



85th Annual Report & Accounts 2005-06



The Singareni Collieries Company Limited

(A Government Company)

Our Mission

- * To retain our strategic role of a premier Coal producing Company in the country and excel in a competitive business environment.
- * To strive for self-reliance by optimum utilisation of existing resources and earn adequate returns on capital employed.
- * To exploit the available mining blocks with maximum conservation and utmost safety by adopting suitable technologies and practices and constantly upgrading them against international benchmarks.
- * To supply reliable and qualitative coal in adequate quantities and strive to satisfy customers needs by constantly sharing their experience and customizing our product.
- * To emerge as a model employer and maintain harmonious industrial relations within the legal and social frame work of the state.
- * To emerge as a responsible Company through good Corporate Governance, by laying emphasis on protection of environment & ecology and with due regard for corporate social obligations.



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BANKERS:

State Bank of Hyderabad
Indian Bank
Canara Bank
State Bank of Patiala
Andhra Bank
Bank of Maharashtra

AUDITORS:

M/s. Raju & Prasad
Chartered Accountants
401, "Diamond House"
Adj. Amrutha Hills
Punjagutta
Hyderabad - 500 082

Location of mining areas:

Khammam District

Yellandu
Rudrampur
Manuguru

Warangal District

Bhoopalpalli

Karimnagar District

Ramagundam (Godavarikhani)

Adilabad District

Srirampur
Mandamarri
Belampalli

BOARD OF DIRECTORS

1. Chairman & Managing Director
Sri S. Narsing Rao (From 18.09.2006)
Sri R.H. Khwaja (From 27.10.2001 to 18.09.2006)
2. Director (Operations)
Sri P. Vasudeva Rao (From 1.7.2002)
3. Director (Finance)
Sri E.V. Krishna Reddy (From 10.6.2006)
Sri P. Vasudeva Rao (full additional charge) (From 18.5.2006 to 10.6.2006)
Sri M. Subramanyam (full additional charge) (From 23.4.2006 to 17.5.2006)
Sri K. Raghu N.Chary (From 23.4.2004 to 22.4.2006)
4. Director (Planning & Projects)
Sri J.V. Dattatreyyulu (From 1.9.2004)
5. Director (Personnel, Administration & Welfare)
Sri B.Venkateswar Rao (From 4.8.2006)
Sri J.V. Dattatreyyulu (full additional charge) (From 18.5.2006 to 4.8.2006)
Sri M. Subramanyam (From 18.6.2005 A.N to 17.5.2006)
Sri Sriram Taranikanti (From 10.9.2003 to 18.6.2005)
6. Director (Electrical & Mechanical)
Sri E. Raja Rao (From 1.3.2006)
Sri K. Rama Krishna (From 18.6.2005 to 28.2.2006)
7. **Sri K.S.Kropha** (From 26.4.2005)
Joint Secretary, Ministry of Coal, Govt. of India, New Delhi
8. **Sri Sanjiv Kumar Mittal** (From 10.2.2005)
Director, Ministry of Coal, Govt. of India, New Delhi
9. **Sri Abhiram Sharma** (From 8.2.2005)
Chairman-cum- Managing Director, Mahanadi Coalfields Ltd., Sambalpur
10. **Sri A.K. Goyal** (From 24.5.2006)
Special Chief Secretary, Energy Dept., Govt. of A.P.
Sri S.V. Prasad (From 29.3.2006 to 23.5.2006)
I/c. Special Chief Secretary, Energy Dept., Govt. of A.P.
Sri A.K. Goyal (From 12.12.2005 to 28.3.2006)
Special Chief Secretary, Energy Dept., Govt. of A.P.
Sri S.V. Prasad (From 1.6.2005 to 11.12.2005)
Principal Secretary, Energy Dept., Govt. of A.P.
Sri Deepak Kumar Panwar (From 17.6.2004 to 31.5.2005)
Principal Secretary, Energy Dept., Govt. of A.P.
11. **Sri I.Y.R. Krishna Rao** (From 23.6.2006)
Principal Secretary, Finance Dept., Govt. of A.P.
Sri T.S. Appa Rao (From 16.7.2004 to 23.5.2006)
Principal Secretary, Finance Dept., Govt. of A.P.

Sri J. Rama Krishna
Company Secretary

Sri M.V.V. Subba Rao
General Manager (Finance & Accounts)

Board of Directors

(As on 26-9-2006)



Sri S. Narsing Rao



Sri P. Vasudeva Rao



Sri J.V. Dattatreylu



Sri E. Raja Rao



Sri E.V. Krishna Reddy



Sri B. Venkateswar Rao



Sri K.S. Kropha



Sri Sanjiv Kumar Mittal



Sri Abhiram Sharma

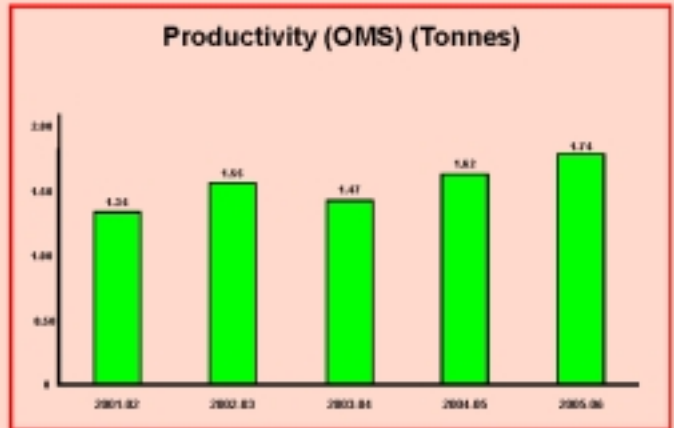
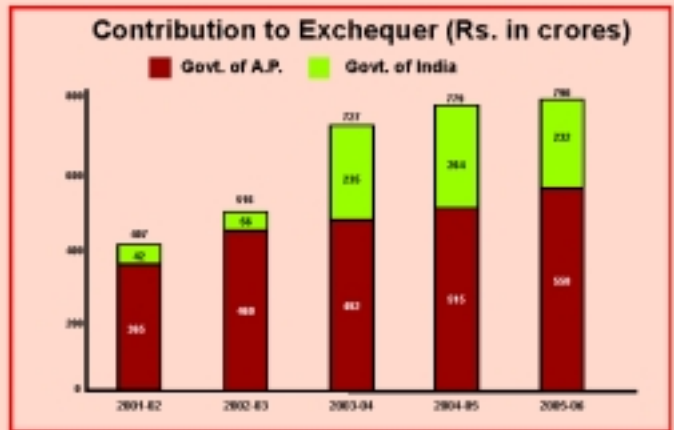
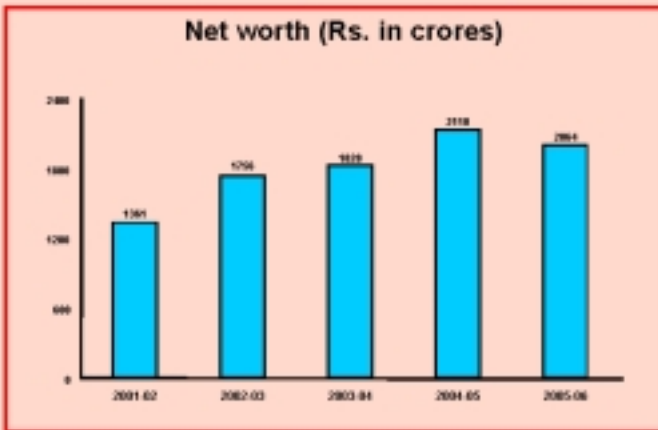
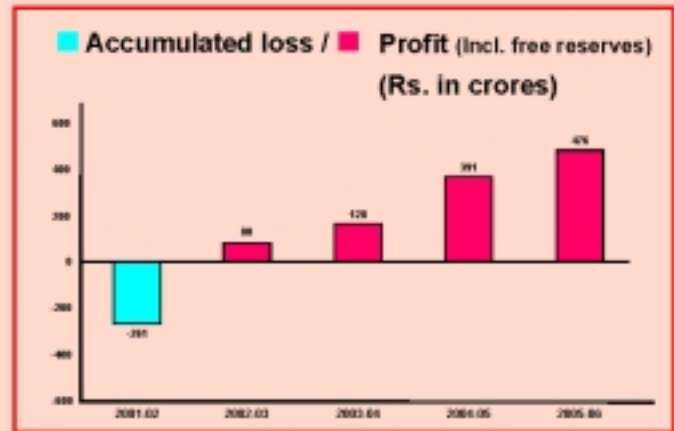
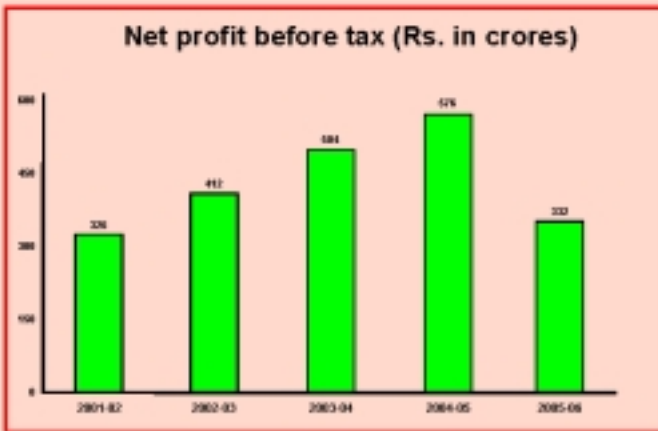
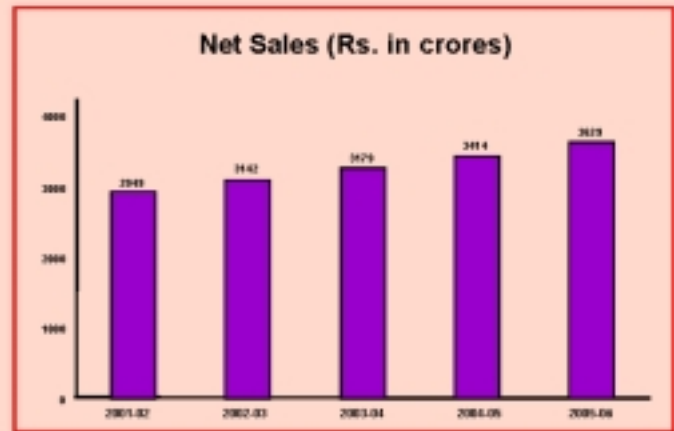
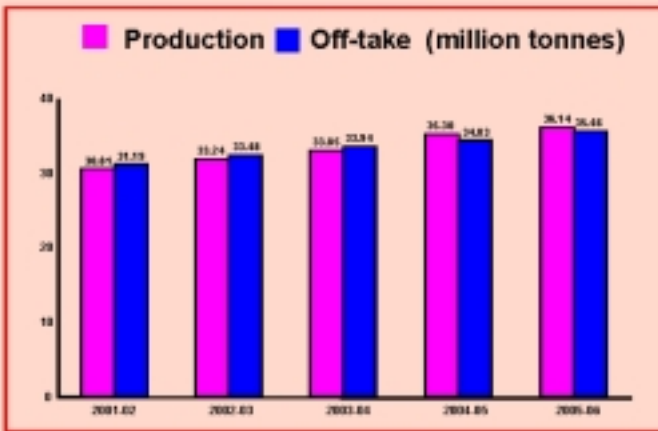


Sri A.K. Goyal



Sri I.Y.R. Krishna Rao

Graphs indicating highlights



Performance indicators at a glance

Sl. No.	Indicators	Unit	2005-06	2004-05	2003-04	2002-03	2001-02
1.	Production						
	a) Open cast	(Lakh Tonnes)	234.27	223.29	205.40	204.28	170.64
	b) Underground	(Lakh Tonnes)	127.11	129.74	133.14	128.08	137.47
	c) Total	(Lakh Tonnes)	361.38	353.03	338.54	332.36	308.11
2.	Off-take	(Lakh Tonnes)	354.47	348.25	339.41	334.79	311.85
3.	Stock of Coal	(Lakh Tonnes)	14.13	7.34	2.62	3.65	5.86
4.	Output per Man Shift	(Tonnes)	1.74	1.62	1.47	1.55	1.34
5.	Manpower	(Nos.)	86025	91970	93722	97053	99442
6.	Net sales	(Rs. Lakhs)	362910	341373	317865	314183	294902
7.	Net profit before tax	(Rs. Lakhs)	33249	57601	50399	41172	32630
8.	Accumulated Profit/Loss	(Rs. Lakhs)	17642 (Profit)	19060 (Profit)	2815 (Profit)	8045 (Profit)	26077 (Loss)
9.	General Reserve	(Rs. Lakhs)	30000	20000	10000	-	-
10.	Equity Share Capital	(Rs. Lakhs)	173320	173320	173320	173320	173320
11.	Long-term Debt	(Rs. Lakhs)	-	-	13356	23813	53333
12.	Net worth	(Rs. Lakhs)	206392	210973	182786	175575	136113
13.	Capital employed	(Rs. Lakhs)	217571	190311	153464	151439	159194
14.	Contribution to Exchequer						
	- State Government	(Rs. Lakhs)	55818	51543	49181	45976	36456
	- Central Government	(Rs. Lakhs)	23225	26369	23547	5594	4160
15.	Earning per Share	(Rupees)	1.06	2.08	0.84	2.41	1.76
16.	Debt - Equity Ratio	(ratio)	0.00:1	0.00:1	0.08:1	0.14:1	0.31:1
17.	Capital turnover Ratio	(times)	1.67	1.79	2.07	2.07	1.85
18.	Cost of sales to sales	(percentage)	90.84	83.13	84.14	86.90	88.94
19.	Debtors as No. of months' sales	(months)	0.38	0.44	0.71	0.81	1.15

The Singareni Collieries Company Limited

(A Government Company)

Regd. office: Kothagudem Collieries (P.O) – 507 101, Khammam Dist., A.P.

NOTICE

Notice is hereby given to all the shareholders of The Singareni Collieries Company Limited that the 85th Annual General Meeting of the Company will be held on Tuesday, the 26th September, 2006 at 4.00 p.m, at the Registered office, Head office building, Kothagudem Collieries (P.O) – 507 101, Khammam District, Andhra Pradesh to transact the following business.

1. To consider and adopt the Directors' Report and the audited Annual Accounts for the financial year 2005-06.
2. To declare a dividend @ 5% on the paid up equity share capital for the financial year 2005-06.
3. (a)
 - i) To appoint a Director in place of Sri K. S. Kropha who retires by rotation in accordance with Section 256 of the Companies Act, 1956 and Article 93 of the Articles of Association of the Company and is eligible for re-election.
 - ii) To appoint a Director in place of Sri Sanjiv Kumar Mittal who retires by rotation in accordance with Section 256 of the Companies Act, 1956 and Article 93 of the Articles of Association of the Company and is eligible for re-election.
 - iii) To appoint a Director in place of Sri Abhiram Sharma who retires by rotation in accordance with Section 256 of the Companies Act, 1956 and Article 93 of the Articles of Association of the Company and is eligible for re-election.
- (b)
 - (i) To appoint a Director in place of Sri A.K.Goyal, who retires under Article 98 of the Articles of Association of the Company and is eligible for re-election.
 - (ii) To appoint a Director in place of Sri I.Y.R. Krishna Rao, who retires under Article 98 of the Articles of Association of the Company and is eligible for re-election.
4. To fix the remuneration payable to M/s. Raju & Prasad, Chartered Accountants, Hyderabad, Statutory Auditors who were appointed by the C&AG of India for the financial year 2005-06.

“Resolved that pursuant to the provisions of Section 224 (8) (aa) and other applicable provisions if any of the Companies Act, 1956, the sanction be and is hereby accorded for payment of remuneration and reimbursement of T.A & out of pocket expenses as decided by the Board of Directors to M/s.Raju & Prasad, Hyderabad, Statutory Auditors in connection with the audit of accounts of the Company for the financial year 2005-06.”

SPECIAL BUSINESS:

To consider and if thought fit to pass with or without modification the following resolutions as special resolutions.

5. Resolved that the sanction be and is hereby accorded for extension of term and payment of remuneration to Sri R.H.Khwaja as Director and Chairman & Managing Director of the Company from 28.10.2005 to 27.10.2006 on the existing terms & conditions laid before the meeting duly initialled by the Chairman for the purpose of identification.
6. Resolved that the sanction be and is hereby accorded for extension of term and payment of remuneration to Sri P. Vasudeva Rao as Director (Operations) on the Board of the Company from 1.7.2006 to 30.9.2006 on the existing terms & conditions laid before the meeting duly initialled by the Chairman for the purpose of identification.
7. Resolved that the sanction be and is hereby accorded for appointment and payment of remuneration to Sri E.Raja Rao as Director (Electrical & Mechanical) on the Board of the Company for a period of 2 years from 1.3.2006 on the terms & conditions laid before the meeting duly initialled by the Chairman for the purpose of identification.
8. Resolved that the sanction be and is hereby accorded for appointment and payment of remuneration to Sri E.V. Krishna Reddy as Director (Finance) on the Board of the Company for a period of 2 years from 10.6.2006 on the terms & conditions laid before the meeting duly initialled by the Chairman for the purpose of identification.
9. Resolved that the sanction be and is hereby accorded for appointment and payment of remuneration to Sri B. Venkateswar Rao as Director (P.A&W) on the Board of the Company for a period of 2 years from 4.8.2006 on the terms & conditions laid before the meeting duly initialled by the Chairman for the purpose of identification.

Date: 1. 9. 2006,
Place: Kothagudem.

By order of the Board
Sd/-
(J. Rama Krishna)
Company Secretary

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. The explanatory statements pursuant to section 173(2) of the Companies Act, 1956 in respect of the special business are enclosed.
3. The Register of members and Share transfer books of the Company will remain closed from 12.9.2006 to 26.9.2006 (both days inclusive).
4. The shareholders are requested to intimate any change in their address to the Registered office of the Company for sending all correspondence.

ANNEXURE TO NOTICE

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

Resolution No. 5:

The term of deputation of Sri R. H. Khwaja, Chairman & Managing Director of the Company was extended for a further period of one year from 28.10.2005 to 27.10.2006 on the existing terms and conditions.

Copies of relevant orders are available for inspection at the Registered Office of the Company on any working day during office hours.

Approval of the shareholders is sought for extension of term and payment of remuneration to Sri Khwaja as Chairman & Managing Director from 28.10.2005 to 27.10.2006.

None of the Directors except Sri Khwaja is personally interested in the resolution proposed to be passed.

Resolution No. 6:

The term of Sri P.Vasudeva Rao, Director (Operations) was extended from 1.7.2006 to till his superannuation i.e., 30.9.2006 on the existing terms & conditions.

Copies of relevant office orders containing terms & conditions of extension are available for inspection at the Registered Office of the Company on any working day during office hours.

Approval of the shareholders is sought for extension of term and payment of remuneration to Sri Vasudeva Rao from 1.7.2006 to 30.9.2006.

None of the Directors except Sri Vasudeva Rao is personally interested in the resolution proposed to be passed.

Resolution No. 7:

Sri E. Raja Rao, Chief General Manager (E&M)(opencast projects) was appointed as Director (Electrical & Mechanical) for a period of 2 years from 1.3.2006 in place of Sri K.Rama Krishna who retired on 28.2.2006 on attaining the age of superannuation.

Copies of relevant office orders containing terms & conditions of appointment are available for inspection at the Registered Office of the Company on any working day during office hours.

Approval of the shareholders is sought for appointment and payment of remuneration to Sri Raja Rao for a period of 2 years from 1.3.2006.

None of the Directors except Sri Raja Rao is personally interested in the resolution proposed to be passed.

Resolution No. 8:

Sri E.V.Krishna Reddy, IRAS, was appointed as Director (Finance) for a period of 2 years from 10.6.2006.

Copies of relevant office orders containing terms & conditions of appointment are available for inspection at the Registered Office of the Company on any working day during office hours.

Approval of the shareholders is sought for appointment and payment of remuneration to Sri Krishna Reddy for a period of 2 years from 10.6.2006.

None of the Directors except Sri Krishna Reddy is personally interested in the resolution proposed to be passed.

Resolution No. 9:

Sri B. Venkateswar Rao, IAS, was appointed as Director (P.A&W) for a period of 2 years from 4.8.2006.

Copies of relevant office orders containing terms & conditions of appointment are available for inspection at the Registered Office of the Company on any working day during office hours.

Approval of the shareholders is sought for appointment and payment of remuneration to Sri Venkateswar Rao for a period of 2 years from 4.8.2006.

None of the Directors except Sri Venkateswar Rao is personally interested in the resolution proposed to be passed.

Directors' Report

Dear Members,

On behalf of the Board of Directors, I have great pleasure in presenting the 85th Annual Report on the performance of the Company during the financial year ended on 31st March 2006 along with audited statement of accounts for the reporting period.

HIGHLIGHTS OF PERFORMANCE

The Company has continued its success regime and witnessed progress during 2005-06 as indicated below.

Performance parameters	2005-06	2004-05	% increase over 2004-05
Production (in million tonnes)	36.14	35.30	2.38
Despatches (in million tonnes)	35.46	34.83	1.78
Gross sales (Rs. in crores)	4189.65	3935.22	6.47
Productivity (Output per manshift in tonnes)	1.74	1.62	8.02
Capacity utilisation (Percentage)	114	94	21.22

FINANCIAL RESULTS

The financial results of the Company for the year 2005-06 as compared to the previous year are as under;

(Rs. in crores)

Particulars	2005-06	2004-05
Gross revenue	4520.03	4254.51
Profit before interest, depreciation, provisions & tax	577.05	798.19
Less: Interest	9.37	12.32
Depreciation	212.61	194.82
Provisions	22.58	15.04
Prior period adjustments (net)	1.57	12.97
Provision for taxation	146.29	201.78
Net profit after tax	184.63	361.26
Appropriations :		
Proposed dividend	86.66	86.66
Tax on dividend	12.15	12.15
Transfer to General Reserve	100.00	100.00

Dividend

Your Directors have pleasure in recommending a dividend @ 5% of paid up equity capital for the financial year 2005-06 which is 4th year in succession for approval of shareholders in the ensuing Annual General Meeting.

Share capital

The authorised and paid-up capital of the Company stood at Rs.1800 crores and Rs.1733.20 crores respectively as in the previous year.

Capital expenditure

Expenditure on capital account during 2005-06 was Rs.424.18 crores as against Rs.274.87 crores in the previous year which represents an increase of 54%.

Foreign exchange earnings and outgo

The foreign exchange outgo during 2005-06 was Rs.18.57 crores as against Rs.13.55 crores in the previous year which is mainly due to import of equipment, spares etc. There were no foreign exchange earnings.

PRODUCTION

Production from opencast & underground mines

During 2005-06 the total production achieved was 36.14 million tonnes out of which open cast projects have contributed 23.43 million tonnes and underground mines have contributed 12.71 million tonnes. The year has witnessed growth of 4.93% in coal production from opencast projects and 2.03% decline in production from underground mines. Efforts are being made to introduce mechanisation in underground mines wherever possible. However 22 old mines where gradients are steeper than 1 in 4 which are producing around 4 million tonnes of coal are not amenable for any mechanisation. Though they incur loss it is difficult to close them since they produce 12% of total production and employ over 25,000 men. However, possibility of converting some of them into opencast projects though exists, still it is a matter of concern, which needs to be addressed. While worldwide longwalls are making profits, in India it is still a grey area. Efforts are on hand to have integrated contracts for maintenance and spares supply on cost per tonne basis for new Longwalls. Action plan is being drawn in present Longwalls to improve productivity. The technology-wise production details are indicated below;

(in million tonnes)

Sl. No.	Technology	2005-06		2004-05 Actual	% variance over 2004-05
		Target	Actual		
1.	Underground				
	a) Hand section	7.12	7.09	8.91	(-)20.43
	b) Machine mining:				
	i. Road header	0.13	0.14	0.10	40.00
	ii. Continuous miner	0.20	—	—	—
	iii. Load Haul Dumper	1.75	1.13	1.16	(-)2.59
	iv. Side Dump Loader	3.28	2.60	1.40	85.71
	v. Blasting Gallery	1.24	0.87	0.27	222.22
	vi. Longwall	0.87	0.85	1.12	(-)24.10
	vii. Scrapper	—	0.03	0.02	50.00
	Total machine mining	7.47	5.62	4.06	38.42
	Total underground	14.59	12.71	12.97	(-)2.05
2.	Opencast	21.41	23.43	22.33	4.93
	Total	36.00	36.14	35.30	2.38

Overburden removal

Overburden removed during the year 2005-06 was 115.58 million cubic metres as against 101.64 million cubic metres achieved in the previous year. The Company is outsourcing to the extent possible. The details of overburden removal by Company equipment and through outsourcing are as under;

(in million Cu. Mtrs.)

