

## NOTICE

NOTICE is hereby given to the members that the 20th Annual General Meeting of the Company will be held at its Registered Office at 26, Raja Santosh Road, Alipore, Kolkata-700 027 on Wednesday, the 20th September, 2006 at 3.00 P.M. to transact the following business :

1. To receive, consider and adopt the audited Profit and Loss Account of the Company for the year ended on 31st March, 2006 and the Balance Sheet as at that date together with the Reports of the Directors and the Auditors, as also the comments of the Comptroller and Auditor General of India as required under Section 619(5) of the Companies Act, 1956.
2. To declare a dividend.
3. To fix the remuneration of M/s. K. L. Banerjee & Co., Chartered Accountants, appointed as the Statutory Auditors of the Company by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 for the year 2006-07.

### **SPECIAL BUSINESS :**

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

“RESOLVED, that in modification of the resolution passed at the 15th Annual General Meeting held on 5th December, 2001, consent be and is hereby accorded to the Board of Directors of the Company to borrow from time to time moneys which together with the moneys already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose, provided however, that the total amount upto which moneys may be so borrowed by the Board shall not at any time exceed Rs. 1500,00,00,000 (Rupees one thousand five hundred crores only).”

By order of the Board,

Kolkata,  
8th September, 2006

S. N. MUKHERJEE  
Company Secretary

- Notes : 1 A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll vote instead of himself. The proxy need not be a member of the Company.
2. The relative explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under item no. 4 above is annexed.

## **EXPLANATORY STATEMENT**

**(pursuant to Section 173(2) of the Companies Act, 1956)**

**Item No. : 4**

The members of the Company at their 15th Annual General Meeting held on 5th December, 2001 authorised the Board of Directors to borrow any amount not exceeding Rs. 1000 crores. As per its audited Accounts for the financial year 2005-06, the Company has already borrowed from the Government of India or others Rs. 1240.05 crores towards Plan, Non-Plan loans and issue of debentures to meet the requirement of its subsidiaries. The Company may have to borrow further amounts from the Government of India or other sources (including private placement of debentures, bonds to Financial Institutions/Banks) to meet financial requirements of the subsidiaries.

Consent of the members is, therefore, sought to enable the Directors to borrow moneys to the extent of Rs. 1500 crores.

The Board of Directors of the Company recommends the resolution set out under item No. 4 of the Notice for approval by the members.

No Director of the Company is concerned with or interested in the above resolution.

Kolkata,  
8th September, 2006

By order of the Board.

S. N. MUKHERJEE  
Company Secretary

## DIRECTORS' REPORT

To  
Shareholders of  
Bharat Bhari Udyog Nigam Limited

**1.0** The Directors have pleasure in presenting their 20th Annual Report and the audited Accounts of the Company for the year ended 31st March, 2006 together with the Auditors' Report and Comments of the Comptroller and Auditor General of India thereon.

1.01 During the year under review the Company had following four direct subsidiaries :-

- 1) Burn Standard Company Limited (BSCL)
- 2) Braithwaite & Company Limited (BCL)
- 3) Bharat Wagon & Engineering Company Limited (BWEL)
- 4) The Braithwaite Burn and Jessop Construction Company, Limited (BBJ).

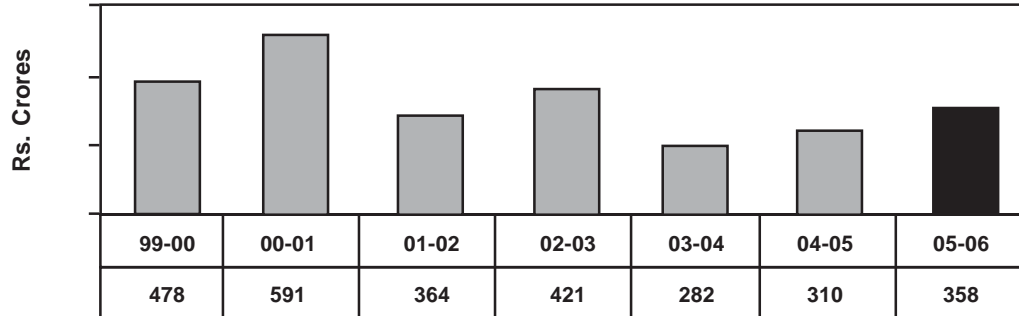
1.02 As mentioned in the last Report, the disinvestment of shares by the Company in Jessop & Co. Ltd. was challenged in the Hon'ble High Court at Calcutta and will be subject to the judgement of the Hon'ble Court in the Writ Petition being No. 1509 of 2003 filed by Titagarh Wagons Ltd. and others. In addition to this, Jessop & Co. Ltd. Staff Association has also filed an SLP in Hon'ble Supreme Court of India against the judgement of a Division Bench of the Hon'ble High Court at Calcutta, upholding the Government decision for disinvestment of Jessop & Co. Ltd. and dismissing the writ petition filed by them.

### **2.0 OPERATIONS :**

During the year 2005-06, BBUNL Group companies achieved gross production of Rs. 357.55 crores (subject to audit) as against Rs. 310.37 crores achieved in 2004-05, thus registering a growth in production value by 15% over last year. The trend of production by the BBUNL Group since 1999-2000 is depicted below :

BHARAT BHARI UDYOG NIGAM LIMITED

**Trend of Production**

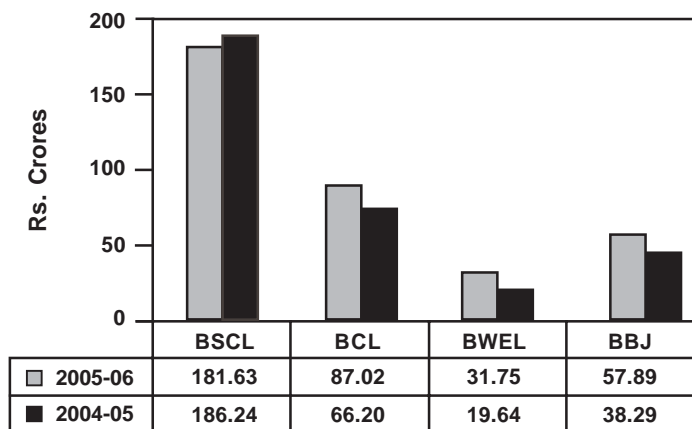


<b>Number of subsidiary companies operating in the respective years are as indicated herein below</b>						
10	9	9	9	5	4	4

BBUNL Group has been able to improve its performance over last year despite several problems like :

- Non-receipt and delayed supply of free issue items in matched sets from Railways causing less wagon production at BSCL;
- Non-revision of wagon prices for wagons against RSP/2003-04 and RSP/2004-05 executed by BSCL and BCL;
- Severe working capital shortage for procurement of bought-out items at BCL and BWEL;
- Non-payment of salaries and wages for couple of months at Burnpur Works of BSCL and also at BWEL.

**Company-wise Production / 2005-06 vis-a-vis 2004-05**

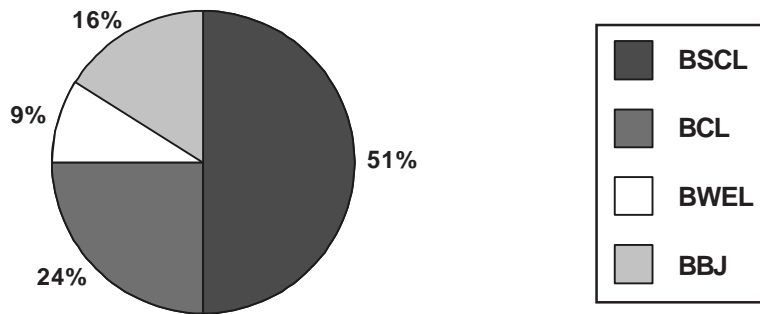


Subsidiaries-wise achievement of gross value of production during 2005-06 (subject to Audit) vis-a-vis that of last year (2004-05) is shown through the chart below :

(Rs. Crores)

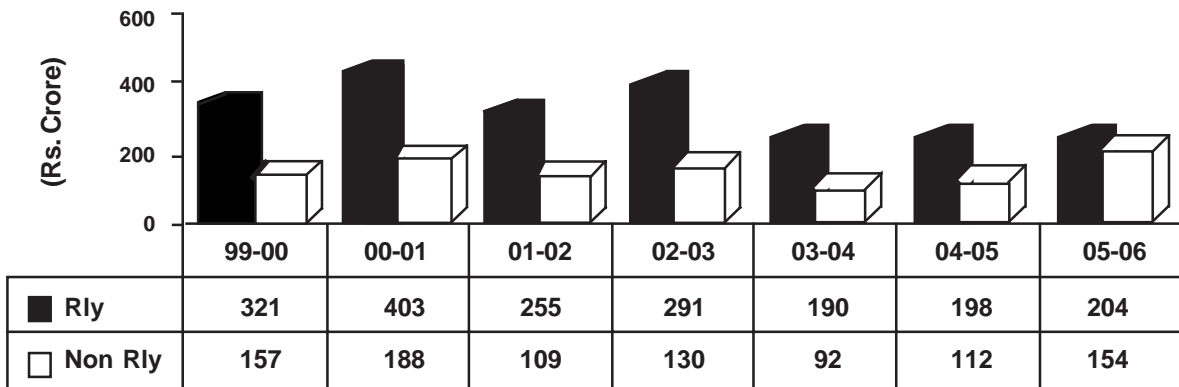
Name of the Subsidiary	Production / 2005-06		Production / 2004-05	
	Gross	Billable	Gross	Billable
BSCCL	181.63	119.86	186.24	113.31
BCL	87.02	50.00	66.20	32.68
BWEL	31.75	15.41	19.64	9.68
BBJ	57.15	57.15	38.29	38.29
<b>BBUNL TOTAL</b>	<b>357.55</b>	<b>242.42</b>	<b>310.37</b>	<b>193.96</b>

Company-wise share of Total Production  
(Gross Value) for 2005-06



Share of Railway & Non-Railway Production for BBUNL Group year-wise has been shown below :-

