

BHARAT BHARI UDYOG NIGAM LIMITED

DIRECTORS' REPORT

To
Shareholders of
Bharat Bhari Udyog Nigam Limited

1.0 The Directors are pleased to present their 22nd Annual Report and the audited Accounts of the Company for the year ended 31st March, 2008 together with the Auditors' Report and Comments of the Comptroller and Auditor General of India thereon.

1.01 During the year under report, the Company had following four subsidiaries:

- i) Burn Standard Company Limited (BSCL);
- ii) Braithwaite & Company Limited (BCL);
- iii) Bharat Wagon & Engineering Company Limited (BWEL);
- iv) The Braithwaite Burn and Jessop Construction Company, Limited (BBJ).

However, BWEL has since ceased to be a subsidiary w.e.f. 13.08.2008 consequent to transfer of shares and administrative control to Ministry of Railways as approved by Government of India.

1.02 As mentioned in earlier Reports, the disinvestment of shares by the Company in Jessop & Co. Ltd. was challenged in the Hon'ble High Court at Calcutta and the same will be subject to judgement of the Hon'ble Court in a Writ Petition being No. 1509 of 2003 filed by Titagarh Wagons Ltd. and others.

2.0 FINANCIAL & OPERATING RESULTS

2.01 During the year under report, the Company, as stand alone entity, earned Profit after Tax of Rs. 0.26 crore. Two of the restructured subsidiary companies viz. BCL and BBJ have also reported Profit after Tax of Rs. 0.55 crore and Rs. 1.62 crores, respectively.

2.02 During the year under report, Gross earnings of the Company, as stand alone entity, improved to Rs. 8.21 crores (previous year: Rs. 6.39 crores). BBUNL Group of Companies as a whole achieved highest gross earning of Rs. 322.41 crores during the year and 6% growth over previous year's Rs. 305.43 crores.

2.03 All companies of the BBUNL Group, barring BWEL, reported cash profit before charging interest on Government of India ("GoI") loans during the year.

2.04 BBUNL Group, as consolidated, had improved cash profit (before charging interest on GoI loans) from Rs. 0.79 crore in 2006-07 to Rs. 0.85 crore in 2007-08.

Net Loss (after Tax) in 2007-08 works out Rs. 162.49 crores after provision of Rs. 159.59 crore as interest on GoI loans, compared to Net Loss of Rs. 173.98 crore and interest on GoI loans of Rs. 142.60 crore in 2006-07.

2.05 Subsidiary-wise position of Net Profit/(Loss) after Tax and Cash Profit/(Loss) before charging interest on GoI loans are summarised below:

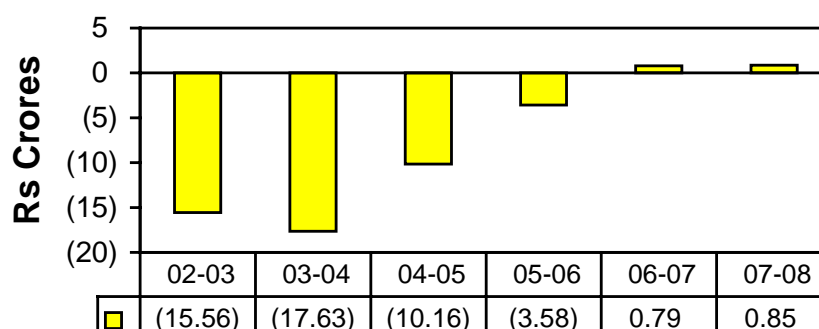
(Rs in crore)

	2007-08			2006-07		
	Cash Profit/ (Loss) #	Net Profit/ (Loss) after Tax	Interest On GoI loans	Cash Profit/ (Loss) #	Net Profit/ (Loss) after Tax	Interest on GoI. loans
BSCL	5.52	(151.29)	159.55	2.92	(151.87)	130.97
BCL	5.19	0.55	0.02	3.86	0.56	0.02
BWEL	(12.27)	(13.62)	-	(8.04)	(24.14)	11.59
BBJ	2.05	1.62	-	1.61	1.23	-
BBUNL- Proper	0.37	0.26	0.02	0.44	0.25	0.02
Total	0.85	(162.49)	159.59	0.79	(173.98)	142.60

before Interest on Govt. loans & Extraordinary items.