Particulars	2005-06		2004-05 Actual	Variance over 2004-05	
	Target	Actual		Absolute	Percentage
Company equipment	46.15	56.78	57.05	-0.27	-0.47
Outsourcing	60.71	58.80	44.59	14.21	31.87
Total	106.86	115.58	101.64	13.94	13.72

Capacity utilisation

During 2005-06, the capacity utilisation was 114% as against 94% achieved in the previous year. The details are as under;

(in million Cu. Mtrs.)

Description	2005-06	2004-05	Variance over 2004-05	
			Absolute	%
Capacity at the beginning of the year	70.74	85.44	-14.70	-17.21
Capacity utilised				
- Coal production	24.09	23.53	0.56	2.38
- Overburden removal	56.78	57.05	-0.27	-0.47
Total	80.88	80.58	0.30	0.37
% utilisation	114%	94 %	20.00	21.28

Productivity

The productivity in terms of output per manshift for underground mines & opencast projects and for the entire Company are as under;

(in tonnes)

Particulars	2005-06		2004-05	Variance
	Target	Actual		
Underground Mines				
- Hand section	0.70	0.66	0.71	-0.05
- Machine mining	1.94	1.60	1.51	0.09
Total UG mines	1.05	0.89	0.85	0.04
Opencast projects	7.89	9.60	8.83	0.77
Overall				
- Mines	2.16	2.16	1.99	0.17
- Mines & Departments	1.74	1.74	1.62	0.12

Performance of HEMM

GPS based "Operator Independent Truck Despatch System" for dynamic monitoring health of HEMM is introduced at Ramagundam OC-III and the system is stabilised. There is considerable improvement in productivity and replication of the same is in progress at Prakasamkhani OC-II, Manuguru.

The performance of Heavy Earth Moving Machinery in terms of availability and utilisation as against the previous year is indicated below;

HEMM	Numbers on roll		% Availability		% Utilisation with reference to			
	As on 31.3.06	As on 31.3.05			Scheduled shift hours		Machine available hours	
			2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Draglines	2	2	87 (85)	73 (85)	51 (73)	53 (73)	58 (86)	73 (86)
Shovels	60	61	79 (80)	80 (80)	48 (58)	49 (58)	61 (73)	62 (73)
Dumpers	375	361	70 (67)	70 (67)	34 (50)	36 (50)	48 (75)	51 (75)
Dozers	74	73	69 (70)	71 (70)	34 (45)	33 (45)	49 (64)	47 (64)
RBH Drills	49	50	78 (70)	80 (70)	24 (27)	24 (27)	31 (42)	30 (42)

Note: The figures in the brackets are standard CMPDI norms.

MARKETING

Target and off-take of coal

FSAs are in force with 3 power utilities, 26 major cement industries, 15 captive power plants and 4 other industries. These agreements are to ensure firm commitment on quality maintenance and reliable supplies in agreed quantities. The off-take of coal during the year under report was 35.46 million tonnes against the target of 36.00 million tonnes. Out of total despatches, 87% of supplies are covered under FSAs and Joint Sampling Protocols. The details of sector-wise target and off-take during 2005-06 as compared to the previous year are as under.

(in million tonnes)

Sector	2005-06			2004-05		
	Target	Off-take	% Achieved	Target	Off-take	% Achieved
Power	26.30	26.70	102	27.60	26.79	97
Cement	5.50	5.16	94	4.80	4.79	100
Heavy Water Plant	0.50	0.43	86	0.50	0.42	84
Other Industries	3.58	3.04	85	1.98	2.71	137
Colliery consumption	0.12	0.13	108	0.12	0.12	100
Total	36.00	35.46	99	35.00	34.83	99

Mode of despatches

Despatches through different modes during 2005-06 as against previous year are as indicated below;

(in lakh tonnes)

Year	Rail	Road	Merry-go-round	Rope-way	Total
2005-06	171.07	87.88	90.10	4.25	353.30
2004-05	160.57	86.03	96.23	4.24	347.07
Increase / decrease	10.50	1.85	-6.13	0.01	6.23

Wagon loading performance

The wagon loading performance in four wheeler wagons per day during 2005-06 as compared to the previous year is indicated below;

(in four wheeler wagons)

Year	Target	Actual	% Achieved
2005-06	2136	2243	105
2004-05	2330	2125	91

Steps taken for improving quality & customer satisfaction

The old system of volumetric loading of coal is totally stopped and total coal weighment at CHPs/ loading points is done through 'in pit weighing system' / 'in motion weighing system' / 'electronic belt weigher' with a print out facility.

Steps are being taken for modernization of 13 CHPs for capacity improvement and introducing Engine on loading system. Out of 9 CHPs operated in the Company auto samplers are in operation at 7 CHPs. As a result complaints received from customers on sampling, quality and weighment have come down from 22 in the previous year to 18 during the year under report. Further the number of units registered with SCCL have gone up from 5,082 in 2004-05 to 5,161 in 2005-06.

Coal prices

The Company has not revised the coal prices since 14.9.2004.

Geological Reports

During the year 2005-06, a total of 96.29 million tonnes of reserves were proved in one virgin block viz; Gundala Block-I. In addition, 28.44 million tonnes of reserves are estimated in MK-4 & 4A inclines and Goleti-1 & 1A inclines from the previous non-assessed coal seams. Thus, additional reserves of 124.73 million tonnes were established during the year 2005-06 under proved category and the total proved reserves in Godavari Valley Coalfield have gone up to 8,575 million tonnes as on 31.3.2006 from 8,449 million tonnes at the end of previous year. The coal extracted by the Company in the Godavari Valley Coalfield up to the year 2005-06 was about 757 million tonnes.

INDUSTRIAL RELATIONS

The management has been continuing its efforts for maintaining cordial industrial relations and industrial harmony. Though there were 5-strike free months in 2005-06 for the second consecutive year, the

mandays & production lost have slightly increased during 2005-06 when compared with previous year. The details are as under;

Particulars	Unit	2005-06			2004-05		
		On extraneous reasons	Other than extraneous reasons	Total	On extra-neous reasons	Other than extraneous reasons	Total
Strikes	No.	—	11	11	1	13	14
Mandays lost	No.	—	2,40,403	2,40,403	20,925	70,893	91,818
Production lost	Tonne	—	91,818	91,818	18,153	39,346	57,499

Meetings of Joint Consultative Committees, Bilateral Committees and Structured meetings with Recognised/ Representative status Unions and Officers Associations are being held at regular intervals.

WELFARE OF EMPLOYEES AND SOCIAL SECURITY SCHEMES

The Company has continued various welfare activities that are in vogue viz., housing & sanitation, educational, recreational, medical facilities with super specialty services in addition to social security schemes with renewed zeal. Model townships with integrated approach with all civic amenities are being developed in various areas for its employees. The overall housing satisfaction as on 31.3.06 was 58.06% as against 54.11% at the end of previous year. After completion of 4,517 quarters which are under construction in different areas the housing satisfaction will go up to 63.57%.

18 schools and one women's Degree & Junior college are being run by Singareni Collieries Educational Society to provide education to the employees' children. In the schools and colleges run by the Society about 11,061 and 1,570 pupils were imparted education respectively during the academic year 2005-06. The students are encouraged to participate in various extra curricular activities and they are also participating in various National & State level tournaments, cultural meets etc.

The Company has been taking lot of measures for encouraging its employees to participate in sports & games by providing required infrastructure. Number of events were conducted for sports & games inter-alia including 19th Coal India inter company athletics meet during December 2005 at Ramagundam wherein the SCCL teams have won the medals in various games. In order to improve the physical fitness and recreation 13 swimming pools were constructed and another 2 swimming pools are under construction.

The Company became a role model in introducing Manriding systems in underground mines for the comfort and safety of employees. Out of 39 Manriding systems approved so far, 29 systems were already installed and procurement/installation of remaining 10 systems is in progress.

Activities of Singareni Seva Samithi

'Singareni Seva Samithi' a non-profit organisation established by the Company has been striving for socio-economic development of coal belt region through various welfare oriented activities. In 56 training programmes organised during the year under review around 1,189 persons are imparted training in various vocations. Some of them have established their own units and assistance is also being extended to them in obtaining loans from banks for establishment of units. 84 persons were selected in recruitment rallies of Army/ police/ para-military forces.

An expenditure of Rs.169 crores was incurred on various social overheads during the year 2005-06 as against Rs.153 crores incurred in the previous year.

INFORMATION TECHNOLOGY

Local area networks (LANs) and wide area network (WAN) are established connecting all the area and corporate offices. E-procurement system is stabilised. Digitalization of mine plans is completed in respect of all mines.

Implementation of ERP package

In order to manage the operations with effective 'decision support system' and integrate various computerisation measures already initiated, the Company is proposing to introduce Enterprise Resource Planning (ERP) package covering all business activities in a phased manner.

SAFETY IN MINES

The following safety measures are being taken for improving safety in mines:

- i) Standardisation of roof bolting activity, introduction of semi mechanisation in underground mines for roof management and prevention of side fall accidents.
- ii) Introducing man riding systems in underground mines for improving comfort and safety to workmen and controlling haulage accidents.
- iii) Evacuation of loose coal, sectionalisation of old workings, strengthening of isolation stoppings, provision of airshafts, provision of dozers for subsidence management mainly for prevention of fire in underground mines.
- iv) Mines prone for inundation have been identified and mechanism has been established for warning system to prevent disasters due to inundation.
- v) Risk management plans have been prepared for 48 underground mines and 10 opencast mines.
- vi) Awareness programmes, training programmes, workshops have been organised on various aspects of safety for improving safety consciousness. Total of 151 programmes were conducted wherein 4,020 persons including executives, workmen, union representatives, family members of employees have participated.
- vii) Disaster management plan for mines has been prepared which was released by Deputy DGMS in February 2005.
- viii) Safety audit is being conducted to identify potential dangers in respect of haulage, opencast mines, coal handling plants for taking remedial measures.

The details of accidents during the year under report are indicated below;

Year	Fatal		Serious		Injury rate per million tonne of production	
	No. of accidents	No. of persons involved	No. of accidents	No. of persons injured	Fatal	Serious
2005-06	7	7	802 *	804 *	0.19	22.25
2004-05	14	16	291 *	294 *	0.45	8.33

* The increase in serious accidents is due to inclusion of low energy serious injuries such as fracture of phalanges/ toes as per the decision taken during 30th Tripartite Safety Review Meeting held on 29th Jan 2005.

Mines rescue services

During 2005-06, 16 persons were imparted initial training in rescue and recovery works and 625 active rescue trained persons working at different mines of the Company were imparted 5030 refresher manshift practices. In the National level Mines Rescue competitions held at Dhansar, BCCL in February 2006 the SCCL team has bagged several prizes including 5 First Prizes in different events. Latest generation Breathing Apparatus Drager BG-4 was introduced to improve the effectiveness of Rescue Services.

HUMAN RESOURCE DEVELOPMENT

The HRD department plays a very vital role in making the employees deliver up to their potentialities. For this purpose various in-house training programmes with latest HRD techniques & methods are designed for employees apart from statutory training programmes. In addition employees are also sponsored to the best training/development programmes organised by premier management and other Institutions. The details are as under;

In-house training

In-house training programmes were conducted during the year under report with the help of reputed institutions and management consultants covering 1,593 Executives and 768 non-executives as against 2,445 Executives and 701 non-executives covered during the previous year.

Knowledge day sessions are being conducted in all areas & corporate office every month for dissemination of knowledge acquired through external training programmes by the participants.

Training outside the Company

Within the country

749 Executives and 727 non-executives were sponsored during the year 2005-06 for training programmes organised by various institutions within the country as against 689 Executives and 501 non-executives sponsored in the previous year.

Outside the country

19 executives were sponsored to training programmes organised by various institutions abroad during the year 2005-06 as against 21 Executives and non-executives sponsored in the previous year.

The manpower of the Company was brought down from 91,970 as at the end of previous year to 86,025 by the end of the year under report. The Golden handshake (VRS) scheme implemented during the year 2005-06 was availed by 4,471 employees.

MEASURES FOR CONSERVATION OF ENERGY

In order to have an integrated approach and to continue the strong commitment towards energy conservation with long term objective the SCCL has adopted Energy Management Policy. The Company has been laying greater emphasis on conservation and optimum utilisation of energy. A number of measures have been initiated in this direction some of which are as under;

- i) The practice of High Voltage distribution in colonies to prevent illegal tapping of power and to reduce line losses is continued.
- ii) Segregation of colony loads from HT CAT-1 (Industrial) Loads is completed at supply points. The contracted maximum demand of 28,580 KVA is being drawn under HT CAT-VI for colony loads.
- iii) Submersible pumps with variable speed drives were installed as a part of pumping re-organisation.
- iv) Energy conservation / Audit cells are functioning in each area for all energy conservation activities.
- v) A committee has been constituted to study and fix norms of energy consumption of each mine.
- vi) In order to bring awareness among the employees wide publicity is being given through pamphlets indicating tips etc., for saving energy.

During the year the specific energy consumption was 17.24 KWH/tonne of coal against the target of 17.5 KWH/tonne of coal.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Introduction of intermediate technology with Load Haul Dumpers (LHDs), Side Dump Loaders (SDLs) is in progress in underground mines as part of semi-mechanisation to reduce human drudgery, improve safety & productivity. 95 SDLs & 37 LHDs are in operation in various UG mines. Introduction of bigger size and diesel driven LHDs coupled with mechanised drilling and supporting is being contemplated for enhancing productivity. Introduction of continuous miner with shuttle car technology in association with Joy Mining Machinery Limited, UK at VK-7 incline, Kothagudem is at the final stage of completion. Working with SDLs in steep mines is designed and being introduced on trial basis at Bhoopalpalli mines. Introduction of Highwall mining technology at certain opencast projects for extraction of coal locked up in high walls is under progress. The Company has also entered into a relationship arrangement with

CSIRO, Australia for taking up R&D projects in Strata mechanics, Ventilation and other related subjects for facilitating introduction of high production longwalls in deep shaft projects.

Geological modelling of all the geological blocks as per United Nations framework classification is taken up with assistance from Ministry of Coal named as 'Integrated Coal Resource Information System'.

CAPITAL PROJECTS AND SCHEMES

Projects/schemes under implementation

As on 31.3.2006 there were 41 mining projects (14 opencast and 27 underground) in various stages of implementation with an ultimate aggregate capacity of 22.69 million tonnes per annum with a sanctioned capital outlay of Rs.1419.05 crores. Out of 41 projects, 26 projects are on schedule. Non availability of land for compensatory afforestation, delay in forest land diversion and environmental clearance are main reasons for delay in commissioning the projects. However efforts are made to expedite implementation of the remaining 15 projects.

Projects approved by the Company

The Board of Directors of the Company have approved the following projects within the delegated powers during the year 2005-06.

Sl. No.	Name of the Project	Capacity (m.t.p.a)	Capital (Rs. crores)	Date of sanction
1	Introduction of Man riding systems at SRP-3&3A inclines.	—	4.450	18.06.05
2.	Introduction of Man riding System in KTK-2&2A inclines.	—	3.500	26.10.05
3.	Introduction of Man riding system in GDK-6B incline.	—	3.300	06.01.06
4.	Sinking of intake airshaft at GDK-11A incline.	—	7.250	26.10.05
5.	Introduction of SDLs in RK-6, KTK1&1A inclines.	0.320	5.050	18.06.05
6.	Kunavaram OCP	0.700	8.180	26.10.05
7.	JK-5 OCP	2.000	76.150	06.01.06
	Total	3.020	107.880	—

RFRs approved by the Company

The Board of Directors of the Company have approved Revised Feasibility reports of following projects during the year 2005-06.

Sl. No.	Name of the Project	Capacity (m.t.p.a)	Capital (Rs. crores)	Date of sanction
01.	Koyagudem OCP-II	2.000	58.890	06.01.2006
02.	Continuous miner at GDK-11A incline	0.400	70.800	18.06.2005
03.	Srirampur OC-II	2.500	88.470	06.01.2006
	Total	4.900	218.160	—

RCE approved by the Company

The Board of Directors of the Company have approved Revised Cost Estimates of following project during the year 2005-06.

Sl. No.	Name of the Project	Capacity (m.t.p.a)	Capital (Rs. crores)	Date of sanction
01.	Ramagundam OCP-1-Expansion	1.500	88.100	27.8.2005

Projects approved by the Company and awaiting approval of Govt. of India

During the year 2005-06, Kakatiya Longwall project, JVR OC-II project were approved by the Board of Directors and submitted to the Govt. of India for sanction. The details of the projects together with other projects pending for approval of Govt. of India are as under;

Sl. No.	Name of the Project	Capacity (m.t.p.a)	Capital (Rs. crores)	Date of sanction by the Board
01.	Adriyala shaft	2.144	212.34	11.7.2003
02.	Shanthikhani Longwall	1.167	249.03	19.12.2003
03.	Peddampeta shaft	1.483	288.93	29.12.2003
04.	Jallaram shaft	2.285	457.70	20.10.2004
05.	Kakatiya longwall	2.160	380.85	18.6.2005
06.	JVR OC-II	4.000	369.87	18.6.2005

ENVIRONMENT & ECOLOGY

The Company has high concern for environment and mother earth. Striving for clean and green environment and eco-friendly mining is basic doctrine of the SCCL. The Company firmly aspires that mining coal and measures for protection of environment, ecology & bio-diversity should go hand in hand. Environment status in respect of air, water, land and noise is monitored at regular intervals and quality levels are within the limits. Water pumped out from mines is being used for domestic use, plantations, dust suppression etc., and balance water is let out after treatment for agriculture, natural courses to surface water bodies.

Afforestation

The Company has taken a major initiative to green all areas. In the areas where precious topsoil is being lost due to activities like brick kiln making etc., had been brought under green cover. In these areas industrial plantations have been raised to meet the timber needs for underground mines besides reaping the incidental environmental benefits. The physical achievements made during the last 2 years are as under;

Sl. No.	Region	2005-06				2004-05				Total	
		Block Ha.	Saplings lakh Nos.	Avenue Km.	Saplings lakh Nos.	Block Ha.	Saplings lakh Nos.	Avenue Km.	Saplings lakh Nos.	Ha.	Saplings lakh Nos.
1	KGM	88	0.77	27	0.11	84	0.81	10	0.04	209	1.72
2	BPA	120	1.13	15	0.04	163	1.73	—	—	298	2.89
3	GDK	158	1.55	2	0.01	120	1.40	14	0.05	294	3.01
	Total	366	3.45	44	0.16	367	3.94	24	0.09	801	7.62

Biological engineering

In order to take up rehabilitation of mined out areas, a total of 248 Ha. has been planted with 5.91 lakh saplings on the overburden areas by following the principles of biological engineering. The structures like garland canals, toe wall, gabions, RFD's etc., have been taken up for the first time in the Company under biological engineering process. This has reduced soil erosion and run off of soil to the adjacent areas and water bodies to a great extent. The concept of biological engineering won the laurels for the Company from various institutions like The Energy & Resources Institute, Indian Council of Forestry Research and Education, Neyveli Lignite Corporation, Ministry of Environment & Forests etc.

Parks & Gardens are extensively developed in colonies, hospitals, offices and establishments.

In the Company hospitals effective systems for bio medical waste management, developing vermi-compost from garbage are established.

2 Nos. of Sewage Treatment Plants are already functioning at Manuguru and Srirampur and 4 new Plants are under construction in other areas.

14 Nos. of oil and grease traps were provided at Opencast Projects and workshops.

In order to preserve the precious topsoil and avoid pollution, fly ash generated in the Captive Power Plants of the Company is used for making bricks, which are used in construction works.

RESEARCH & DEVELOPMENT

During the year under report R&D activities were continued on strata control studies in longwall, BG panels and wide stall method of working, testing of quick setting cement capsules in watery holes, ventilation pressure surveys in underground mines and utilisation of fly ash. The activities have benefited by way of improved safety, production & productivity.

Studies by outside consultants

27 studies identified to be taken up by outside consultants, 7 were completed during 2005-06.

S & T projects

During the year 2005-06, 13 S&T projects are in progress at a total cost of Rs.12.31 crores (Rs.0.70 crores funded by the Company) are in progress at the end of the year under report.

Future plan of action

Undertaking various studies including ventilation studies for deep shaft projects, introduction of Tiscogs in place of wooden supports.

During 2005-06 expenditure incurred on R & D was Rs.1.11 crores (previous year Rs.0.57 crore) which amounted to 0.030% of the total turnover.

INTERNAL AUDIT

In order to have adequate internal control systems, fool-proof procedures and ensure discipline, the Internal Audit department has been conducting various audits including systems studies. The results of the studies conducted by the Internal Audit dept., are being apprised to the Audit Committee.

As on 1.4.2005, while 280 audit memos involving an amount of Rs.46.34 lakhs were pending, 202 audit memos involving Rs.14.63 lakhs were issued during the year under review. Full compliance was received for 294 audit memos clearing an amount of Rs.25.86 lakhs and 188 audit memos involving Rs.35.12 lakhs are pending recovery. The department has advised recoveries to the tune of Rs.2.21 crores after conducting audit of different bills during the year under report as against Rs.1.26 crores in the previous year.

VIGILANCE

The Vigilance dept., carries out surprise inspections, surveillance, detection, preventive vigilance to prevent frauds & errors and misuse of properties of the Company. The activities of department are resulting in disciplined work culture among employees. The department also suggests improvements in systems. As on 1.4.2005 while 103 cases were pending, 264 cases were received during the year under review. The Vigilance dept., has submitted Reports in 271 cases and 96 cases were pending as on 31.3.2006. Based on the reports submitted by the Vigilance department action is taken on 123 employees, 11 outsiders, 5 cases were referred to ACB and 1 case was referred to CBI. The quarterly Vigilance reports are being submitted to the Board of Directors.

SUBSIDIARY

As on 31st March 2006, the SCCL continues to hold Rs.1408.27 lakhs of equity amounting to 81.54% in A.P Heavy Machinery & Engineering Ltd. The performance of APHMEL has been improving gradually. During 2005-06 it has earned Rs.15.82 crores net profit against Rs.3.58 crores in the previous year. As a result the accumulated loss of the Company which stood at Rs.24.71 crores at the end of previous year came down to Rs.8.89 crores during the year under report. Appellate Authority for Industrial & Financial Reconstruction has set aside the winding-up order passed by the BIFR and remanded the case to BIFR. The Company has approved for continuation of existing order and managerial support for revival of the APHMEL. The copy of accounts of the subsidiary Company for the year 2005-06 are attached in compliance with the requirement of Section 212 of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES IN RECEIPT OF Rs.2 LAKHS PER MONTH OR Rs.24 LAKHS PER ANNUM

None of the employees received remuneration in the year 2005-06 in excess of the limits prescribed in Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

STATUTORY AUDITORS

M/s. Raju & Prasad, Chartered Accountants, Hyderabad were re-appointed as Statutory Auditors of the Company by the Comptroller & Auditor General of India for the financial year 2005-06 under Section 619 (2) of the Companies Act, 1956.