Value of Railway & Non-Rly Production



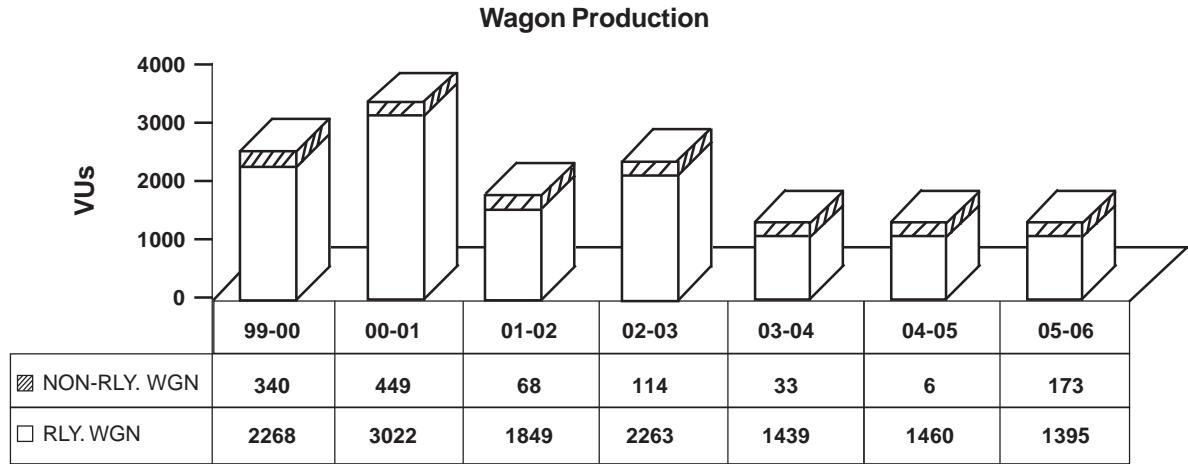
## BHARAT BHARI UDYOG NIGAM LIMITED

### Highlights during the year 2005-06

- Government of India has approved restructuring proposals of BCL and BBJ.
- Two of the subsidiary companies of BBUNL viz. BCL and BBJ, have reported net profit of Rs. 2.05 crores and Rs. 0.89 crore, respectively and BSCL reported a cash profit of Rs. 0.79 crore.
- The Group as a whole has been able to reduce its cash loss from Rs. 10.68 crores last year to Rs. 3.20 crores in the current year.
- The Company has provided corporate guarantee as collateral security for the credit limit sanctioned to BBJ by Canara Bank to the tune of Rs. 3.00 crores as funded facility and Rs. 23.90 crores as non-funded facility.
- The Company has extended help for obtaining short-term loan of Rs. 3.00 crores by BSCL from United Bank of India.
- On 03.08.2005, the Company has been awarded a certificate for "Export Excellence in 2001-02" by the Engineering Export Promotion Council.
- The newly installed 5T Electric Arc Furnace at Angus Works of BCL was inaugurated by Shri Sontosh Mohan Dev, Hon'ble Minister of Heavy Industries & Public Enterprises on 09.07.2005.
- The Company exported 20 nos. of Flat wagons to Mali and delivered 3 nos. wagons to Delhi Metro Rail Corporation after getting the wagons manufactured by BCL and BSCL.
- BBUNL Group received highest export orders valued at Rs. 39.53 crores in 2005-06 (BSCL - Rs. 6.66 crores and BCL - Rs. 32.87 crores).

### 3.0 WAGON PRODUCTION :

BBUNL Group of companies DMed 1395 VUs Railway wagons and 173 VUs OYWS wagons (total : 1,568 VUs) in the year 2005-06 as against 1,460 VUs Railway wagons and 6 VUs OYWS wagons (total : 1,466 VUs) in the year 2004-05 respectively, thus recording a growth of 7% over last year.



Note : JCL's wagon delivery figures not included from 2003-04 onwards since disinvested w.e.f. 29.08.2003.

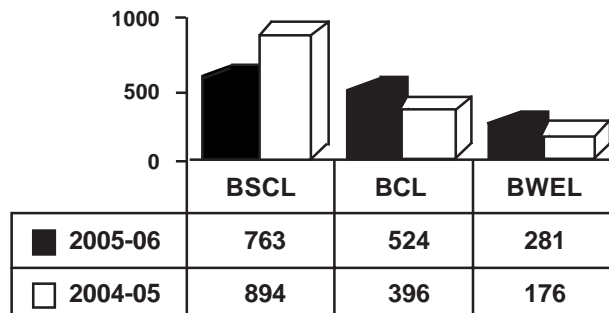
**Subsidiary-wise position for the year 2005-06 of wagons DMed against orders from Railways and non-Railway sectors are as below :**

(Figs. in VUs)

Units	2005-06			2004-05		
	Railways	Non-Railway	Total	Railways	Non-Railway	Total
BSCL	642	121	763	892	2	894
BCL	472	52	524	392	4	396
BWEL	281	—	281	176	—	176
Total	1395	173	1568	1460	6	1466

- A total of 173 wagons in non-Railway comprising of OYWS : 144 (BW-118; HW - 3 and BCL - 23) and Export / BCL : 29 nos. wagons for Sudan have been DMed during the current financial year against that of OYWS : 6 (BW - 2; BCL - 4) and Export : nil in 2004-05, respectively.
- All units have increased wagon production during the current financial year barring BSCL.

**Company-wise Wagon Production (in VUs)  
for 2005-06 vis-a-vis 2004-05**



## BHARAT BHARI UDYOG NIGAM LIMITED

### 4.0 OPERATING RESULTS :

4.01 The Company has reported Net Profit of Rs. 0.11 crore (before Tax and Dividend) during the year 2005-06.

4.02 Two of the subsidiary companies viz. BCL and BBJ have reported Net Profit of Rs. 2.05 crores and Rs. 0.89 crore, respectively, in their provisional Profitability statement for the year 2005-06.

4.03 The Group as a whole has been able to reduce cash loss from Rs. 10.68 crores last year to Rs. 3.20 crores in the current year. All the subsidiaries of the Company, barring BWEL, have reported cash profit during the year 2005-06.

4.04 The Group as a whole registered net loss of Rs. 165.20 crores in 2005-06, as against Rs. 168.40 crores in 2004-05. The loss before interest on Government loans and Provisions, Extra Ordinary Items (EOI) and Prior Period (PP) adjustments and VRS amortisation/DRE, was Rs. 8.08 crores in 2005-06 as against Rs. 5.61 crores in the previous financial year i.e. 2004-05.

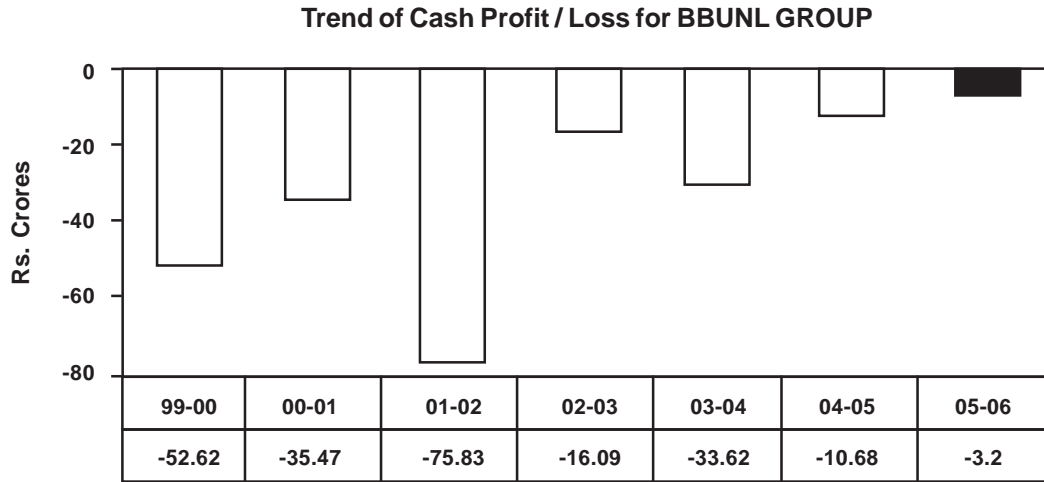
Subsidiary-wise position of net profit / (loss) before interest on Government loan and Provisions / Prior Period / Extra Ordinary Items / DRE is indicated below :

(Rs. Crores)

Units	2005-06		2004-05	
	Cash Profit / (Loss) before DRE & Interest on Govt. Loans	Net Profit/(Loss) before Tax and Dividend	Cash Profit / (Loss) before DRE & Interest on Govt. Loans	Net Profit / (Loss) before Tax and Dividend
BSCL	0.79	(143.75)	3.15	(118.72)
BCL	3.94	2.05	(0.06)	(21.91)
BWEL	(9.06)	(24.39)	(14.27)	(28.10)
BBJ	1.13	0.89	0.50	0.33
Total	(3.20)	(165.20)	(10.68)	(168.40)
BBUNL Proper	0.20	0.11	0.20	0.07

4.05 Summarised position of Operating Profit – PBDIT, Cash Profit/(Loss) before interest on Government of India loan and Net Profit/(Loss) etc. for 2005-06 as against 2004-05 has been indicated at Annexure-A.





## 5.0 DIVERSIFICATION, RESEARCH & DEVELOPMENT :

5.01 Salem Works (SW) of BSCL have improvised the quality of its refractory bricks and achieved maximum heats of 2,692 for Mag. Carbon bricks against the guaranteed heats of 1,800 in Durgapur Steel Plant. In Bokaro Steel Plant, SW achieved 1,806 heats against guaranteed heats of 1,600. SW has received Rs.90.00 lakhs as bonus from the above Plants for these achievements.

5.02 BBUNL Group companies have been making endeavour to diversify into other related areas of production as below :

- BSCL : Fabricated bogie for Milk Tank Wagons, manufacture and supply of wagon for Private sector and overseas companies. SW is trying to develop and market alumina bricks.
- BCL : Crane manufacturing and manufacture and supply of wagons for export for Private sector and overseas companies.
- BWEL : Structural fabrication.
- BBJ : City development, mass transport system, underground water supply system and sewerage system, laying of pipelines, railway track work, etc.
- BBUNL : Business from expansion of the Power sector in India, after signing MOUs with reputed leaders in the field. The Company is also in the process of registering itself as a business partner with BHEL. Besides above, traditionally it is observed that ordering of BOP (Balance of Plant) play a crucial role in setting up a power plant. A consortium comprising of BBUNL, Technofab Engineering Ltd., Gammon India Ltd. and Development Consultants Pvt. Ltd. would play a major role of integrator of BOP in the future.

5.03 However, no research activity as such was undertaken during the year 2005-06.

## **6.0 ENERGY CONSERVATION ACTIVITIES :**

The Company is not engaged in any manufacturing activity and as such no particulars can be disclosed with regard to conservation of energy.

## **7.0 RESTRUCTURING PROPOSALS FOR OPERATING COMPANIES :**

7.01 Government of India established "Board for Reconstruction of Public Sector Enterprises" (BRPSE) to strengthen, modernise, revive and restructure PSEs .

7.02 Accordingly, the restructuring proposals of all the operating companies viz. BSCL, BCL, BWEL and BBJ were prepared by the Company in consultation with the respective companies and submitted to Department of Heavy Industry (DHI) for consideration and onward submission to BRPSE.

7.03 The restructuring proposals of BBJ and BCL have been approved by the Government of India in July, 2005 and January, 2006, respectively.

7.04 The restructuring proposal for BWEL, as approved by BRPSE and deliberated by the Committee of Secretaries, is now under consideration for a final view on the matter.

7.05 In case of BSCL, the revised restructuring proposal has been submitted to DHI in May, 2006 for consideration and submission to BRPSE, after incorporating the final report of the Consultants (M/s. A. F. Ferguson).

Subsequently, as per the Hon'ble Supreme Court's judgement and as assessed by Khaitan & Co., Advocates, liability to MII has been considered to be Rs. 327 crores in place of Rs. 350.00 crores assessed earlier. Out of this, BSCL's share has been worked out as Rs. 181.00 crores. It has been assumed that the balance amount of Rs. 146.00 crores (ONGC's share) would be refunded by ONGC.

The restructuring proposal as submitted on 01.05.2006 has been revised incorporating the above change and the same has been informed to DHI.

DHI has also suggested to take into account certain issues/action-points while preparing revised restructuring proposal, which BSCL is pursuing for compliance.

