

## **BHARAT BHARI UDYOG NIGAM LTD.**

### **SCHEDULE – 22**

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **(a) ACCOUNTING CONVENTION:**

1. The Company generally follows historical cost convention on accrual basis of accounting and recognises significant items of income and expenditure on accrual basis except as otherwise stated.
2. The Financial Statements are prepared in compliance with the accepted accounting principles, the applicable Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 and relevant provisions of the Companies Act, 1956.
3. The Accounting policies have been consistently applied by the Company and are consistent with those used in previous year.

##### **(b) REVENUE RECOGNITION:**

- 1.1 Revenue is recognised as Sales based on significant risks and rewards of ownership being transferred in favour of the customer and on completion of contracts and/or rendering of services and are net of returns, discount etc.
- 1.2 Revenue arising on construction contracts is recognized in compliance with Accounting Standards (AS) -7.
2. Service Charge is recovered from the operating subsidiary companies, based on their turnover as per Memorandum of Understanding (MoU) for the year 2010-11 signed and duly approved balancing 60% of the attributable expenses incurred by the company.
3. Interest accrued on undrawn Government Plan fund (Equity) on account of the subsidiary companies are passed on to the respective subsidiary companies directly.
4. Dividend is recognized as income on its receipt.
5. All claims being certain are recognised as Revenue.

##### **(c) FIXED ASSETS:**

1. Fixed Assets are stated at cost of acquisition, related expenditure including taxes, duties etc. and subsequent improvement thereto. Interest incurred during construction/installation period on borrowing to finance fixed assets is capitalised.
2. Depreciation is provided on written down value method at the rates which are in conformity with Schedule XIV to the Companies Act, 1956. Except for items for which 100% depreciation rates are applicable, depreciation on assets added/disposed off during the year has been provided on pro-rata basis with reference to the month of addition/deletion.

##### **(d) INVESTMENT:**

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

##### **(e) FOREIGN CURRENCY TRANSLATION:**

Transactions in Foreign Currency outstanding at the Balance Sheet date are restated at the exchange rate prevailing at the Balance Sheet date and the resultant translation differences, if any, arising thereof are dealt with in Profit & Loss Account except those relating to acquisition of fixed assets which are adjusted to its carrying amount.

##### **(f) The INVENTORIES are valued at lower of cost and net realisation value.**

The work-in-progress/contract-in-progress, at different stage of completion, is ascertained at prime cost or under. The Finished Stock includes cost of conversion and other expenditure incurred in the normal course of business in bringing such inventories to their present location and condition.

**(g) 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 has been considered for provision in respect of gratuity liability and the accrued liability for the year has been appropriately dealt with in 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 leave encashment on unutilised leave by employees at year-end are provided for based on independent actuarial valuation as per projected unit credit method and in compliance of Accounting Standards [AS-15 (revised)].
3. In respect of all employees, the Provident Fund contributions are made to Government administered Provident Fund (RPFC) towards which the Company has no further obligation beyond its contributions. Such contributions are charged to Profit & Loss Account as incurred.
4. AS15 (revised 2005) provides for deferment of termination benefits. Accordingly, 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.

**(h) Prior Period and Extraordinary items** and variations in Accounting Policies having material impact on the financial affairs of the Company are disclosed.

**(i) Impairment of assets** are reviewed at each Balance Sheet date and are recognised whenever the carrying amount of an asset exceeds its recoverable amount.

**(j) Provision for Current and Deferred tax.**

Provision for current tax is made in accordance with the Indian Income Tax Act, 1961.

Deferred Tax resulting from "timing difference" between book and taxable profit for the year is measured based on the tax rates and laws enacted or substantively enacted as on the balance sheet date. The deferred tax assets is recognized and carried forward only to the extent that there is reasonable certainty that the assets will be adjusted in future.

**(k) 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 on Accounts. Contingent Assets are neither recognized nor disclosed in the financial statements.

(l) Dues from Government parties/PSUs/Railways are generally considered as recoverable irrespective of its age.

(m) **MATERIAL EVENTS** occurring after the Balance Sheet date are taken into cognizance.