AUDIT COMMITTEE

Audit committee of the Company consists 3 non-executive Directors viz; Sri I.Y.R.Krishna Rao, Principal Secretary, Finance Dept., Govt. of A.P, Sri Sanjiv Kumar Mittal, Director, Ministry of Coal, Govt. of India and Sri Abhiram Sharma, Chairman-cum-Managing Director, Mahanadi Coalfields Ltd. The Board has concurred with the recommendations of the Committee given in its 2 meetings held during the year under report.

CORPORATE SOCIAL RESPONSIBILITY

The underlying concept of SCCL's CSR policy is indomitable self commitment for contributing sustainable economic development, providing decent working environment and quality of life to employees, basic social amenities to the local population living in the vicinity of coal mining areas and striving for protection of environment, ecology and bio-diversity.

The Company has been continuing its commitment for the Development of social infrastructure in coal-belt areas viz.; laying of roads, drainage & sanitation facilities, street lighting, drinking water supply, educational facilities etc., in association with Governmental agencies. The Company is also supporting NGOs and other organisations which are working in the fields of ecology & environment protection, upliftment of physically handicapped and mentally retarded people, promotion of art & culture, etc.

The Company has organised 7 mega medical camps in the surrounding villages of mining areas wherein 19,353 persons have been benefited. In addition to the health checkup & diagnosis, medicines were also given to the patients and the people with the cataract were operated.

DIRECTORS

The term of Sri R.H.Khwaja, C&MD was extended for a period of one year from 28.10.2005 to 27.10.2006.

The term of Sri P.Vasudeva Rao as Director(Operations) was extended from 1.7.2006 to 30.9.2006 on which he retires on attaining the age of superannuation.

Sri M.Subramanyam has relinquished the charge of the post of Director (Personnel, Administration & Welfare) w.e.f., 17.5.06 on withdrawal of his services by Govt. of A.P. Sri J.V.Dattatreylu, Director(P&P) held additional charge of the post till 4.8.2006 and w.e.f., that date Sri B.Venkateswar Rao, IAS is appointed as Director (Personnel, Administration & Welfare).

Sri K. Raghu N. Chary has relinquished the charge of the post of Director (Finance) w.e.f., 22.4.2006 (A.N) on completion of his tenure. Sri P Vasudeva Rao held the additional charge of the post till 10.6.2006 and w.e.f., that date Sri E.V.Krishna Reddy, IRAS is appointed as Director (Finance).

Sri E.Raja Rao, Chief General Manager (Opencast Projects) is appointed as Director (Electrical & Mechanical) w.e.f., 1.3.2006 in place of Sri Rama Krishna who retired on 28.2.2006 (A.N) on attaining the age of superannuation.

Sri A.K.Goyal, Special Chief Secretary, Energy Dept., was appointed as a Director w.e.f., 12.12.2005 in place of Sri S.V.Prasad. For the period from 29.3.2006 to 23.5.2006 Sri S.V.Prasad (who was holding additional charge of the post of Special Chief Secretary, Energy department) was a Director. Sri Goyal is re-appointed as Director w.e.f.,24.5.2006.

Sri I.Y.R.Krishna Rao, Principal Secretary, Finance (RE) dept., Govt. of A.P was appointed as a Director w.e.f., 23.6.2006 in place of Sri T.S.Appa Rao.

Your Directors wish to place on record their appreciation of the valuable guidance extended by Sri S. V. Prasad, Sri T.S.Appa Rao, Sri M.Subramanyam, Sri K.Raghu N. Chary, Sri K.Rama Krishna during their tenure as Directors of the Company.

Sri K.S.Kropha, Sri Sanjiv Kumar Mittal and Sri Abhiram Sharma, Directors retires by rotation in accordance with Sec.256 of the Companies Act, 1956 read with Article 93 of Articles of Association of the Company at the forthcoming Annual General Meeting and are eligible for re-election.

Sri A.K.Goyal and Sri I.Y.R.Krishna Rao retire as Directors under Article 98 of Articles of Association of the Company at the forthcoming Annual General Meeting and are eligible for re-election.

6 meetings of Board of Directors were held during the year 2005-06.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' responsibility statement, your Directors hereby confirm that-

- i in the preparation of the annual accounts the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- ii such accounting policies have been selected 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 the Company at the end of the financial year 2005-06 and of the profit of the Company for that period;
- iii proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv annual accounts have been prepared on a going concern basis.

FUTURE OUTLOOK

The company is contemplating to undertake contract mining in opencast projects and consultancy jobs in mining related areas. The company is also contemplating to take mining projects in other parts of the country by obtaining blocks from Govt. of India.

MoU with ONGC

In order to exploit the uneconomical coal reserves through underground & surface coal gasification and development of coal bed methane the SCCL has entered into MoU with ONGC.

MODIFICATION OF LOGO

The turnaround made by the SCCL and continuance of its success was possible with the dedicated and teamwork of the employees. The common endeavour of every Singarenian is to make our organisation a role model in the Indian coal industry by working together with the spirit of 'One family' for its continued prosperity and glory. In order to reflect the common 'Vision - Mission' approach, the logo of the Company is modified to manifest that the success of SCCL lies in being 'One family - One vision – One mission'.

IMPLEMENTATION OF RIGHT TO INFORMATION ACT, 2005

The SCCL has been taking all measures prescribed under Right to Information Act, 2005 for furnishing information to the citizens including placing required information in Company's website.

ACKNOWLEDGEMENTS

Your Directors sincerely acknowledge for the support and co-operation extended by the Govt. of Andhra Pradesh, particularly Energy & Finance Departments and the Govt. of India particularly Coal, Finance, Environment & Forests ministries.

Your Directors place on record their thankfulness for the trust and confidence reposed by valued customers, bankers & financial institutions and all business partners and look forward for the continuation of the same in future. Your Directors place on record their gratitude for the valuable guidance received from the Statutory Auditors, the Comptroller & Auditor General of India, the Registrar of Companies and the Director General of Mines Safety.

Your Directors place on record their deep sense of appreciation for the contributions made by employees at all levels, who through their competence, hard work, solidarity, co-ordination & support have enabled the Company to consistently maintain growth and progress in various fronts.

For and on behalf of the Board of Directors

Sd/-

(R. H. Khwaja)

Chairman & Managing Director

Date : 24.8.2006

Place : Hyderabad.

Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956, on the accounts of The Singareni Collieries Company Limited, Kothagudem for the year ended 31st March, 2006.

Balance Sheet

Application of Funds

Fixed Assets (Schedule: E1)

1. Freehold Lands: Rs. 88.54 crore:

Adjustment/deductions during the year: Rs.3.63 crore

This does not include additional compensation of Rs.25.15 lakh (Rs. 12.59 lakh towards land cost and Rs. 2.56 lakh towards interest) awarded by the Court in March 2006 in respect of 38.14 acres of land acquired in Bhupalapally Area. Consequently "Free hold lands" and "Sundry creditors - Others" are understated by Rs.25.15 lakh.

2. Provisions

For gratuity & leave encashment: Rs.341.40 crore:

The Company has been funding the liability for the retirement benefits through a trust administrated by **LIC**. The company made provision for gratuity and leave encashment in respect of its employees for the difference between the accrued liability as per actuarial valuation (Rs. 847.57 crore) and the amount paid to **LIC** (Rs. 506.17 crore) instead of the difference between the accrued liability as per actuarial valuation (Rs. 847.57 crore) and the fund amount as indicated by **LIC** (Rs. 464.97 crore). This has resulted in short provision to the extent of Rs. 41.20 crore with consequential overstatement of profit to this extent.

Replies of the Management forming part of the Directors' Report to the Shareholders

Audit Observation is noted and necessary accounting entries will be passed during the year 2006-07.

As per Accounting Standard-15, liability has been provided in the books of accounts every year towards Gratuity & leave encashment based on the Actuarial valuation and the incremental liability over the previous year's valuation is being charged to the Profit & Loss account.

As such, difference between actuarial valuation as on 31-03-2006 (Rs.819.19 crore) and actuarial valuation as on 31-03-2005 (Rs.780.91 crore) amounting to Rs. 38.28 crore is charged to P&L account.

The difference between the actuarial valuation (Rs.819.19 crore) and the amount paid to LIC as on 31st March 2006 (Rs.506.17 crore) is shown as liability under the head 'Current Liabilities & Provisions'.

The same accounting treatment is being consistently followed for the years 2003-04 & 2004-05 even after formation of Group Gratuity Trust.

Comments of the Comptroller and Auditor General of India (contd...)

PROFIT AND LOSS ACCOUNT:

Income

3. Other Income (Schedule-3)

Provisions & liabilities - no longer required: Rs.17.48 crore:

A reference is invited to the Note: 11 of Notes forming part of the accounts wherein it was mentioned that an amount of Rs. 2.53 crore receivable from APHMEL towards interest on Loans and Advances given by the Company up to 31st March 2006 was not transacted in the books pending realisation.

The Company accounted for an amount of Rs. 2.57 crore recoverable from APHMEL towards interest on Mobilisation advances up to 31st March 2001. In view of poor financial status of APHMEL a provision was created in the accounts for 2000-01 for the amount of interest outstanding up to 31st March 2001 and no interest was transacted thereafter. On review of the financial status of APHMEL, the company has withdrawn the provision of Rs. 2.57 crore in the accounts for 2005-06. The interest for the period from 1st April 2001 to 31st March 2006 was however not brought to account. While the interest receivable for the period 2001-02 to 2005-06 has not been accounted for in the books of account, writing back the provision earlier made for Rs. 2.57 crore is not correct. This has resulted in overstatement of "Other Income" and understatement of "Provisions" with consequential overstatement of "Profit for the year" by Rs. 2.57 crore.

4. Increase in Stock: Rs. 60.62 crore (Schedule-4):

Incorrect application of 'C' Grade Coal value for valuation of 'G' Grade Coal resulted in excess valuation of stock by Rs. 4.29 crore with consequent overstatement of "Profit for the year" by a similar amount.

Replies of the Management forming part of the Directors' Report to the Shareholders (contd..)

Provision made in the year 2000-01 on account of interest receivable from M/s. APHMEL was withdrawn during the year 2005-06 on review of improved financial performance.

The interest accrued on loans & advances during the current financial year is not transacted in the books of accounts as per accounting policy of the company and continued to be shown under Notes forming part of accounts.

However, the audit observation will be reviewed during the year 2006-07.

Audit Observation is Noted.

Comments of the Comptroller and Auditor General of India (contd...)

Replies of the Management forming part of the Directors' Report to the Shareholders (contd..)

EXPENDITURE

5. Voluntary Retirement Compensation: Rs. 86.04 crore

This is understated by Rs. 21.86 crore due to amortisation of incremental liability towards VRS in respect of retired employees on account of NCWA-VII wage revision contrary to AS-15 according to which cost of additional benefits is a charge on revenue. Consequently the profit is overstated by Rs. 21.86 crore.

The accounting treatment followed in respect of amortisation of incremental VRS ex-gratia on account of finalisation of NCWA-VII wage agreement is based on Accounting Standard - 15 & as per accounting policy of the Company.

6. Provision for taxation:

Current Rs. 121.21 crore

While arriving at the Business Income for assessing tax liability for the year, the expenditure on removal of overburden was taken at Rs. 778.79 crore instead of Rs. 787.12 crore resulting in short provision of tax by Rs. 2.99 crore with consequential overstatement of "Profit for the year" to this extent.

Audit Observation is Noted.

7. Notes forming part of the Accounts (Schedule-I)

Claims against the Company not acknowledged as debts - Others Rs. 77.89 crore:

- i) The above does not include Rs. 132.23 crore being the demand received from Forest Department for payment of net present value as determined by the Ministry of Environment and Forests while granting temporary working rights on the mining leases which expired during the year 2005-06.
- ii) The fact that the Company is keeping fixed deposits receipts valuing Rs. 3.50 crore received from 7 contractors towards permanent EMD for removal of overburden has not been disclosed in the Notes to Accounts.

Audit Observation is noted and necessary disclosure will be made during the year 2006-07.

Audit Observation is noted and necessary disclosure will be made during the year 2006-07.

Date: 20.09.2006
Place: Hyderabad

Sd/-
Accountant General (C&RA)
Andhra Pradesh

For and on behalf of the Board
Sd/-
(S. Narsing Rao)
Chairman & Managing Director

Date: 23.09.2006
Place: Hyderabad



Alternate technologies for Energy Independence: SCCL MoU with ONGC



Pioneering efforts in Fly Ash Utilisation - First Coal Company to receive National Fly Ash Utilisation Award



Improving Productivity and Safety: Manriding in an Underground Mine



Commitment towards Corporate Social Responsibility: Assisting Mentally Challenged Children at Manovikas, Manuguru



National Workshop for Safe and Sustainable mining

Partnering for world class technology in UG Mining: MoU with CSIRO, Australia



One Family, One Vision, One Mission ... The Spirit of Singareni - Singareni Day celebrations 23rd December, 2005

AUDITORS' REPORT

Management reply on the audit observations
(Under Section 217(3) of the Companies Act, 1956)

To
The Members of
The Singareni Collieries Company Limited

1. We have audited the attached Balance Sheet of **The Singareni Collieries Company Limited** as at 31st March, 2006 and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. 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 the 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 (Auditor's Report) Order, 2003, as amended by the Companies (Auditors Report) (Amendment) Order, 2004, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. We further report that:
 - i) **No provision is made in the accounts towards penalty amounting to Rs.1153.56 lakhs payable to APGENCO as per contract entered into with them in respect of Grade Variance in Coal supplies, thereby the Net Profit is overstated and "Current Liabilities and Provisions" is understated to that extent.**
 - ii) **Had our observation in (i) above been considered, the Net Profit before Tax would have been Rs.32095.90 lakhs (as against Rs.33249.46 lakhs), and the "Current Liabilities and Provisions" would have been Rs.201750.30 lakhs (as against Rs.200596.74 lakhs).**

As per accounting policy II(i), claims towards higher grade/ sub grade of coal are accounted on the basis of receipt of advices.

As the claims were not settled during 2005-06, provision was not made in the books of accounts and the same was disclosed at Item No.25 under Schedule-I Notes forming part of accounts.

ANNEXURE TO AUDITORS' REPORT

(Refer para 3 of our report of even date)

- i. a) The Company has maintained proper records at its mining areas showing full particulars including quantitative details and situation of fixed assets.
- b) The company has physically verified a part of its fixed assets during the year. In respect of assets verified discrepancies, where material, have been properly dealt with, in the books of accounts. In respect of assets not verified, we are unable to express our opinion as to discrepancies, if any, existing and requiring adjustments in the books of accounts. In our opinion, the frequency of verification is reasonable having regard to the size of the company and the nature of the business.**
- c) In our opinion, the Company has not disposed off a substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- ii. a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b) In our opinion and according to information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory. As explained to us there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
- iii. The Company has neither granted nor taken any loans secured or unsecured to or from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted/ taken any loans, clauses (iii)(b), (iii)(c), (iii)(d), (iii)(f) and (iii)(g) of paragraph 4 of the said Order are not applicable to the Company.
- iv. In our opinion and according to the information and explanation given to us, there are an adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.

Management reply on the audit observations
(Under Section 217(3) of the Companies Act, 1956)

All fixed assets with original cost above Rs.10 lakhs and all additions thereto are physically verified by respective area committees constituted for the purpose and the discrepancies, if any, noticed have been appropriately dealt with in the accounts. In respect of other fixed assets, the same are confirmed as available based on certification by the unit head.

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ANNEXURE TO AUDITORS' REPORT (Contd..)

(Refer para 3 of our report of even date)

- v. In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered in the Register maintained under Section 301 of the Companies Act, 1956.
- vi. **According to the information and explanations given to us, the Company has not accepted any deposits from the public. However, amounts recovered by the Company under the Family Benefit-cum-insurance Scheme from employees is considered by the Company Law Board (C.L.B) as deposits covered under Section 58A and 58AA of the Act and the rules framed thereunder. We are informed that the companies contention, of the said recoveries are not deposits u/s. 58A & 58AA of the Companies Act, 1956 has not been accepted by the C.L.B.**
- vii. In our opinion, the Company has an adequate Internal Audit System commensurate with the size and nature of its business.
- viii. As per the information given to us, the Central Government has not prescribed maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956.
- ix. A) According to the information and explanation given to us, the undisputed statutory dues including Provident Fund, Investor Education and Protections Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other Statutory dues have been regularly deposited with the appropriate authorities.
- B) According to information and explanations given to us there are no disputed dues relating to Income Tax, Sales tax, Wealth tax, Service Tax, Customs Duty, Excise Duty, Cess which have not been deposited as at 31st March 2006 other than those indicated below.

Nature of Dues	Amount (Rs. in lakhs)	Period to which the amount relates	Forum where pending
Sales Tax	29.65	1998-99	Sales Tax Appellate Tribunal
	9.39	2000-01	
	14.42	2001-02	
	122.91	2003-04	
Electricity Duty	699.85	from April, 85 to March, 06	AP High Court

Management reply on the audit observations (Contd..)

(Under Section 217(3) of the Companies Act, 1956)

The appeals pending at various forums are being followed up by the Company for early settlement.

ANNEXURE TO AUDITORS' REPORT (Contd..)

(Refer para 3 of our report of even date)

- x. The Company does not have any accumulated losses as at the end of the financial year under reference and the Company has not incurred any cash losses in the financial year under reference and in the financial year immediately preceding such financial year.
- xi. The Company has not defaulted in repayment of its dues to banks the Company did not have any outstanding dues to any financial institutions or debenture holders during the year.
- xii. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion and according to the information and explanations given to us, the Company is not a Chit fund or nidhi/ mutual benefit fund/society.
- xiv. According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. All shares, Securities and other Investments have been held by the Company in its own name.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. In our opinion, the term loans taken by the Company were applied for the purpose for which they were taken.
- xvii. In our opinion and according to information and explanations given to us, funds raised on short term basis have not been used for long term investment **however, long term funds have been utilised for short term purposes.**
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix. The Company has not issued any debentures during the year.
- xx. The Company, during the year, has not raised money by public issues during the year.
- xxi. **In our opinion and according to information and explanations given to us, fraud aggregating to Rs.27.05 lakhs has been reported, as detailed hereunder, on the Company:**

Management reply on the audit observations(Contd..)

(Under Section 217(3) of the Companies Act, 1956)

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Vigilance department is conducting surprise inspections regularly to curb pilferages/ misappropriation of the property of the Company. The amounts are being recovered from the concerned parties.

ANNEXURE TO AUDITORS' REPORT (Contd..)

(Refer para 3 of our report of even date)

Sl. No.	Nature of fraud	Amount involved (Rs. in lakhs)
1.	Theft of coal by a coal transport contractor.	3.50
2.	Recovery of iron scrap and coal by having surprised check.	4.97
3.	Fake MMC/ Lump sum claims (six cases)	18.00
4.	Fraudulent medical treatment claim	0.20
5.	Fraudulent claiming of conveyance allowance.	0.38

In our opinion and according to information and explanations given to us no fraud by the Company has been reported during the year.

For M/s.RAJU & PRASAD
Chartered Accountants
Sd/-
(Padmakant J. Mehta)
Partner (M.No.15652)

Date : 29.6.2006
Place: Hyderabad.

Management reply on the audit observations (Contd..)

(Under Section 217(3) of the Companies Act, 1956)

For and on behalf of the Board

Sd/-
(R.H. Khwaja)
Chairman & Managing Director

Date: 15.7.2006
Place: Hyderabad.

Balance Sheet as at 31st March 2006

(Rs. in Lakhs)

Particulars	Schedule reference	Current year	Previous year
SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	A	173319.81	173319.81
b) Reserves & Surplus	B	47641.80	39059.79
2. Reserve for future overburden removal		17258.11	13575.57
3. Secured Loans	C	74748.02	74628.51
4. Deferred Tax liability (net)		16134.56	15064.92
Total		<u>329102.30</u>	<u>315648.60</u>
APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	E1	451801.26	433684.86
Less : Depreciation		<u>258402.62</u>	<u>252104.14</u>
Net Block		193398.64	181580.72
b) Capital Works-in-progress	E2	23953.31	15052.43
2. Investments	F	72335.81	105079.41
3. Advance action for overburden removal		24626.34	18850.24
4. Current Assets, Loans & Advances	G		
a) Current Assets			
i) Inventories		34157.68	26676.21
ii) Sundry Debtors		13936.68	13846.11
iii) Cash & Bank Balances		90666.95	57857.85
iv) Other Current Assets		3270.75	5046.03
b) Loans & Advances		<u>58783.68</u>	<u>53960.56</u>
		<u>200815.74</u>	<u>157386.76</u>
LESS :			
Current Liabilities & Provisions	D		
a) Current Liabilities		111170.86	80750.40
b) Provisions		<u>89425.88</u>	<u>82957.65</u>
		<u>200596.74</u>	<u>163708.05</u>
Net Current Assets		219.00	-6321.29
5. Miscellaneous Expenditure (to the extent not written-off or adjusted)			
Voluntary Retirement Compensation		14569.20	1407.09
Accounting Policies	H		
Notes on Accounts	I		
Total		<u>329102.30</u>	<u>315648.60</u>

Schedules referred to above form an integral part of the Balance Sheet.

Sd/- (J.Rama Krishna) Company Secretary	Sd/- (M.V.V. Subba Rao) General Manager (F & A)	For and on behalf of the Board Sd/- (E.V.Krishna Reddy) Director(Finance)	Sd/- (R.H.Khwaja) Chairman & Managing Director
Date : 28.6.2006 Place : Hyderabad	As per our report of even date For M/s.RAJU & PRASAD Chartered Accountants Sd/- (Padmakant J. Mehta) Partner (M.No.15652)		
Date : 29.6.2006 Place : Hyderabad			

Profit & Loss account for the year ended 31st March 2006

(Rs. in Lakhs)

Particulars	Schedule reference	Current year	Previous year
INCOME			
Sale of coal			
Gross sales		418965.19	393521.83
Less: Statutory levies		56054.67	50151.38
Less: Transfer to Development		—	1997.39
Net sales	01	362910.52	341373.06
Internal consumption of coal	02	1574.80	1466.46
Other Income	03	33038.07	31929.00
Increase in stock	04	6061.83	3338.18
Total		<u>403585.22</u>	<u>378106.70</u>
EXPENDITURE			
Employees' Remuneration and other benefits	05	162728.00	148063.98
Consumption of Raw materials, Stores & Spares	06	35635.77	29290.97
Power & Fuel	07	19930.07	20104.61
Transportation and handling charges	08	5411.53	3821.48
Repairs & Maintenance	09	11875.04	9892.17
Social Amenities	10	14288.38	15627.69
Interest	11	937.14	1232.30
Provisions and Write-offs	12	2258.24	1503.48
Other Expenses	13	5851.35	5756.34
Contractual Expenses		3341.23	2775.24
Depreciation		21260.59	19482.00
Voluntary Retirement Compensation		8603.55	2118.66
Overburden Removal		93651.75	78251.35
Less : Transfers	14	15436.88	17414.32
Total		<u>370335.76</u>	<u>320505.95</u>
Profit for the year before prior period adjustments and taxation		33249.46	57600.75
Less: Prior Period Adjustments (Net)	15	157.64	1296.69
Less: Provision for Taxation			
a) Current		12120.71	16437.00
b) Deferred		1069.64	3404.77
c) Fringe Benefit Tax		306.42	—
Less: Income tax of earlier years		1131.64	336.45
Profit after Taxation		18463.41	36125.84
Add: Profit brought forward from previous year		19059.79	2815.35
Profit available for appropriations		37523.20	38941.19
APPROPRIATIONS			
Less: Transfer to General Reserve		10000.00	10000.00
Less: Proposed dividend		8665.99	8665.99
Less: Tax on proposed dividend		1215.41	1215.41
Balance carried to Balance Sheet		17641.80	19059.79

Schedules referred to above form an integral part of the Profit & Loss Account.