## **8.0 REFERENCE TO BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION (BIFR) :**

### **8.01 BSCL :**

- BSCL was referred to BIFR on 26.11.1994 (Case No. 508/94). BIFR approved revival scheme on 16.04.1999. Government of India approved its implementation on 20.05.1999.
- The scheme was declared as failed by BIFR on 14.09.2001 due to number of shortcomings like delayed/deferred/lesser quantity of wagon order received from Railway Board compared to the production level envisaged in the sanctioned package, substantial reduction in prices of wagons and refractory products, galloping hike in input costs, acute shortage of working capital resulting in loss of production/revenue earning on one hand and burden of payment of idle wages on the other, delay in receipt of free supply materials such as wheel sets,

bearings, steel etc. from Railways almost every year. Irregular receipt of bogies and couplers from the private sector vendors (who are eventually also wagon builders and competitors), refusal of bankers to enhance credit limit, delayed payment by SAIL to Salem Works and non-receipt of matched free supply of steel, delay in sale of 8 nos. closed units against which extra expenditure of about Rs. 4.50 crores had to be met from working capital for protection of assets.

- The restructuring proposal already submitted to DHI for deliberation at BRPSE, when approved, will be re-submitted to BIFR and Operating Agency ('OA') for their consideration for taking the company out of the purview of BIFR.

#### 8.02 BCL :

- BCL was referred to BIFR on 09.06.1992 (Case No. 528/92). Government of India approved implementation of BIFR sanctioned revival scheme on 01.07.1996.
- BCL exhibited turnaround after implementation of approved revival scheme and earned net profit since 1996-97 (barring 1999-2000, 2001-02 and 2002-03).
- The sanctioned revival package was declared as failed by BIFR on 20.01.2003 due to various reasons like inadequate order, unremunerative and declining wagon prices, delay in receipt of free-supply materials such as wheel sets, bearings, etc., irregular receipt of bogies and couplers from the private sector vendors who were eventually also wagon manufacturers, etc.
- On approval of BCL's restructuring proposal by Government of India in January 2006, BIFR has discharged the company from the purview of BIFR vide order dated 29.06.2006.

#### 8.03 BWEL

- BWEL was referred to BIFR as per Case No. 501/2001 dated 18.12.2000. Hearings are being held by BIFR.
- The restructuring proposal already submitted to DHI for deliberation at BRPSE, when approved, will be re-submitted to BIFR and OA for their consideration for taking the company out of the purview of BIFR.

#### 9.0 MOU

Consequent to approval of the restructuring proposal of BBJ and BCL by the Government, MOU has been signed between DHI, the Company and the respective subsidiary for achieving BRPSE targets (Financial and Physical).

However, no MOU has been signed by the Company with DHI, the administrative section under the Ministry of Heavy Industries & Public Enterprises in 2005-06.

#### 10.0 VIGILANCE :

The Vigilance Cell of the Company continued to function effectively. Regular inspection took place for pursuing preventive vigilance. Time to time, vigilance officers of all subsidiaries conducted surprise checks. It was stepped up during the year under review to gain result out of preventive vigilance by maintaining inspections/checks, interactions with employees of various levels, etc.

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As in the previous years, Vigilance Awareness Week was observed by the Company during the year under review, where expert knowledge was shared by eminent speakers on corruption and its preventive measures.

### **11.0 DIVIDEND :**

The Directors recommend for declaration a dividend of Rs. 5.00 lakhs on the paid-up capital of the Company as at 31.03.2006, for consideration and approval of the shareholders.

### **12.0 CAPITAL :**

During the year under review, the authorised share capital of the Company was Rs. 348.10 crores against which the subscribed and paid-up capital as on 31.03.2006 was Rs. 344.42 crores.

### **13.0 RELEASE OF FUNDS BY GOVERNMENT :**

During the year under review, the Government released Rs. 10.14 crores towards Non-Plan Loan and Rs. 15.00 crores as Plan Fund.

### **14.0 MANPOWER :**

14.01 In order to achieve competitive efficiency, improved financial viability and with a view to ensuring continuity of operations in a fiercely competitive environment, major subsidiaries continued their efforts to rationalise manpower through inter-unit transfers and selective induction in key/strategic positions to match their business needs. Outsourcing of jobs proved to be fruitful in some companies. Group manpower declined from 3,184 as on 31.03.2005 to 3,154 as on 31.03.2006. During the year under report, no VRS took place.

14.02 Employment of SC/ST/Women : Policies and instructions of the Government of India were followed in the matter of employment of SC/ST/Women.

### **15.0 HUMAN RESOURCE DEVELOPMENT & TRAINING :**

The BBUNL Group continues to accord top priority to Human Resource Development, acknowledging thereby that it is the core of an effective, efficient organisation that promotes and develops the skills of its personnel. The Group continues its efforts to attract, retain, motivate and develop talented people. Knowing fully well that corporate environment is becoming increasingly volatile, the Group strives to harness the full potential of people, foster a culture of performance and contribution, maintain trustworthiness and build mutually beneficial relationships with a view to inspiring every employee to contribute his best.

### **16.0 INDUSTRIAL RELATIONS :**

The employees in general were in positive state of mind with the decision of the Government to put disinvestment process in abeyance and strive at reviving and re-structuring all subsidiaries.

The impending wage/salary revision for all categories of employees of major Group companies caused unrest among the employees concerned. Further, inability of some of the subsidiaries to pay wages and other statutory and terminal dues in time also caused dissatisfaction to the employees. However, no major industrial relation problem was faced during the year under review.

**17.0 RAJBHASHA IMPLEMENTATION :**

During the year under report, the quarterly meetings of the Official Language Implementation Committee were held regularly in the Company and effective efforts were taken to implement the Official Language Policy of the Govt. of India. During "Hindi Week" in the month of September, 2005, a Hindi workshop was organised for the employees of the Company including the employees of subsidiary companies. With a view to promote official language, various in-house competitions were organised and prizes distributed amongst the winners. The Company continued its efforts towards imparting Hindi teaching to its employees.

**18.0 MARKETING AND ORDER BOOK :**

18.01 During the year 2005-06, BBUNL Group secured new orders aggregating to Rs. 501.32 crores (gross value), comprising of Rs. 336.05 crores from Railways and Rs. 165.27 crores for non-Railway products, including exports.

18.02 The summary of order booking by BBUNL Group in major product categories during the financial year 2005-06 is as follows :

<b>Description</b>	<b>Rs. (crores)</b>	<b>Subsidiaries involved</b>
<b>WAGONS, BOGIES &amp; COUPLERS</b>		
Railway – Wagons	296.79	BCL, BSCL and BWEL
– Bogies	32.45	BCL and BSCL
– Couplers	6.81	BSCL
Non-Railway Wagons	2.20	BCL
<b>OTHER MAJOR PRODUCTS</b>		
Bridge Projects, Jetty & Marine Structures and Civil Projects	43.04	BBJ
Refractory Products	50.04	BSCL
Cranes (Spares & Service)	18.14	BCL
Structural fabrication	10.78	BCL and BSCL
Others	1.55	BCL and BSCL
<b>EXPORTS</b>		
Wagons	32.87	BCL
Refractories	6.66	BSCL

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18.03 The closing order book status of the subsidiaries at the end of 2005-06, based on pre-audit information, indicates that the BBUNL Group had total orders in hand worth Rs. 554.74 crores (gross value) and Rs. 391.93 crores (billable value) as on 01.04.2006.

18.04 Orders for 2,335 VUs wagons were received from the Railways during 2005-06.

### **19.0 EXPORTS :**

19.01 New export orders worth Rs. 39.53 crores were secured during the year 2005-06 by BCL and BSCL.

19.02 Export performance of BBUNL Group during the year 2005-06 was for Rs. 10.93 crores against the target of Rs. 2.50 crores.

19.03 The above exports include 20 nos. Container Flat Wagons to Mali and refractory products for Bangladesh, Ghana, Japan, Qatar, Sri Lanka and UAE.

### **20.0 SUBSIDIARIES :**

The Company has applied to the Central Government for exemption in terms of Section 212(8) of the Companies Act, 1956. The same is expected shortly. Copies of audited balance sheet, profit and loss account, Directors' report and Auditors' report for the year ended 31.03.2006 in respect of BSCL, BCL, BWEL and BBJ (subsidiary companies) have, therefore, not been attached with the Balance Sheet of the Company. As soon as the same are received, they will be circulated to the shareholders.

### **21.0 AUDIT COMMITTEE :**

21.01 The Committee has been reconstituted with effect from 26.06.2006 and now consists of the following Directors :

1. Shri Naresh Chaturvedi
2. Shri Pratap Srivastava
3. Shri Saibal Baul.

21.02 During the year under report, the Committee met three times. The Committee met on 26.06.2006 to review the annual financial statements of the Company for the year 2005-06 and recommended the same to the Board for approval. The Audit Committee meeting was also attended by the Director (Finance) and representatives of the Statutory as well as Internal Auditors of the Company.

### **22.0 AUDITORS :**

The Comptroller and Auditor General of India has appointed M/s. K. L. Banerjee & Co., Chartered Accountants, as Statutory Auditors of the Company for the year 2005-2006. The Auditors' Report is annexed herewith and Management's reply to the audit observations are also enclosed and placed as Annexure-B to the Report.

**23.0 THE COMPTROLLER AND AUDITOR GENERAL OF INDIA'S REVIEW AND COMMENTS :**

The Comptroller and Auditor General of India (CAG) has given 'Nil' comments under Section 619(4) of the Companies Act, 1956 on the Accounts of the Company for the year 2005-2006. CAG's Report as well as review of Accounts of the Company by CAG are annexed herewith and forms part of the Report.

**24.0 FOREIGN EXCHANGE INCOME AND OUTGO :**

During the year, earnings in foreign currency amount to Rs. 300.02 lakhs on export sales. However, an outgo of Rs. 1.84 lakhs for Travelling Expenses, etc. has been booked. The position relating to subsidiary companies has been indicated in the Directors' Report of the respective subsidiary company.

**25.0 PARTICULARS OF EMPLOYEES :**

No employee of the Company was in receipt of remuneration in 2005-06 which is in excess of the limits referred to in Section 217(2A) of the Companies Act, 1956 and the Rules framed thereunder.

**26.0 DIRECTORS :**

26.01 Since the last Report, the President of India has been pleased to appoint Shri Pratap Srivastava, Additional Member (PU), Railway Board as a part-time official Director of the Company w.e.f. 07.02.2006.

26.02 Shri V. K. Bhargav ceased to be a Director with effect from the above date.

26.03 Shri A. K. Bhattacharyya resigned as a Director consequent upon his demitting office as the Managing Director of BCL w.e.f. 01.04.2006.

26.04 The Directors place on record their appreciation of the valuable services rendered by Shri Bhargav and Shri Bhattacharyya during their tenure of office.

26.05 Shri Naresh Chaturvedi, Additional Secretary & FA and Dr. Surajit Mitra, Joint Secretary, Department of Heavy Industry continued to be part-time official Directors on the Board of Directors of the Company.

**27.0 DIRECTORS' RESPONSIBILITY STATEMENT :**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors have –

- i) in the preparation of the Annual Accounts, followed the applicable accounting standards with proper explanation relating to material departures ;
- ii) selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for that period ;

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- iii) 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 your Company and for preventing and detecting fraud and other irregularities ; and
- iv) prepared the Annual Accounts on a going concern basis.

### **28.0 ACKNOWLEDGEMENT :**

28.01 The Directors place on record their gratitude to the various Ministries of the Government of India, especially Ministry of Heavy Industries & Public Enterprises and Ministry of Railways for all the guidance and cooperation extended by them.

28.02 The Directors also place on record their sincere thanks to the various State Governments, particularly to the Governments of West Bengal, Bihar, Tamil Nadu, Orissa and Madhya Pradesh for their support and guidance.

28.03 The Directors also place on record their gratitude to the Comptroller and Auditor General of India, the Statutory Auditors and the Bankers of the Company for the cooperation and support extended by them.

