



86th Annual Report & Accounts 2006-07



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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86th Annual Report & Accounts 2006 - 2007

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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 18.9.2006)
Sri R.H. Khwaja (From 27.10.2001 to 18.9.2006)
 2. Director (Operations)
Sri J.V.Dattatreyyulu (From 1.10.2006)
Sri P. Vasudeva Rao (From 1.7.2002 to 30.9.2006)
 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 D.L.R.Prasad (From 1.10.2006)
Sri J.V. Dattatreyyulu (From 1.9.2004 to 30.9.2006)
 5. Director (Personnel, Administration & Welfare)
Sri L.Shashidhar (From 5.7.2007)
Sri B.Venkateswar Rao (From 4.8.2006 to 5.7.2007)
Sri J.V. Dattatreyyulu (full additional charge) (From 18.5.2006 to 4.8.2006)
Sri M. Subramanyam (From 18.6.2005 to 17.5.2006)
 6. Director (Electrical & Mechanical)
Sri E. Raja Rao (From 1.3.2006)
 7. **Sri K.S.Kropha** (From 26.4.2005)
Joint Secretary, Ministry of Coal, Govt. of India, New Delhi
 8. **Sri K.C.Samria** (From 25.9.2007)
Director, Ministry of Coal, Govt. of India, New Delhi
Sri Sanjiv Kumar Mittal (From 10.2.2005 to 10.9.2007)
JS&FA, Ministry of Coal, Govt. of India, New Delhi
 9. **Sri D.C.Garg** (From 21.9.2007)
Chairman-cum- Managing Director, Western Coalfields Ltd., Nagpur
Sri Abhiram Sharma (From 8.2.2005 to 21.9.2007)
Former Chairman-cum- Managing Director, Mahanadi Coalfields Ltd., Sambalpur
 10. **Sri A.K. Goyal** (From 11.10.2007)
Special Chief Secretary, Energy Dept., Govt. of A.P.
Sri Deepak Kumar Panwar (From 18.8.2007 to 11.10.2007)
Special Chief Secretary (FAC), Energy Dept., Govt. of A.P.
Sri A.K. Goyal (From 24.5.2006 to 18.8.2007)
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.
 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**
Chief General Manager (Finance & Accounts)

Board of Directors

(As on 27.12.2007)



Sri S. Narsing Rao
Chairman & Managing Director



Sri J.V. Dattatreya
Director (Operations)



Sri E. Raja Rao
Director (Electrical &
Mechanical)



Sri E.V. Krishna Reddy
Director (Finance)



Sri D.L.R. Prasad
Director (Planning &
Projects)