Sd/- (J.Rama Krishna) Company Secretary	Sd/- (M.V.V. Subba Rao) General Manager (F & A)	For and on behalf of the Board Sd/- (E.V.Krishna Reddy) Director(Finance)	Sd/- (R.H.Khwaja) Chairman & Managing Director
Date : 28.6.2006 Place : Hyderabad	As per our report of even date For M/s.RAJU & PRASAD Chartered Accountants Sd/- (Padmakant J. Mehta) Partner (M.No.15652)		
Date : 29.6.2006 Place : Hyderabad			

Schedules forming part of Balance Sheet as at 31st March 2006

SCHEDULE - A
SHARE CAPITAL

(Rs. in Lakhs)

Particulars	Current year	Previous year
1. AUTHORISED		
180,00,00,000 Equity Shares of Rs.10/- each	180000.00	180000.00
2. ISSUED, SUBSCRIBED AND PAID-UP		
173,31,98,119 Equity Shares of Rs.10/- each fully paid (includes 6,32,145 Equity Shares of Rs.10/- each allotted as bonus shares by capitalisation of general and capital reserves)	173319.81	173319.81
Total	173319.81	173319.81

SCHEDULE - B
RESERVES & SURPLUS

(Rs. in Lakhs)

Particulars	Current year	Previous year
GENERAL RESERVE		
Opening balance	20000.00	10000.00
Additions during the year	10000.00	10000.00
	30000.00	20000.00
PROFIT & LOSS ACCOUNT		
Balance carried forward	17641.80	19059.79
Total	47641.80	39059.79

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2006

SCHEDULE - C
LOAN FUNDS-SECURED

(Rs. in Lakhs)

Particulars	Current year	Previous year
A) FROM THE GOVERNMENT OF INDIA :		
(Secured by a first charge on the entire movable & immovable assets of the Company in terms of the following agreements)	—	—
1. Quadripartite agreement dated 13-12-1977 between Govt. of India, Govt. of Andhra Pradesh, Coal India Ltd., and the Company.		
2. Tripartite agreement dated 31-3-1985, 10-02-1989, 24-09-1994 and 11-01-2002 between Govt. of India, Govt. of Andhra Pradesh and the Company.		
3. Govt. of India has agreed to allow first charge on movable & immovable assets to the extent of Rs.125 crores in favour of Company's Bankers. The loans are guaranteed by the Govt. of Andhra Pradesh. The equitable mortgage deed and deed of Hypothecation have been executed on 30th March, 1985 for the loans drawn and to be drawn in the plan periods		
Add: Funded interest(Moratorium upto 31-03-2007)	66333.80	66333.80
B) FROM BANKS :		
1. CASH CREDIT FROM BANKS	8414.22	3220.56
(Secured by creation of first charge in favour of the participating banks ranking pari-passu on the present and future Current Assets viz., Stocks of raw materials, Stocks in process, Semi-finished and finished goods, Stores and Spares, Bills Receivable, Book debts and all other movables and immovables)		
2. SHORT TERM DEMAND LOAN FROM BANK	—	5074.15
State Bank of Hyderabad, Hyderabad (Secured by pledge of Vidyut Bonds)		
Total	74748.02	74628.51

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2006

SCHEDULE - D
CURRENT LIABILITIES AND PROVISIONS

(Rs. in Lakhs)

Particulars	Current year	Previous year
A) CURRENT LIABILITIES :		
Sundry Creditors		
- Due to SSI (Note No.19)	112.49	134.55
- Others (net of advances against SIT)	72965.50	40720.07
Advances and Deposits	19973.97	22578.85
Other liabilities	6424.85	4710.36
Provident Funds including Company's contribution and administrative charges	2643.07	2466.01
Pension recoveries	264.22	246.99
Family Benefit-cum-Insurance Savings Scheme accumulation(including interest accrued)	3666.03	3742.55
Production linked bonus & Special incentive	5116.43	6139.38
Shortages, damages and others	<u>4.30</u>	<u>11.64</u>
	111170.86	80750.40
B) PROVISIONS :		
For Taxation	44126.24	38327.93
For Gratuity and Leave encashment	34139.68	34748.23
For Proposed Dividend	8665.99	8665.99
Tax on Proposed Dividend	1215.41	1215.41
Unclaimed Dividend	0.14	0.09
Reclamation of land	<u>1278.42</u>	<u>—</u>
	89425.88	82957.65
Total	<u>200596.74</u>	<u>163708.05</u>

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2006

SCHEDULE - E1

FIXED ASSETS

(Rs. in Lakhs)

	Gross Block			Depreciation			Net Block			
	(1) As at 31.3.2005	(2) Additions during the year	(3) Adjus- ments/ deduc- tions during the year	(4) As at 31.3.2006	(5) Up to 31.3.2005	(6) for the year	(7) Adjus- ments/ deduc- tions during the year	(8) Up to 31.3.2006	(9) As at 31.3.2006	(10) As at 31.3.2005
1. Lands (Note-5):										
i) Freehold	8536.77	283.18	363.26	9183.21	329.57	--	--	329.57	8853.64	8207.20
ii) Leasehold	3092.51	118.16	--	3210.67	802.43	300.04	0.27	1102.74	2107.93	2290.08
2. Buildings:										
i) Factory	5836.71	872.91	-15.48	6694.14	2072.44	200.61	-20.84	2252.21	4441.93	3764.27
ii) Others	41674.21	1601.72	-93.90	43182.03	8352.89	681.40	-34.31	8999.98	34182.05	33321.32
3. Railway sidings	2384.97	54.88	--	2439.85	1566.79	63.15	--	1629.94	809.91	818.18
4. Plant & Machinery	301186.64	23049.64	-12162.04	312074.24	205531.99	14890.90	-12178.60	208244.29	103829.95	95654.65
5. Furniture & Fixtures	879.62	99.31	3.52	982.45	707.69	74.35	-0.25	781.79	200.66	171.93
6. Mine development	66778.64	6314.95	-2339.79	70753.80	30226.82	5003.80	-2706.67	32523.95	38229.85	36551.82
7. Vehicles	3314.79	91.58	-125.50	3280.87	2513.50	149.61	-124.96	2538.15	742.72	801.29
Total	433684.86	32486.33	-14369.93	451801.26	252104.12	21363.86	-15065.36	258402.62	193398.64	181580.74
Previous year's total	412549.22	24679.83	-3544.19	433684.86	236857.07	19583.06	-4335.99	252104.14	181580.72	

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2006

SCHEDULE - E2

CAPITAL WORKS-IN-PROGRESS

(Rs. in Lakhs)				
	Balance as at 31.3.2005	Additional expenditure during the year	Deletions/ adjustments during the year	Balance as at 31.3.2006
I. Buildings:				
a) Factory	357.38	816.01	913.47	259.92
b) Others	2569.92	10871.83	1692.01	11749.74
II. Railway sidings	54.88	--	54.88	--
III. Plant & Machinery (including in transit)	2988.75	23182.10	22797.46	3373.39
IV Mine development	9081.50	6617.51	7135.31	8563.70
V Vehicles	--	98.14	91.58	6.56
Total	15052.43	41585.59	32684.71	23953.31
Previous year's total	10373.22	26260.28	21581.07	15052.43

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2006

SCHEDULE - F

INVESTMENTS (Non-Trade)

(Rs. in Lakhs)

Particulars	Current year	Previous year
LONG TERM (at cost)		
QUOTED :		
a) 14,750 Shares of Rs.10/- each fully paid-up Lakshmi Porcelains Ltd. (not traded)	1.48	1.48
Less : Provision for diminution in value.	1.48	1.48
b) 1,548.80(Previous year 2,710.40) 13.60% redeemable non-convertible APTRANSCO Bonds (Series I/99) of Rs.1.00 lakh each fully paid up.	1548.80	2710.40
c) 32,500 12.30% redeemable non-convertible APPFCL Bonds (Series II/2001 OPTION-'A') of Rs.1.00 lakh each fully paid up.	—	32500.00
d) 41,100 11.60% redeemable non-convertible APPFCL Bonds(Series V/2001 OPTION-'A') of Rs.1.00 lakh each fully paid up.	41100.00	41100.00
e) 10,000 11.40% redeemable non-convertible APPFCL Bonds(Series I/2002 OPTION-'A') of Rs.1.00 lakh each fully paid up.	10000.00	10000.00
f) 11,850 10.95% redeemable non-convertible APPFCL Bonds (Series III/2002 OPTION-'A') of Rs.1.00 lakh each fully paid up.	11850.00	11850.00
g) 6,900 10.70% redeemable non-convertible APPFCL Bonds(Series III/2002 OPTION-'A') of Rs.1.00 lakh each fully paid up.	6900.00	6900.00
	71398.80	105060.40
Aggregate market value Rs.73343.52 lakhs. (Previous year Rs.108339.00 lakhs)		
UNQUOTED :		
a) 6 year National Savings Certificates (deposited with Government Department)	0.39	0.39
b) 1,86,214 Shares of Rs.10/- each fully paid-up of the Singareni Collieries Co-operative Central Stores Limited.	18.62	18.62
	19.01	19.01
c) Investments in Subsidiary Company Andhra Pradesh Heavy Machinery & Engineering Limited		
i) 91,80,000 Equity Shares of Rs.10/- each fully paid up.	918.00	918.00
ii) 49,02,700 Equity Shares of Rs.10/- each fully paid up acquired for a nominal consideration of Re.1/- from APIDC Ltd.	—	—
	918.00	918.00
Less: Provision for diminution in value	—	918.00
	918.00	—
Total	72335.81	105079.41

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2006

SCHEDULE - G

CURRENT ASSETS, LOANS & ADVANCES

(Rs. in Lakhs)

Particulars	Current year	Previous year
A) CURRENT ASSETS		
I. Inventories (As certified and valued by the management)		
Stores and Spares (at cost)	18744.30	22115.37
Less: Provision for Slow/Non-moving Obsolete Stores	2994.69	<u>3093.27</u>
	15749.61	19022.10
Stores-in-transit & under inspection (at cost)	7351.84	2659.71
Stock of Coal (lower of cost and net realisable value)	11056.23	<u>4994.40</u>
	34157.68	26676.21
II. Sundry Debtors - Unsecured		
a) Outstanding for over 6 months		
i) Considered good	833.11	1113.68
ii) Considered doubtful	2815.33	2824.68
Less: Provision	2815.33 —	<u>2824.68</u> —
b) Other debts considered good	13103.57	<u>12732.43</u>
	13936.68	13846.11
III. Cash and Bank balances		
i) Cash Balances:		
Cash and stamps on hand	9.48	9.59
Cheques and bank drafts on hand	1361.32	1070.92
ii) Bank balances with Scheduled Banks		
In Current Accounts	5078.44	4875.18
In Deposit Account	84217.71	<u>51902.16</u>
	90666.95	57857.85
IV. Other Current Assets		
Interest accrued on Investments	3270.75	5046.03
Total carried forward	142032.06	<u>103426.20</u>

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2006

SCHEDULE - G

CURRENT ASSETS, LOANS & ADVANCES (Contd..)

(Rs. in Lakhs)

Particulars	Current year	Previous year		
Total Brought Forward	142032.06	103426.20		
B) LOANS & ADVANCES				
Unsecured considered good				
I. i) Advances recoverable in cash or in kind or for value to be received				
* Advances to Staff	3069.83	3373.15		
Interest accrued on Loans, Advances and deposits	1173.08	1064.59		
Advances against Purchases, Railway Sidings and others	1045.54	1280.89		
Miscellaneous Advances	2014.61	908.08		
Advance Tax including TDS	45297.24	39525.58		
Pre-paid expenses	341.87	317.30		
Advances and Loans to Subsidiary Company- M/s A P H M E L (Note No.11)	1602.38	1712.48		
Less: Provision	—	256.56		
	<u>1602.38</u>	1455.92		
ii) Deposits	<u>4239.13</u>	<u>6035.05</u>		
Total	58783.68	53960.56		
II. Unsecured - Considered Doubtful Advances against Purchases and others	355.60	404.27		
Less: Provision	<u>355.60</u> —	<u>404.27</u> —		
Total	<u>200815.74</u>	<u>157386.76</u>		
	Balance as on 31-3-2006	Maximum balance during 2005-06	Balance as on 31-3-2005	Maximum balance during 2004-05
* a) Due from Directors	—	0.43	0.43	0.72
b) Due from officers of the Company	3.24	3.78	3.78	4.47

Schedules to Profit and Loss account for the year ended 31st March 2006

SCHEDULE : 01

SALE OF COAL

(Rs. in Lakhs)

Description	Current year	Previous year
Gross Sales:	418965.19	393521.83
Less: Statutory levies -		
Royalty	31772.21	31221.52
Stowing excise duty	3530.34	3469.12
APMBL cess	4273.04	—
CST on Coal sales	4050.97	3983.78
VAT on Coal sales	12428.11	11476.96
Total levies	56054.67	50151.38
Basic value:	362910.52	343370.45
Less: Transfer to development	—	1997.39
Net	362910.52	341373.06

SCHEDULE : 02

INTERNAL CONSUMPTION OF COAL

(Rs. in Lakhs)

Description	Current year	Previous year
Coal consumed at Collieries	1574.80	1466.46
Total	1574.80	1466.46

SCHEDULE : 03

OTHER INCOME

(Rs. in Lakhs)

Description	Current year	Previous year
Rents - Gross (TDS Rs.8.90 Lakhs)	332.57	314.10
Electricity & fuel	578.93	538.23
Water charges	76.80	73.34
Sand stowing and protective works assistance/subsidy	1557.48	1348.49
Weigh bridge rebate	48.34	48.28
Interest on investments (non-trade) Gross (TDS:Rs.1694.80 lakhs)	12070.24	15916.22
Interest on sundry debtors for coal, loans, advances & deposits - Gross (TDS – Rs.842.82 Lakhs)	4710.13	1516.07
Surface coal transport charges	6886.20	5621.55
Miscellaneous receipts	4032.29	4658.06
Rapid loading & crushing charges	997.12	934.06
Provisions and liabilities no longer required	1747.97	960.60
Total	33038.07	31929.00

SCHEDULES TO PROFIT & LOSS ACCOUNT AS AT 31st MARCH, 2006

SCHEDULE : 04

INCREASE IN STOCK

(Rs. in Lakhs)

Description	Current year	Previous year
Closing stock of Coal	11056.23	4994.40
Less : Opening stock of Coal	4994.40	1656.22
Increase	<u>6061.83</u>	<u>3338.18</u>

SCHEDULE : 05

EMPLOYEES REMUNERATION AND OTHER BENEFITS

(Rs. in Lakhs)

Description	Current year	Previous year
Gross wages:		
Salaries, wages and allowances (Note-15)	143373.29	117749.06
CMPF including administrative charges	14399.00	12774.09
Attendance bonus	7286.38	5182.70
Production linked bonus/ performance linked reward	3214.06	3241.14
Gratuity	4868.28	17975.05
Workmen's compensation	212.41	282.91
Group insurance	224.17	245.81
Group personal accident insurance	2.43	2.36
C & MD & Directors' remuneration (Note - 14)	44.71	32.79
Life cover premia under gratuity scheme with LIC	422.41	392.04
	<u>174047.14</u>	<u>157877.95</u>
Less: Transferred to -		
Power & Fuel	514.83	476.92
Repairs & maintenance	3505.84	3107.78
Social overheads	4594.74	3936.41
Development	2703.73	2292.86
	<u>11319.14</u>	<u>9813.97</u>
Net	<u>162728.00</u>	<u>148063.98</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT AS AT 31st MARCH, 2006

SCHEDULE : 06

CONSUMPTION OF RAW MATERIALS, STORES & SPARES

(Rs. in Lakhs)

Description	Current year	Previous year
Gross:		
Stores & Spares	34900.89	28560.43
Explosives	4149.19	3530.46
	39050.08	32090.89
Less: Transferred to -		
Power & Fuel	309.68	240.77
Repairs & maintenance	1346.79	902.69
Social overheads	871.07	932.08
Development	886.77	724.38
	3414.31	2799.92
Net	35635.77	29290.97

SCHEDULE : 07

POWER & FUEL

(Rs. in Lakhs)

Description	Current year	Previous year
Electricity purchased	16868.79	17246.71
Coal consumed	1571.74	1450.25
Salaries, wages and allowances (from Schedule-5)	514.83	476.92
Stores (from Schedule-6)	309.68	240.77
Depreciation	90.81	90.26
Other expenses	574.22	599.70
Total	19930.07	20104.61

SCHEDULE : 08

TRANSPORTATION CHARGES

(Rs. in Lakhs)

Description	Current year	Previous year
Coal transport charges	4496.76	2975.19
Sand transport charges	914.77	846.29
Total	5411.53	3821.48

SCHEDULES TO PROFIT & LOSS ACCOUNT AS AT 31st MARCH, 2006

SCHEDULE : 09

REPAIRS & MAINTENANCE

(Rs. in Lakhs)

Description	Current year	Previous year
Maintenance charges on railway sidings	262.32	286.32
Buildings - Wages (transfer from Schedule-5)	1589.38	1426.20
- Stores (transfer from Schedule-6)	282.07	162.08
- Other expenses	4469.82	3469.75
Plant & Machinery - Wages (transfer from Schedule-5)	1916.46	1681.58
- Stores (transfer from Schedule-6)	1064.72	740.61
- Other expenses	2290.27	2125.63
Total	11875.04	9892.17

SCHEDULE : 10

SOCIAL AMENITIES

(Rs. in Lakhs)

Description	Current year	Previous year
Employees welfare expenses - Wages (transfer from schedule-5)	4594.74	3936.41
- Stores (transfer from schedule-6)	871.07	932.08
- Other expenses	6339.86	7994.09
Lumpsum/ Monthly Monetary Compensation for dependents	1470.37	1794.05
Grants to Singareni Collieries Educational Society	1001.24	963.70
Expenditure on Company run Schools	11.10	7.36
Total	14288.38	15627.69

SCHEDULE : 11

INTEREST

(Rs. in Lakhs)

Description	Current year	Previous year
Interest on term loans	—	514.69
Interest on cash credit	937.14	717.61
Total	937.14	1232.30

SCHEDULES TO PROFIT & LOSS ACCOUNT AS AT 31st MARCH, 2006

SCHEDULE : 12

PROVISIONS AND WRITE-OFFS

(Rs. in Lakhs)

Description	Current year	Previous year
Bad and doubtful debts written off	14.93	157.47
Provision for obsolescence of Stores	53.97	669.05
Provision for shortages & damages	2.71	3.68
Stores and spares written off	9.14	10.31
Advances written off	5.44	0.91
Assets written off	439.63	424.52
Provision for doubtful debts/ advances	62.52	47.18
Loss on soiled notes written off	0.01	0.01
Obsolete stores written off	388.87	—
Other losses written off	2.60	190.35
Provision for reclamation of land	1278.42	—
Total	2258.24	1503.48

SCHEDULE : 13

OTHER EXPENSES

(Rs. in Lakhs)

Description	Current year	Previous year
Rents	7.01	6.70
Insurance	44.00	45.35
Rates & Taxes	308.85	280.33
Travelling expenses	360.85	314.19
Postage, telegrams and telephones	239.18	248.95
Legal expenses	65.57	45.50
Wagon cancellation and demurrage charges	97.43	143.04
Bank charges and commission	122.60	149.51
CISF Salaries and wages	1946.47	1947.22
Directors' travelling expenses	21.02	18.52
Auditors' remuneration		
- Audit Fee	4.49	5.51
- Out of pocket expenses	0.86	0.36
- Other services	0.56	0.08
Advertisements	546.60	617.41
Research and development expenses	110.52	47.59
Other general expenses	1481.84	1373.80
Subscriptions to journals and periodicals	15.39	15.01
Printing and stationary	147.14	128.77
Exchange variation	—	2.05
Expenditure on internal shunting of wagons	42.07	66.60
Computer maintenance and hire charges	25.19	42.20
Plantation expenditure	263.71	257.65
Total	5851.35	5756.34

SCHEDULES TO PROFIT & LOSS ACCOUNT AS AT 31st MARCH, 2006

SCHEDULE : 14

TRANSFERS

(Rs. in Lakhs)

Description	Current year	Previous year
Transfer to Development - Overheads	454.58	1302.66
- Depreciation	16.00	356.54
Transfer to Overburden Removal - Interest	175.24	288.56
- Overheads	7514.73	8312.36
- Depreciation	7249.35	7126.35
Expenditure allocated to Central Workshop	26.98	27.85
Total	15436.88	17414.32

SCHEDULE : 15

PRIOR PERIOD ADJUSTMENTS (NET)

(Rs. in Lakhs)

Description	Current year	Previous year
Depreciation provided in the earlier years written back	6.74	146.46
Credits and adjustments pertaining to earlier years	611.89	302.97
Sales	13.55	8.56
Total (A)	632.18	457.99
EXPENDITURE :		
Salaries, wages, company contribution to PF	95.11	77.85
Consumption of stores and spares	93.91	91.29
Coal transport bills	1.51	—
Depreciation	109.14	1224.94
Power and fuel	2.38	0.17
Rates and taxes	12.89	5.72
Maintenance charges etc., on railway sidings	28.83	57.78
Coal sales adjustments	44.73	148.10
Welfare expenses	13.89	23.52
Interest	324.46	1.52
Other miscellaneous expenditure	62.97	123.79
Total (B)	789.82	1754.68
NET (A - B)	-157.64	- 1296.69

SCHEDULE – H
STATEMENT ON ACCOUNTING POLICIES OF THE COMPANY
(FORMING PART OF THE ACCOUNTS)

I. ACCOUNTING CONVENTION:

Financial Statements are prepared on the basis of Historical Cost and on Accrual Basis following Going Concern concept, Accounting Standards and Generally Accepted Accounting Principles except otherwise stated elsewhere.

II. SYSTEM OF ACCOUNTING:

Company follows Mercantile System of Accounting except, in the following cases:

- a. Claims/Recoveries towards higher grade/sub-grade coal are accounted on receipt of the advices.
- b. Interest on belated payment of coal dues and loans & advances to subsidiary company.
- c. Escalation in prices and duties for explosives, equipment and spares supplied.
- d. Additional claims from contractors on Capital Works when claims are settled.
- e. Scrap on Realisation; and
- f. Insurance Claims.

III. FIXED AND CURRENT ASSETS:**1. FIXED ASSETS:**

- a. Freehold Lands includes cost of acquisition, compensation, rehabilitation expenses and interest up to the date of taking possession.
- b. Leasehold lands include cost of compensatory land and afforestation and deforestation expenditure with regard to acquisition of forest land under lease.
- c. Equipment received for Projects under construction / Mines under development but not installed and commissioned by the end of the year is shown as Capital Works-in-Progress.
- d. Exchange differences in respect of Foreign Currency liabilities incurred to acquire fixed assets are adjusted to the carrying amount of such fixed assets.
- e. Expenditure incurred on Projects under Construction / Mines under Development till they are brought to revenue and Long wall / BG Projects up to the date of commissioning of the equipment are capitalised.

2. CURRENT ASSETS:

- a. Stores & Spares are valued on Weighted Average Rates.
- b. i) Wherever variation between volumetrically measured coal stocks and the book stocks at any particular area is more than 5%, the volumetrically measured stock balances are adopted. The quantities of closing stock of coal thus arrived at are valued after effecting a reduction of 5%, to provide for anticipated losses due to storage.
ii) Closing Stock of Coal (including stock at power houses and Coal-in-wagons) is valued at lower of cost and net realisable value. The cost is calculated by taking average cost of production per tonne. The cost of production is arrived at after excluding interest and other borrowing costs, selling and distribution costs and administrative overheads etc., to the extent not related to production of coal. The net realisable value of grade-wise coal is arrived at on the basis of selling price for each grade less rehandling charges wherever applicable.