28.04 The Directors also wish to record their appreciation of all esteemed members of the family of BBUNL Group of companies for their dedication, commitment and hard work. There is absolutely no doubt that with their help and cooperation, the Group will achieve higher level of performance in the coming years and realise its full potential in service of the Nation.

For and on behalf of the Board of Directors

Kolkata  
1st September, 2006.

D. RAY MOULIK  
*Chairman & Managing Director*



ANNEXURE 'A'**COMPARATIVE POSITION OF OPERATING PROFIT, GOVERNMENT INTEREST, DEPRECIATION AND NET PROFIT / (LOSS) ETC.**

(Rs. Crores)

<b>COMPANY→</b>	<b>BSCL</b>	<b>BCL</b>	<b>BWEL</b>	<b>BBJ</b>	<b>TOTAL</b>	<b>BBUNL Proper</b>
<b><u>YEAR 2005-06</u></b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>		
<b>1. Operating Profit / (Loss) (PBDIT)</b>	<b>6.42</b>	<b>6.19</b>	<b>(7.49)</b>	<b>1.38</b>	<b>6.50</b>	<b>0.20</b>
2. Prior Period	—	—	—	0.11	0.11	—
3. Provision	1.50	—	—	0.01	1.51	—
4. Extra Ordinary Item	—	—	—	—	—	—
5. Interest - Bank & Other	4.13	2.25	1.57	0.13	8.08	—
<b>6. Cash P/(L) w/o - GOI</b>	<b>0.79</b>	<b>3.94</b>	<b>(9.06)</b>	<b>1.13</b>	<b>(3.20)</b>	<b>0.20</b>
7. Interest - Govt. Loan	108.15	0.20	10.05	—	118.40	0.02
<b>8. Cash Profit/(Loss)</b>	<b>(107.36)</b>	<b>3.74</b>	<b>(19.11)</b>	<b>1.13</b>	<b>(121.60)</b>	<b>0.18</b>
9. Depreciation	4.07	1.69	0.50	0.24	6.50	0.03
10. VRS Amortisation / DRE	32.32	—	4.78	—	37.10	0.04
<b>11. Net P/(L) before Tax &amp; Dividend</b>	<b>(143.75)</b>	<b>2.05</b>	<b>(24.39)</b>	<b>0.89</b>	<b>(165.20)</b>	<b>0.11</b>
# Marked figures are subject to audit.						
<b><u>YEAR 2004-05 (Audited)</u></b>						
<b>1. Operating Profit / (Loss) (PBDIT)</b>	<b>10.77</b>	<b>2.74</b>	<b>(6.44)</b>	<b>0.76</b>	<b>7.83</b>	<b>0.20</b>
2. Prior Period	0.35	0.41	4.75	(0.01)	5.50	—
3. Provision	3.55	0.16	1.60	—	5.31	—
4. Extra Ordinary Item	0.33	—	—	0.21	0.54	—
5. Interest - Bank & Other	3.39	2.23	1.48	0.06	7.16	—
<b>6. Cash P/(L) w/o - GOI</b>	<b>3.15</b>	<b>(0.06)</b>	<b>(14.27)</b>	<b>0.50</b>	<b>(10.68)</b>	<b>0.20</b>
7. Interest - Govt. Loan	85.50	16.63	8.54	—	110.67	0.05
<b>8. Cash Profit/(Loss)</b>	<b>(82.35)</b>	<b>(16.69)</b>	<b>(22.81)</b>	<b>0.50</b>	<b>(121.35)</b>	<b>0.15</b>
9. Depreciation	4.05	1.55	0.51	0.17	6.28	0.04
10. VRS Amortisation / DRE	32.32	3.67	4.78	—	40.77	0.04
<b>11. Net P/(L) before Tax &amp; Dividend</b>	<b>(118.72)</b>	<b>(21.91)</b>	<b>(28.10)</b>	<b>0.33</b>	<b>(168.40)</b>	<b>0.07</b>

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF  
INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON  
THE ACCOUNTS OF BHARAT BHARI UDYOG NIGAM LIMITED,  
KOLKATA FOR THE YEAR ENDED 31ST MARCH 2006.**

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I have to state that the Comptroller & Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the accounts of Bharat Bhari Udyog Nigam Limited, Kolkata for the year ended 31st March 2006.

Dated, Kolkata  
The 17th July, 2006.

A. ROYCHOU DHURY  
Principal Director of Commercial Audit  
& Ex-Officio Member, Audit Board-I,  
KOLKATA

**REVIEW OF ACCOUNTS OF BHARAT BHARI UDYOG NIGAM LIMITED FOR THE YEAR ENDED 31st MARCH 2006 BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA**

(Review of accounts has been prepared without taking into account the comments under Section 619(4) of the Companies Act, 1956 and qualifications contained in Statutory Auditors' Report.)

**1. Financial Position :**

The table below summarises the financial position of the Company under broad headings for the last three years :

(Rs. in crore)

	2003-04	2004-05	2005-06
<b>Liabilities</b>			
(a) Paid-up Capital			
Government of India	339.47	342.88	<b>344.42</b>
(b) Share Deposit			
i) Government of India	—	0.41	<b>6.37</b>
ii) Restructuring Share Deposit	2.98	14.79	<b>84.06</b>
(c) Reserves and Surplus	0.16	0.16	<b>0.17</b>
(d) Grant-in aid	0.17	0.17	—
(e) Borrowings from :			
(i) Government of India	546.71	569.75	<b>517.79</b>
(ii) Restructuring Debenture Deposit	24.94	34.95	<b>34.95</b>
(iii) Others	1.87	0.05	<b>0.05</b>
(iv) Interest accrued and due	537.16	614.10	<b>687.27</b>
(f) Current Liabilities & Provision	91.75	72.23	<b>75.89</b>
<b>TOTAL</b>	<b>1545.21</b>	<b>1649.49</b>	<b>1750.97</b>
<b>Assets</b>			
(g) Gross Block	0.73	0.70	<b>0.71</b>
(h) Less : Cumulative Depreciation	0.57	0.58	<b>0.61</b>
(i) Net Block	0.16	0.12	<b>0.10</b>
(j) Investment	265.28	265.45	<b>266.76</b>
(k) Current Assets, Loans and Advances	1279.61	1383.80	<b>1484.03</b>
(l) Miscellaneous Expenditure	0.16	0.12	<b>0.08</b>
<b>TOTAL</b>	<b>1545.21</b>	<b>1649.49</b>	<b>1750.97</b>
(m) Working Capital [ k – f – e (iv) ]	650.70	697.47	<b>720.87</b>
(n) Capital Employed ( i + m )	650.86	697.59	<b>720.97</b>
(o) Net Worth [ a + b + c – l ]	342.45	358.12	<b>434.94</b>
(p) Net Worth per rupee of paid up capital (in Rupees)	1.01	1.04	<b>1.26</b>

**2. Working Results :**

(Rs. in crore)

	2003-04	2004-05	2005-06
(i) Sales and Service Charge	1.71	2.09	<b>5.20</b>
(ii) Less : Excise Duty	—	—	—
(iii) Net Sales and Service Charge	1.71	2.09	<b>5.20</b>
(iv) Other Misc. Income	0.50	0.33	<b>0.47</b>
(v) Profit/Loss before tax and Prior period adjustment	0.06	0.06	<b>0.11</b>
(vi) Prior period adjustment	—	—	—
(vii) Profit/Loss before tax	0.06	0.06	<b>0.11</b>
(viii) Tax provision	0.01	—	0.04
(ix) Profit after tax	0.05	0.06	<b>0.07</b>
(x) Proposed Dividend (including Tax on Dividend)	0.05	0.06	<b>0.06</b>

## BHARAT BHARI UDYOG NIGAM LIMITED

### 3. Ratio Analysis :

Some important financial ratios on the financial health and working of the company at the end of last three years are as under :

	(in percentages)		
	2003-04	2004-05	2005-06
A. Liquidity Ratio			
Current Ratio	203	202	<b>194</b>
B. Debt Equity Ratio			
Long term Debt to Equity	167	169	<b>127</b>
C. Profitability Ratio			
a) Profit before tax to :			
(i) Capital Employed	0.01	0.009	<b>0.02</b>
(ii) Net Worth	0.02	0.02	<b>0.03</b>
(iii) Sales and Service Charges	3.51	2.87	<b>2.12</b>
(b) Profit after tax to Equity Capital	0.01	0.02	<b>0.02</b>
(c) Earning per Share (Rupees)	0.17	0.16	<b>0.18</b>

### 4. Sources and Utilization of Funds :

Funds amounting to Rs. 76.91 crores from internal and external sources were generated and utilized during the year as shown below :

<b>Sources of Funds</b>	(Rs. in crore)	
Funds from Operations :		
Profit after Tax	0.07	
Add : Depreciation	0.03	
Add : Decrease in Miscellaneous Expenditure	0.04	0.14
Increase in Share Capital including Share Deposit		<u>76.77</u>
Total funds inflow during the year		<u>76.91</u>

<b>Utilisation of Funds</b>	(Rs. in crore)	
Increase in Gross Block		0.01
Increase in Investment		1.31
Increase in Working Capital		23.40
Decrease in Borrowing		51.96
Decrease in Grant-in-Aid		0.17
Dividend paid		0.06
Total funds outflow during the year		<u>76.91</u>

BHARAT BHARI UDYOG NIGAM LIMITED

5. **Sundry Debtors :**

The Sundry Debtors vis-a-vis Sales during the last three years are given below :

(Rs. in crore)

Year ended as on	Sundry Debtors			Sales and Service charges	% of total debtors to Sales and Service charges
	Considered Good	Considered Doubtful	Total		
31.03.2004	1.15	—	1.15	1.71	67
31.03.2005	1.01	—	1.01	2.09	48
<b>31.03.2006</b>	<b>1.05</b>	<b>—</b>	<b>1.05</b>	<b>5.20</b>	<b>20</b>

Dated, Kolkata  
The 17th July, 2006.