L. Shashidhar
Director (Personnel,
Administration & Welfare)



Sri K.S. Kropha
Director



Sri K.C. Samria
Director



Sri D.C. Garg
Director

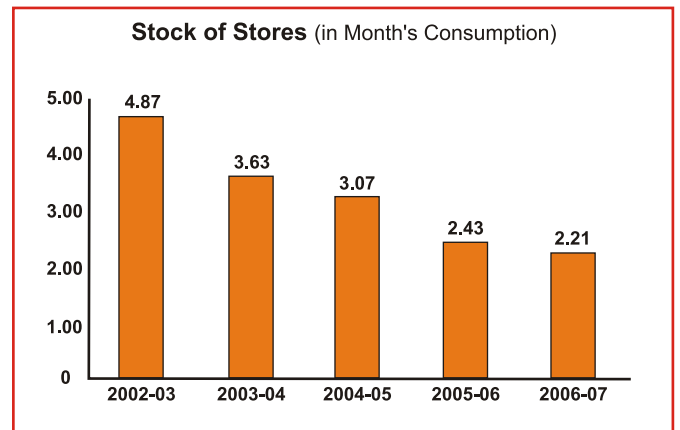
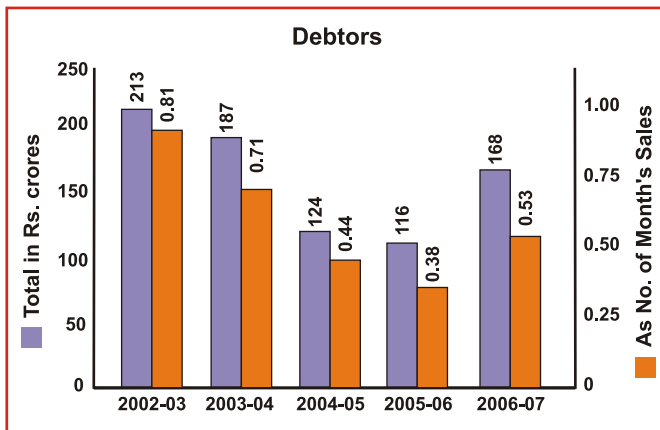
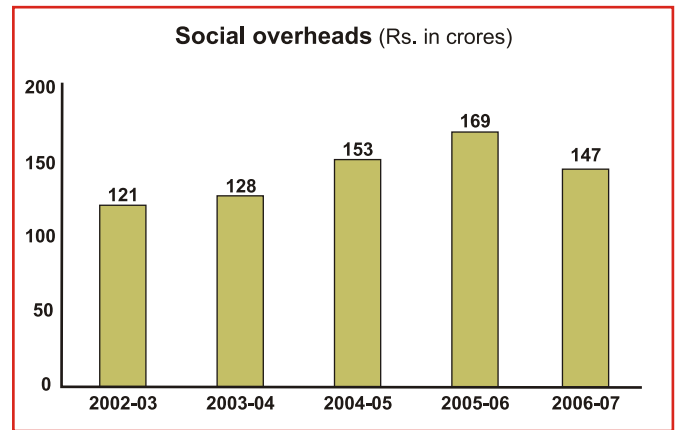
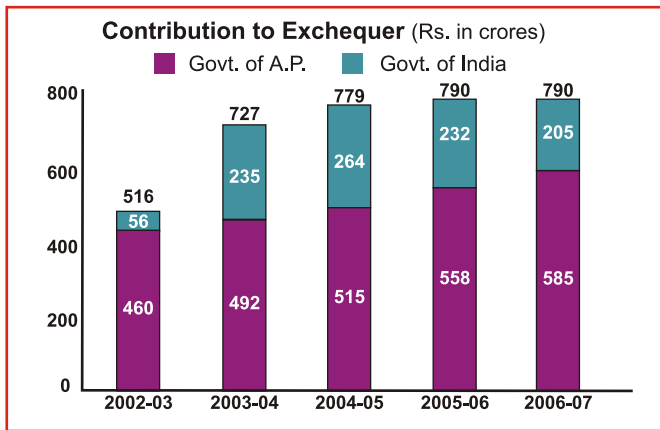
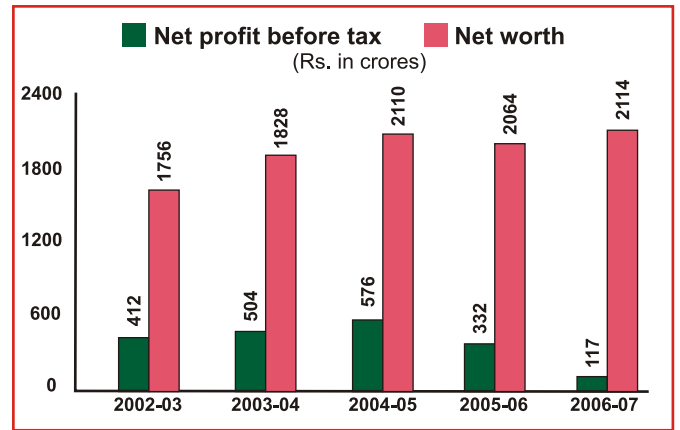
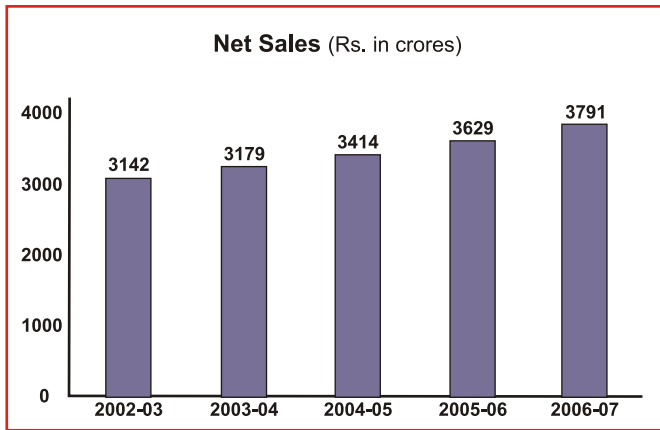
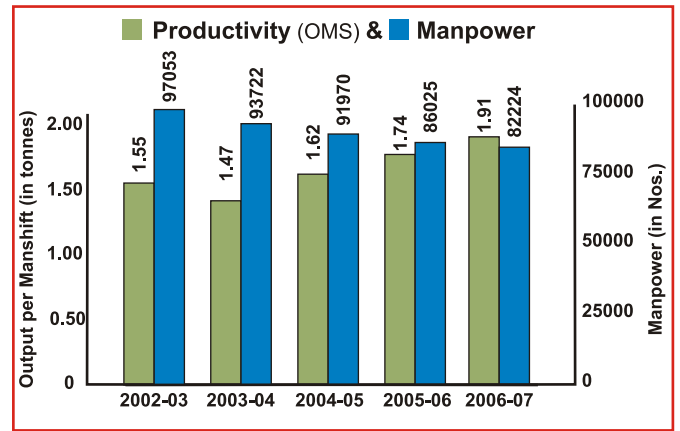
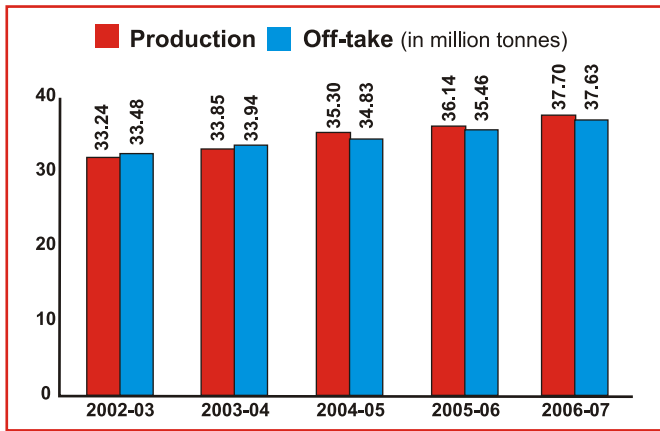