2.06 A comparative statement of financial performance, showing position of Gross/Billable Production, Gross Outturn, Operating Profit-PBDIT, Cash Profit/(Loss) and Net Profit/(Loss), etc. for 2007-08 and that of 2006-07 of respective subsidiaries have been furnished at **Annexure-A**.

**Trend of Cash Profit / Loss (before Interest
on GoI Loan) for BBUNL GROUP**



3.0 DIVIDEND

The Directors have recommended a dividend of Rs. 10.00 lakhs on the issued and subscribed capital of the Company as on 31.03.2008 for consideration and approval of the shareholders at the next annual general meeting.

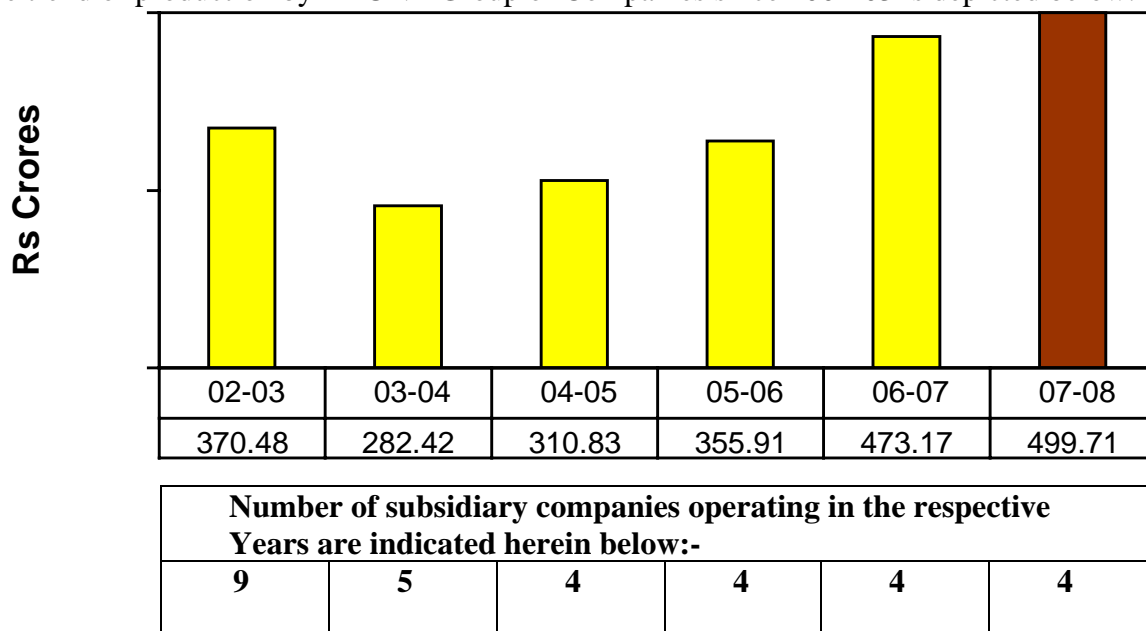
4.0 SHARE CAPITAL

As on 31.03.2008, the authorised and issued & subscribed share capital of the Company remained unchanged at Rs. 348.10 crores and Rs. 345.56 crores, respectively.