**A. Roychoudhury**  
Principal Director of Commercial Audit  
& Ex-Officio Member, Audit Board - I,  
KOLKATA

## AUDITORS' REPORT

### TO THE MEMBERS OF BHARAT BHARI UDYOG NIGAM LIMITED

- 1) We have audited the attached Balance Sheet of Bharat Bhari Udyog Nigam Limited as at 31st March, 2006 and also the Profit & Loss Account of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order to the extent applicable.
- 4) Further to our comments in the Annexure referred to in paragraph 3 above, we state that :-
  - i) *From the disinvestment of 68134428 nos. equity shares of Jessop & Co. Ltd. an amount of Rs. 1818.00 lac were received against the investment of Rs. 6813.44 lac in an earlier year as stated in Para B-9 of Schedule 18. In our opinion an amount of Rs. 4995.44 lac should be provided in the accounts.*
  - ii) *Based on the disinvestment process of the above nos. of the equity shares of Jessop & Co. Ltd., we are of the opinion that the realisable value of remaining equity shares (25580122) held in the said company is Rs. 682.54 lac against the company's cost of Rs. 2558.01 lac. Therefore, the decline in the value of these shares of Rs. 1875.47 lac is permanent in nature and, in our opinion, this should have been provided for.*
  - iii) *Disinvestment expenses as stated in Para B-9 of Schedule 18, for Rs. 249.76 lac included in other receivable which, in our opinion, is doubtful of recovery and should have been provided for.*
  - iv) *Interest amounting to Rs. 11074.06 lac for the year on Government of India loans to subsidiaries under liquidation stated in note no. B-13 of Schedule 18 have not been accounted for. The aggregate amount of such unprovided interest upto 31.03.2006 is Rs. 27013.68 lac. However, the above has no effect on the reported profit.*
  - v) *The value of company's investment in subsidiaries aggregating to Rs. 24071.06 lac (previous year Rs. 23940.06 lac) has considerably eroded due to continued losses over past few years and out of which Bharat Process & Mechanical Engineers Ltd. have gone into liquidation. We are unable to comment upon the realisable value of such investments and recovery of loans & advances and other dues from such companies (Ref. Note No. B-6 in Schedule 18) and the impact of the same is not presently ascertainable.*

BHARAT BHARI UDYOG NIGAM LIMITED

- vi) *The market value of 6.5% Redeemable Preference Shares in Jessop & Co. Ltd. has been taken in accordance with the stock market quotation of 27.11.1998.*
- vii) *Pending final approval, no provision for arrear wage revision of certain categories of employees have been made in the accounts, the amount of which is presently unascertainable (Para B-23 of Schedule 18).*
- viii) *Had the observations made in Para 4(i) to (iv), been considered in the accounts, the loss for the year would have been Rs. 7109.70 lac as against the reported profit before tax of Rs. 10.97 lac, debit balance of Profit & Loss Account would have been Rs. 7097.86 lac as against reported credit balance of Profit & Loss Account of Rs. 17.11 lac. Current Liabilities would have been Rs. 5747.57 lac, as against the reported figure of Rs. 7565.57 lac, unsecured loans would have been Rs. 151018.63 lac as against reported figure of Rs. 124004.95 lac, Investment would have been Rs. 24800.26 lac as against the reported figure of Rs. 26675.73 lac, loans & advances would have been Rs. 165066.22 lac as against reported figure of Rs. 138052.54 lac, current assets would have been Rs. 135.44 lac as against the reported figure of Rs. 7198.64 lac.*

Subject to and in terms of our above observations :-

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of audit.
- b) 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 the books.
- c) The Balance Sheet and the Profit & Loss Account referred to in this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet and the Profit & Loss Account dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
- e) The provisions of Section 274(1)(g) of the Companies Act, 1956, are not applicable to the Company being a Government Company.
- f) In our opinion and as per the information and according to the explanations given to us, the said Balance Sheet and the Profit & Loss Account, read together with the Notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :-
  - a) In the case of the Balance Sheet, of the state of affairs of the Company as on 31st March, 2006,  
and
  - b) In the case of the Profit & Loss Account, of the PROFIT of the Company for the year ended on that date.

Place : Kolkata  
Date : 26.06.2006

For K. L. BANERJEE & CO.  
Chartered Accountants  
K. L. BANERJEE  
Partner  
(Membership No. 51158)

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITORS' REPORT TO THE MEMBERS OF BHARAT BHARI UDYOG NIGAM LIMITED FOR THE YEAR ENDED 31ST MARCH, 2006.**

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1. a) The Company has maintained proper records showing full particulars including quantitative details and situation of the Fixed Assets.  
b) The Fixed Assets have been physically verified by the management during the year and no discrepancies were stated to have been noticed on such verification.  
c) The Company has not disposed off any fixed asset.
2. The Company is not maintaining any inventory. Accordingly, paragraph 4 (ii) (b) & (c) of the Companies (Auditors' Report) Order, 2003 (hereinafter referred to as 'Order') are not applicable.
3. According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firm and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii) (b) (c) (d) (f) and (g) of the Order are not applicable.
4. In our opinion, and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory & fixed assets and for sale of goods & services. During the course of our audit we have not observed any continuing failure to correct major weakness in internal control.
5. On the basis of audit procedures performed by us, and according to the information, explanations and representations given to us, there were no contracts or arrangements covered by Section 301 of the Companies Act, 1956.
6. The Company has not accepted any public deposits.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.
9. a) According to the information and explanations given to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable to it.  
b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty and cess were in arrears as at 31st March, 2006 for a period of more than six months from the date they became payable.  
c) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute.
10. The Company does not have any accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.



BHARAT BHARI UDYOG NIGAM LIMITED

11. The Company has not taken loans from any financial institutions & banks.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund, nidhi, mutual benefit fund or society. Accordingly, the provisions of clause 4 (xiii) of the Order, are not applicable to the Company.
14. The Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order, are not applicable to the Company.
15. In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by the subsidiary companies from banks are not prima facie prejudicial to the interest of the Company.
16. The Company has not raised any term loan during the period.
17. According to information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have not been used for long-term investments.
18. According to the information and explanations given to us, during the period covered by our audit report, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by way of public issue during the year.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For K. L. BANERJEE & CO.  
*Chartered Accountants*  
K. L. BANERJEE  
*Partner*  
(Membership No. 51158)

Place : Kolkata  
Date : 26.06.2006

**ANNEXURE 'B'**

**MANAGEMENT'S REPLIES TO THE AUDITORS' OBSERVATIONS**

**Auditors' Observations**

**Management's Replies**

- |   |  |
|---|--|
| (i) From the disinvestment of 68134428 nos. equity shares of Jessop & Co. Ltd. an amount of Rs. 1818.00 lac were received against the investment of Rs. 6813.44 lac in an earlier year as stated in Para B-9 of Schedule 18. In our opinion an amount of Rs. 4995.44 lac should be provided in the accounts.  | ● Already clarified in Item 9 of Part B of Schedule - 18 of this Account.  |
| (ii) Based on the disinvestment process of the above nos. of the equity shares of Jessop & Co. Ltd., we are of the opinion that the realisable value of remaining equity shares (25580122) held in the said company is Rs. 682.54 lac against the company's cost of Rs. 2558.01 lac. Therefore, the decline in the value of these shares of Rs. 1875.47 lac is permanent in nature and, in our opinion, this should have been provided for. | ● This has been clarified in Item c of Part A of Schedule - 18.  |
| (iii) Disinvestment expenses as stated in Para B-9 of Schedule 18, for Rs. 249.76 lac included in other receivable which, in our opinion, is doubtful of recovery and should have been provided for.  | ● Already explained in Item 9 of Part B of Schedule 18 of this Account.  |
| (iv) Interest amounting to Rs. 11074.06 lac for the year on Government of India loans to subsidiaries under liquidation stated in note no. B-13 of Schedule 18 have not been accounted for. The aggregate amount of such unprovided interest upto 31.03.2006 is Rs. 27013.68 lac. However, the above has no effect on the reported profit.  | ● The matter has been adequately disclosed in Item 13 of Part B of Schedule - 18 of this Account. However, the above has no effect on the reported profit. |
| (v) The value of Company's investment in subsidiaries aggregating to Rs. 24071.06 lac (previous year Rs. 23940.06 lac) has considerably   | ● This is a statement of fact.<br>● However, in compliance with the significant  |

## BHARAT BHARI UDYOG NIGAM LIMITED

eroded due to continued losses over past few years and out of which Bharat Process & Mechanical Engineers Ltd. have gone into liquidation. We are unable to comment upon the realisable value of such investments and recovery of loans & advances and other dues from such companies (Ref. Note No. B-6 in Schedule 18) and the impact of the same is not presently ascertainable.

accounting policy forming part of the accounts for the year ending 31st March, 2006 long term investment in subsidiaries are carried at cost as per consistent practice.

- Company is making fresh investments in subsidiaries at par out of fund released by the Govt. of India (GOI) for investment in specific subsidiaries which are also at par. In any eventuality of loss suffered upon the fall in realisable value of such investment, Company will pass on the loss to GOI for appropriate action as deemed fit.
  - It is also pertinent to mention that GOI fund towards Plan Loan, Non-Plan Loan are channeled through the Company, the ultimate holding company, for disbursement to the subsidiaries. In any eventuality of no chance of recovery of the said loans it would call for writing back of loans sanctioned by GOI in the books of the Company under separate GOI directives when loan disbursed to the subsidiaries will also be written off in the books of the Company. Hence, this will have no financial impact in the books of the company. This situation will emerge when GOI would give approval of financial restructuring of the concerned PSU/Subsidiary.
  - The matter has also been disclosed in Item (c) of Part A of Schedule 18 and Item 6 of Part B of Schedule 18.
  - This factual information has already been disclosed in Item 21 of Part B of Schedule 18.
  - Provision for arrear Salary / Wages are effected only when the same is approved by the Board of Directors of the Company. Till finalisation of accounts, no such approval was available. However, the impact would be negligible and can be absorbed in the current year itself.
- (vi) The market value of 6.5% Redeemable Preference Shares in Jessop & Co. Ltd. has been taken in accordance with the stock market quotation of 27.11.1998.
- (vii) Pending final approval, no provision for arrear wage revision of certain categories of employees have been made in the accounts, the amount of which is presently unascertainable (Para B-23 of Schedule 18).

## BHARAT BHARI UDYOG NIGAM LIMITED

- (viii) Had the observations made in Para 4(i) to (iv), been considered in the accounts, the loss for the year would have been Rs. 7109.70 lac as against the reported profit before tax of Rs. 10.97 lac, debit balance of Profit & Loss Account would have been Rs. 7097.86 lac as against reported credit balance of Profit & Loss Account of Rs. 17.11 lac. Current liabilities would have been Rs. 5747.57 lac, as against the reported figure of Rs. 7565.57 lac, unsecured loans would have been Rs. 151018.63 lac, as against reported figure of Rs. 124004.95 lac, Investment would have been Rs. 24800.26 lac, as against the reported figure of Rs. 26675.73 lac, loans & advances would have been Rs. 165066.22 lac as against reported figure of Rs. 138052.54 lac, current assets would have been Rs. 135.44 lac as against the reported figure of Rs. 7198.64 lac.
- Noted – no comments required since this is quantification of the auditors' observation stated as above.

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# STATEMENT OF ACCOUNTS

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**Balance Sheet as at 31st March, 2006**

		(Rs. in lakhs)	
Schedule	As at 31.03.2006	As at 31.03.2005	
<b>SOURCES OF FUNDS :</b>			
<b>Shareholder's Funds</b>			
Capital	1	35,079.28	34,329.28
Restructuring Equity Share Deposit	2	8,406.29	1,479.49
Reserves and Surplus	3	17.11	16.40
Grant-in-Aid		0.19	17.19
<b>Loan Funds</b>			
Unsecured Loans	4	1,24,004.95	1,21,883.99
TOTAL		<u>1,67,507.82</u>	<u>1,57,726.35</u>
<b>APPLICATION OF FUNDS :</b>			
<b>Fixed Assets</b>			
Gross Block	5	71.24	70.24
Less : Depreciation		<u>60.99</u>	<u>58.25</u>
Net Block		10.25	11.99
<b>Investments</b>			
	6	26,675.73	26,544.73
<b>Current Assets, Loans and Advances</b>			
Sundry Debtors	7	105.03	101.46
Cash and Bank Balances	8	3,046.99	3,168.78
Other Current Assets	9	7,198.64	7,141.61
Loans and Advances	10	1,38,052.24	1,27,968.48
		<u>1,48,402.90</u>	<u>1,38,380.33</u>
<i>Less :</i>			
<b>Current Liabilities &amp; Provisions</b>			
Liabilities	11	7,565.57	7,183.17
Provisions	12	23.54	39.60
		<u>7,589.11</u>	<u>7,222.77</u>
<b>Net Current Assets</b>		1,40,813.79	1,31,157.56
<b>Miscellaneous Expenditure</b> (To the extent not written off or adjusted)			
Voluntary Retirement Scheme- Compensation		8.05	12.07
TOTAL		<u>1,67,507.82</u>	<u>1,57,726.35</u>
<b>Notes on Accounts</b>			
	18		

**Note :** Schedules 1 to 18 form an integral part of this Account.

In terms of our Audit Report of even date.  
For K. L. BANERJEE & CO.  
Chartered Accountants  
K. L. BANERJEE  
Partner  
Place : Kolkata  
Date : 26th June, 2006.