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SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2006

- iii) Coal issued for internal consumption is valued at grade-wise Selling Prices and exhibited as contra.
- c. Provision for obsolescence is made annually on review of stores and spares.
- d. Cost of Stores items issued to Mines are charged on issue and Cost of stocks in Pit/Departmental Stores at the end of the year is taken credit for.
- e. Profit or Loss on account of exchange difference either on settlement or on translation is recognised in the Profit and Loss Account.

IV. CAPITAL AND REVENUE:

1. a) Following items are classified as Capital -
 - i) PVC Armoured Cables of all sizes; and
 - ii) G.I. Pipes of 2" Dia and above.
- b) Stock of medicines, provisions, stationery and sand are not valued and expenses on these accounts are charged to revenue at the time of receipt / incurrence of expenditure.
2. a) The Projects/ Mines under development are brought to Revenue —
 - i) either from the month following;
 - a) the achievement of 25% of the rated production, or
 - b) completion of two years after touching the coal, or
 - ii) from the beginning of the year, wherein the value of production is more than the total related expenses of such developed project/mine, whichever is earlier.
- b) Sale of coal from Projects/Mines under construction is credited to Development Account at the Weighted Average Monthly Selling Price for the Area.
- c) Complete track renewals and sleeper renewals on Railway Sidings are capitalised proportionately to the extent of completion in the year.
3. a) Overheads are apportioned to Capital Works and Projects under Construction till the project is brought to revenue.
- b) Borrowing costs are capitalised and added to the value of qualifying assets where they are directly identified or at weighted average cost of borrowing if they are not directly identified.
4. Residual Development Expenditure on Mines taken-up for reconstruction is treated as Development Expenditure of New Reconstruction Projects.
5. Expenditure incurred on Prospecting Department including Drilling is apportioned based on average normal cost per metre drilled and treated as under:
 - a. Drilling done for production support and general prospecting is treated as Revenue Expenditure; and
 - b. Drilling done for projects under construction is capitalised with the project cost.
6. Expenditure on Rehabilitation of HEMM and other Major Plant and Machinery is treated as Capital expenditure if such expenditure increases the future benefit from the Asset beyond its previously assessed standard of performance.

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SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2006

7. a. Subsidy/Grants received on Capital Account are deducted from the cost of respective assets to which they relate.
- b. Grants from Government towards Revenue Expenditure for the year will be exhibited separately as other income in the Profit and Loss Account.

V. ACCOUNTING OF OBR:

- a) Expenditure on Overburden Removal is charged at revised Stripping Ratios of the projects irrespective of the Ratio of Actual Removal during the year, subject to review of stripping ratios every fifth year from the year 2004-05 and value Reserve at current year cost, Advance stripping at weighted average cost.
- b) Interest, Depreciation and Overheads apportioned to Overburden are treated as period costs and charged completely to current year.

VI. PHYSICAL VERIFICATION OF ASSETS:

Stock of Stores verified annually by Internal Audit and discrepancies adjusted after approval.

VII. DEPRECIATION:

Depreciation is provided as per Schedule XIV of the Companies Act, 1956, except for the following deviations:

- i) a) Mine Development is amortised over a period of 21 years (i.e. corresponding to 4.75% SLM rate) or on the life of the Project, if it is lower.
- b) LHDs and Jumbo Drills at CDF Panel are depreciated on the basis of estimated life.
- ii) Depreciation is calculated prorata
 - a. from the beginning of the month in which the asset was first put to use;
 - b. upto the end of the month in which the asset is discarded or transferred to assets held for disposal;irrespective of actual date of addition/ deletion.
- iii) Depreciation arising on account of exchange fluctuations of foreign currency liabilities for acquisition of fixed assets has been amortised over the residual life of the respective assets.
- iv) Value of leasehold lands is amortised over a period of 10 years from the year of payment.

VIII. INVESTMENTS:

Investments are carried at cost less provision for diminution in value wherever necessary.

IX. EMPLOYEES RETIREMENT BENEFITS:

1. Liability towards gratuity and leave encashment has been provided on Actuarial basis.
2. Employer's contribution under Coal Mines Provident Fund Act is Charged to Profit and Loss Account.
3. Voluntary retirement compensation is amortised over a period of three years from the year in which expenditure is incurred.

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2006

SCHEDULE – I
NOTES FORMING PART OF THE ACCOUNTS

(Rs. in Lakhs)

Sl. No.	Particulars	For the year ended 31-3-2006	For the year ended 31-3-2005
1.	Contingent liability not provided in respect of: - Letter of Credit (Inland & Foreign)	5133.73	1046.13
2.	Claims against the Company not acknowledged as debts : i) Disputed demands from Revenue Authorities under Andhra Pradesh Non-Agricultural Land Assessment (Amendment) Act, 1974. ii) Suits filed by employees who have been terminated/suspended and others are pending at various stages at courts iii) Others iv) Profession Tax: Orders issued by Dept. of Revenue (CT-III) of Govt. of AP vide GO No.Rt.153, dt.16.1.2001 for collection of profession tax from the employees at pre-revised rates from the month of January 2001 as on 31.3.2006 have been kept in abeyance vide their GO No.RT.1908, dt.4.10.2001 based on representation from the Chairman & Managing Director of the Company vide letter No.CMD/PS/H/228, dt.18.7.2001.	5982.33 Not Quantifiable 7789.42 Not Quantifiable	5982.33 Not Quantifiable 2656.43 Not Quantifiable
3.	Claims in respect of suits filed by the pattadars for additional compensation for Acres: 6620, Guntas:29 (Previous year: Acres 6920 Guntas 37 ¼) contested by the Company and pending in Courts	Not Quantifiable	Not Quantifiable
4.	Estimated value of contracts remaining to be executed on Capital Accounts.	40244.36	34189.97
5.	a) Land Measuring Acres: 902, Guntas:11 (Previous year Acres: 1403 Guntas 16 ½) shown under Fixed Assets have not been registered in the name of the Company. b) Value of Land Measuring Acres: 490, Guntas:19 (Previous year Acres: 451 Guntas:35) is in Company's possession not reflected in Accounts since acquisition proceedings are not completed. c) Fixed assets include land measuring 2500 sq. yards at Godavarikhani which has been physically alienated to IOC pending execution of sale deed on receipt of advance which is accounted for under Advances & Deposits received grouped under Current Liabilities. d) Government of AP renewed North Godavari Mining Lease over 53.89 Sq. KMs for a period of 10 years i.e. from 22.5.2000 to 21.05.2010 vide G.O.Ms.No. 158 dt.28.5.2003. Further, Government of AP renewed Kothagudem Mining Lease over 61.17 Sq. KMs for a period of 10 years i.e. from 28.4.1999 to 27.04.2009 vide G.O.Ms.No. 152 dt.23.5.2003.	Not Quantifiable Not Quantifiable 25.00 —	303.15 Not Quantifiable 25.00 —

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SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2006

(Rs. in Lakhs)

Sl. No.	Particulars	For the year ended 31-3-2006	For the year ended 31-3-2005
6.	Sundry Debtors Unsecured - Considered good include:		
	A. Coal Customers:	34.02	35.10
	Dues recoverable from non-core Coal customers towards levy of 20% additional price in respect of which suits have been filed.		
	B. Others:		
	i) Differential Sales Tax claim for the period from October 1990 to January 1997 outstanding with GOAP vide schemes formulated under GO Ms No.406 dated 11.09.1990 and GO Ms. No.256 dated 23.03.1994.	107.24	523.55
	ii) Input tax credit claim disputed by the Commercial Taxes dept.	128.00	—
7.	a) Income Tax Assessments up to the Assessment Year 2003-04 have been completed, while assessments for the Assessment Years 2004-05 and 2005-06 have been provisionally completed. Sundry debtors does not include Rs.233.48 Lakhs due from Income Tax department which was paid under protest.	—	—
	b) Sales Tax Assessments up to the Accounting Year 2001-02 have been completed. Commercial Taxes dept. has disputed the adjustment made by the company towards sales tax on account of credit notes issued to NTPC adjusted from sales tax remittance during the month of August 2003 and issued demand notice. The case is pending in Sales Tax Appellate Tribunal.	192.00	192.00
	c) For the Assessment Year 2001-02, demand by Sales Tax department towards APGST on bonus amount received from major coal customers is under appeal for which no provision was made.	16.28	16.28
8.	a) Adjustments to Fixed Assets on account of exchange rate difference on Plant & Machinery acquired under Deferred Payment Guarantee Scheme.	—	17.01
	b) Subsidy / Grants from Coal Controller are recognised based on estimated basis during the financial year.		
	i) Grants relating to fixed assets are deducted from the Gross Value of respective fixed assets.	458.56	128.93
	ii) Grants relating to revenue nature are credited to Profit & Loss account and exhibited under the head "other income".	1747.07	1364.68
9.	a) Royalty on Closing Stock of Coal of 14.13 L.T (Previous Year 7.33 L.T) will be transacted in books on despatch of coal.	1272.01	660.17
	b) APMBL Cess on Closing Stock of Coal of 14.13 L.T (Previous Year: Nil) will be transacted in books on despatch of coal.	282.66	0

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SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2006

(Rs. in Lakhs)

Sl. No.	Particulars	For the year ended 31-3-2006	For the year ended 31-3-2005
10.	Non-Agricultural Land Assessment Tax refundable pursuant to a Judgement of the Hon'ble Supreme Court estimated by the company pending determination by relevant authorities is not taken into accounts.	213.64	213.64
11.	Interest receivable from M/s APHMEL on loans & advances given by SCCL up to 31.03.2006 not transacted in the books pending realisation.	253.33	213.60
12.	Company has a policy with LIC for payment of Gratuity to all its employees through a "Group Gratuity Scheme". Amount payable to LIC on account of actuarial valuation as on 31-03-2006 is grouped under Current Liabilities & Provisions in Schedule – D.	26224.68	29161.96
13.	Deferred Tax Liability (AS-22) comprises the following:		
	a. Deferred Tax Assets:		
	i) Carry forward Depreciation & Loss	371.80	371.80
	ii) Gratuity	8827.23	9815.92
	iii) VRS Amortisation	1669.03	1524.92
	iv) Others	4653.22	4306.41
	Total (a)	15521.63	16019.05
	b. Deferred Tax Liability:		
	i) Depreciation	29176.33	29354.01
	ii) Overburden Removal	2480.15	1729.96
	Total (b)	31656.48	31083.97
	Net Deferred Tax Liability (a-b)	(-) 16134.85	(-) 15064.92
	Net Deferred Tax Liability for the year 2005-06 provided.	(-) 1069.64	(-) 3404.77
14.	Details of Remuneration of the Chairman & Managing Director and whole time Directors:		
	Salaries and allowances	37.34	28.05
	Contribution to PF, Pension	4.09	3.29
	Others	3.27	1.43
	Total	44.70	32.77
15.	a) On conclusion of NCWA-VII wage agreement, short provision of earlier years charged to profit & loss account amounting to Rs.27581 Lakhs.		
	b) Incremental liability towards VRS settled in respect of ex-employees on account of NCWA-VII wage revision charged to Profit & Loss account (1/3 rd of the total liability as per accounting policy No.IX.(3) amounted to Rs.1093.00 Lakhs.) (Previous Year : Nil)		
	c) Incremental gratuity payable to ex-employees on account of NCWA-VII wage revision charged to P&L account amounting to Rs.1802 Lakhs. (Previous Year : Nil)		

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16. The provisions of Section 58A of the Companies Act are not applicable to the F.B.I Scheme though the Company Law Board has communicated that the amount lying in the account is a deposit under the said Section.
17. Balances of Sundry Creditors, Sundry Debtors, Advances, Deposits etc., are subject to confirmation, reconciliation and adjustments, if any.
18. Consequent to handing over of 18 schools and 2 colleges to Singareni Collieries Educational Society, all running expenses of these institutions, net of receivables viz., Grant-in-Aid, Fee collections from students, Recoveries from the employees towards amenities provided etc., are being met by the Company by way of Educational Grant. Further infrastructure used by the Society is continued to be under the ownership of the Company for which no recovery is being taken from the Society.
19. Dues to Small Scale Units outstanding for more than 30 days at the date of the Balance Sheet comprise the following:

Anand Mincons, Action Construction Equipment (P) Ltd., Alco Wire Products (Pvt) Ltd, Bengal Rubber Mfg Co Ltd., Bharat Mining & Drilling Engrs, Chanda & Co (P) Ltd., Cinderella Industries, Coastal Pneumatic Agencies, Computer India, Eastern Fabri tech Pvt Ltd., EK Kburn Industries, Genuine Trade Centre, Godavari Explosives Ltd., Helical Tubes & Ducts Pvt Ltd., India Casting Company, Joy Laxmi Supply Corporation, Jujamore Industrial Products, Kedia Electricals, M.P. Engg Works, Melbrow Commercial Co. Ltd., Mine Aid Products, Narmada Engg Co. Ltd., National Cement Corpn, Polygon Refractories Pvt. Ltd., Power Tap Mech Elec Ind., Precision Components, Ramesh Engg Works, Rukmani Metals & Gaseous, Satyam Concrete Pipes, Srinivasa Engg Industries, Standard industrial Engg Co., Suncrest Industries, Usha International, Vasantha Laxmi Industries, Vazra Tools Ltd.
20. Major components and assemblies removed from the surveyed off equipment and used on other equipment are not assigned any value and hence not transacted in the books as per the consistent practice followed by the company.
21. All fixed assets with Original Cost above Rs.10 Lakhs and all additions thereto during the year are physically verified by respective area committees constituted for the purpose and the discrepancies, if any, noticed have been appropriately dealt with in the accounts. In respect of other fixed assets, the same are confirmed as available based on certification by the unit head.
22. The stock of un-graded coal at pitheads is not valued and the same is accounted as and when sold & despatched.
23. During the year the Company has identified various classes of assets which are impaired as per the requirement of AS – 28. The loss on such impaired assets including those at closed mines of Rs.258.06 Lakhs was charged to P&L account under the head “Provisions and Write-offs”.
24. Provision of Rs.306.42 Lakhs towards Fringe Benefit Tax is provided on perquisites / expenditure as per legal advice obtained by the Company.

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2006

25.	No provision is made in the accounts for bonus / penalty payable to APGENCO towards grade variance as per contract due to non-receipt of advice/demand from APGENCO.				
26.	<p>Related Party Transactions (AS-18):</p> <p>Related Parties:</p> <p>i) Subsidiary Company: Andhra Pradesh Heavy Machinery & Engineering Limited, Vijayawada. Disclosure of transactions with the subsidiary company is not required since both the companies are state controlled entities.</p> <p>ii) Whole time Directors of SCCL during the financial year : Shri. R.H.Khwaja, C & M D, Other Directors: S/Shri M. Subramanyam, Sriram Taranikanti, K. Raghu N. Chary, P.Vasudeva Rao, J.V.Dattatreyyulu, K. Ramakrishna and E. Raja Rao.</p> <p>iii) Remuneration to whole time Directors including Chairman and Managing Director is disclosed in Note No. 14.</p> <p>Advances due from whole time Directors are disclosed under Schedule G - Current Assets, Loans and Advances.</p>				
27.	Earnings per share (AS-20): (Basic and Diluted)		2005-06	2004-05	
	a) Net Profit after Tax (Rs. Lakhs)		18463.41	6125.84	
	b) Number of Ordinary Equity Shares (fully Paid-up) (Nos.)		173,31,98,119	173,31,98,119	
	c) Earnings per Share (a/b)		Rs.1.06	Rs.2.08	
28.	<p>Additional information pursuant to Paragraphs 3, 4C and 4D of the Part-II of the Schedule VI of Companies Act, 1956.</p> <p>a) Licensed Capacity: Not applicable.</p> <p>b) Installed Capacity: Coal: 368.90 L.Ts (Previous Year: 368.00 L.Ts) as certified by the Management.</p> <p>c) Quantitative Details:</p>				
		2005-06		2004-05	
		Quantity (Tonnes)	Value (Rs. Lakhs)	Quantity (Tonnes)	Value (Rs. Lakhs)
Opening Stock		733526	4994.40	262067	1656.22
Production		36139302	—	35302617 (198782)	—
Turnover		35446731	364485.32	34825386 (198782)	344836.91 (1997.39)
Adjustments		(-) 12748	—	(-) 5772	—
Closing Stock		1413349	11056.22	733526	4994.40
-	Figures in brackets represent capital production and Capital Sales which are part of production and turnover				
-	Turnover - quantity and value includes Colliery Consumption and Capital Sales.				

Contd...

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2006

(d) CIF Value of Imports: (Rs. Lakhs)

Particulars	2005-06	2004-05
Stores & Spares	1247.52	955.70

(e) Expenditure in Foreign Currency: (Rs. Lakhs)

Particulars	2005-06	2004-05
Interest on DPG	—	16.47
Travelling Expenses	23.60	19.18
Consultancy Payments	53.51	—

(f) Consumption of Stores & Spares: (Rs. Lakhs)

	2005-06		2004-05	
	Amount	Percentage	Amount	Percentage
Imported	949.26	2.27	1819.06	5.80
Indigenous	40939.32	97.73	29547.60	94.20
Total	41888.58	100.00	31366.66	100.00

29. Cash flow statement (AS-3) for the year 2005-06: (Rs. in Lakhs)

Sl. No.	Particulars	2005-06	2004-05
A	CASH FLOW FROM OPERATING ACTIVITIES		
	Profit before tax and prior period adjustments	33249.46	57600.75
	Adjustments for:		
	Depreciation	21335.40	19215.72
	Interest income	-12070.23	-15916.22
	Interest expense	937.14	1232.30
	Exchange variation	0	2.05
	Prior period adjustments	269.22	-216.69
	Operating profit before working capital changes	10471.53	4317.16
	Adjustments towards changes in		
	Inventories	-7481.43	-5721.27
	Sundry Debtors	-90.57	5948.70
	Other Current Assets	1775.28	411.57
	Loans & Advances	-10599.23	-9061.34
	Current Liabilities	31698.88	-2930.21
	Provisions	-608.55	-7605.10
	Taxation	-7454.04	-21.66
	Fringe Benefit Tax	-306.42	0
	Overburden Reserve	3682.54	-12692.96
	Cash flow from operating activities (A)	10616.46	-31672.26
		54337.45	30245.65

Contd...

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2006

(Rs. in Lakhs)

Sl. No.	Particulars	2005-06	2004-05
	Cash flow from operating activities (A)	54337.45	30245.65
B	CASH FLOW FROM INVESTING ACTIVITIES		
	Increase in fixed assets (Net)	-33255.70	-26182.77
	Sale of Investments	32743.60	28561.60
	Decrease in capital Work-in-Progress	-8900.88	-4679.21
	Change in VRS Deferment	-13162.11	<u>1942.31</u>
	Cash flow from investing activities (B)	-22575.09	-358.07
C	CASH FLOW FROM FINANCING ACTIVITIES		
	Decrease in Secured Loans	119.51	-18057.90
	Interest income	12070.23	15916.22
	Interest expense incl. Prior period Interest	-1261.60	-1233.82
	Dividend paid	-8665.99	-8665.99
	Dividend Tax paid	-1215.41	-1110.33
	Decrease in Unsecured Loans	0	<u>-458.34</u>
	Cash flow from investing activities (C)	1046.74	-13610.16
D	Net increase in cash and cash equivalents (A+B+C)	32809.10	16277.42
E	Cash & cash equivalents at the beginning of the year	57857.85	41580.43
F	Cash & cash equivalents at the end of the year (D+E)	90666.95	57857.85
30.	Previous year's figures, wherever necessary, have been re-grouped, recast, rearranged to confirm with those of the current year.		

Signatures to Schedules

Sd/- (J.Rama Krishna) Company Secretary	Sd/- (M.V.V. Subba Rao) General Manager (F & A)	For and on behalf of the Board Sd/- (E.V.Krishna Reddy) Director(Finance)	Sd/- (R.H.Khwaja) Chairman & Managing Director
Date : 28.6.2006 Place : Hyderabad	As per our report of even date For M/s.RAJU & PRASAD Chartered Accountants Sd/- (Padmakant J. Mehta) Partner (M.No.15652)		
Date : 29.6.2006 Place : Hyderabad			

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration details

Registration No	000571	State Code: 01
Balance Sheet Date	31.03.2006	CIN: U99999AP1920SGC000571

II. Capital raised During the year (Amount in Rs. Lakhs)

Public issue	Rights Issue
Nil	Nil
Bonus Issue	Private Placement
Nil	Nil

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Lakhs)

Total Liabilities	Total Assets
329102.30	329102.30

Sources of Funds

Paid-up Capital	Reserves & Surplus
173319.81	47641.80
Secured Loans	Reserve for OBR
74748.02	17258.11
Deferred Tax Liability (Net)	16134.56

Application of Funds

Net Fixed Assets (incl.Cap.WIP)	Investments
217351.95	72335.81
Net Current Assets	Misc. Expenditure
219.00	14569.20
Advance action for OBR	
24626.34	

IV. Performance of Company (Amount in Rs. Lakhs)

Turnover/Income(Net)	Total Expenditure
362910.52	370335.76
Profit Before Tax	Profit After Tax
33249.46	18463.41
Earnings per share (in Rs.)	Dividend rate (%)
1.06	5%

V. Generic Names of Three Principal Products/Services of Company(as per monetary terms)

Item Code No.(ITC Code)	270112.00
Product Description	BITUMINOUS COAL

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANIES**

Name of the Subsidiary	A.P. Heavy Machinery & Engg. Ltd.
1. The financial year of the Subsidiary Company ended on	31st March, 2006
2. Shares in the Subsidiary held by the Holding Company as at the above date	
(a) Number of Shares	1,40,82,700 Equity Shares out of 1,72,71,293 Shares of Rs.10/- each
(b) Extent of Holding	81.54 %
3. Net aggregate amount of profit/(loss) of the Subsidiary Company so far as they concern the members of the Holding Co. and	
(a) Not dealt within the Holding Company's account for the year ended 31st March, 2006	
(i) For the Subsidiary's financial year ended as aforesaid	134.43 Lakhs.
(ii) For the Previous financial years of the subsidiary since it became the Holding Company's Subsidiary	(-943.38 Lakhs.
(b) Dealt within the Holding Company's account for the year 31st March, 2006	
(i) For the subsidiary's financial Year ended as aforesaid	- Nil -
(ii) For the previous financial years of the Subsidiary since it became the Holding Company's Subsidiary	- Nil -
4. (a) Change in the interest of the Holding Company between the end of the last financial year of the Subsidiary and 31st March, 2006.	- Nil -
(b) Material changes occurred between end of the financial year of the Subsidiary and the end of the Holding Company's financial year.	Not applicable

Sd/-
(J.Rama Krishna)
Company Secretary

Sd/-
(M.V.V. Subba Rao)
General Manager (F & A)

For and on behalf of the Board
Sd/-
(E.V.Krishna Reddy)
Director(Finance)

Sd/-
(R.H.Khwaja)
Chairman & Managing Director

Date : 28.6.2006
Place : Hyderabad.

Expenditure on Social Overheads including Township Expenditure and Income compiled as desired by Bureau of Public Enterprises, Govt. of India.

(Rs in Lakhs)

Particulars	2005-2006	2004-2005
A. TOWNSHIP		
1. Repairs & Maintenance	6404.04	6035.25
2. Sanitation	1271.18	1073.58
3. Water Supply	3075.73	2558.86
4. Depreciation	976.04	754.00
	11726.99	10421.69
Less : Township Income	385.71	315.64
Water Charges	78.36	79.57
	464.07	395.21
Total (A)	11262.92	10026.48
B. OTHER SOCIAL OVERHEADS		
1. Medical Facilities	4500.28	4034.60
2. Expenditure on Social & Cultural activities, Clubs, Sports, Games etc.	184.62	282.51
3. Super Bazar	29.84	27.90
4. Schools & Colleges	947.50	951.43
Total (B)	5662.24	5296.44
Total (A) + (B)	16925.16	15322.93

NOTE: Expenditure relating to Township and Social Overheads included in the Profit & Loss Account under respective Primary Heads is given in the Schedule to the extent possible.