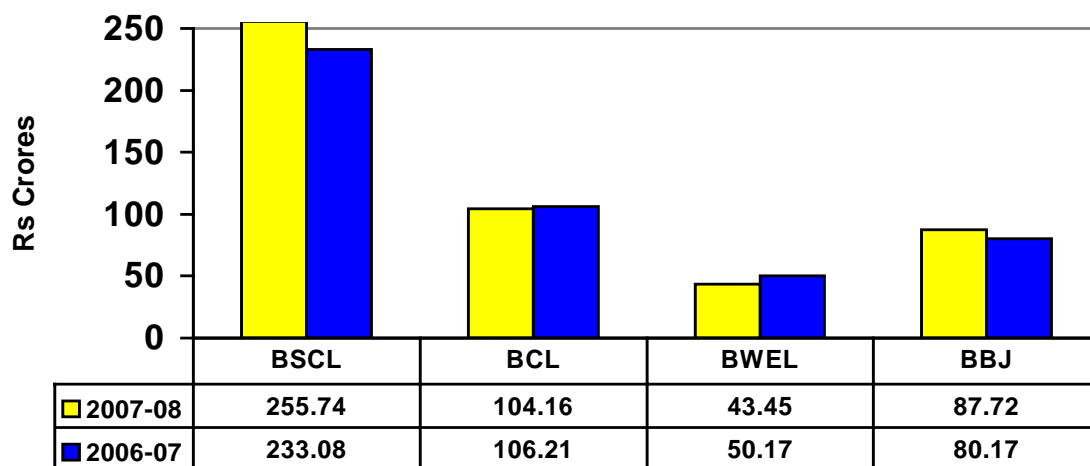
5.0 OPERATIONS

During the year under report, BBUNL Group of Companies achieved gross production of Rs. 499.71 crores (recording highest in last 6 years) against Rs. 473.17 crores in 2006-07, thus registering a growth of 6% over the previous year.

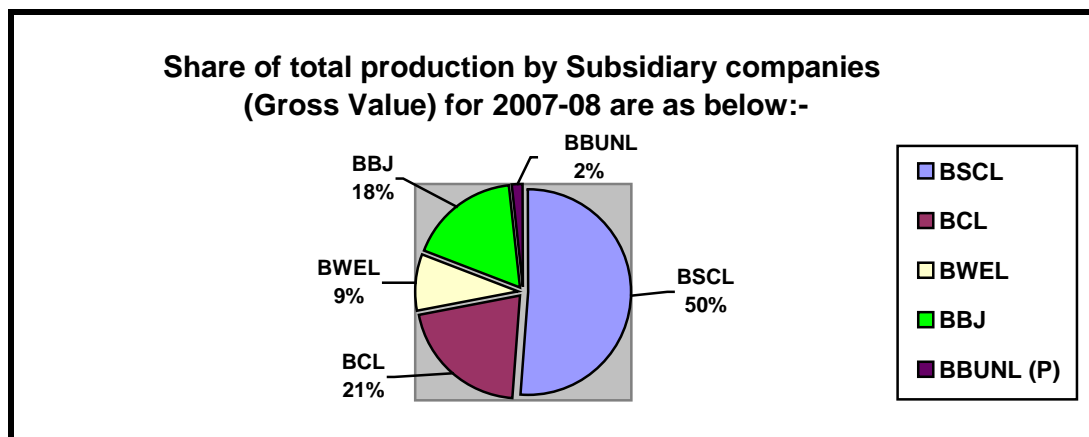
The trend of production by BBUNL Group of Companies since 2002-03 is depicted below:



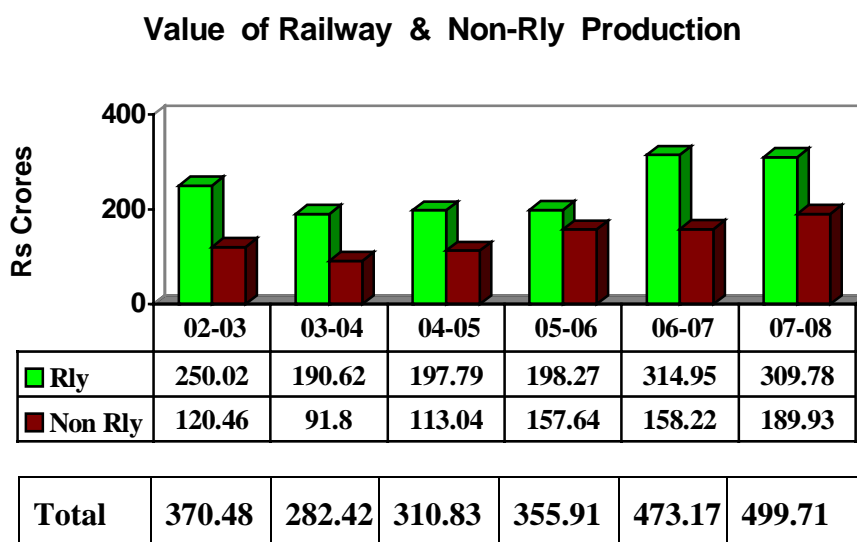
Subsidiary-wise Production in 07-08 vis-à-vis 06-07



The above pictorial presentation on subsidiary-wise performance reveals that BSCL and BBJ have been able to improve their performance over the previous year. BBUNL (proper) also achieved higher production of Rs. 8.64 crores during the year as against Rs. 3.54 crores in the previous year (growth by 144%). However, BCL and BWEL could not maintain previous year's performance for several constraints beyond control.