P. S. MAZUMDAR  
Executive Director  
(Finance & Accounts)

On behalf of the Board of Directors  
D. RAY MOULIK  
Actg. Chairman & Managing Director and Director (Finance)  
D. K. MAITY  
Director  
S. N. MUKHERJEE  
Company Secretary

## Profit and Loss Account for the year ended 31st March, 2006

		(Rs. in lakhs)	
Schedule	2005-06	2004-05	
<b>EARNINGS :</b>			
Sales	368.56	46.60	
Service Charges	150.70	162.05	
Other Revenues	46.41	32.82	13
Interest Receivable against Govt. of India Loans	12,200.60	11,573.41	
TOTAL	12,766.27	11,814.88	
<b>OUTGOINGS :</b>			
Purchase of Goods	298.70	28.32	
Other Direct Charges	44.23	5.90	14
Employees' Remuneration	96.95	95.49	15
Other Expenses	106.04	93.38	16
Depreciation	2.74	3.61	
Interest Payable to Govt. of India	12,202.62	11,578.07	17
TOTAL	12,751.28	11,804.77	
Profit before Adjustments, Tax and Appropriation	14.99	10.11	
Prior Period Adjustment (Net) - (Debit) / Credit	-	0.19	
Less : EOI [Voluntary Retirement Scheme - Compensation]	4.02	4.02	
<b>Net Profit before Tax</b>	10.97	6.28	
Provision for Tax (MAT)	0.55	0.49	
Provision for Tax (FBT)	4.01	-	
<b>Profit after Tax</b> - available for appropriation	6.41	5.79	
<b>Appropriation :</b>			
Proposed Dividend	5.00	5.00	
Tax on Dividend	0.70	0.70	
	0.71	0.09	
Profit brought forward from previous year	16.40	16.31	
<b>Profit carried to Balance Sheet</b>	17.11	16.40	
<b>Notes on Accounts</b>	18		

**Note :** Schedules 1 to 18 form an integral part of this Account.

In terms of our Audit Report of even date.  
For K. L. BANERJEE & CO.  
*Chartered Accountants*  
K. L. BANERJEE  
*Partner*  
Place : Kolkata  
Date : 26th June, 2006.

P. S. MAZUMDAR  
*Executive Director*  
(Finance & Accounts)

On behalf of the Board of Directors  
D. RAY MOULIK  
*Actg. Chairman & Managing Director and Director (Finance)*  
D. K. MAITY  
*Director*  
S. N. MUKHERJEE  
*Company Secretary*

## Schedules

	(Rs. in lakhs)	
	As at 31.03.2006	As at 31.03.2005
<b>SCHEDULE — 1</b>		
<b>SHARE CAPITAL</b>		
<i>Authorised :</i>		
34,81,000 (34,81,000) Equity Shares of Rs. 1000 each	<b>34,810.00</b>	34,810.00
<i>Issued and Subscribed :</i>		
34,44,228 (34,28,803) Equity Shares of Rs. 1000 each fully paid	<b>34,442.28</b>	34,288.03
<i>Share Deposit - pending allotment</i>		
Received from Govt. of India	<b>637.00</b>	41.25
	<b>35,079.28</b>	34,329.28
 <b>SCHEDULE — 2</b>		
<b>RESTRUCTURING EQUITY SHARE DEPOSIT</b>		
For loans convertible to Equity Shares —		
pending allotment (Note B-3, 4 and 5 of Schedule 18)	<b>8,406.29</b>	1,479.49
	<b>8,406.29</b>	1,479.49
 <b>SCHEDULE — 3</b>		
<b>RESERVES &amp; SURPLUS</b>		
Profit & Loss Account	<b>17.11</b>	16.40
	<b>17.11</b>	16.40



## Schedules

	(Rs. in lakhs)	
	<b>As at 31.03.2006</b>	As at 31.03.2005
<b>SCHEDULE — 4</b>		
<b>UNSECURED LOANS</b>		
<i>Restructuring Debenture Deposit :</i>		
For loans convertible to Zero rate Debenture pending allotment (Note B-3 & 4 of Schedule 18)	<b>3,494.48</b>	3,494.48
<i>Government of India Loans :</i>		
Plan	<b>3,640.55</b>	3,831.97
Non Plan	<b>45,456.24</b>	50,460.80
Non Plan (VRS)	<b>922.66</b>	922.66
Non Plan (VSS)	<b>1,759.84</b>	1,759.84
<i>Other Loans :</i>		
From Bharat Wagon & Engineering Co. Ltd. for Bharat Process & Mechanical Engrs. Ltd.	<b>4.74</b>	4.74
<i>Interest accrued &amp; due :</i>		
On Govt. Loans		
Plan	<b>3,182.88</b>	3,312.11
Non Plan	<b>55,255.80</b>	47,885.32
Non Plan (VRS)	<b>7,924.99</b>	7,881.75
Non Plan (VSS)	<b>2,355.05</b>	2,322.60
On Other Loans	<b>7.72</b>	7.72
	<b><u>1,24,004.95</u></b>	<u>1,21,883.99</u>

## Schedules

### Fixed Assets as at 31st March, 2006

#### SCHEDULE—5

(Rs. in lakhs)

Description of Assets	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	Gross Block as at 01.04.2005	Additions during the year	Deductions during the year	Gross Block as at 31.03.2006	As at 01.04.2005	For the year	Adjustment or deduction	Total as at 31.03.2006	As at 31.03.2006
Electrical Installation	12.29	—	—	12.29	10.66	0.23	—	10.89	1.40
Furniture and Fittings	16.88	1.00	—	17.88	13.25	0.79	—	14.04	3.84
Office Equipments	9.38	—	—	9.38	6.55	0.39	—	6.94	2.44
Motor Vehicles	10.78	—	—	10.78	9.12	0.43	—	9.55	1.23
Computer Installation	20.91	—	—	20.91	18.67	0.90	—	19.57	1.34
<b>TOTAL</b>	70.24	1.00	—	71.24	58.25	2.74	—	60.99	10.25
<b>PREVIOUS YEAR</b>	72.28	—	2.04	70.24	56.62	3.61	1.98	58.25	11.99
									15.66

## Schedules

	(Rs. in lakhs)	
	As at 31.03.2006	As at 31.03.2005
<b>SCHEDULE — 6</b>		
<b>INVESTMENTS</b>		
(Trade – at cost)		
<i>In fully paid shares of subsidiary companies :</i>		
Unquoted	<b>24,071.06</b>	23,940.06
Quoted	–	–
<i>In fully paid shares of other companies :</i>		
Unquoted	<b>42.20</b>	42.20
Quoted	<b>2,562.47</b>	2,562.47
	<b>26,675.73</b>	26,544.73
 <i>LIST OF INVESTMENTS</i>		
<b>Subsidiary companies :</b>		
Burn Standard Co. Limited		
12,88,162 (12,75,062) Equity Shares of Rs. 1000 each	<b>12,881.62</b>	12,750.62
Braithwaite & Co. Limited		
9,49,024 (9,49,024) Equity Shares of Rs. 1000 each	<b>9,490.24</b>	9,490.24
Bharat Wagon & Engineering Co. Limited		
99,924 (99,924) Equity Shares of Rs. 1000 each	<b>999.24</b>	999.24
Bharat Process & Mechanical Engineers Limited		
48,630 (48,630) Equity Shares of Rs. 1000 each	<b>486.30</b>	486.30
The Braithwaite Burn & Jessop Construction Co. Limited		
2,13,660 (2,13,660) Equity Shares of Rs. 100 each	<b>213.66</b>	213.66
<b>Others :</b>		
Jessop & Co. Limited		
2,55,80,122 (2,55,80,122) Equity Shares of Rs. 10 each	<b>2,558.01</b>	2,558.01
4,462 (4,462) Preference Shares of Rs. 100 each	<b>4.46</b>	4.46
The Lagan Jute Machinery Co. Limited		
4,220 (4,220) Equity Shares of Rs. 1000 each	<b>42.20</b>	42.20
	<b>26,675.73</b>	26,544.73
Market value of quoted investment	<b>2,021.16</b>	2,021.16

## Schedules

	(Rs. in lakhs)	
	As at 31.03.2006	As at 31.03.2005
<b>SCHEDULE — 7</b>		
<b>SUNDRY DEBTORS (Unsecured)</b>		
Over Six Months		
Considered good	4.86	—
Other Debts - Considered good	100.17	101.46
	<u>105.03</u>	<u>101.46</u>
<b>SCHEDULE — 8</b>		
<b>CASH AND BANK BALANCES</b>		
Cash-in-hand includes unit in Franking machine Rs. 0.02 lakhs (Rs. 0.02 lakhs)	0.52	0.91
Cheques/Drafts in transit	—	82.55
Bank Balance in Current A/c. with Scheduled Banks	572.46	439.19
Fixed Deposit with Scheduled Banks	2,474.01	2,646.13
	<u>3,046.99</u>	<u>3,168.78</u>
<b>SCHEDULE — 9</b>		
<b>OTHER CURRENT ASSETS</b>		
Other receivables (Note B-7 & 9 of Schedule 18)	7,153.84	7,122.89
Interest accrued but not due	44.80	18.72
	<u>7,198.64</u>	<u>7,141.61</u>

## Schedules

	(Rs. in lakhs)	
	As at 31.03.2006	As at 31.03.2005
<b>SCHEDULE — 10</b>		
<b>LOANS &amp; ADVANCES</b>		
Advances & Loans		
Considered good (Note B-8 of Schedule 18)	<b>66,666.50</b>	63,821.73
Advances recoverable in cash or in kind or for value to be received—		
Considered good	<b>281.57</b>	218.41
Deposits	<b>3.77</b>	3.61
Interest accrued on Advances & Loans	<b>71,100.40</b>	63,924.73
	<b>1,38,052.24</b>	1,27,968.48
<b>SCHEDULE — 11</b>		
<b>CURRENT LIABILITIES</b>		
Subsidiary Funds in Transit (Note B-14 of Schedule 18)	<b>2,810.21</b>	1,851.54
Sundry Creditors		
For goods	<b>25.09</b>	—
Miscellaneous Deposits	<b>0.14</b>	0.14
Other liabilities (Note B-9 of Schedule 18)	<b>1,974.30</b>	2,155.49
Advance from Customers	<b>135.20</b>	448.93
Advance against Service Charges	<b>38.13</b>	7.69
Interest accrued but not due on Government of India Loans :		
Plan	<b>125.04</b>	112.90
Non Plan	<b>2,457.46</b>	2,606.48
	<b>7,565.57</b>	7,183.17
<b>SCHEDULE — 12</b>		
<b>PROVISIONS</b>		
Gratuity	<b>5.93</b>	24.23
Leave Encashment	<b>11.35</b>	9.18
Proposed Dividend	<b>5.00</b>	5.00
Income Tax (MAT)	<b>0.55</b>	0.49
Income Tax (Dividend)	<b>0.70</b>	0.70
Income Tax (FBT)	<b>0.01</b>	—
	<b>23.54</b>	39.60