ANDHRA PRADESH HEAVY MACHINERY & ENGINEERING LIMITED

(A subsidiary of The Singareni Collieries Company Limited)

29TH ANNUAL REPORT & ACCOUNTS 2005 – 2006

(Pursuant to section 212 of the Companies Act, 1956)

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BOARD OF DIRECTORS

Sri E. Raja Rao, Chairman	from	01-04-2006
Sri K. Raghavendra Rao, Chairman	up to	31-03-2006
Sri B. Nagabhushana Rao, Managing Director	from	31-12-2002
Sri B.V.Rajeswara Rao, SBI Nominee	from	29-06-2006
Sri N.V.Suryanarayana Rao, SBI Nominee	up to	29-06-2006
Sri Y. Suryanarayana, APIDC Nominee	from	26-10-2004
Sri Partha S. Bhattacharyya	from	07-07-2004
Sri C.L. Srivastav	from	27-09-2003
Sri G.V. Rami Reddy	from	23-03-2002
Sri M. Chanti Subba Rao	up to	24-09-2005
Sri V.V. Koteswara Rao	from	27-09-2003
Sri N.V.V.N.M. Murali Rao	from	25-09-2004
Sri Juvva Seshagiri Rao	from	24-09-2005

Company Secretary

Sri V. Venkateswara Rao	from	19-9-2005
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BANKERS

State Bank of India
Vijayawada - 520 007

AUDITORS

M/s. RAO & MURTY
Chartered Accountants
27-21-6, Kaleswara Rao Road
Governorpet,
Vijayawada - 520 002

PRODUCTION UNIT

20-2, Industrial Estate
VIJAYAWADA - 520 007

VIZAG UNIT

A7-A10, Autonagar
VISA KHAPATNAM - 530 012

REGISTERED OFFICE

KONDAPALLI - 521 228
Krishna District

ADMINISTRATIVE OFFICE & FACTORY

KONDAPALLI - 521 228

ANDHRA PRADESH HEAVY MACHINERY & ENGINEERING LIMITED

NOTICE

NOTICE IS HEREBY GIVEN THAT 29TH Annual General Meeting of the Members of the Company will be held on Saturday, the 23rd day of September, 2006 at 3.00 P.M., at the Administrative Building-cum-Registered Office & Factory Premises, Kondapalli-521 228, Krishna District (A.P.) to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit & Loss Account of the Company for the year ended 31st March 2006 and the Balance Sheet as on that date together with the Auditors' Report, Comments of Comptroller and Auditor General of India along with the replies and report of Directors therein.
2. To appoint a Director in place of Sri C.L. Srivastav who retires by rotation and is eligible for re-election.
3. To appoint a Director in place of Sri V.V. Koteswara Rao, who retires by rotation and is eligible for re-election.
4. To fix the remuneration payable to the Statutory Auditors.

BY ORDER OF THE BOARD OF DIRECTORS

Sd/-

(B. NAGABHUSHANA RAO)
MANAGING DIRECTOR

Registered Office:

KONDAPALLI – 521 228

Krishna District.

Date :29.6.2006.

- NOTES :**
1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote instead of himself and the proxy need not be a member of the Company.
 2. Proxies duly completed, signed and stamped with Re.1 revenue stamp should be deposited at the Company's Registered Office not less than 48 hours before the time of the aforesaid meeting.
 3. The register of members and the share transfer books of the Company will remain closed from 16.9.2006 to 23.9.2006 (both days inclusive).

Note : Shareholders other than SCCL and APIDC can send nominations for election of one post of Director before 5.00 P.M. on 8.9.2006.

Directors' Report

To
The Members
A.P. Heavy Machinery & Engineering Limited
KONDAPALLI – 521 228

Gentlemen,

We have great pleasure in presenting to you, on behalf of the Board of Directors, the 29th Annual Report of your Company together with the Audited Accounts for the financial year ended 31st March 2006.

The Company recorded a Net Profit of Rs.1581.96 Lakhs during the current financial year i.e 2005-06 as against Rs. 357.99 Lakhs during the previous year. With the patronization extended by SCCL through order as well as working capital support to execute the orders, the performance of the Company has been encouraging.

The Company achieved its targeted production of Rs.6000 lakhs, and is continuing its performance in upward trend by showing improvement in the turnover for the year 2005-06 to Rs. 6453.21 lakhs against the turnover of previous year of Rs.5752.69 lakhs.

REVIEW OF FINANCIAL RESULTS & PRESENT SCENARIO

The summarised financial results are as under:

(Rupees in lakhs)

Description	2005-06	2004-05
Turnover of the Company	6453.21	5752.69
Gross Profit (+)/Loss (-) before interest and depreciation	1677.37	736.20
V.R.S.	0.00	43.13
Interest	83.50	141.47
Depreciation	14.83	14.87
Profit for the year before charging provisions	1579.04	536.73
Net Profit for the year after charging prior period adjustments and provisions	1600.51	401.18
Profit after deferred Tax	1581.96	357.99

The net profit for the financial year under review is Rs.1581.96 lakhs against a profit of Rs. 357.99 lakhs of the previous year. The earning of profit by the Company was possible due to increase in the production and implementation of various cost reduction measures apart from enforcing work norms and discipline among work force.

PRESENT STATUS OF BIFR CASE

AAIFR in its order dated 5-09-2005 has set aside the winding up orders issued by the BIFR and remanded the case to the BIFR. BIFR in its order dated 20-01-2006 has directed the company to submit a fully tied up proposal to State Bank of India, which has been appointed as the Operating Agency (OA) by the BIFR. The Draft Rehabilitation Scheme (DRS) was submitted to Operating Agency on 22.03.2006. The Hon'ble BIFR has conducted the first review hearing on 18-05-2006 and after considering the submissions of the company along with the facts of the case on record, has directed the Operating Agency to submit the Modified Draft Rehabilitation Scheme. State Bank of India has submitted the same to BIFR on 31-05-2006. Date of next hearing is yet to be fixed by the BIFR.

FINANCIAL RECONSTRUCTION

SCCL continues to extend working capital support for orders placed by them on your Company.

ISO 9001-2000 CERTIFICATION

The Company has obtained the certificate of assessment with the International Quality System Standard **ISO 9001-2000** with effective date from 08-05-2006 with the scope of "Design, Development, Manufacture and Supply of Engineering equipment for Mining, Chemical, Power, Material Handling, Machine Tools and other Allied Industries".

FUTURE OUTLOOK

The Management is optimistic about the future of the company. The Company has been earning profits for the past four years and the same trend is expected to continue in future.

Chair Lift Systems have been designed, manufactured and supplied to M/s.The Singareni Collieries Co.Ltd., and DGMS approval is obtained.

The Man Riding Chair Lift Systems 5 Nos., and Man Riding Mine Car Systems 4 Nos. were manufactured, erected and commissioned during the year. One Chair Lift System and two Man Riding Car Systems are under erection.

Offers have been submitted to SCCL and MCL for supply of Man Riding Systems. Our offer is competitive for Two Nos. Chair Lift Systems at SCCL and Two Nos., at MCL and One No., Man Riding Car System.

Further enquiries are there from BCCL and SECL for the supply of Man Riding Systems.

Three Nos. of Jumbo Drill Machines were refurbished during the year and one more is in the final stage of refurbishment. With this we could acquire the technology required for manufacturing of Jumbo Drill Machines.

CONTRIBUTION TO EXCHEQUER

During the year under review, the Company contributed an amount of Rs.1311.50 lakhs to Government by way of taxes and duties.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUT-GO

As required under section 217(1)(e) of the Companies Act, 1956 details relating to conservation of energy, technology absorption, foreign exchange earnings and out-go are given in the Annexure-I forming part of the Directors' Report.

Steps taken in the previous year resulted in conservation of energy as detailed below:

Variable frequency drive is provided to one of the 2.8 Mtr., VTBs. It is observed that on load current consumption is reduced by 1/3rd compared to its earlier consumption.

	2005-06	2004-05
A) Units(KWH) Annual Consumption :	1291393	1185957
B) Turnover(Rupees in lakhs) :	6453.21	5752.69

In spite of increase in the turnover by 12.18% over previous year, increase in the units consumed is only 8.89%. Product mix is same in the above 2 years.

DEPOSITS

During the year under review, the Company has not accepted any deposits within the meaning of section 58-A of the Companies Act, 1956 and (Acceptance of Deposits) Rules, 1975.

EMPLOYMENT

As on 15-6-2006 the total number of employees is 554. There are no employees covered by the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 and the particulars of employees under section 217(2A) of the Companies Act, 1956.

INDUSTRIAL RELATIONS

During the year under review, the industrial relations were cordial and peaceful.

SAFETY

Continuous efforts are being made to ensure adherence to safety measures at work places and safety record consequently is quite satisfying.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of your Company state:

- i. that in the preparation of the annual accounts, the applicable accounting standards had been followed;
- ii. that the directors 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 the Company at the end of the financial year and of the Net Profit of the Company for that period;
- iii. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the directors had prepared the annual accounts on going concern basis.

BOARD OF DIRECTORS

Sri K. Raghavendra Rao, Chief General Manager, Singareni Collieries Company Limited was retired from the service on 31.3.2006 on attaining the age of superannuation. Consequent to the retirement of Sri K. Raghavendra Rao, The Singareni Collieries Company Limited appointed Sri E.Raja Rao, Director (E&M), SCCL, as part time Director and the Chairman of Board of Directors of the APHMEL with effect from 1.4.2006.

Sri Maddi Chanti Subba Rao, Director, retired by rotation on 24-09-2005, Sri Juvva Seshagiri Rao was elected as Director of the Company by the shareholders at its 28th A.G.M. held on 24-09-2005.

The Board of Directors place on record its appreciation of the services rendered to the Company by Sri K. Raghavendhra Rao, and Sri Maddi Chanti Subba Rao during their tenure as Directors on the Board.

Sri C.L.Srivastav is due to retire by rotation and is eligible for re-election.

Sri V.V. Koteswara Rao, is due to retire by rotation and is eligible for re-election in the coming 29th A.G.M.

AUDIT COMMITTEE

The Board of Directors constituted the Audit Committee in compliance with the provisions of section 292A of the Companies Act, 1956 to exercise powers and discharge functions as stipulated in that section. The Audit Committee consists of three Directors:

- | | |
|-----------------------------------------------|-------------------------------|
| 1. Sri G.V.Rami Reddy | ... CHAIRMAN of the Committee |
| 2. Sri B. Nagabhushana Rao, Managing Director | ... MEMBER |
| 3. Sri Juvva Seshagiri Rao | ... MEMBER |

Three Meetings of the Audit Committee were held in the financial year under review.

AUDITORS

In terms of Sec.619 (2) of the Companies Act, 1956 as amended vide the Companies (Amendment) Act, 2000, the Comptroller & Auditor General of India have appointed M/s Rao & Murty, Chartered Accountants, Vijayawada as Statutory Auditors of the Company for the financial year 2005-06.

ACKNOWLEDGEMENTS

The Directors acknowledge with gratitude the co-operation and assistance extended by State Bank of India, and The Singareni Collieries Company Ltd.(Holding Company) during the year under review. The Directors also grateful to the valued customers viz., SCCL, BHEL, APGENCO, TNEB, BCCL, SECL, WCL, IISCO, ECL, HMT, BEML, SCR, VMC and others for the trust & confidence reposed on APHMEL and for their continued patronage.

Your Directors also wish to express their appreciation to all the employees, union leaders and the shareholders for their support and co-operation.

For and on behalf of the board	
Sd/-	Sd/-
(E. Raja Rao)	(B. Nagabhushana Rao)
Chairman	Managing Director

Registered Office:
KONDAPALLI - 521 228
Krishna District.
Dated 29.6.2006

Annexure to Directors' Report

Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988

FORM – A

Form for disclosure of particulars with respect to conservation of energy

Sl. No.	Power & Fuel Consumption	Current Year	Previous Year
1.	Electricity		
	a. Purchased		
	Unit (KWH)	12,91,393	11,85,957
	Total amount (Rs.)	62,60,856	57,35,116
	Rate/Unit (Rs./KWH)	4.85	4.83
	b. Own generation		
	i. Through diesel generator unit (KWH)	Not applicable	Not applicable
	Units per litre of diesel oil (KWH) cost/unit (Rs.)	Not applicable	Not applicable
	ii. Through steam turbine/generator units	Not applicable	Not applicable
	Units per litre of fuel oil/gas cost/unit	Not applicable	Not applicable
2.	Coal		
	Quantity (Tonnes) }		
	Total cost (Rs.) }	Not applicable	Not applicable
	Average rate (Rs.) }		
3.	Furnace oil		
	Quantity (K. Litres) }		
	Total amount (Rs.) }	Not applicable	Not applicable
	Average rate (Rs.) }		
4.	Other/Internal generation		
	Quantity }		
	Total cost (Rs.) }	Not applicable	Not applicable
	Rate/Unit }		

FORM – B

Form for disclosure of particulars with respect to absorption

RESEARCH AND DEVELOPMENT (R&D):

1. Specific areas in which R&D carried out by the Company:

Continuous efforts are being made for improvement of products like compact haulers, belt conveyors, idlers, armoured face conveyors, underground conveyor drive heads and in-house manufacturing processes. New Compact Hauler Proto Type is made ready for field trails.

2. Contributions of R&D

1. Developed new model of equipment like;
 - a) 2x125 KW Drive heads
2. Improvement in quality and productivity

3. Future plan of action:

Continuous R&D efforts are made to improve quality, reduce costs and achieve import substitution for the following equipment:

- a. Jumbo Drills
- b. 37 KW Direct Haulers
- c. 2x200 KW Drive Heads
- d. Powered Roof Support.

4. Expenditure on R&D

Expenditure on R&D is not being separately quantified since it is continuous exercise merged in the design, manufacturing, quality control and service activity.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION.

The Company has developed critical spares viz., Ranging Arms for Shearers in the country.

FOREIGN EXCHANGE EARNINGS AND OUT-GO.

During the year under review, the out-go of Foreign Exchange amounts to Rs.95,47,668/- towards purchase of spare parts and components. There have been no foreign exchange earnings during the year under review.

For and on behalf of the Board	Sd/-	Sd/-
(E. Raja Rao)	Chairman	(B. Nagabhushana Rao)
		Managing Director

Registered Office:
KONDAPALLI-521 228,
Krishna District.
Dated 29-06-2006.

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS
OF ANDHRA PRADESH HEAVY MACHINERY & ENGINEERING LIMITED,
KONDAPALLI FOR THE YEAR ENDED 31 MARCH 2006.**

I have to state that the Comptroller and 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 Andhra Pradesh Heavy Machinery & Engineering Limited, Kondapalli for the year ended 31 March, 2006

Sd/-
ACCOUNTANT GENERAL (C&RA)
Andhra Pradesh

HYDERABAD
Date : 31.08.2006

FINANCIAL REVIEW ON THE ACCOUNTS OF ANDHRA PRADESH HEAVY MACHINERY & ENGINEERING LIMITED, KONDAPALLI, FOR THE YEAR ENDED 31 MARCH, 2006 BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA.

NOTE: This review of accounts has been prepared without taking into account, the comments under 619(4) of Companies Act, 1956 and qualifications contained in the Statutory Auditor's Report.

I. FINANCIAL POSITION

(Rupee in lakh)

		2003-2004	2004-2005	2005-2006
A. LIABILITIES				
a)	Paid-up capital (Including share deposit)	1727.18	1727.18	1727.18
b)	Borrowings	1233.30	1320.95	1050.82
c)	Trade dues and other current liabilities (Incl. Provisions)	2545.32	2789.76	1624.77
d)	Deferred tax liability	-	1.91	-
	Total	5505.80	5839.80	4402.77
B. ASSETS				
a)	Gross Block	1454.38	1463.17	1475.07
b)	Less: Depreciation	1184.66	1199.53	1213.03
c)	Net fixed assets	269.72	263.64	262.04
d)	Capital work-in-progress	28.30	-	-
e)	Current assets loans and advances	2294.69	3105.47	3119.47
f)	Deferred Tax Asset	41.28	-	132.53
g)	Deferred Revenue expenditure - VRS	43.13	-	-
h)	Profit & loss account (Loss)	2828.68	2470.69	888.73
	Total	5505.80	5839.80	4402.77
C. Capital employed		47.39	577.44	1756.74
D. Net Worth		(-)1144.63	(-) 743.51	838.45

NOTE : 1) Capital employed represents net fixed assets including capital work-in-progress plus working capital.

2) Net worth represents paid-up capital plus reserves less intangible assets.

II. RESERVES & SURPLUS

Reserves and surplus was NIL for the last 3 years ended 31 March, 2006.

III. DEBT EQUITY RATIO

The debt equity ratio for the year ended 31 March, 2006 worked out to 0.44:1 as against 0.42:1 for the year ended 31 March, 2005 and 0.38:1 for the year ended 31 March, 2004.

IV. LIQUIDITY AND SOLVENCY

a) The percentage of current assets, loans and advances to total net assets (excluding intangible assets) had increased from 88.51 in 2003-04 to 92.17 in 2004-05 and further increased to 92.25 in 2005-06.

b) The percentage of current assets, loans and advances to trade dues and other current liabilities (including provisions) increased from 90.15 in 2003-2004 to 111.24 in 2004-05 and further increased to 191.99 in 2005-06.

- c) The percentage of quick assets (Sundry debtors, advances, cash and bank balances) to trade dues and other current liabilities including provisions decreased from 58.60 in 2003-04 to 41.30 in 2004-05 but increased to 89.81 in 2005-06.

V. WORKING CAPITAL

The working capital (current assets, loans and advances less current liabilities and provisions) for the year ended 31 March, 2004 was negative (-) Rs.250.63 lakh but for years ended 31 March, 2005 and 31st March, 2006 was positive Rs.313.80 lakh and Rs. 1494.74 lakh respectively.

VI. WORKING RESULTS

The working results of the company for the 3 years up to 31 March, 2006 are tabulated below:

(Rupees in lakhs)

	2003-04	2004-05	2005-06
a) Profit during the year	119.95	543.71	1609.82
b) Add/Less: Income(+)/Expenditure(-) pertaining to Previous year	(+) 4.08	(-) 142.53	(-) 9.36
c) Profit before provision for tax	124.03	401.18	1600.51
d) Provision for tax :			
Current :	NIL	NIL	(-)151.67
Fringe Benefit Tax	-	-	(-) 1.32
Deferred :	-	43.19	134.43
e) Profit after provision for tax (c-d)	124.03	357.99	1581.05

VII. COST TRENDS

The table below indicates the percentage of cost of sales to sales during the three years upto 2005-06.

(Rupees in lakhs)

	2003-04	2004-05	2005-06
a) Sales	4010.02	5752.69	6453.21
b) Less: Profit for the year	119.95	543.71	1609.81
c) Cost of sales	3890.07	5208.98	4843.40
d) Percentage of cost of sales to sales	97.01	90.55	75.05

VIII. PRODUCTION PERFORMANCE

The value of production during the three years upto 2005-06 is shown below:

(Rupees in lakhs)

	2003-04	2004-05	2005-06
a) Sales	4010.02	5752.69	6453.21
b) Add: Closing stock of finished goods and work-in-progress	224.06	365.56	549.80
	4234.08	6118.25	7003.01
c) Less: Opening stock of finished goods and work-in-progress	280.13	224.06	365.56
d) Value of production	3953.95	5894.19	6637.45

- i) The percentage of value of production to net worth was negative for the years 2003-04 and 2004-05 while the same was 791.63 in 2005-06.

- ii) The percentage of value of production to total net assets (excluding intangible assets) increased from 152.50 in 2003-04 to 174.95 in 2004-05 and further increased to 196.26 in 2005-06.

IX. INVENTORY AND PRODUCTION

The following table indicates the comparative position of the inventory and its distribution at the end of the three years upto 2005-06.

(Rupees in lakhs)

	2003-04	2004-05	2005-06
a) Raw materials	467.68	1529.17	1021.75
b) Stores and spares	95.92	77.36	74.12
c) Work-in-progress	203.72	346.75	515.21
d) Finished goods	20.34	18.82	34.59
e) Scrap materials	10.62	10.73	14.25
	798.28	1982.83*	1659.92

* Including Excise duty and Education cess

- i) The stock of raw materials was equivalent to 2.07 months', 4.51 months' and 3.21 months' consumption for production requirement during the years 2003-04, 2004-05 and 2005-06 respectively.
- ii) The stock of finished goods was equivalent to 0.06 months', 0.04 months' and 0.06 months' sales during the years 2003-04, 2004-05 and 2005-06 respectively.

X. BOOK DEBTS

- a. The table below indicates the value of book debts at the end of each of the three years up to 2005-06.

(Rupees in lakh)

As on	Considered		Total book debts	Sales during the year	Percentage book debts to sales
	Good	Doubtful			
31-03-2004	553.74	88.32	642.06	4010.02	16.01
31-03-2005	925.57	0.78	926.35	5752.69	16.10
31-03-2006	1234.79	-	1234.79	6453.21	19.13

- b. The year-wise and party-wise break up of the book debts as on 31 March, 2006 was as shown below:

(Rupees in lakh)

	Less than one year	One to three years	Over three years
Central Government			
- Departments	-	-	-
- Undertakings	98.56	79.88	3.57
State Government			
- Departments	-	0.06	-
- Undertakings	1014.35	38.37	-
- Others	-	-	-
Total	1112.91	118.31	3.57

Sd/-
ACCOUNTANT GENERAL (C&RA)
Andhra Pradesh

AUDITORS' REPORT

REPLIES OF THE MANAGEMENT

To

The Members of
Andhra Pradesh Heavy Machinery &
Engineering Limited

- 1) We have audited the attached Balance Sheet of **ANDHRA PRADESH HEAVY MACHINERY & ENGINEERING LIMITED** as at 31st March, 2006, the Profit and Loss Account and also the Cash flow statement 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 have conducted our audit in accordance with the 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 (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report)(Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the Company.
- 4) Further to our comments in the Annexure referred to in paragraph-3 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

AUDITORS' REPORT (Contd..)

- b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books.
- c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- d) The company has not disclosed the accounting policy for measuring the inventories including its cost formula used and the carrying amounts and its classification, which is not in accordance with the Accounting Standard 2. The Company has not considered about the impairment of assets in accordance with the Accounting Standard-28 issued by the Institute of Chartered Accountants of India. Excepting these two Standards, in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- e) On the basis of the written representations received from the Directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2006 from being appointed as Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 on the said date.
- f) 1. Out of total work-in-progress of Rs.515.21 Lakhs, work-in-progress of Rs.30.41 Lakhs is outstanding for more than 3 years as unfinished work-in-progress against which provision is not available in the books of account.
2. Provision is not available in the books of account against unserviceable/ non-moving inventories of Rs.17.14 Lakhs.

REPLIES OF THE MANAGEMENT (Contd..)

The Company started implementing computerised priced stores ledger programme during the year 2005-06, wherein the stores and spares are being valued on weighted average basis. Finished goods and work-in-progress are valued at lower of cost or market value. Scrap is valued at market price.

The comment with regard to impairment of assets is noted for compliance in the financial year 2006-07.

Necessary provision would be made in the financial year 2006-07.

Necessary provision would be made in the financial year 2006-07.

AUDITORS' REPORT (Contd..)

3. A provision of Rs.5.26 lakhs is available in the books of account against non-moving stock of finished goods of Rs.18.36 Lakhs, which is not sufficient in our opinion.
4. Out of the total debtors of Rs.1234.79 Lakhs, Debtors to the extent of Rs.3.57 Lakhs are long pending. Provision is not available in books of account towards these long pending debtors.
5. Out of total material advances of Rs.81.31 Lakhs, advances to the extent of Rs.29.10 Lakhs are long pending. A provision of Rs.22.37 lakhs is available in the books of account towards these long pending advances which is not sufficient in our opinion.