Sri A.K. Goyal
Director



Sri I.Y.R. Krishna Rao
Director

Graphs indicating performance



Performance indicators at a glance

Sl. No.	Indicators	Unit	2006-07	2005-06	2004-05	2003-04	2002-03
1.	Production						
	a) Open cast	(Lakh Tonnes)	258.31	234.27	223.29	205.40	204.28
	b) Underground	(Lakh Tonnes)	118.73	127.11	129.74	133.14	128.08
	c) Total	(Lakh Tonnes)	377.04	361.38	353.03	338.54	332.36
2.	Off-take	(Lakh Tonnes)	376.29	354.47	348.25	339.41	334.79
3.	Stock of Coal	(Lakh Tonnes)	12.18	14.13	7.34	2.62	3.65
4.	Output per Man Shift	(Tonnes)	1.91	1.74	1.62	1.47	1.55
5.	Manpower	(Nos.)	82224	86025	91970	93722	97053
6.	Net sales	(Rs. Lakhs)	379055	362910	341373	317865	314183
7.	Net profit before tax	(Rs. Lakhs)	11720	33249	57601	50399	41172
8.	Accumulated Profit	(Rs. Lakhs)	11589	17642	19060	2815	8045
9.	General Reserve	(Rs. Lakhs)	40000	30000	20000	10000	-
10.	Equity Share Capital	(Rs. Lakhs)	173320	173320	173320	173320	173320
11.	Long-term Debt	(Rs. Lakhs)	66334	66334	66334	79690	90147
12.	Net worth	(Rs. Lakhs)	211400	206392	210973	182786	175575
13.	Capital employed	(Rs. Lakhs)	253942	217571	190311	153464	151439
14.	Contribution to Exchequer						
	- State Government	(Rs. Lakhs)	58486	55818	51543	49181	45976
	- Central Government	(Rs. Lakhs)	20522	23225	26369	23547	5594
15.	Earning per Share	(Rupees)	0.37	1.06	2.08	0.84	2.41
16.	Debt - Equity Ratio	(ratio)	0.38:1	0.38:1	0.38:1	0.46:1	0.52:1
17.	Capital turnover Ratio	(times)	1.49	1.67	1.79	2.07	2.07
18.	Cost of sales to sales	(percentage)	96.91	90.84	83.13	84.14	86.90
19.	Debtors as No. of months' sales	(months)	0.53	0.38	0.44	0.71	0.81