Share of Railway & Non-Railway Production (Gross Value) for BBUNL Group since 2002-03 has been shown below:-



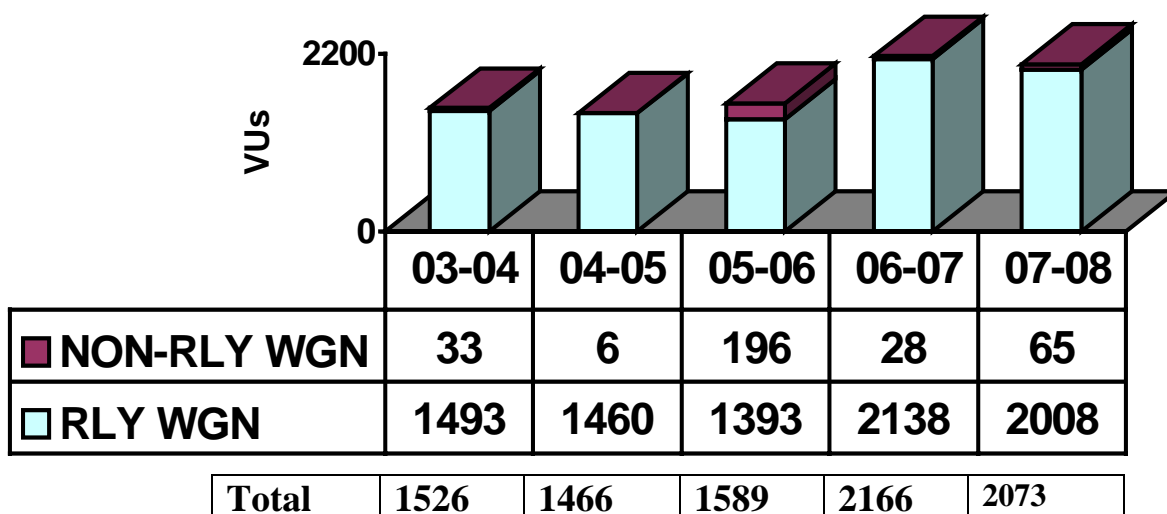
Performance Highlights during the year 2007-08

- The two restructured subsidiary companies viz., BCL and BBJ have reported Net Profit after Tax of Rs. 0.55 crore and Rs. 1.62 crores, respectively. These companies are consistently reporting net profit after tax since being restructured in January 2006 and July 2005, respectively.
- The Group as a whole has been able to marginally improve its cash profit before Interest on GoI Loans from Rs. 0.79 crore in 2006-07 to Rs. 0.85 crore in 2007-08, inspite of increase in cash loss to the tune of Rs. 4.23 crores by BWEL.

- The Company, as stand alone entity, secured orders worth Rs. 7.31 crores from the domestic market including Rs. 5.19 crores for construction of Inter-State Truck Terminus at Tripura.
- During the year under report, the BBUNL Group secured orders worth Rs. 537.52 crores, of which export order was Rs. 3.43 crore (BSCL – refractory items).

6.0 WAGON PRODUCTION

During the year under report, BBUNL Group of Companies DM'd 2008 VUs Railway wagons, 37 VUs OYWS wagons and 28 VUs Export wagons (total: 2073 VUs) as against 2138 VUs Railway wagons and 28 VUs OYWS wagons (total: 2166 VUs) in 2006-07. Wagon production is slightly less than previous year, primarily due to non-receipt of free supply wheel sets from the Railways between August 2007 and October 2007 (after shut down of the Wheel Axle Plant at Bangalore for more than one and half months). Consequently, only 99 and 60 wagons were delivered in the said two months compared to average production of around 192 wagons per month.



Subsidiary-wise position of wagons DM'd against orders from Railways and non-Railway sector for 2007-08 comparing with 2006-07 are given below:-

(Figs. in VUs)

Units	2007-08			2006-07		
	Railways	Non Railways	Total	Railways	Non Railways	Total
BSCL	1055	-	1055	1108	1	1109
BCL	558	37	595	577	27	604
BWEL	395	-	395	453	-	453
BBUNL Proper	-	28	28	-	-	-
Total	2008	65	2073	2138	28	2166

- BBUNL Group of Companies secured orders for 2058 VUs wagons (2038 VUs of Railways wagons and 20 VUs of non-Railway wagons) during 2007-08.