## Schedules

	(Rs. in lakhs)	
	<u>2005-06</u>	<u>2004-05</u>
<b>SCHEDULE — 13</b>		
<b>OTHER REVENUES</b>		
Miscellaneous Income	<b>45.92</b>	32.02
Profit on sale of Assets	—	0.32
Provision no longer required written back	<b>0.49</b>	0.48
	<u><b>46.41</b></u>	<u>32.82</u>
<b>SCHEDULE — 14</b>		
<b>OTHER DIRECT CHARGES</b>		
Agency commission	<b>20.98</b>	1.50
Direct expenses	<b>23.25</b>	4.40
	<u><b>44.23</b></u>	<u>5.90</u>
<b>SCHEDULE — 15</b>		
<b>EMPLOYEES' REMUNERATION</b>		
Salaries & Wages	<b>76.11</b>	63.29
Gratuity	<b>3.56</b>	12.43
Contribution to Provident Fund	<b>6.37</b>	6.41
Welfare expenses	<b>10.91</b>	13.36
	<u><b>96.95</b></u>	<u>95.49</u>

## Schedules

	(Rs. in lakhs)	
	2005-06	2004-05
<b>SCHEDULE — 16</b>		
<b>OTHER EXPENSES</b>		
Rent	5.00	5.49
Rates & Taxes	0.61	0.26
Insurance	0.17	0.19
Repairs to Building	5.65	4.70
Other Repairs	6.68	4.45
Printing & Stationery	3.19	3.44
Payment to Auditors :		
Statutory Audit fees	0.34	0.33
Other Services – Tax Audit fees	0.13	0.13
Internal Audit fees	0.20	0.17
Travelling Expenses :		
Inland [including Directors' Rs. 11.28 lakhs (Rs. 07.90 lakhs)]	32.21	20.83
Foreign [including Directors' Rs. 2.43 lakhs (Rs. 3.06 lakhs)]	3.85	4.42
Postage & Telegram	0.80	0.66
Motor Vehicle Expenses	7.36	4.81
Bank Charges	0.06	1.42
Subscription	2.83	1.91
Training & Seminar	0.11	0.36
Power & Fuel	5.38	5.72
Telephone & Telex	3.73	4.46
Meeting Expenses	2.27	1.05
Promotional Expenses	5.30	2.15
Recruitment Expenses	1.08	0.26
Car Hire Charges	4.58	3.65
Professional Fees	14.05	9.07
Loss on Exchange Variation	–	13.13
Miscellaneous Expenses	0.46	0.32
	<b>106.04</b>	<b>93.38</b>
<b>SCHEDULE — 17</b>		
<b>INTEREST PAYABLE</b>		
Government of India Loans		
Plan	702.83	780.69
Non Plan	11,499.79	10,797.38
	<b>12,202.62</b>	<b>11,578.07</b>

## BHARAT BHARI UDYOG NIGAM LIMITED

### SCHEDULE — 18

#### NOTES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDING 31ST MARCH, 2006.

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### (a) ACCOUNTING CONVENTION :

1. The Company generally follows mercantile system of accounting and recognises significant items of income and expenditure on accrual basis except as otherwise stated.
2. The Accounts are prepared in compliance with the applicable Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.

##### (b) FIXED ASSETS :

Fixed Assets are stated at cost of acquisition and related expenditure. Depreciation is provided on written down value method at the rates which are in conformity with Schedule XIV of the Companies Act, 1956.

##### (c) INVESTMENT :

Long term investments in subsidiaries and other erstwhile subsidiaries are carried at cost.

##### (d) RETIREMENT BENEFITS :

1. The Company has covered its liability on account of gratuity payable to its employees under the Company's gratuity scheme, through a "Group Gratuity-cum-Life Assurance Policy" administered by Life Insurance Corporation of India (LIC). LIC's valuation based on their conventional principles/formula has been adopted for provision in respect of gratuity liability and the accrued liability for the year has been debited to the Profit & Loss Account, except for the employees who have retained lien with their parent organisations, if any. In their case, liabilities are provided as per the advice of their respective parent organisations.
2. The money value of unutilised leave due to the employees in terms of the service conditions is charged to the Profit & Loss Account in the period in which it is earned, on the basis of actuarial valuation.
3. The compensation paid under Voluntary Retirement Scheme is amortised over a period of five years in accordance with the relevant provisions of the Income Tax Act, 1961.

##### (e) REVENUE RECOGNITION :

1. Sales are recorded based on significant risks and rewards of ownership being transferred in favour of the customer.
2. Service Charge is recovered from the operating subsidiary companies, based on the turnover including other income, value added and manpower, balancing the attributable expenses incurred.
3. Interest accrued on Government fund on account of the subsidiary companies has been passed on to the respective subsidiary companies directly.

##### (f) MATERIAL EVENTS :

Material events occurring after the Balance Sheet date are taken into cognizance.

##### (g) FOREIGN CURRENCY TRANSLATION :

Transactions in Foreign Currency are accounted for at the exchange rates prevailing on the date of the transactions. Year-end foreign currency balances are translated at the year-end exchange rates and the resultant translation differences, if any, are dealt with in Profit & Loss Account.



**(h) PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS :**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

**(i) OTHERS :**

Prepaid Expenses upto Rs. 0.05 lakhs are charged off to Revenue.

**B. NOTES ON ACCOUNTS**

1. The figures in parenthesis represent those for the previous year.

**2. CONTINGENT LIABILITIES**

**(I) Bank Guarantees :-**

Foreign Bank Guarantees outstanding Rs. 4.32 lakhs (Rs. 294.96 lakhs) converted at closing exchange rate.

**(II) Counter Guarantees :-**

(a) Guarantee executed by the Company in favour of Canara Bank for financial assistance availed of by The Braithwaite Burn and Jessop Construction Co. Ltd. (BBJ), a wholly owned subsidiary of the Company, for Rs. 2690.00 lakhs (Rs. NIL lakhs).

(b) Guarantee executed by the Company in favour of United Bank of India for financial assistance availed of by Burn Standard Co. Ltd. (BSCL), a wholly owned subsidiary of the Company, for Rs. 300.00 lakhs (Rs. NIL lakhs).

**(III) Corporate Guarantee :-**

Corporate Guarantee issued by the Company in favour of National Thermal Power Corporation Limited (NTPC), for Supply & Erection/Transportation Contract of wagons at its Rihand Super Thermal Power Project estimated at a value of Rs. 1979.70 lakhs (Rs. 1979.70 lakhs) awarded to Burn Standard Company Limited (BSCL), a wholly owned subsidiary of the Company.

3. In view of Capital Restructuring of Braithwaite & Co. Ltd. (BWT), Bharat Brakes & Valves Ltd. (BBVL), RBL Ltd. (RBL), and Burn Standard Co. Ltd. (BSCL), the Board for Industrial and Financial Reconstruction (BIFR) had sanctioned the respective schemes of restructuring for these companies and in respect of which the formal financial sanctions had been obtained from Government of India.

Pending completion of formalities, Rs. 297.56 lakhs (Rs. 297.56 lakhs) has been kept as Restructuring Equity Share Deposit. In case of Debenture, Rs. 2494.48 lakhs (Rs. 2494.48 lakhs) has been retained as Restructuring Debenture Deposit pending completion of formalities.

4. In pursuance of the approval of Government of India for Financial Restructuring in respect of The Braithwaite Burn and Jessop Construction Co. Ltd. (BBJ), a wholly owned subsidiary of the Company, inter-alia to allow conversion of outstanding loan and interest thereon into Equity Shares and Zero Rate Debenture, a sum of Rs. 1181.93 lakhs (Rs.1181.93 lakhs) and Rs.1000.00 lakhs (Rs. 1000.00 lakhs) has been kept as Restructuring Equity Share Deposit and Restructuring Debenture Deposit respectively pending completion of formalities.

5. In pursuance of the approval of Government of India for Financial Restructuring in respect of Braithwaite & Co. Ltd. (BWT), a wholly owned subsidiary of the Company, inter-alia to allow conversion of outstanding loan into Equity Shares, a sum of Rs. 6926.80 lakhs (Rs. NIL lakhs) has been kept as Restructuring Equity Share Deposit pending completion of formalities.

## BHARAT BHARI UDYOG NIGAM LIMITED

6. In line with Accounting Standard (AS) - 13, issued by the Institute of Chartered Accountants of India (ICAI), long term investments in subsidiaries and other erstwhile subsidiaries are carried at cost. Company has not provided for any diminution in the value of such long term investments in subsidiary companies, if any, since in the opinion of the Management diminution in the value is temporary in nature considering the inherent value and nature of these investments, the investees' assets and expected future cash flows from such investments.

In case of long term investments in certain subsidiaries, as detailed below, where winding up proceedings has commenced, no diminution in value of such investment has been considered. After completion of settlement by the Official Liquidator towards amount returnable to contributories, any resultant financial effect shall be dealt with in accordance with Government of India directive.

The dates of order for liquidation are - Weighbird (India) Ltd. [08.04.2003], Bharat Brakes and Valves Ltd. [17.06.2003], RBL Ltd. [22.07.2003] and Bharat Process and Mechanical Engineers Ltd. [27.07.2004].

7. Other receivables under Other Current Assets include Rs. 7.72 lakhs (Rs. 7.72 lakhs) being interest payable on ways & means advance by Bharat Process & Mechanical Engineers Ltd. (BPMEL) to Bharat Wagon & Engineering Co. Ltd. (BWEL).
8. Loans and Advances include Rs. 3544.03 lakhs (Rs. 3544.03 lakhs) against debentures for which certificates are yet to be received on conversion of unsecured loans consequent upon financial restructuring vis-a-vis Government of India's approval etc.
9. After obtaining Government of India's clearance vide letter no. 17(12)/2000-PE. III dated 26.08.2003 and in terms of the Shareholders' Agreement executed between the Company and Indo Wagon Engineering Ltd., 72% i.e. 6,81,34,428 equity shares of Jessop & Co. Ltd. (Jessop) has been transferred by the Company in favour of Indo Wagon Engineering Ltd. on 29.08.2003. As a result of the above changes in the shareholding pattern and composition of the Board of Directors, Jessop ceased to be a subsidiary of the Company and a 'Government company' within the meaning of Section 617 of the Companies Act, 1956 w.e.f. 29.08.2003. The above Government's decision to sell shares of Jessop has been challenged in appropriate Court of law and the matters are still pending before the Hon'ble Supreme Court of India and Hon'ble High Court at Calcutta. Accordingly, the entire sale proceeds of Rs. 1818.00 lakhs (Rs. 1818.00 lakhs) have been included under 'Other Liabilities' in Current Liabilities and the related net expenditure together with cost of investment of Rs. 7063.20 lakhs (Rs. 7057.56 lakhs) has been shown under 'Other Receivables' in Other Current Assets. The resultant accounting effect will be passed in the books after final adjudication.
10. During the year, Jessop & Co. Ltd. (Jessop) applied to Board for Industrial and Financial Reconstruction (BIFR) for derating the nominal value of its equity shares from Rs. 10 to Re. 1. BIFR vide directions issued on 31.08.2005 permitted Jessop to proceed with reduction of equity share capital of Jessop in terms of the provision under Sections 100, 101, 102 & 103 of the Companies Act, 1956.