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 86th Annual General Meeting of the Company will be held on Thursday, the 27th December, 2007 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 2006-07.
2. To declare a dividend @ 1.2% on the equity share capital for the financial year 2006-07.
3. (a) i) To appoint a Director in place of Sri I.Y.R.Krishna Rao 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 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.
(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 K.C.Samria, who retires under Article 98 of the Articles of Association of the Company and is eligible for re-election.
(iii) To appoint a Director in place of Sri D.C.Garg, 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 2006-07.

“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 2006-07.”

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 amendment of objects clause of Memorandum of Association for incorporation of following para as sub-clause(gg) after sub-clause(g) in clause-3;
“To promote, organise or carry on the business of consultancy services/ job works / works contracts either independently or through suitable tie-ups with other organisations both in India and abroad in any field of activity in which the company is engaged in or connected therewith as also in such other field or activities where the Company has developed expertise by virtue of its dealing in such areas and rendering consultancy and advisory services to clients and any such other services and to trade, buy, import, supply, sell coal, lignite, gases and other mineral resources.”
6. Resolved that the sanction be and is hereby accorded for the Tripartite Agreement between the Govt. of India, Govt. of Andhra Pradesh and the SCCL during the XI Plan period laid before the meeting duly initialled by the Chairman for the purpose of identification.

Further resolved that the C&MD is hereby authorized to carryout modifications in the agreement if any suggested by the Government(s) and execute the same along with Director(Finance) on behalf of the Company by affixing Common seal of the Company.

7. Resolved that the sanction be and is hereby accorded for appointment and payment of remuneration to Sri S.Narsing Rao as Director and Chairman & Managing Director of the Company for a period of 2 years from 18.9.2006 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 extension of term and payment of remuneration to Sri J.V. Dattatreylu as Director (Planning & Projects) on the Board of the Company from 1.9.2006 to 30.9.2006 and as Director (Operations) from 1.10.2006 to 31.8.2008 on the existing 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 D.L.R.Prasad as Director (Planning & Projects) on the Board of the Company for a period of 2 years from 1.10.2006 on the terms & conditions laid before the meeting duly initialled by the Chairman for the purpose of identification.
10. Resolved that the sanction be and is hereby accorded for appointment and payment of remuneration to Sri L.Shashidhar as Director (P.A&W) on the Board of the Company for a period of 2 years from 5.7.2007 on the terms & conditions laid before the meeting duly initialled by the Chairman for the purpose of identification.

Date: 28. 11. 2007,
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 13.12.2007 to 27.12.2007 (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:

In order to exploit the opportunities thrown open due to liberalisation of economy, the Company has been initiating steps for business expansion such as undertaking contract mining, offering consultancy service etc., and diversification into new areas and also contemplating coal trading business.

Though the Company is empowered to carry on any other trade or business as may be conveniently or profitably carried on to enhance the value of any of the Company's property as per the existing objects, it is however proposed to specifically mention the aforesaid objects by incorporating a new sub-clause(gg) in clause-3 of Memorandum of Association for the sake of clarity. The Board of Directors in the meeting held on 7.9.2007 recommended the proposal for approval of shareholders.

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

Resolution No. 6:

The earlier Tripartite Agreement between the Govt. of India, Govt. of Andhra Pradesh and the SCCL entered on 19.10.2004 covering X Plan period was valid up to 31.3.2007. The Board of Directors in the meeting held on 28.6.2006 approved the

fresh Tripartite Agreement to be entered between the Govt. of India, Govt. of Andhra Pradesh and the SCCL covering XI Plan period (2007-12) and authorised C&MD to carryout modifications in the draft agreement if any suggested by the Government(s) and to execute the same along with Director (Finance) on behalf of the Company by affixing the common seal of the Company.