7.0 MOU

The Company, as Holding Company of its four subsidiaries, signed an MoU in 2007-08 with the Administrative Ministry viz. Department of Heavy Industry (“DHI”) as per prescribed guidelines issued by the Department of Public Enterprises (MoU division), Government of India. The Company also entered into a back to back MoU with the subsidiary companies.

8.0 DIVERSIFICATION, RESEARCH & DEVELOPMENT

- 8.01 **Diversification & business outlook**: The BBUNL Group of Companies continued to explore the potential in their respective core areas. The Company as a stand-alone entity has been endeavoring to diversify into areas like civil construction, building projects, structural fabrication, EMU coaches, consultancy job, etc.

BSCL and BCL are endeavouring to diversify into production of stainless steel wagons for the Indian Railways and others, while BBJ is venturing into city development, mass transport system, roads, water supply and sewerage system, laying of pipe lines, consulting services for bridge erection and dismantling, etc.

- 8.02 **Research & Development**: It is an ongoing process for retaining the Group’s leadership position in business environment. The Group companies are trying to strengthen their operations in the areas of core competence. To improve performance, Salem Works (SW) of BSCL is endeavouring to develop low cost Mag. Carbon Bricks and high Alumina Mag. Carbon Bricks for ladles impact zone, low cost Mag. Chrome Bricks for different applications and Mag. Chrome spinnel based induction furnace ramming mass. Besides, wagon manufacturing companies of the Group are trying to develop/refurbish existing infrastructure for manufacture of stainless steel wagons for the Railways and also wagons for private sector and overseas customers. BBJ is endeavoring to diversify into infrastructure development and other related areas.

9.0 RESTRUCTURING PROPOSALS FOR SUBSIDIARIES:

- 9.01 As per the policy of the Government of India (GoI), revival/restructuring of all the Group companies started from mid/end of financial year 2004-05, through the Board for Reconstruction of Public Sector Enterprises (BRPSE).
- 9.02 Consequent to above, GoI approved the restructuring proposals of BBJ and BCL. Since implementation of the restructuring proposals, both BCL and BBJ continue to achieve net profit and result the positive net worth.
- 9.03 In case of BWEL, GoI approval to financial restructuring was conveyed by DHI vide letter dated 03.07.2008. As per the restructuring proposal, the administrative control of BWEL has been transferred from the Ministry of Heavy Industries & Public Enterprises to the

Ministry of Railways (MoR) w.e.f. 13.08.2008 and shares held by the Company in BWEL have also been transferred to MoR. Consequently, BWEL has ceased to be a subsidiary of the Company.

- 9.04 In case of BSCL – the modified draft revival scheme (MDRS) has been prepared and placed to the Operating Agency (OA) appointed by BIFR, DHI and all concerned parties. The revival/restructuring plan is under consideration of OA, BIFR for final view.

10.0 REFERENCE TO BIFR:

- 10.01 **BSCL:** It continues to be under the jurisdiction and purview of the Board for Industrial and Financial Reconstruction (BIFR) - Case No. 508/94. Upon approval of its revival/restructuring proposal and implementation thereof, BSCL would approach BIFR for allowing it to come out from the purview Sick Industrial Companies (Special Provisions) Act, 1985 ('SICA').
- 10.02 **BCL:** Consequent to approval of the restructuring proposal by GoI, BIFR vide Order dated 29.06.2006 discharged BCL from the purview of SICA. BCL has thereby ceased to be a 'sick industrial company'.
- 10.03 **BWEL:** It was referred to BIFR (Case No. 501/2001 dated 18.12.2000). The financial restructuring proposal approved by GoI has been implemented and submitted to BIFR. Vide Order dated 18.07.2008, BIFR has accorded in principle approval for transfer of BWEL from the Ministry of Heavy Industries & Public Enterprises to the Ministry of Railways.
- 10.04 **BBJ:** It was not referred to BIFR as being not covered under SICA.

