)

0	0	6
---	---	---

Dividend Rate %

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

**5. Generic Names of three principal product / service of the Company (as per monetary terms ).**  
 Item Code No. (ITC Code).

Product	S	T	E	E	L		P	L	A	N	T									
Description	M	I	N	I	N	G		E	Q	U	I	P	M	E	N	T				

Item Code No. (ITC Code)

Product Description	S	T	E	E	L		C	A	S	T	I	N	G							
	F	O	R	G	I	N	G	S		&		R	O	L	L					

Item Code No. (ITC Code)

Product Description	H	E	A	V	Y		M	A	C	H	I	N	E							
	T	O	O	L	S															



## 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

- (i) Fixed assets (Other than Land acquired from State Government) are carried at the cost of acquisition or construction less accumulated depreciation.
- (ii) Land acquired free of cost from the State Government is taken at nominal value of Re. 1/- per acre.
- (iii) Government grants related to specific Fixed assets are adjusted against its gross value.

### 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 are valued in the basis of specific identification of individual cost.
- (v) Rejection and scrap are valued at its closing book rate where it is used as raw material.
- (vi) Coal Tar a by product is valued at market price.
- (vii) Material in transit on proof of dispatch awaiting inspection is valued at cost incurred.
- (viii) The percentage of completion i.e. the stage of completion of work-in-progress is taken as certified by Shop management on technical assessment.
- (ix) 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 despatches 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) Escalation 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 :  
The sale is recognised to the extent billed including escalation as per terms of payment for the respective contract against work done as per technical evaluation for different items of work based on the "percentage of completion method" at the stage when progress of the contract is completed 30% or more of the contract value.
- (i) 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 obligations are accounted for against natural heads in the year of incurrence.

### 7. RETIREMENT BENEFITS

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 finalisation of prices and receipt of formal orders from customers and also value of despatches which are unbilled after adjustment on pro-rata basis of advances / progress payments received against the relevant contract.

## 10. GRANTS-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 recognised as other income over the years to which it relates.

## 11. INVESTMENTS

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 realised gains and losses on foreign exchange transactions 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

The lump sum payments 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. CLAIMS 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, Railway 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 realisation / claim.

## 16. INTER PLANT COST ALLOCATION

- (i) 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 utilisation 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.