The important new clauses proposed in the XI plan draft agreement are as under.

- Treating the SCCL on par with CPSUs with regard to allowing SCCL to pay double the amount of afforestation charges in lieu of identification of land for compensatory afforestation for diversion of forest land.
- Enhancement of powers of the Board for approving projects/schemes involving capital expenditure from Rs.100 crores to Rs.500 crores and empowering the Board to approve establishment of JVs/subsidiaries with an investment up to Rs.500 crores.

A copy of the agreement is available for inspection at the Registered Office of the Company on any working day during office hours.

Approval of the shareholders is sought for the agreement.

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

Resolution No. 7:

The Govt. of Andhra Pradesh vide G.O.Rt.No.251 dt.16.9.2006 of Energy (Power.I) department appointed Sri S.Narsing Rao as Chairman & Managing Director of the Company for a period of 2 years from 18.9.2006.

Copies of relevant orders containing the terms & conditions 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 Narsing Rao as Chairman & Managing Director from 18.9.2006 to 17.9.2008.

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

Resolution No. 8:

The term of Sri J.V. Dattatreyyulu, Director (Planning & Projects) was extended for a period of 2 years from 1.9.2006 on the existing terms & conditions. After retirement of Sri P.Vasudeva Rao as Director(Operations) on attaining the age of superannuation on 30.9.2006 Sri Dattatreyyulu was re-designated as Director(Operations) from 1.10.2006.

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 Dattatreyyulu from 1.9.2006 to 31.8.2008.

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

Resolution No. 9:

Sri D.L.R. Prasad, Chief General Manager (Corporate Planning & Business Development) was appointed as Director (Planning & Projects) for a period of 2 years from 1.10.2006 in place of Sri J.V.Dattatreyyulu who was re-designated as Director (Operations).

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 Prasad for a period of 2 years from 1.10.2006.

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

Resolution No. 10:

Sri L.Shashidhar, IAS, was appointed as Director (P.A & W) for a period of 2 years from 5.7.2007.

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 Shashidhar for a period of 2 years from 5.7.2007.

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

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the 86th Annual Report and audited financial accounts of the Company for the year ended 31st March 2007.

PERFORMANCE HIGHLIGHTS

The Company has achieved growth during 2006-07 in its operations as indicated below.

Performance parameters	2006-07	2005-06	% increase over 2005-06
Production (in million tonnes)	37.71	36.14	4.34
Despatches (in million tonnes)	37.63	35.46	6.12
Gross sales (Rs. in crores)	4416.32	4189.65	5.41
Productivity (Output per manshift in tonnes)	1.91	1.74	9.77
Capacity utilisation (Coal) (Percentage)	109	98	11.22

FINANCIAL RESULTS

The financial results of the Company for the year 2006-07 as compared to the previous year are as under;

(Rs. in crores)

Particulars	2006-07	2005-06
Gross revenue	4732.69	4520.03
Profit before interest, depreciation, provisions & tax	373.18	577.05
Less: Interest	8.48	9.37
Depreciation	217.75	212.61
Provisions (net)	29.76	22.58
Prior period adjustments (net)	11.94	1.57
Provision for taxation (net of deferred Tax incl. previous years)	41.45	146.29
Net profit after tax	63.80	184.63
Appropriations :		
Proposed dividend	20.80	86.66
Tax on dividend	3.53	12.15
Transfer to General Reserve	100.00	100.00

The major factors that were responsible for decline in the net profit after tax when compared to the previous year are as under;

- Provision of Rs.137 crores towards wage revision to workmen under NCWA-VIII and pay revision for executives effective from 1.7.06 & 1.1.07 respectively.
- Provision of Rs.183 crores towards actuarial valuation of gratuity and leave encashment liability against Rs.38.27 crores in the previous year.
- Amortization of VRS compensation amounting to Rs.114 crores against Rs.86 crores in the previous year.

Dividend

Though the profits of the Company have declined, in order to continue the trend your Directors are recommending dividend @ 1.2% of paid-up equity capital for the financial year 2006-07 for approval of shareholders in Annual General Meeting.