11.0 MARKETING AND ORDER BOOK

- 11.01 The orders in hand with the BBUNL Group of Companies as on 01.04.2007 were Rs. 711.61 crores (gross value) and Rs. 515.57 crores (billable value), excluding the non-moving order of BSCL/Howrah Works worth Rs. 15.05 crores (gross) and Rs. 13.10 crores (billable), respectively.
- 11.02 During the year under report, the BBUNL Group of Companies secured new orders aggregating to Rs. 537.52 crores (gross value) comprising of Rs. 410.02 crores (gross value) from the Railways and Rs. 127.5 crores (gross value) for non-Railway products, including exports.
- 11.03 The summary of order booking/executed by BBUNL Group in major product categories during the financial year 2007-08 is as follows:

(Rs./crores)

Description	Order in hand as on 01.04.2007 (Gross value)	Order booking during 2007-08	Subsidiaries involved
WAGONS, BOGIES & COUPLERS			
Railway – Wagons			
Bogies	256.90	374.67	BCL, BSCL and
Couplers	10.19	25.26	BWEL
Wagon components	0.76	7.91	BCL and BSCL
Non-railway Wagons	1.81	2.18	BSCL
	115.27	4.20	BSCL
			BCL
OTHER MAJOR PRODUCTS			
Bridge Project, Jetty & Marine Structures and Civil Projects	167.99	29.85	BBJ
Refractory Products	33.61	73.58	BSCL
Cranes (Spares & Service)	14.48	2.13	BCL
Structural fabrication	19.10	2.50	BCL and BSCL
BBUNL (Proper) Projects	14.26	7.31	BBUNL
Others	5.31	4.50	BCL and BSCL
BSCL Projects	6.03	-	BSCL
EXPORTS			
Railway wagons	57.66	-	BCL/BBUNL
Refractory products	8.24	3.43	BSCL
Total	711.61	537.52	

11.04 The actual production (gross) during the year amounted to Rs. 499.71 crores against the available orders.

11.05 Orders for 2038 VUs wagons were bagged from the Railways and 20 VUs wagons from Non Railway customers during the year under report.

12.0 EXPORTS

12.01 New export order worth Rs. 3.43 crores was secured by BSCL during the year under report.

12.02 Export/Sales turnover of the BBUNL Group of Companies during the year achieved to the tune of Rs.12.05 crores against the previous year amounting to Rs. 8.48 crores.

The above exports include 28 nos. Container Flat Wagons to Mali and Refractory products for Bangladesh, Ghana, Japan, Qatar, UAE, Ethiopia and Nigeria.

13.0 RELEASE OF FUNDS BY GOVERNMENT

During the year under review, the Government released Rs. 6.60 crores towards Non-Plan Loan and Rs. 1.50 crore towards plan equity. No amount was released as Plan Loan.

14.0 VIGILANCE

The Vigilance Cell of the Company continued to function effectively. Regular inspections took place for pursuing preventive vigilance. From time to time, vigilance officers of all the subsidiary companies conducted surprise checks. It was stepped up during the year under review covering officers/officials at various levels to achieve desired results.

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

15.0 MANPOWER

15.01 In order to achieve competitive efficiency, improved financial viability and to ensure continuity of operation 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 the business need. However, some key positions continued to be vacant because of poor pay scales in the major subsidiaries. Group manpower reduced from 3,097 as on 31.03.2007 to 3,028 as on 31.03.2008. During the year under report, there was no separation under voluntary retirement schemes in any Group company.

15.02 Employment of SC/ST/Women: The compliance of Policies and directives of the GoI continued in the matter of employment of SC/ST/women.

16.0 HUMAN RESOURCE DEVELOPMENT & TRAINING

The Group continues to accord top priority to human resource development, acknowledging thereby that it is at the core of an effective, efficient organisation that promotes and develops the skills of its personnel. The Group also continues with efforts to attract, retain, motivate and develop talented people. Being aware that corporate environment is becoming increasingly volatile, the Group strives to harness the full potential of personnel, 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. Training was imparted through both in-house and outside institutional programmes.

17.0 INDUSTRIAL RELATIONS

Pay revision (due from 01.01.1997) for executives could not take place in the major subsidiaries. Also, wages in some subsidiaries could not be revised. This impending pay/wage revision and non-uniform pay structure across the Group companies caused unrest among the employees concerned. Further, inability of one of the subsidiaries to pay wages and other statutory/terminal dues in time also caused dissatisfaction to the employees.

However, industrial relations continued to be cordial during the year under review.

18.0 RAJBHASA IMPLEMENTATION

During the year under review, quarterly meetings of the Official Language Implementation Committee were held and effective efforts taken to implement the Official Language Policy of GoI. With a view to promote the use of official language in the Company, various in-house competitions were organised and prizes distributed amongst the winners during “Hindi Week” observed in September 2008. An official language inspection of the Company was conducted by the DHI in December 2007.