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In terms of our Report of even date.  
For D. N. MUKHERJEE & CO.  
CHARTERED ACCOUNTANTS  
Regn. No.301145E

On behalf of the Board of Directors

Sd/-  
(CA. R. P. MUKHERJEE)  
Partner  
Membership No.015029

Sd/-  
(SAIBAL BAUL)  
Acting Chairman & Managing Director

Sd/-  
(S. K. DAS)  
Director (Finance)

Sd/-  
(S. N. MUKHERJEE)  
Company Secretary

Place: Kolkata.  
Date : 26.08.2011

**BHARAT BHARI UDYOG NIGAM LTD.**

**SCHEDULE – 21**  
**NOTES ON ACCOUNTS**

	Current Year Rs./lakhs	Previous Year Rs./lakhs
1.(a) Capital commitment – Estimated amount of contracts remaining to be executed	Nil	Nil
(b) Contingent liability not provided for as under:-		
i) Bank guarantees/LCs (unexpired)	506.38	595.39
ii) <u>Guarantee issued by the Company for wholly owned subsidiary company as collateral Security as below:</u> In favour of Canara Bank for credit facilities availed by The Braithwaite Burn and Jessop Construction Co. Ltd.;	9000.00	9000.00
iii) <u>Guarantees issued by the Company for erstwhile wholly owned subsidiary company, Braithwaite &amp; Co. Ltd. (BCL), as collateral Security for financial assistance/credit facilities as below:</u>		
(a) In favour of United Bank of India;	Nil	500.00
(b) In favour of State Bank of India;	Nil	4495.00
iv) Impact of DA merger in salaries w.e.f. 01.01.2007 to 31.03.2008 and arrear deputation pay of 2007 contingent upon generation of sufficient internal resources as stipulated by Govt. of India.	19.98	14.67
2. Consequent to Capital Restructuring Schemes sanctioned by Board for Industrial and Financial Reconstruction (BIFR) earlier in respect of Braithwaite & Co. Ltd. (BCL), Burn Standard Co. Ltd. (BSCL), Bharat Brakes & Valves Ltd. (BBVL) and RBL Ltd. (RBL) and pursuant to approval of the Government of India for financial restructuring allowing conversion of loan & interest to Equity Share Capital & Zero Rated Debenture in respect of Burn Standard Co. Ltd. (BSCL), Braithwaite & Co. Ltd. (BCL) and The Braithwaite Burn and Jessop Construction Co. Ltd. (BBJ) and pending completion of formalities -		
(a) Rs.1388.00 lakhs (Rs. 1388.00 lakhs) for BBJ has been shown as 'Restructuring Equity Share Deposit'.		
(b) Rs.1000.00 lakhs (Rs. 1000.00 lakhs) for BBJ has been shown as 'Restructuring Debenture Deposit'.		
(c) Pursuant to Govt. of India approval dated 06.08.2010, on transfer of administrative control of BSCL & BCL to Ministry of Railways, the 'Restructuring Equity Share Deposit' for Rs.297.56 lakhs and Rs.7326.80 lakhs for BBVL (subsidiary of BSCL) and BCL, respectively, and the Restructuring Debenture Deposit for Rs.2494.48 lakhs for BSCL have been adjusted in the books of account of the Company.		
3. Pursuant to financial restructuring sanctioned to BCL on 29.12.2005 by Govt. of India with consequential decrease in the value of investment of the Company, such reduction in the amount of investment (included in 'Advances' - Schedule 11) with corresponding reduction in equity capital have been adjusted pursuant to Govt. of India approval dated 06.08.2010 in the books of the Company. The compliance of formalities under Companies Act, 1956 is in process.		