Share capital

The Company has not raised share capital during the year under report and 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

Capital Expenditure incurred during 2006-07 was Rs.448.64 crores as against Rs.424.18 crores incurred in the previous year representing a growth rate of 6%.

Foreign exchange earnings and outgo

The foreign exchange outgo during 2006-07 was Rs.32.16 crores as against Rs.18.57 crores in the previous year, which is mainly due to import of equipment & spares, payment of consultancy charges etc. There were no foreign exchange earnings.

PRODUCTION:

Production from opencast & underground mines

Out of the total production of 37.71 million tonnes achieved during 2006-07 production from open cast projects was 25.83 million tonnes and from underground mines was 11.88 million tonnes. While there has been 10.24% growth in production from opencast projects and there has been 6.53% decline in production from underground mines when compared with the previous year. By the end of 2006-07, 102 SDLs and 37 LHDs were introduced and performance of the same has been improving as a result of continuous monitoring. Merger of some underground mines has been done and areas have been reorganized to rationalize costs and to have better administrative control. The technology-wise production details are indicated below;

(in million tonnes)

Sl. No.	Technology	2006-07		2005-06 Actual	% variance over 2005-06
		Target	Actual		
1.	Underground				
	a) Hand section	5.49	5.58	7.09	-21.30
	b) Machine mining:				
	i. Road header	0.10	0.11	0.14	-21.43
	ii. Continuous miner	0.20	0.07	—	—
	iii. Load Haul Dumper	1.56	1.10	1.13	-2.65
	iv. Side Dump Loader	3.55	3.03	2.60	16.53
	v. Blasting Gallery	1.35	1.03	0.87	18.39
	vi. Longwall	1.04	0.92	0.85	8.24
	vii. Scrapper	—	0.04	0.03	33.33
	Total machine mining	7.80	6.30	5.62	12.10
	Total underground	13.29	11.88	12.71	-6.53
2.	Opencast	24.21	25.83	23.43	10.24
	Total	37.50	37.71	36.14	4.34

Overburden removal

During the year 2006-07 overburden of 139.86 million cubic metres was removed as against 115.58 million cubic metres removed in the previous year. The Company is outsourcing OB removal activity to the extent possible. The details of overburden removal by Company equipment and through outsourcing are as under;

(in million Cu. Mtrs.)

Particulars	2006-07		2005-06	Variance over 2005-06	
	Target	Actual	Actual	Absolute	Percentage
Company equipment	57.90	53.23	56.78	-3.55	-6.25
Outsourcing	82.27	86.63	58.80	27.83	47.33
Total	140.17	139.86	115.58	24.28	21.01

Capacity utilisation

The capacity utilisation of coal was 109% during 2006-07 as against 98% achieved in the previous year.

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	2006-07		2005-06	Variance over 2005-06	
	Target	Actual		Absolute	Percentage
Underground Mines					
- Hand section	0.70	0.62	0.66	-0.04	-6
- Machine mining	1.66	1.51	1.60	-0.09	-6
Total UG mines	1.04	0.90	0.89	0.01	1
Opencast projects	8.17	9.50	9.60	-0.10	-1
Overall					
- Mines	2.38	2.39	2.16	0.23	11
- Mines & Departments	1.94	1.91	1.74	0.17	10

Population of HEMM and performance:

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			
	2006-07	2005-06			Scheduled shift hours		Machine available hours	
			2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Draglines	2	2	88	87	49	51	56	58
Shovels	59	60	80	79	48	48	60	61
Dumpers	363	375	73	70	35	34	48	48
Dozers	76	74	69	69	34	34	50	49
Drills	49	49	80	78	30	24	31	31

MARKETING

Target and off-take of coal

During the year under report off-take of coal was 37.63 million tonnes against the AAP target of 37.50 million tonnes. FSAs are in force with 2 power utilities, 28 major cement units, 16 captive power plants and 5 other industries. Signing of FSA with 2 more power utilities is underway. Out of total despatches, 87% of supplies are covered under FSAs and Joint Sampling Protocols. The details of sector-wise AAP target & off-take and colliery consumption during 2006-07 as compared to the previous year are as under.