19.0 SUBSIDIARY COMPANIES

Copies of audited balance sheet, profit and loss account, Directors’ report and Auditors’ report for the financial year ended 31.03.2008 in respect of subsidiary companies viz. BSCL, BCL, BWEL and BBJ have been annexed.

The statement pursuant to Section 212(1)(c) of the Companies Act, 1956 is also annexed.

20.0 DIRECTORS’ RESPONSIBILITY STATEMENT

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956 and on the basis of explanation and information given by the executives of the Company and subject to disclosure in the annual Accounts and on the basis of discussions with the Statutory Auditors, the Directors confirm that:

- i) in the preparation of the annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures, if any;
- ii) they had 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 the Company for that period;

iii) they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

iv) the annual Accounts had been prepared on a going concern basis.

21.0 AUDIT COMMITTEE

The Audit Committee was reconstituted on 26.06.2008 with the following Directors:

Shri R. Asokan - Chairman
Shri Saibal Baul
Shri Sunil Kumar Rishi.

During the year under report, the Committee met four times. The Committee also met on 14.08.2008 to review the financial statements of the Company for 2007-08.

The Committee's meetings are also attended by the Director (Finance) and representatives of the Statutory as well as Internal Auditors of the Company.

22.0 AUDITORS

Comptroller and Auditor General of India appointed D. N. Mukherjee & Co., Chartered Accountants, as Statutory Auditors of the Company for the year 2007-2008.

23.0 AUDITORS' REPORT

Management's replies to the observations of the Auditors in their Report to the members are furnished in Annexure-B.

24.0 COMMENTS OF COMPTROLLER AND AUDITOR GENERAL OF INDIA

Comptroller and Auditor General of India have given 'Nil' comments under Section 619(4) of the Companies Act, 1956 on the Accounts of the Company for the year 2007-2008. Comments of CAG are annexed.

25.0 FOREIGN EXCHANGE EARNINGS & OUTGO

During the year under report, earnings in foreign currency of the Company, as stand-alone entity, were Rs. 3.97 crores on account of export sales. There was no outgo of foreign currency during the year.

26.0 PARTICULARS OF EMPLOYEES

During the year under report, no employee of the Company was in receipt of remuneration which is in excess of the limits specified in Section 217(2A) of the Companies Act, 1956 and the Rules framed thereunder.

27.0 DIRECTORS

- 27.01 The President of India appointed Shri Pramod Kumar as Chairman & Managing Director of the Company for a period of five years from the date of assumption of charge of the post or till the date of superannuation, or until further orders. Shri Kumar assumed charge with effect from 04.08.2008. Consequently, Shri Kallol Datta ceased to hold charge of the post from that date.
- 27.02 Dr. Surajit Mitra ceased to be a Director with effect from 10.04.2008.
- 27.03 Shri Rajiv Bansal was appointed a Director with effect from 10.04.2008. He, however, ceased to be a Director with effect from 12.05.2008.
- 27.04 Shri Arun Singhal was appointed a Director with effect from 12.05.2008. However, he resigned as a Director with effect from 13.09.2008.
- 27.05 The President of India also appointed Shri Neeraj Mishra as Director (Technical) of the Company for a period of five years from the date of taking charge of the post or till the date of superannuation, or until further orders, whichever is the earliest. Shri Mishra assumed charge with effect from 27.06.2008. Consequently, Shri Manas Roy, Director (Engg.), BSCL relinquished charge of the post from that date.
- 27.06 The Directors place on record their appreciation of the valuable services rendered to the Company by Shri Datta, Dr. Mitra, Shri Bansal, Shri Singhal and Shri Roy during their respective tenures of office.

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 and 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 the Governments of West Bengal, Bihar, Tamil Nadu, Orissa and Madhya Pradesh for their continued support and guidance.
- 28.03 The Directors also place on record their thanks to the Comptroller and Auditor General of India, the Statutory Auditors and the Bankers of the Company for the co-operation and support extended by them.

28.04 The Directors also wish to record their appreciation of all employees of the BBUNL Group of Companies for their dedication, commitment and hard work. There is no doubt that with their dedication and cooperation, the Group will achieve better performance in the coming years and realise its full potential in service of the Nation.

For & on behalf of the Board of Directors

Kolkata,
10th November, 2008

(Pramod Kumar)
Chairman & Managing Director