	Current Year Rs./lakhs	Previous Year Rs./lakhs
<p>4. In line with Accounting Standard (AS)–13 referred to in Section 211(3C) of the Companies Act, 1956 in case of long term investments in certain erstwhile subsidiary companies directly and through subsidiary, as detailed below, where winding up proceedings have commenced, no diminution in value of such investment in shares 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(s).</p> <p>The dates of order for liquidation by the High Court are – Bharat Process and Mechanical Engineers Ltd. (BPMEL) - 27.07.2004, Weighbird (India) Ltd. - 08.04.2003 (subsidiary of BPMEL).</p> <p>Recovery Officer, Debts Recovery Tribunal–I, Kolkata has passed an order on 23.03.2011 for attachment of the 48,630 equity shares held by the Company in BPMEL. The Company has filed an Appeal before the Presiding Officer of the Tribunal for setting aside and/or reversing the above order, which is yet to be disposed of.</p> <p>5. Loans and Advances include Rs.1000.00 lakhs (Rs. 1000.00 lakhs) for debentures (on conversion of unsecured GOI loans etc.) which is pending for allotment by BBJ consequent upon financial restructuring vis-à-vis Government of India's approval etc.</p> <p>6. Consequent to clearance of Government of India (GoI) vide letter No. 17(12)/2000-PE.III dated 26.08.2003 and in terms of the Share Purchase Agreement executed by and amongst the Company, Jessop &amp; Co. Ltd. (Jessop) and Indo-Wagon Engineering Ltd., 68134428 nos. of equity shares (i.e. 72%) of Jessop were transferred by the Company in favour of Indo-Wagon Engineering Ltd. on 29.08.2003. As a result of the above transfer of shares, 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. Government's decision to sell the shares of Jessop was challenged by two separate parties in appropriate Courts of law viz. Hon'ble Supreme Court of India and the Hon'ble High Court at Calcutta. The matter before the Hon'ble Supreme Court of India has since been disposed of. However, the matter before the Hon'ble High Court at Calcutta is pending as on date. Pending disposal of the matter in the Hon'ble High Court, the entire sale proceeds of Rs. 1818.00 lakhs (Rs. 1818.00 lakhs) as realized and included earlier in 'Other Liabilities' under Current Liabilities has been returned to Govt. of India during the year after adjustment with related expenditure on direction from GoI. The cost of investment amounting to Rs.6813.44 lakhs (Rs.6813.44 lakhs) has been included in "Other Receivables" under Current Assets.</p> <p>The resultant accounting effect will be considered in the books of the Company after final adjudication.</p>		

	Current Year Rs./lakhs	Previous Year Rs./lakhs
<p>7. During the year 2005-06, Jessop applied to Board for Industrial and Financial Reconstruction (BIFR) for de-rating (reducing) the nominal value of its equity shares from Rs. 10 to Re. 1. Vide directions issued on 31.08.2005, BIFR permitted Jessop to proceed with reduction of their equity share capital in terms of the provisions under Sections 100, 101, 102 &amp; 103 of the Companies Act, 1956.</p> <p>The Company preferred 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 also filed applications impleading itself in two other appeals preferred before AAIFR against the aforesaid direction of BIFR. While one of the appeals was earlier withdrawn, AAIFR has vide order dated 28.02.2008 dismissed the other appeal.</p> <p>The Company has referred the dispute to arbitration as provided in the Shareholders Agreement entered into by the Company with Indo-Wagon Engineering Ltd. (strategic partner in Jessop). The Company has also filed a writ petition in the Hon'ble High Court at Calcutta challenging AAIFR's order which is pending disposal as on date.</p> <p>The resultant accounting effect will be considered in the books after final adjudication complying with the Accounting Standard and Government directives.</p>		
<p>8. Pursuant to the Govt. of India approval No.8(12)/2009-PE.III dated 06.08.2010 on financial restructuring measures of two erstwhile subsidiary companies viz. Burn Standard Co. Ltd.(BSCL) and Braithwaite &amp; Co. Ltd.(BCL), the related measures have been implemented and reflected in the books of account of the company during the year as under:-</p> <p>(a) Administrative control of BSCL and BCL have been transferred to Ministry of Railways on 15.09.2010 and 06.08.2010, respectively. Refractory unit of Salem (with all assets and liabilities) of BSCL will be transferred to Steel Authority of India Ltd. (SAIL) under Ministry of Steel. Consequently, the Company has handed over entire equity shares held by it in BSCL and BCL to Ministry of Railways complying with relevant formalities.</p> <p>(b) Conversion of Govt. of India Plan loan of Rs.31.70 crores, Non-Plan loan of Rs.350.82 crores and Zero Rate Debenture of Rs.75.03 crores as on 31.12.2009 of BSCL into equity and subsequent reduction of the equity by Rs.457.55 crores with a corresponding reduction in its accumulated losses.</p> <p>(c) Conversion of Plan loan, Non-Plan loan of Rs.28.16 crores and Zero Rate Debentures of Rs.14.30 crores given by Govt. of India to RBL (subsidiary of BSCL) through the Company as on 31.03.2009 into Equity and subsequent reduction of equity by Rs.42.46 crores with corresponding reduction in its accumulated losses.</p> <p>(d) Provision of Rs.25.43 crores Plan fund in form of equity for discharging current statutory liabilities of BSCL as on 31.03.2009.</p>		