Subject to above, in our opinion, and to the best of our information and according to explanations given to us, the said Accounts, read together with the Company's accounting policies and the Notes thereto, 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;

- i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006.
- ii. In the case of the Profit & Loss Account, of the profit of the company for the year ended on that date; and
- iii. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Rao & Murty
Chartered Accountants
Sd/-
(M. Krishna Murty)
Partner (M.No.10572)

Place: Vijayawada
Date : 29.6.2006.

REPLIES OF THE MANAGEMENT (Contd..)

Necessary provision would be made in the financial year 2006-07.

The balance amount of Rs.3.57 lakhs is held up due to legal case.

A review will be made in the financial year 2006-07 and further provisions will be made, if necessary.

For and on behalf of the Board

Sd/-
(B. Nagabushana Rao)
Managing Director

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) In respect of its fixed assets;
 - (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) As explained to us, all the assets have not been physically verified by the management during the year but there is a regular programme of verification, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets.
 - (c) In our opinion and according to the information and explanations given to us, the Company has not disposed off substantial part of the fixed assets during the year.
- (ii) In respect of inventories;
 - (a) As explained to us, the inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory. As explained to us, since so many years the Company is following a procedure of verifying the physical stocks with Bin Cards stock but not reconciling the Bin Cards stock with book records stock (Financial Records). This year the Company reconciled the book records with Bin card records with regard to only certain items of inventories and noticed that inventories as per book records (Financial records) are more by Rs.12.70 Lakhs. This year, the Company has written off Rs.12.70 Lakhs as consumption pertaining to earlier years.

REPLIES OF THE MANAGEMENT

ANNEXURE TO THE AUDITORS' REPORT (Contd..)

(Referred to in paragraph 3 of our report of even date)

- (iii) The Company has not granted or taken any loan secured/unsecured to/from companies, firms or parties covered in the register maintained under Sec.301 of the Companies Act, 1956. Accordingly, clause (iii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
- (iv) In our opinion and according to the information and explanation given to us, there is an internal control system commensurate with the size of the Company and nature of its business for purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) According to the information and explanations given to us, there are no contracts or arrangements referred to in section 301 of the Companies Act, 1956. Accordingly, the provisions of clause (v) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from public, and consequently, the directives issued by the Reserve Bank of India, the provisions of sections 58-A, 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed thereunder with regard to the deposits accepted from the public are not applicable to the Company.

REPLIES OF THE MANAGEMENT (Contd..)

ANNEXURE TO THE AUDITORS' REPORT (Contd..)

(Referred to in paragraph 3 of our report of even date)

- (vii) In our opinion, the Company has an Internal Audit System commensurate with the size and the nature of its business.
- (viii) According to the information and explanations given to us, maintenance of cost records by the company is not required under the provisions of section 209 (1)(d) of the Companies Act, 1956 in respect of the business activities carried out by the company.
- ix) a) According to the records of the company and information and explanations given to us, the Company is regular in depositing with the appropriate authorities undisputed statutory dues including Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty and Excise Duty, Cess and other material statutory dues applicable to it during the year.
- b) According to the information and explanations given to us, the details of the dues of which have not been deposited on account of dispute are as follows;

Name of the statute	Nature of the dues	Amount of dispute (Rs. in lakhs)	Amount of deposit (Rs. in lakhs)	period to which the amount relates	Forum where dispute is pending
Sales tax	Sales tax	4.59	2.75	91-92	Appellate Tribunal
Sales tax	Sales tax	4.21	2.75	94-95	Appellate Tribunal
Customs	Customs duty	to be ascertained	8.92	1988	CEGAT
	Total		14.42		

REPLIES OF THE MANAGEMENT (Contd..)

ANNEXURE TO THE AUDITORS' REPORT (Contd..)

(Referred to in paragraph 3 of our report of even date)

- x) In our opinion, the accumulated losses of the company are more than 50% of its net worth. However, the company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi) Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to financial institutions and banks.
- xii) According to the information and explanations given to us, the Company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence the question of maintenance of adequate records for this purpose does not arise.
- xiii) In our opinion and according to the information and explanations given to us, the Company is not a Chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv) In our opinion and according to the information and explanations given to us, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xv) In our opinion and according to the information and explanations given to us, the company has not given guarantees for loans taken by others from banks or financial institutions.

REPLIES OF THE MANAGEMENT (Contd..)

ANNEXURE TO THE AUDITORS' REPORT (Contd..)

(Referred to in paragraph 3 of our report of even date)

- xvi) In our opinion and according to the information and explanations given to us, the company has not raised any term loans during the financial year 2005-06.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term asset except permanent working capital.
- xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) The company has not issued any debentures during the year, hence the question of Creation of security or charge in respect of debentures issued does not arise.
- xx) The Company has not raised any money by way of public issue during the year, hence the question of disclosure and verification of end use of such money does not arise.
- xxi) 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 was noticed or reported during the year.

For Rao & Murty
Chartered Accountants
Sd/-
(M. Krishna Murty)
Partner (M.No.10572)

For and on behalf of the Board

Sd/-
(B. Nagabushana Rao)
Managing Director

Place: Vijayawada
Date : 29.6.2006.

**STATEMENT ON ACCOUNTING POLICIES OF THE COMPANY FORMING PART OF THE
ACCOUNTS FOR THE YEAR ENDING 31ST MARCH, 2006**

1. SYSTEM OF ACCOUNTING

The Company is following Mercantile system of accounting.

2. FIXED ASSETS & DEPRECIATION

Fixed assets are shown at cost less depreciation to date. Depreciation is provided on Straight Line Method as per revision of rates of depreciation prescribed in schedule XIV of the Companies Act, 1956. Depreciation is charged as per the old rates in respect of assets existing as on the date of notification i.e., 16.12.1993 and as per the new rates in respect of assets acquired subsequent to the date of notification.

3. INVENTORY VALUATION

Inventories are valued at cost except finished goods, work-in-progress and scrap. Finished goods and work-in-progress are valued at lower of cost or market value. Scrap is valued at market price.

4. SALES

Sales are being accounted for on dispatch of the goods unless the agreement for supply of goods explicitly specify otherwise.

5. TURNOVER

The sales are accounted exclusive of excise duty and other taxes.

6. OTHER INCOME

Insurance claims are considered in accounts on receipt basis.

7. GRATUITY LIABILITY

The Company opted for Group Gratuity Life Assurance Scheme of LIC. The premium amount is accounted on Mercantile basis.

8. AUDIT EXPENSES

Audit expenses are provided in the period to which the audit relates.

Balance Sheet as at 31st March 2006

	Schedule No.	As at 31.3.2006		As at 31.3.2005	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS:					
SHAREHOLDERS FUNDS:					
Share Capital	1	17,27,12,930		17,27,12,930	
Share Deposit		5,310		5,310	
			17,27,18,240		17,27,18,240
LOAN FUNDS:					
Secured Loans	2	2,90,32,691		5,95,51,471	
Unsecured Loans	3	7,60,48,806		7,25,43,315	
			10,50,81,497		13,20,94,786
Deferred Tax Liability			—		1,90,659
Total			27,77,99,737		30,50,03,685
APPLICATION OF FUNDS:					
FIXED ASSETS:					
Gross Block		14,75,07,463		14,63,16,996	
Less: Depreciation		12,13,03,502		11,99,53,165	
Net Block	4		2,62,03,961		2,63,63,831
Deferred Tax Asset			1,32,52,513		—
CURRENT ASSETS, LOANS AND ADVANCES					
Interest accrued but not due on deposits	5(i)	2,09,643		2,07,425	
Inventories	5(ii)	16,54,66,255		19,47,58,012	
Sundry debtors	5(iii)	12,34,79,272		9,25,57,454	
Cash & Bank Balances	5(iv)	63,31,167		46,87,651	
Loans & Advances	5(v)	1,64,60,921		1,83,36,332	
			31,19,47,258		31,05,46,874
Less: Current Liabilities & Provisions:					
Liabilities	6	12,42,96,493		24,51,45,840	
Provisions	6	3,81,80,565		3,38,30,232	
			16,24,77,058		27,89,76,072
Net Current Assets			14,94,70,200		3,15,70,802
Profit & Loss Account			8,88,73,063		24,70,69,052
Total			27,77,99,737		30,50,03,685
Notes to Accounts	17				

For and on behalf of the Board

Sd/-
(V.Venkateswara Rao)
Company SecretarySd/-
(N. Chakravarthy)
Senior Manager(F&A)Sd/-
(E. Raja Rao)
ChairmanSd/-
(B.Nagabhushana Rao)
Managing DirectorVIJAYAWADA,
Date: 29.6.2006As per our report attached
For M/s.Rao & Murty
Chartered Accountants
Sd/-VIJAYAWADA,
Date: 29.6.2006(M.Krishna Murty)
Partner (M.No.10572)

Profit & Loss account for the year ended on 31st March 2006

	SCHEDULE No.	CURRENT YEAR 2005-06 Rs.	PREVIOUS YEAR 2004-05 Rs.
INCOME			
Gross sales		73,42,09,575	65,25,99,054
Less: Excise duty		8,88,88,119	7,73,29,765
Sales	7	64,53,21,456	57,52,69,289
Other income	8	1,02,29,219	1,12,29,802
		65,55,50,675	58,64,99,091
EXPENDITURE			
Raw Materials Consumed(Net)	9	38,15,73,354	40,65,72,422
Payments and Benefits to Employees	10	7,95,16,182	6,90,90,240
Manufacturing, administrative and other expenses	11&12	4,54,94,133	4,31,44,285
Interest	13	83,50,235	1,41,47,071
Bad debts		—	82,34,393
Depreciation	4	14,83,081	14,86,758
Total expenditure		51,64,16,985	54,26,75,169
Less: Increase in stocks	14	1,87,69,926	1,41,61,868
		49,76,47,059	52,85,13,301
Profit/Loss(-) before extraordinary items		15,79,03,616	5,79,85,790
Less: Extraordinary item - VRS		—	43,12,738
		15,79,03,616	5,36,73,052
Add: Provisions withdrawn		30,77,911	87,54,579
		16,09,81,527	6,24,27,631
Less: Provisions	16	—	80,56,353
		16,09,81,527	5,43,71,278
Less: Prior period adjustments (Net)	15	9,30,083	1,42,53,222
		16,00,51,444	4,01,18,056
Less: Provision – Current tax		1,51,66,803	—
– Fringe benefit tax		1,31,824	—
Net profit for the year		14,47,52,817	4,01,18,056
Add/Less: Deferred tax asset/ liability(-) (Net)		1,34,43,172	(-) 43,18,824
Profit after deferred tax		15,81,95,989	3,57,99,232
Loss as per last Balance Sheet		24,70,69,052	28,28,68,284
Loss carried to Balance Sheet		8,88,73,063	24,70,69,052

For and on behalf of the Board

Sd/-
(V.Venkateswara Rao)
Company Secretary

Sd/-
(N. Chakravarthy)
Senior Manager(F&A)

Sd/-
(E. Raja Rao)
Chairman

Sd/-
(B.Nagabhushana Rao)
Managing Director

VIJAYAWADA,
Date: 29.6.2006

As per our report attached
For M/s.Rao & Murty
Chartered Accountants

VIJAYAWADA,
Date: 29.6.2006

Sd/-
(M.Krishna Murty)
Partner (M.No.10572)

SCHEDULE No.1
SHARE CAPITAL

	CURRENT YEAR 2005-06 Rs.	PREVIOUS YEAR 2004-05 Rs.
AUTHORISED		
2,00,00,000 Equity Shares of Rs.10/- each	<u>20,00,00,000</u>	<u>20,00,00,000</u>
	20,00,00,000	20,00,00,000
ISSUED CAPITAL		
1,73,01,710 Equity Shares of Rs.10/- each	<u>17,30,17,100</u>	<u>17,30,17,100</u>
	17,30,17,100	17,30,17,100
SUBSCRIBED AND PAID-UP CAPITAL:		
Equity Shares of Rs.10 each fully paid-up and held by:		
1. Government of Andhra Pradesh: 1,49,010 Shares	14,90,100	14,90,100
2. Andhra Pradesh Industrial Development Corporation Ltd., 10,00,000 Shares	1,00,00,000	1,00,00,000
3. Singareni Collieries Co., Ltd. (Holding Company) 1,40,82,700 Shares	14,08,27,000	14,08,27,000
4. Others: 20,39,583 Shares	2,03,95,830	2,03,95,830
Total	<u>17,27,12,930</u>	<u>17,27,12,930</u>

SCHEDULE No.2
SECURED LOANS

	CURRENT YEAR 2005-06 Rs.	PREVIOUS YEAR 2004-05 Rs.
1. Cash Credit(*) State Bank of India	2,35,32,691	4,80,51,471
2. Working capital loan from State Bank of India	55,00,000	1,15,00,000
Total	<u>2,90,32,691</u>	<u>5,95,51,471</u>

(*) Cash Credit and purchases of DDs from State Bank of India, Vijayawada, is secured by first charge on current assets and fixed assets of the company.

SCHEDULE No.3
UNSECURED LOANS

	CURRENT YEAR 2005-06 Rs.	PREVIOUS YEAR 2004-05 Rs.
1. Interest free loan from M/s.SCCL	2,98,00,300	2,98,00,300
2. Interest bearing loan from M/s.SCCL	3,00,00,000	2,85,61,935
3. Interest accrued & due on SCCL Loan	62,48,506	41,81,080
4. Interest free loan from Govt., of A.P towards VRS	1,00,00,000	1,00,00,000
Total	<u>7,60,48,806</u>	<u>7,25,43,315</u>

**SCHEDULE No.4
SCHEDULE OF FIXED ASSETS**

Sl. No.	Description	Gross Block			Depreciation				Net Value		
		As on 1.4.2005 Rs.	Additions during the year Rs.	Adjustments Rs.	As on 31.3.2006 Rs.	Up to 31.3.2005 Rs.	During the year Rs.	Adjustments Rs.	Up to 31.3.2006 Rs.	As on 31.3.2006 Rs.	As on 31.3.2005 Rs.
1.	Land	42,51,720	-	-	42,51,720	--	--	--	--	42,51,720	42,51,720
2.	Roads & Buildings	3,28,65,854	58,129	--	3,29,23,983	9,01,109	--	--	2,08,41,794	1,20,82,189	1,29,25,169
3.	Plant & Machinery										
	a) Indigenous	5,94,70,542	6,18,632	--	6,00,89,174	2,95,869	--	--	5,45,40,508	55,48,666	52,25,903
	b) Imported	2,99,97,679	--	--	2,99,97,679	--	--	--	2,84,97,796	14,99,883	14,99,883
4.	Furniture & Fixtures	16,76,360	14,400	--	16,90,760	55,937	--	--	13,36,920	3,53,840	3,95,377
5.	Office equipment	10,03,740	57,592	--	10,61,332	37,105	--	--	9,09,349	1,51,983	1,31,496
6.	Vehicles	6,69,073,	5,13,515	1,39,730	10,42,858	21,842	1,32,744	--	5,13,802	5,29,056	44,369
7.	Other fixed assets	1,63,82,028	67,929	--	1,64,49,957	1,71,219	--	--	1,46,63,333	17,86,624	18,89,914
	Total	14,63,16,996	13,30,197	1,39,730	14,75,07,463	14,83,081	1,32,744	--	12,13,03,502	2,62,03,961	2,63,63,831
	Previous year	14,54,37,727	8,79,269	--	14,63,16,996	14,86,758	--	--	11,99,53,165	2,63,63,831	2,69,71,320

SCHEDULE No.5

CURRENT ASSETS LOANS AND ADVANCES

	Current Year 2005-06 (Rs.)	Previous Year 2004-05 (Rs.)
i) Interest accrued but not due on deposits	2,09,643	2,07,425
Total (i)	2,09,643	2,07,425
ii) INVENTORIES		
Certified by the Management		
1) Raw materials	3,84,41,561	9,46,46,702
Boughtout items	5,72,49,083	5,48,49,516
Stock items	61,65,522	29,26,010
Maintenance material	3,19,338	4,95,288
Gases	5,31,107	56,670
Paints	2,90,372	1,16,135
Electrodes	11,29,390	25,69,302
Spares	21,56,228	16,55,693
Tools	33,04,199	33,38,671
Scrap	14,25,128	10,73,200
2) Work-in-progress	5,15,21,216	3,46,74,695
3) Finished goods	34,58,699	18,81,718
	16,59,91,843	19,82,83,600
Less: Provision for non moving items & Finished goods	5,25,588	35,25,588
Total (ii)	16,54,66,255	19,47,58,012
iii) SUNDRY DEBTORS		
Unsecured		
1) Outstanding for a period exceeding six months		
Considered good	2,43,58,044	1,72,04,296
Considered doubtful	—	77,911
	2,43,58,044	1,72,82,207
Less: Provision	—	77,911
	2,43,58,044	1,72,04,296
2) Other debts considered good	9,91,21,228	7,53,53,158
Total (iii)	12,34,79,272	9,25,57,454
iv) CASH AND BANK BALANCES		
1) Cash on hand(*)	1,07,045	40,539
2) Balances with Schedule banks		
- In current accounts	19,88,563	4,11,553
- In fixed deposits(\$)	42,35,559	42,35,559
Total (iv)	63,31,167	46,87,651
v) LOANS AND ADVANCES		
A) LOANS	—	—
B) ADVANCES (Recoverable in cash or kind or for value to be received)		
Advances for purchase of materials	81,31,362	96,49,646
Less: Provision for doubtful advances	22,37,253	22,37,253
	58,94,109	74,12,393
Advance to sales tax	5,50,000	5,50,000
Advances for civil and electrical works	1,60,366	1,60,366
Advances to staff	36,049	68,171
Advances for revenue expenses	2,041	3,389
Advances to others	24,84,131	5,41,859
Deposits with outside authorities	49,57,465	86,15,500
Prepaid expenses	5,54,117	4,97,579
Claims recoverable	—	4,920
Advance Income tax and TDS (After current year tax provision)	18,22,643	4,82,155
Total (v)	1,64,60,921	1,83,36,332
Grand total (i to v)	31,19,47,258	31,05,46,874

(*) Includes Franking Machine balance of Rs.1,302/- (Previous Year Rs.1,302/-)

(\$)Pledged with State Bank of India towards Margin Money

SCHEDULE No.6

CURRENT LIABILITIES AND PROVISIONS

	Current Year 2005-06 Rs.	Previous Year 2004-05 Rs.
A) CURRENT LIABILITIES		
Creditors for materials	4,93,19,272	8,04,54,945
Creditors for capital items	15,639	13,220
Creditors for suppliers and contractors	8,30,045	8,30,045
Creditors for transportation	6,23,457	36,19,366
Advance from customers	24,90,751	7,89,82,216
Deposit from Suppliers and Contractors	42,26,605	34,53,009
Outstanding liability for expenses	5,62,07,807	5,46,31,062
Other liabilities	1,05,47,513	2,31,26,573
Share deposit suspense (@)	11,954	11,954
Share deposit refundable	23,450	23,450
Total (A)	12,42,96,493	24,51,45,840
B) PROVISIONS		
For Gratuity	2,00,85,398	1,08,36,402
For E.L.	1,19,64,402	1,68,63,065
For VTPS deposit	5,30,765	5,30,765
For Maintenance	56,00,000	56,00,000
Total(B)	3,81,80,565	3,38,30,232
Grand Total (A+B)	16,24,77,058	27,89,76,072

(@) Represents the amount for which depositor-wise details are not available

SCHEDULE No.7

INCOME FROM SALE OF PRODUCTS AND SERVICES

	Current Year 2005-06 Rs.	Previous Year 2004-05 Rs.
Sale of Machinery / work done on outside orders	60,71,10,979	51,15,21,380
E-1 Sale	3,82,10,477	6,29,74,982
Sale of traded goods	—	7,72,927
Total	64,53,21,456	57,52,69,289

SCHEDULE No.8

OTHER INCOME

	Current Year 2005-06 Rs.	Previous Year 2004-05 Rs.
Packing, forwarding and freight charges	51,37,341	53,91,132
Sale of scrap	37,46,432	44,35,561
Interest on deposits (Fixed Deposits) *	2,11,984	3,06,198
Interest on deposits**	91,824	74,339
Interest on Income tax refund	—	68,559
Rent received	—	1,50,808
Miscellaneous receipts	10,41,638	8,03,205
Total	1,02,29,219	1,12,29,802

* An amount of Rs.43,410(Previous year Nil) included towards TDS.