The Company has filed an appeal under Section 25 of the Sick Industrial Companies (Special Provisions) Act, 1985 before the Appellate Authority for Industrial and Financial Reconstruction (AAIFR) against the aforesaid direction of BIFR. The Company has also filed an application impleading itself in the appeals filed before AAIFR, against the aforesaid direction of BIFR. The resultant accounting effect will be passed in the books after final adjudication.

11. During the year, the Government of India (GOI) approved a financial restructuring package for Braithwaite & Co. Ltd. (BWT), a wholly owned subsidiary of the Company. The restructuring package involves inter alia reduction of equity capital to the extent of Rs. 167.30 crores. The restructuring package, as above, is subject to approval by Board for Industrial and Financial Reconstruction (BIFR). The resultant accounting effect will be passed in the books after final adjudication.
12. Expenses relating to disinvestment for certain subsidiaries amounting to Rs. 40.50 lakhs (Rs. 31.23 lakhs) has been retained in books for reimbursement by Government of India (GOI) or adjustment with disinvestment proceeds with permission of GOI.
13. In accordance with Accounting Standard (AS) – 1, issued by the Institute of Chartered Accountants of India (ICAI)

BHARAT BHARI UDYOG NIGAM LIMITED

and in line with prudent accounting principles and pursuant to consistent practice, interest on account of Government of India loans released to certain subsidiaries through the Company, presently under winding up, has not been accounted for since corresponding realisation of interest from such subsidiaries by the Company is uncertain.

14. Subsidiary Funds-in-Transit comprise of various Government/non-Government funds receivable by the subsidiaries.
15. Year-end net deferred tax assets arising mainly out of unabsorbed tax depreciation, carried forward tax losses etc., have not been recognised in these accounts as a measure of prudence in keeping with Accounting Standard (AS)-22, issued by the Institute of Chartered Accountants of India (ICAI).
16. Remuneration of Directors on account of salaries and allowances was Rs. 5.75 lakhs (Rs. 5.76 lakhs) and Company's contribution to Provident Fund Rs. 0.69 lakhs (Rs. 0.73 lakhs) aggregating to Rs. 6.44 lakhs (Rs. 6.49 lakhs) for the year. Recoveries for accommodation and personal use of motor cars by Director were made as per the terms of appointment.

17. Expenditure in foreign currency :

(Rs. lakhs)

Items	2005-06		2004-05	
Travelling : Director	1.40		1.07	
Others	<u>0.44</u>	1.84	<u>0.92</u>	1.99
TOTAL		1.84		1.99

18. Earnings in foreign currency :

(Rs. lakhs)

	2005-06	2004-05
Export Sales (FOB)	300.02	46.60
TOTAL	300.02	46.60

19. Balance due from Directors and Secretary :

(Rs. lakhs)

	2005-06	2004-05
As at year-end	0.09	-
Maximum during the year	0.09	1.44

## BHARAT BHARI UDYOG NIGAM LIMITED

20. Additional information pursuant to the provisions of paragraph 3 of Part II of Schedule VI of the Companies Act, 1956 :

(a) Particulars in respect of Purchases :

Items	Unit	Quantity		Value (Rs. lakhs)	
		2005-06	2004-05	2005-06	2004-05
Wheel Monoblock Rolled (Rough)	Nos.	Nil	120	Nil	28.32
Flat Wagon	Nos.	20	Nil	239.55	Nil
Bogie Flat Wagon	Nos.	3	Nil	59.15	Nil
TOTAL				298.70	28.32

(b) Particulars in respect of Sales :

Items	Unit	Quantity		Value (Rs. lakhs)	
		2005-06	2004-05	2005-06	2004-05
Wheel Monoblock Rolled (Rough)	Nos.	Nil	120	Nil	46.60
Flat Wagon	Nos.	20	Nil	300.02	Nil
Bogie Flat Wagon	Nos.	3	Nil	68.54	Nil
TOTAL				368.56	46.60

21. Market value of quoted investments are based on last available quotations (Equity : 28.02.2001 & Preference : 27.11.1998).
22. Estimated amount of contract remaining to be executed on capital account Rs. Nil lakhs (Rs. 0.10 lakhs).
23. Pending final approval in respect of wage revision of certain category of employees, no provision for any such arrears have been considered as per consistent practice.
24. Cash Flow Statement, as required by Accounting Standard (AS)-3 issued by the Institute of Chartered Accountants of India (ICAI), is not enclosed because loan granted for the Company itself by Government of India (GOI) did not exceed Rs. 10.00 crores at any time during the accounting period, while the loan included in the Balance Sheet covers loan granted by GOI channelised through the holding company for its various subsidiaries and has also been shown in the Assets side of the Balance Sheet under Loans & Advances.
25. Figures for the previous year have been regrouped/rearranged for the purpose of comparison as far as practicable.

In terms of our Audit Report of even date.  
 For K. L. BANERJEE & CO.  
*Chartered Accountants*  
 K. L. BANERJEE  
*Partner*  
 Place : Kolkata  
 Date : 26th June, 2006.

P. S. MAZUMDAR  
*Executive Director*  
 (Finance & Accounts)

On behalf of the Board of Directors  
 D. RAY MOULIK  
*Actg. Chairman & Managing Director and Director (Finance)*  
 D. K. MAITY  
*Director*  
 S. N. MUKHERJEE  
*Company Secretary*

**Balance Sheet Abstract and Company's General Business Profile**

**I. REGISTRATION DETAILS :**

Registration No. : U28112WB1986PTC41286 State Code : 21  
 Balance Sheet Date : 31st March, 2006

**II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands) :**

Public Issue : NIL Right Issue : NIL  
 Bonus Issue : NIL Private Placement : 75,000\*

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands) :**

Total Liabilities : 16,750,782 Total Assets : 16,750,782

**SOURCES OF FUND**

Paid up Capital : 3,444,228 Reserve & Surplus : 1,711  
 Share Deposit : 63,700  
 Restructuring  
 Share Deposit : 840,629  
 Grant-in-Aid : 19 Unsecured Loan : 12,400,495

**APPLICATIONS OF FUND**

Net Fixed Assets : 1,025 Investments : 2,667,573  
 Net Current Assets : 14,081,379 Misc. Expenditure : 805  
 Accumulated Losses : NIL

**IV. PERFORMANCE OF COMPANY (Amount in Rs. Thousands) :**

Turnover & Other Income : 1,276,627 Total Expenditure : 1,275,530  
 Profit/(Loss) before Tax : 1,097 Profit/(Loss) after Tax : 641  
 Earning per share in Rs. : 0.18 Dividend Rate % : 0.015

**V. GENERIC NAME OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY :**

(as per monetary terms)  
 Item Code No. (ITC code) : # N.A.  
 Product Description : SERVICE  
 Item Code No. (ITC code) : 860699.00  
 Product Description : WAGONS (OTHERS)

\* represents amount received from Government of India for issue of equity shares.  
 # no item code has been assigned to "SERVICE".

In terms of our Audit Report of even date.  
 For K. L. BANERJEE & CO.  
 Chartered Accountants  
 K. L. BANERJEE  
 Partner  
 Place : Kolkata  
 Date : 26th June, 2006.

P. S. MAZUMDAR  
 Executive Director  
 (Finance & Accounts)

On behalf of the Board of Directors  
 D. RAY MOULIK  
 Actg. Chairman & Managing Director and Director (Finance)  
 D. K. MAITY  
 Director  
 S. N. MUKHERJEE  
 Company Secretary

BHARAT BHARI UDYOG NIGAM LIMITED

**STATEMENT PURSUANT TO SECTION 212(1)(e) OF THE COMPANIES ACT, 1956 AS AT 31ST MARCH, 2006**

Subsidiary	No. of equity shares held by the Company	No. of equity shares held by the Company in nominee's names	Total paid-up value (Rs. in lakhs)	Profit/(Loss) for the year (Rs. in lakhs)	Accumulated Profit/(Loss) (Rs. in lakhs)
Burn Standard Co. Ltd.	1288159	3	12881.62	(44,273.59)	(116,662.57)
Braithwaite & Co. Ltd.	949004	20	9490.24	221.15	(1,235.46)
Bharat Wagon & Engineering Co. Ltd.	99905	19	999.24	(2,488.34)	(12,878.24)
The Braithwaite Burn and Jessop Construction Co. Ltd.	213653	7	213.66	48.97	(642.06)

Notes :

- a) i) The Company holds the entire paid-up share capital of the above subsidiaries.  
ii) The profits / losses of subsidiaries have not been dealt with in the Accounts of Company.
- b) The Company holds 48630 equity shares of Rs. 1000/- each (entire paid-up capital) in Bharat Process & Mechanical Engineers Ltd. (BPMEL). The Hon'ble High Court at Calcutta ordered winding up of BPMEL on 27.07.2004 and the Official Liquidator has taken over possession of assets of BPMEL. The cumulative loss of BPMEL upto 31.03.2004 was Rs. 43477.57 lakhs.
- c) Bharat Process & Mechanical Engineers Ltd. holds 261893 equity shares of Rs. 10/- each (entire paid-up capital) in Weighbird India Ltd. (WIL). The Hon'ble High Court at Calcutta ordered winding up of WIL on 08.04.2003 and the Official Liquidator has taken over possession of the assets of WIL. The cumulative loss of WIL up to 31.03.2003 was Rs. 6916.51 lakhs (subject to audit).
- d) Burn Standard Co. Ltd. holds 81448 equity shares of Rs. 1000/- each (entire paid-up capital) in Bharat Brakes & Valves Ltd. (BBVL). The Hon'ble High Court at Calcutta ordered winding up of BBVL on 17.06.2003 and the Official Liquidator has taken over possession of the assets of BBVL. The cumulative loss of BBVL up to 31.03.2003 was Rs. 6710.28 lakhs (subject to audit).
- e) Burn Standard Co. Ltd. holds 216970 equity shares of Rs. 100/- each (about 88% of paid-up capital) in RBL Ltd. (RBL). The Hon'ble High Court at Calcutta ordered winding up of RBL on 22.07.2003 and the Official Liquidator has taken over possession of the assets of RBL. The cumulative loss of RBL Ltd. up to 31.03.2003 was Rs. 2686.33 lacs.

On behalf of the Board of Directors

D. RAY MOULIK  
*Chairman & Managing Director*

D. K. MAITY  
*Director*

S. N. MUKHERJEE  
*Company Secretary*

Dated : 26th September, 2006.

BHARAT BHARI UDYOG NIGAM LIMITED

BHARAT BHARI UDYOG NIGAM LIMITED

<b>Board of Directors :</b>	Shri D. Ray Moulik <i>Director (Finance)</i> <i>Chairman &amp; Managing Director</i> Shri Naresh Chaturvedi Dr. Surajit Mitra Shri V. K. Bhargav (Upto 07.02.2006) Shri Pratap Srivastava (From 07.02.2006) Shri A. K. Bhattacharyya (Upto 31.03.2006) Shri Dilip Kumar Maity Shri Ranjit Sinha Shri Saibal Baul
<b>Company Secretary :</b>	Shri S. N. Mukherjee
<b>Auditors :</b>	M/s. K. L. Banerjee & Co., Chartered Accountants
<b>Registered Office :</b>	26, Raja Santosh Road, Kolkata - 700 027.
<b>Bankers :</b>	Canara Bank HDFC Bank Ltd. Indian Overseas Bank State Bank of India United Bank of India Vijaya Bank
<b>Subsidiaries :</b>	Burn Standard Company Limited Braithwaite & Company Limited Bharat Wagon & Engineering Company Limited The Braithwaite Burn and Jessop Construction Company Limited



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