	Current Year Rs./lakhs	Previous Year Rs./lakhs
<p>(e) Waiver of normal/penal interest on Govt. of India loan and loan to BSCL (through the Company) of Rs.639.15 crores as on 31.03.2009 and no interest would be levied beyond date of 31.03.2009 till date of approval.</p> <p>(f) Assured support of Gol assistance to Ministry of Railways to liquidate the contingent liabilities of BSCL (other than Salem unit) and BCL as and when they are finalized and became due for payment that cannot be met from BSCL &amp; BCL's own resources or through sale of idle land only.</p> <p>(g) The consequential changes arising out of the above measures relating to BSCL and BCL in the books of account of the Company regarding equity, loans interest etc.</p> <p>(h) Merger of the Company and its wholly-owned subsidiary BBJ is under process.</p> <p>9.1 Consequent upon Govt. of India approval No.6(7)/2005-PE.III dated 03.07.2008 regarding financial restructuring measures of the Company's erstwhile subsidiary Bharat Wagon &amp; Engg. Co. Ltd.(BWEL):</p> <p>(a) The approved measures have been reflected in the Accounts of the Company for the year ended 31<sup>st</sup> March, 2008.</p> <p>(b) The administrative control of BWEL has since been transferred to Ministry of Railways and the Company has handed over 22389 equity shares of Rs.1000 each held by it in BWEL to Ministry of Railways complying with the relevant formalities.</p> <p>(c) The Company has reduced its "Issued and Subscribed" Share Capital by Rs.906.50 lakhs on cancellation of 90650 equity shares of Rs.1000 each as approved by Govt. of India and compliance of formalities under Companies Act, 1956 is in process.</p> <p>9.2. Further, pursuant to Govt. of India approval no.6(7)/2005-PE.III dated 17.07.2009 the write-off of non-plan loan amounting to Rs.167.00 lakhs given to BWEL has been suitably adjusted.</p> <p>10. Pursuant to Gol directives, interest on account of Government of India loans released through the Company to certain Subsidiaries, which are under winding up, has been accounted for by the Company for which it has no effect on the reported profits of the Company and the interest as computed upto 31<sup>st</sup> March, 2011 in respect of such Subsidiaries have been arrived at for BPMEL (including its subsidiary WIL) amounted to Rs.31,518.00 lakhs for which claims have been lodged with the Official Liquidator.</p> <p>11. Subsidiary funds-in-transit comprise of various Government funds receivable by the subsidiaries including erstwhile subsidiaries.</p> <p>12. Year-end net deferred tax assets have not been recognised in these accounts as a measure of prudence in keeping with Accounting Standard (AS)-22, referred to the Section 211(3C) of the Companies Act, 1956.</p>		

	Current Year Rs./lakhs	Previous Year Rs./lakhs
<p>13. Remuneration of Managing/Whole time Directors: -</p> <p>Salaries and Allowances 30.31</p> <p>Contribution to provident fund 2.15</p> <p>The above excludes contribution to the approved Gratuity Fund with LIC and provision for leave encashment which are actuarially determined on an overall company basis. (Recoveries for accommodation were made as per the terms of appointment and the whole-time Directors are allowed to use Co's car for private use upto 1000 km. per month on payment of Rs.325/- p.m.)</p>		30.26 1.80
14. The market price of quoted investments in equity shares of Jessop & Co. Ltd. as on 31 <sup>st</sup> March, 2011 is not available. However, the latest available market price as on 01.09.2005 was Rs.6.00 per share.		
15. During the financial year 2005-06, an amount of Rs. 82.72 lakhs was refunded to Jessop on account of Service Charges recovered in respect of the period October 2001 to August 2003. The Company has filed a suit for recovery of the amount together with interest and cost. Matter is pending disposal as on date.		
16. Confirmation of balances are awaited from certain parties.		
<p>17. Related Party Disclosures (as identified by the management and where transactions exist during the year 2010-11).</p> <p>(i) <u>Related Party Relationship.</u></p> <p>a) Key Management Personnel: Shri Saibal Baul, Actg.Chairman &amp; Managing Director Shri Pramod Kumar, Ex. Chairman &amp; Managing Director Shri Swapan Kr. Das, Director (Finance) Shri Neeraj Mishra, Director (Technical)</p> <p>(ii) Transaction with related parties Remuneration paid to whole time Directors</p>		
18. There are no Micro, Small and Medium Enterprises (as identified on the basis of information available with the company) to whom the Company owes sums exceeding Rs.1 lakh outstanding for more than 45 days (required under Micro, Small and Medium Enterprises Development Act 2006).		
<p>19. (a) Sales (Sch.-14) includes service rendered - Rs.11 lakhs (Rs.1.46 lakhs).</p> <p>(b) Service Charges include additional service charges amounting to Rs.20.94 lakhs(Rs.Nil) from a subsidiary(BBJ).</p> <p>(c) Contributions to Provident and other funds include Contribution to Gratuity Fund, which is net of excess provision in earlier years amounting to Rs.5.28 lacs (Rs. Nil)</p>		
20. Prior Period Adjustment (CR) is net of corporate guarantee charges Rs.39.15 lakhs (Rs.Nil) raised on subsidiary company in earlier years.		