** An amount of Rs.1,660(Previous year Rs.15,544/-) included towards TDS.

SCHEDULE No.9
RAW MATERIALS CONSUMED

	Current Year 2005-06 Rs.	Previous Year 2004-05 Rs.
Raw materials	21,15,31,080	31,04,03,874
Boughtout items	13,62,48,774	6,26,05,612
Stock items	83,77,765	82,58,376
Maintenance materials	10,36,041	2,53,852
Consumable materials	93,91,849	73,98,813
Tools	23,76,776	23,26,274
E-1 Sales	2,93,56,140	4,89,95,806
Traded goods	—	5,55,810
	39,83,18,425	44,07,98,417
Less: Relief under CENVAT Scheme	1,03,53,946	3,42,25,995
Relief under VAT Scheme	63,91,125	—
Total	38,15,73,354	40,65,72,422

SCHEDULE No.10
PAYMENTS AND BENEFITS TO EMPLOYEES

	Current Year 2005-06 Rs.	Previous Year 2004-05 Rs.
Salaries, wages and bonus	6,44,65,737	5,55,24,991
Employer's contribution towards:		
- Employees State Insurance	2,20,525	14,07,831
- Provident fund	15,37,952	10,14,500
- Family pension scheme	35,46,495	33,83,160
- Death relief payments	1,50,000	—
- Group gratuity assurance scheme	60,33,144	51,42,886
- Deposit linked insurance scheme	2,13,029	2,03,313
Administrative charges on PF Trust	80,950	77,259
Staff welfare expenses	28,84,822	18,03,208
Rent for residential accommodation to officials	3,83,528	3,43,557
Workmen compensation	—	1,89,535
Total	7,95,16,182	6,90,90,240

SCHEDULE No.11

MANUFACTURING, ADMINISTRATIVE & OTHER EXPENSES

	Current Year 2005-06 Rs.	Previous Year 2004-05 Rs.
Directors' travelling	1,01,929	1,02,186
Directors' sitting fees	13,750	15,150
Directors' incidentals	1,875	1,875
Board meeting expenses	3,574	5,375
Annual general body meeting expenses	1,76,552	1,74,951
Sub-contracts	96,64,385	1,09,25,743
Erection & Commissioning charges	2,83,410	—
Electricity charges: Power	62,60,856	62,71,983
Lighting	50,014	42,928
General freight charges	94,94,308	1,51,63,740
Packing charges	—	55,145
Printing and stationery	5,36,603	4,90,443
Postage and telegrams	1,07,986	1,78,595
Telephone and telex charges	2,44,215	2,40,217
Travelling and conveyance charges	9,87,960	10,65,764
Clearing charges	3,185	41,528
Rent	73,632	73,632
Advertisement and publicity	46,158	98,084
Auditors remuneration: Audit fee	16,530	16,530
Tax audit	6,612	6,612
Insurance	3,35,589	4,20,206
Professional charges	25,826	14,523
Handling charges	43,439	2,16,771
Patterns written off	1,84,753	89,000
Repairs and maintenance: Buildings	12,00,706	1,07,963
Machinery	47,12,493	8,19,573
General	87,919	20,000
Maintenance charges	11,49,819	13,94,096
Vehicle maintenance	5,69,086	5,04,559
Bank charges and guarantee commission	8,78,480	9,19,635
Sales tax	57,357	74,867
Excise duty	—	20,720
Consultancy charges	79,844	61,550
Miscellaneous expenses(as per Schedule 12)	80,95,288	35,10,341
Total	4,54,94,133	4,31,44,285

SCHEDULE No.12
MISCELLANEOUS EXPENSES

	Current Year 2005-06 Rs.	Previous Year 2004-05 Rs.
Conference, seminar & training	23,350	65,500
Rates and taxes	4,91,007	2,59,830
Miscellaneous expenses	15,74,812	1,94,495
Newspapers and periodicals	9,041	8,221
Legal expenses	32,350	25,045
General expenses-testing charges	1,81,787	2,14,008
Filing fee	2,414	5,100
Entertainment	45,729	1,04,893
Old debit balances written off	—	26,24,891
Non moving items written off	28,06,817	—
Liquidated damages (SCCL)	28,94,118	—
Rework/ rectn., expenses on sales	2,000	—
Tender documents	11,020	—
Computer maintenance charges	13,299	—
Hire charges machinery	—	8,358
Computer software charges	1,960	—
E-procurement transaction fees	5,584	—
Total	80,95,288	35,10,341

SCHEDULE No.13
INTEREST

	Current Year 2005-06 Rs.	Previous Year 2004-05 Rs.
Interest on cash credit with SBI	31,46,153	36,39,956
Interest on advances with SCCL	19,06,037	43,85,806
Interest-others	32,98,045	61,21,309
Total	83,50,235	1,41,47,071

SCHEDULE No.14
**SCHEDULE FOR INCREASE/ DECREASE OF CLOSING STOCK OF
FINISHED GOODS AND WORK-IN-PROGRESS**

	Current Year 2005-06 Rs.	Previous Year 2004-05 Rs.
Certified by Management:		
A) Opening stock of work-in-progress	3,46,74,695	2,03,72,055
Opening stock of finished goods	18,81,718	20,33,890
	3,65,56,413	2,24,05,945
B) Closing stock of work-in-progress	5,15,21,216	3,46,74,695
Closing stock of finished goods	34,58,699	18,81,718
	5,49,79,915	3,65,56,413
C) Increase (B-A)	1,84,23,502	1,41,50,468
Add: Increase in scrap	3,46,424	11,400
Increase in stock	1,87,69,926	1,41,61,868

SCHEDULE No.15

SCHEDULE OF INCOME AND EXPENDITURE PERTAINING TO EARLIER YEARS

	Current Year 2005-06 Rs.	Previous Year 2004-05 Rs.
INCOME		
Gratuity	—	32,06,316
Others	3,84,657	4,61,137
	3,84,657	36,67,453
EXPENDITURE		
Consumption	12,70,383	1,44,86,225
R&D Expenses	—	28,30,262
Interest	—	88,226
Others	44,357	5,15,962
	13,14,740	1,79,20,675
Net expenditure(-)	9,30,083	1,42,53,222

SCHEDULE No.16

PROVISIONS

	Current Year 2005-06 Rs.	Previous Year 2004-05 Rs.
Non-moving items	—	20,00,000
Warranty period repairs & replacement	—	50,00,000
Finished Goods	—	5,25,588
Deposit	—	5,30,765
Total	—	80,56,353

SCHEDULE No.17

A. NOTES FORMING PART OF ACCOUNTS

1. Contingent liabilities.

- a. Sales tax claim of Rs.4.59 lakhs and Rs.4.21 lakhs towards Orissa Sales Tax for the assessment year 1991-92 and 1994-95 respectively is pending against Rourkela Steel Plant works. The company has preferred appeals within stipulated time for both the years. For the above Sales tax liability there is no provision available in the books. Further an amount of Rs.5.50 lakhs (Rs.2.75 lakhs for each for the assessment year 1991-92 and 1994-95 was paid to the Orissa Sales Tax authorities as per the order Nos.345(2), dt.21.2.03, case No.II Ast.-85 for the assessment year 1991-92 and 346(2), dt.21.2.03, case No.II Ast-84 for the assessment year 1994-95) which was kept in advance Sales Tax account under the current assets. Sales tax assessment for the year 2004-05 is under progress.
- b. Income-tax assessment for the assessment year 2005-06 is not completed.
- c. Guarantees given by the bank on behalf of the Company for an amount of Rs.34.37 lakhs for which counter guarantees of even amount are given by the Company to the Bank (previous year Rs.88.74 lakhs).
- d. Irrevocable Letters of credit in favour of Foreign and Inland suppliers Rs.43.57 lakhs(Previous year Rs.111.57 lakhs)
- e. An amount of Rs.20.48 lakhs towards extra claims by contractors involved in legal suits (previous year Rs.20.48 lakhs).
- f. Appeals are made DENOVO by CEGAT,Bangalore pending before CCE Appeals,Guntur has given orders in favour of the Company. The refund claim of Rs.9.29 lakhs is pending before the Assistant Commissioner(Central Excise), Vijayawada. A demand of Rs.5.49 lakhs raised by Central Excise Authorities is pending before High Court, Chennai. Pending disposal of these cases an amount of Rs.14.78 lakhs has been deposited with Central Excise Authorities.
- g. The assessments for customs duty payable for import of road header components and spares are pending since 1988. The Company has paid an extra duty deposit of Rs.8.92 lakhs pending finalisation of assessment. Actual liability towards the same will be ascertained after completion of assessments.
- h. Claims made against the Company by suppliers of Rs.19.42(Claims as per suppliers Rs.42.74 lakhs-claims as per books Rs.23.32 lakhs) are not acknowledged as debts.
- i. Interest payable to suppliers of Rs.43.03 lakhs. Suits against company Rs.85.77 lakhs are pending.
- j. ESI Authorities have raised a demand of Rs.24.09 lakhs for the period of June, 1992 to September, 1996 and February, 2002, towards damages for delay payment of dues. The Company has appealed for waiver of damages. Pending disposal no provision has been made and the waiver is under consideration.

Contd..

SCHEDULE No.17 (contd..)

- k. ESI authorities also have raised a demand for Rs.107.72 lakhs towards contributions payable for the period from 1-1-1997 to 28-2-2002. As the employees raised objection and went to the High Court and as the matter was subjudice no deduction was made from the employees' salaries and accordingly no payment was done to ESI authorities.

Also no benefit had been utilized by the employees from ESI. In view of the above the company has appealed to the Government of A.P for waiver of the demand. Pending disposal no provision has been made and the waiver is under active consideration.

- l. PF authorities have raised a demand of Rs.104.90 lakhs for the period April, 1993, February, 2001, March, 1998 to February, 2000 and July, 1999 to December, 2003 towards damages for delay payment of dues. The company has appealed for waiver of damages. Pending disposal no provision has been made.
2. The Company has filed suits against sub-contractors for recovery of 149.767 M.Ts of steel and 9.768 M.Ts of scrap for the materials drawn by them (Since completed) for executing VSP Sinter Plant order amounting to Rs.22.19 lakhs for which decrees were awarded in favour of the Company. Suits for recovery of 37.095 M.Ts steel and 2.625 M.Ts of scrap from the sub-contractors are pending in court of law.
3. Bank Guarantees amounting to Rs.40.01 lakhs furnished by suppliers and contractors were held by the Company as on 31-03-2006 (previous year Rs.120.96 lakhs).
4. Share deposit amount of Rs.5,310 (previous year Rs.5,310) from public towards share capital contribution. Shares to public could not be allotted because of legal implications.
5. As per G.O.No.227, dt.30-11-1996 write off proposal for Government of A.P. shareholdings of Rs.14.90 lakhs was not carried out in the accounts since the Company requested the Government of A.P. for amended action.
6. Allotment of shares to the employees in lieu of wage arrears as per the condition stipulated by the BIFR has not been done as there is a request from the employees for payment of cash towards the same which is pending before the BIFR/AIFR.
7. Dues Rs.18.44 lakhs to Small Scale units outstanding more than 30 days at the date of the Balance Sheet comprises of the following: M/s Indiana Engg. Works Pvt. Ltd.,GS Alloy Castings, Krishna Engg.,Works, Sri Yanam Steels Ltd. and Sri Lakshmi Prabha Fabricators and Engg.
8. The liability towards premium payable to LIC towards Gratuity is made based on demand raised by LIC.
9. Materials valued Rs.10.64 lakhs are lying with outside parties for job works (previous year Rs.1.24 lakhs).
10. The liability of Central Excise duty on finished goods is Rs.5.64 lakhs(Previous year Rs.2.97 lakhs) has not been taken into accounts.
11. Income-Tax:
- (1) Current Income-tax: Tax on income for the current period determined on the basis of taxable income computed in accordance with the provisions of the Income Tax Act, 1961.

Contd..

SCHEDULE No.17 (contd..)

(2) Deferred Tax:

- (a) Deferred Tax Liability Rs.1,90,659/- existing as on 1.4.2005 which was created basing on the provisions of Section 115JB of the Income tax Act,1961 has been reversed now as these provisions are not applicable.
- (b) The following Deferred Tax Assets are recognised to the extent that there is a reasonable certainty where assets can be realised in future. The assets are recognised by using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

	Rs.
Difference in depreciation for accounting and tax purposes	1,71,147
Provision for Gratuity and Earned Leave	1,07,87,961
Others	22,93,405
	1,32,52,513

12. Segment reporting:

Segment information as required by the Accounting Standard 17 on “Segment Reporting” issued by The Institute of Chartered Accountants of India is not required to be disclosed as there is neither more than one business segment nor more than one geographical segment.

13. Impairment:

As on the Balance Sheet date the company has not reviewed the carrying amounts of fixed assets either by internal source or external source to determine whether there is any indication that the fixed assets suffered an impairment loss.

14. Rs.9,50,000/- sales returns received during the year are included in finished goods at basic sale value. The company has followed the same procedure in earlier years also.

15. Related Party Transactions:

Holding Company: Singareni Collieries Company Limited, Kothagudem. Disclosure of transactions with the holding company are not required since both the companies are state controlled entities.

16. Confirmation of balances under sundry debtors, loans & advances has been asked for but not received from parties.

17. All figures are rounded off to the nearest rupee.

18. Previous year’s figures, wherever necessary, have been re-grouped, recast rearranged to conform with those of the current year.

Contd..

SCHEDULE No.17 (contd..)

B. INFORMATION REQUIRED UNDER PARA 3, 4C AND 4D OF PART II 1956 OF SCHEDULE VI OF THE COMPANIES ACT, 1956**1. Information regarding turnover**

Sl. No.	Sale of products/ services	Current year 2005-06		Previous year 2004-05	
		Quantity MTs.	Amount Rs.	Quantity MTs.	Amount Rs.
1.	Material handling equipment	7,597.81	54,92,87,479	12,830.45	47,00,78,483
2.	Repairs/ reconditioning	217.99	3,10,13,263	258.07	4,14,42,897
3.	E-1 sales	776.89	3,82,10,477	800.06	6,29,74,982
4.	Roof bolts (w.e.f.,23.1.06 ED not applicable)	742.39	2,68,10,237	—	—
5.	Trades goods	—	—	1.28	7,72,927
	Total	9,335.08	64,53,21,456	13,889.86	57,52,69,289

2. RAW MATERIALS CONSUMED FOR SALE OF PRODUCTS

Sl. No.	Description	Current year 2005-06		Previous year 2004-05	
		Quantity MTs.	Amount Rs.	Quantity MTs.	Amount Rs.
1.	Raw materials				
	Direct	8,674.69	17,36,29,042	12,618.93	25,32,15,081
	Others		3,79,02,038		5,71,88,793
2.	Consumable Stores		93,91,849		73,98,813
3.	Consumable Tools		23,76,776		23,26,274
4.	Boughtout Items		13,62,48,774		6,26,05,612
5.	Stock Items		83,77,765		82,58,376
6.	Maintenance Material		10,36,041		2,53,852
7.	E-1 sales		2,93,56,140		4,89,95,806
8.	Traded goods		—		5,55,810
			39,83,18,425		44,07,98,417
	Less: CENVAT		1,03,53,946		—
	Less: VAT		63,91,125		3,42,25,995
			38,15,73,354		40,65,72,422
	Less: Material included in work-in-progress & Finished goods.		1,24,95,143		1,40,47,530
	Total		36,90,78,211		39,25,24,892

Contd..

SCHEDULE No.17 (contd..)

3. OPENING AND CLOSING STOCK OF FINISHED GOODS

Sl. No.	Name of the product	Opening stock balance				Closing stock balance			
		Current year 2005-06		Previous year 2004-05		Current year 2005-06		Previous year 2004-05	
		Quantity MTs.	Value Rs.	Quantity MTs.	Value Rs.	Quantity MTs.	Value Rs.	Quantity MTs.	Value Rs.
1.	Material Handling Equipment	10.80	10,00,808	10.80	10,00,808	9.46	12,64,120	10.80	10,00,808
2.	Job Orders	1.00	28,394	1.00	28,394	1.00	28,394	1.00	28,394
3.	Maintenance spares & overhauling equipment	6.00	8,52,516	7.00	10,04,688	21.92	21,66,185	6.00	8,52,516
	Total	17.80	18,81,718	18.80	20,33,890	32.38	34,58,699	17.80	18,81,718

4. PURCHASE OF RAW MATERIALS

Sl. No.	Description	Current year 2005-06		Previous year 2004-05	
		Quantity MTs.	Amount Rs.	Quantity MTs.	Amount Rs.
1.	Steel	6,396.36	12,92,63,266	16,392.28	32,87,23,845
2.	Other Raw Materials		2,73,85,186		7,36,35,498
3.	Consumable Stores		86,08,227		79,33,485
4.	Tools		23,42,304		31,31,938
5.	Spares		51,25,164		2,80,001
6.	Bought Out Items		14,27,70,635		10,34,68,539
7.	Stock Items		1,19,88,800		90,78,188
8.	Maintenance Material		20,62,506		18,56,828
9.	E-1 Sales Material		2,93,56,140		4,89,95,806
	Total		35,89,02,228		57,71,04,128

Contd..

5. PARTICULARS REGARDING CAPACITY AND PRODUCTION

(in MTs.)

Sl. No.	Product group	Licensed capacity		Installed capacity		Actual production	
		Current year 2005-06	Previous year 2004-05	Current year 2005-06	Previous year 2004-05	Current year 2005-06	Previous year 2004-05
1.	Material Handling equipment	4710	4710	250	250	2801	2100
2.	Chemical, Pharmaceutical & Mini plant	2000 1000	2000 1000	— 1188	— 1188	— —	— —
3.	Textile Machinery	160	160	—	—	—	—
4.	Leather Processing machinery	500	500	312	312	—	—
5.	Size reduction equipment	2000	2000	1750	1750	—	—
6.	Job orders	—	—	—	—	191	515
7.	Air pollution equipment	3000	3000	—	—	—	—
8.	Road headers & tunneling equipment	8 Nos.	8 Nos.	—	—	—	—
9.	Maintenance spares & overhauling equip.	—	—	—	—	445	836
10.	Long wall roof support system	3 systems	3 systems	—	—	—	—

Note: 1. The Machinery & Equipment installed are of general purpose nature and capacities of the machinery & Equipment are interchangeable.

2. Capacity is based on 2 shift basis.

3. Installed Capacity is arrived on the basis of Product Mix as per the Project Report.

Contd..

SCHEDULE No.17 (contd..)

6. DETAILS OF REMUNERATION TO MANAGING DIRECTOR

Sl. No.	Description	Current year 2005-06 Rs.	Previous year 2004-05 Rs.
1.	Salary	5,27,755	4,97,102
2.	P F Employer Contribution	58,777	52,525
3.	House Rent	39,900	36,000
4.	Others	5,934	5,116
	Total	6,32,366	5,90,743

NOTE: Salary and Provident Fund to Managing Director is being borne by SCCL (Holding Company)

7. THE VALUE OF IMPORTS ON CIF BASIS

- A) Spare parts and components Rs.95,47,668/- (previous year Rs.1,59,84,682/-).
B) Percentage of materials consumed.

Sl. No.	Description	Current year 2005-06		Previous year 2004-05	
		Percentage	Value (Rs.)	Percentage	Value (Rs.)
1.	Materials				
	Imported	—	—	—	—
	Indigenous	65.34	24,93,46,825	84.60	34,39,66,810
2.	Spare parts, Components and Others				
	Imported	0.12	4,64,788	0.67	27,27,537
	Indigenous	34.54	13,17,61,741	14.73	5,98,78,075
	Total		38,15,73,354		40,65,72,422

8. FOREIGN CURRENCY/ EXCHANGE TRANSACTIONS

- a) Expenditure in Foreign Currency :
Royalty Rs.Nil (Previous Year Nil).
Spare Parts & Components Rs.95,47,668/- (Previous Year Rs.1,59,84,682/-).
- b) Earnings Foreign Exchange Nil (Previous Year Nil).

CASH FLOW STATEMENT AS PER ACCOUNTING STANDARD-3

(Rs. in lakhs)

	Current Year 2005-06	Previous Year 2004-05
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax and extraordinary items	1579.04	579.86
Adjustment for depreciation	14.83	14.87
Adjustment for interest paid	83.50	141.47
Adjustment for interest received/other income	-102.29	-112.30
Operating Profit before working capital changes	1575.08	623.90
Increase in unsecured loan	35.05	64.10
Decrease in deferred revenue expenditure	—	43.13
Increase(-)/ decrease in current assets and loans and advances	2.43	-819.09
Deferred Tax Asset/(liability)	-132.53	-43.19
Increase/ decrease(-) in current liabilities and provisions	-1164.99	256.35
Cash generated from operations	315.04	125.20
Interest paid	-83.50	-141.47
Interest received/other income	102.29	112.30
Net cash flow from operating activities	333.83	96.03
VRS	—	-43.13
Prior period adjustments (Net) Income(+)/ Expenditure(-)	-9.30	-142.53
Provisions withdrawn	30.78	87.54
Provisions for taxation & FBT	-152.99	—
Provisions	—	-80.56
Deferred Tax Asset(Net)	132.53	41.28
Total (A)	334.85	-41.37
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	13.30	8.79
Capital work-in-progress	—	-28.30
Decrease of fixed assets	-0.07	—
Net cash used in investing activities	13.23	-19.51
C) CASH FLOW FROM FINANCING ACTIVITIES		
(Increase)/Decrease in Loans from banks and institutions	-305.19	-23.55
Net cash used in Financing Activities	-291.96	-43.06
Net increase in Cash & Bank(A-B-C)	16.43	1.69
Opening balance of cash and bank	46.88	45.19
Closing balance of cash and bank	63.31	46.88

ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. Registration Details	
Registration No:	2071
State Code	1
Balance Sheet Date	31.3.2006
2. Capital Raised during the year:	
Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL
3. Position of Mobilisation and Development of Funds:	(Rupees in thousands)
Total Liabilities	440277
Total Assets	440277
Source of Funds:	(Rupees in thousands)
Paid up Capital (Including share deposit)	172718
Reserves & Surplus	NIL
Secured Loans	29033
Unsecured Loans	76049
Application of Funds:	(Rupees in thousands)
Net Fixed Assets	26204
Capital work-in-progress	NIL
Investments	NIL
Net Current Assets	149470
Miscellaneous Expenditure	NIL
Accumulated Losses	88873
4. Performance of Company:	(Rupees in thousands)
Turnover	645321
Total Expenditure	485270
Profit / (Loss) Before Tax	160051
Profit / (Loss) After Tax	158196
Earnings per Share	0.92
Dividend Rate	NIL
5. Generic Names of Principal Products, Services of the Company:	
Item code No.	Product Description
8428.00	Material Handling Equipment
8431.00	Maintenance Spares Overhauling Services
8430.00	Mining Equipment

(Signatures to Accounting Policies & Schedules 1 to 17)

		For and on behalf of the Board	
Sd/-	Sd/-	Sd/-	Sd/-
(V.Venkateswara Rao)	(N. Chakravarthy)	(E. Raja Rao)	(B.Nagabhushana Rao)
Company Secretary	Senior Manager(F&A)	Chairman	Managing Director
VIJAYAWADA, Date: 29.6.2006		As per our report attached For M/s.Rao & Murty Chartered Accountants Sd/- (M.Krishna Murty) Partner (M.No.10572)	
VIJAYAWADA, Date: 29.6.2006			



Transparency in Management -
Media conducting interview of Singarenian

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Water harvesting at Godavarikhani



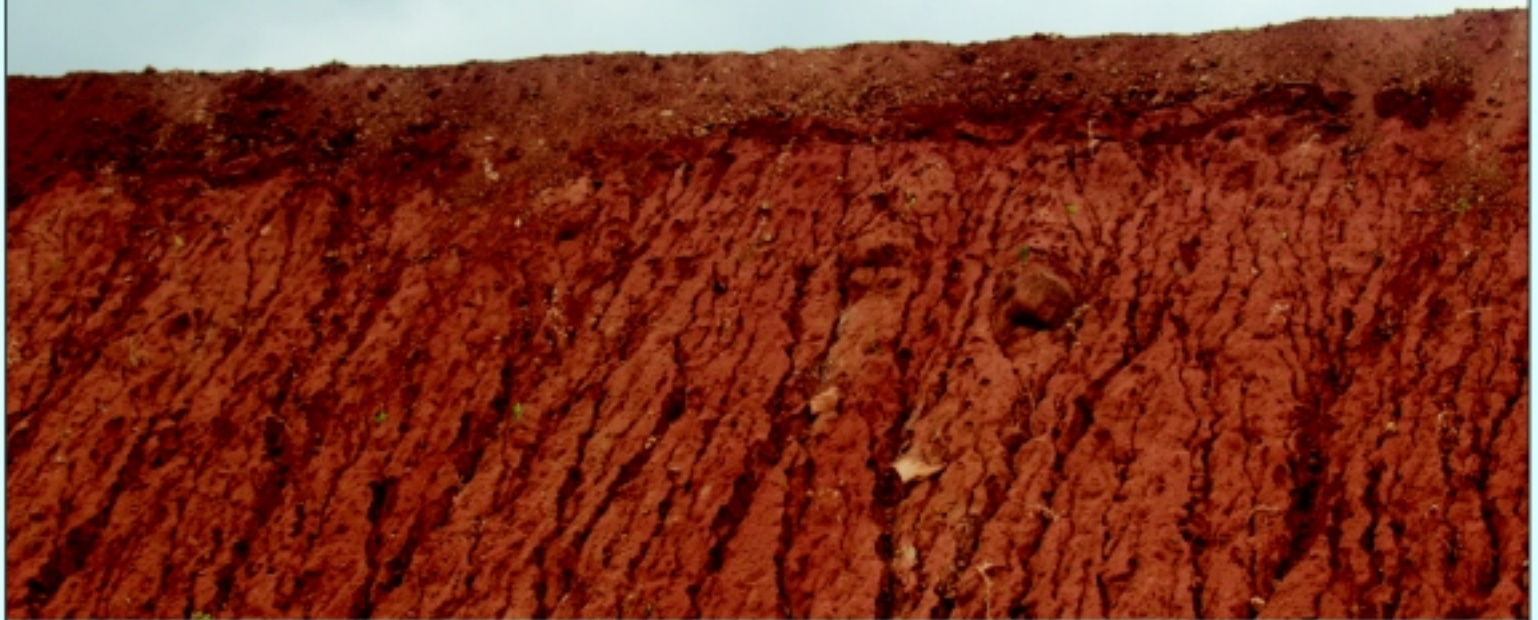
Waste to wealth - Eco park at Manuguru

Total Productive Maintenance -
Workshop at Manuguru



COAL MINING WITH CONCERN FOR ENVIRONMENT

Before



After



**Reclamation of Over Burden Dump using Bio-Engineering Techniques
at G.K. OCP, Kothagudem, Khammam District.**

Registered Office

Kothagudem Collieries (P.O.) - 507 101 Khammam District, Andhra Pradesh

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