Refer para 13  
above



21. Disclosure as required under AS-15 (revised) on 'Employee Benefit' in respect of Leave Encashment which is an unfunded scheme on the basis of Actuarial Valuation.

- (i) Components of Employer expenses.

	(Rs./lakh)	
	As at 31.03.2011	As at 31.03.2010
Current Service Cost	3.00	7.54
Past Service Cost	0	0
Interest Cost	2.42	2.25
Expected Return on Plan Asset	0	0
Curtailment cost	0	0
Settlement cost	0	0
Actuarial gain/loss recognized in the year	10.01	1.98
Expense recognized in Statement of Profit/Loss	15.43	11.77

- (ii) Changes in Present Value of obligations:

	(Rs./lakh)	
	As at 31.03.2011	As at 31.03.2010
Present Value of Obligation at beginning of year	36.21	31.70
Acquisition Adjustment	0	0
Interest Cost	2.42	2.25
Past Service cost	0	0
Current Service cost	3.00	7.54
Curtailment cost	0	0
Settlement cost	0	0
Benefits Paid	11.89	7.26
Actuarial (gain)/loss on obligations	10.01	1.98
Present Value of obligation at end of year	39.75	36.21
Closing Fund/Provision at end of year	39.75	36.21

- (iii) Actuarial Assumptions:

	As at 31.03.2011	As at 31.03.2010
Discount Rate	8.0	8.0
Inflation Rate	5.0	5.0
Return on Asset	0	0
Remaining Working Life	9	10
FORMULA USED	PROJECTED UNIT CREDIT METHOD	PROJECTED UNIT CREDIT METHOD

22. Expenditure in foreign currency: (Rs./lakhs)

ITEMS	2010-11	2009-10
Travelling :	-	5.68
Others :	-	0.34
TOTAL	-	6.02

23. Earnings in foreign currency: (Rs./lakhs)

	2010-11	2009-10
Export Sales/Services (FOB)	11.25	0.34
Others	-	-
TOTAL	11.25	0.34

24. Balance due from Directors/Officers: (Rs. Lakhs)

	2010-11	2009-10
As at year-end	-	-
Maximum during the year	-	-

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

a) Particulars in respect of Purchases:

Items	Unit	Quantity		Value (Rs./Lakhs)	
		2010-11	2009-10	2010-11	2009-10
Spares for Casnub Bogie (CLW)		-	-	6.66	39.81
TOTAL		-	-	6.66	39.81

b) Particulars in respect of Sales:

Items	Unit	Quantity		Value (Rs./Lakhs)	
		2010-11	2009-10	2010-11	2009-10
Spares for Casnub Bogie (CLW)		-	-	8.14	41.55
TOTAL		-	-	8.14	41.55

26. (a) The figures in parenthesis represent those for the previous year.

(b) Previous year's figures have been regrouped/rearranged wherever necessary.

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Signatures to Schedules 1 to 21.

In terms of our Report of even date.  
For D. N. MUKHERJEE & CO.  
CHARTERED ACCOUNTANTS  
Regn. No.301145E

Sd/-  
(CA. R. P. MUKHERJEE)  
Partner  
Membership No.015029

On behalf of the Board of Directors

Sd/-  
(SAIBAL BAUL)  
Acting Chairman & Managing Director

Sd/-  
(S. K. DAS)  
Director (Finance)

Sd/-  
(S. N. MUKHERJEE)  
Company Secretary

Place: Kolkata.  
Date : 26.08.2011