(in million tonnes)

Sector	2006-07			2005-06		
	Target	Off-take	% Achieved	Target	Off-take	% Achieved
Power	28.98	28.39	98	26.30	26.70	102
Cement	4.90	5.15	105	5.50	5.16	94
Heavy Water Plant	0.50	0.50	100	0.50	0.43	86
Other Industries	3.00	3.45	115	3.58	3.04	85
Colliery consumption	0.12	0.14	117	0.12	0.13	108
Total	37.50	37.63	100	36.00	35.46	99

Mode of despatches

Despatches through different modes (excluding colliery consumption) during 2006-07 as against previous year are as indicated below;

(in million tonnes)

Year	Rail	Road	Merry-go-round	Rope-way	Total
2006-07	18.57	9.31	9.11	0.50	37.49
2005-06	17.11	8.79	9.01	0.42	35.33
Absolute Increase	1.46	0.52	0.10	0.08	2.16

Wagon loading performance

During the year 2006-07 daily average loading of 2,355/942 Four Wheeler Wagons/ Box wagons was done as against 2,243/897 FWW/Box wagons in 2005-06 registering a growth rate of 4.91%.

Measures for improving quality & customer satisfaction

To improve customer satisfaction further 2 pre-weigh bins at Manuguru and Khairagura were installed which is devoid of manual interference and reduces loading time. Complaints received from customers on sampling, quality and weightment have come down from 18 in the previous year to 15 during the year under report. Further the number of units registered with SCCL have gone up from 5,161 in 2005-06 to 5,502 in 2006-07. Marketing & Movement department has been adopting ISO procedures scrupulously to ensure transparent system of coal allotments to all customers.

Exploration

3 geological reports of virgin blocks viz., Gundala Block-III, Bhoopalpalli Shaft Block and Peddapur thick seam block-I and 10 geological reports for reconstruction projects and mining plans have been prepared during the year 2006-07. During the year 2006-07, 382 million tonnes of reserves were proved against 125 million tonnes in the previous year. Thus, the total proved reserves in Godavari Valley Coalfield have gone from 8,575 million tonnes at the end of previous year to 8,957 million tonnes as on 31.3.2007. The coal extracted by the Company in the Godavari Valley Coalfield up to the year 2006-07 was about 795 million tonnes. Exploration department has been adopting ISO procedures scrupulously for increasing drilling & productivity.

INDUSTRIAL RELATIONS

The year 2006-07 is an outstanding example of the SCCL's efforts for bringing industrial harmony & peace. There were 9-strike free months in 2006-07 and the strikes, mandays & production lost have been lowest in the last 10 year period. The details are as under;

Particulars	Unit	2006-07	2005-06
Strikes	No.	3	11
Mandays lost	No.	5,587	2,40,403
Production lost	Tonne	9,872	91,818

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

WELFARE OF EMPLOYEES AND SOCIAL SECURITY SCHEMES

Various welfare activities that are in vogue viz., housing & sanitation, educational, recreational, medical facilities with super specialty services in addition to social security schemes are being continued with enhanced thrust. A 50 bed hospital was inaugurated at Bhoopalpalli on 23.12.2006 for providing medical facilities to the employees at the area. Health awareness programmes for prevention and spread of diseases, health screening camps for detection of diseases like hypertension, diabetes etc., cataract screening camps, immunisation programmes were conducted which aim at better health of employees. Model townships with integrated approach with all civic amenities are being developed in various areas for its employees. The overall housing satisfaction as on 31.3.07 was 60% as against 58% at the end of previous year.

In order to give adequate representation to the local candidates of coal mining areas a policy has been adopted to give preference to the local candidates in the recruitment for honouring the spirit of the Andhra Pradesh Public Employment (Organisation of Local Cadres & Regulation of Direct Recruitment) Order, 1975.

16 schools and 1 women's Junior & Degree college are being run by Singareni Collieries Educational Society to provide education to the employees' children. About 10,850 students in schools and 1,600 girls in colleges were imparted education during 2006-07 as against 11,061 and 1,570 in the previous year.

Students have participated in National Children Science Congress held at Chidambaram, National Science Fair organized by NCERT at Hubli and National level Football & throw ball competitions. Students have won medals in All India Inter University power lifting and Archery. Personality development camps were also organised for the benefit of students. Consumer awareness programmes were conducted to enable the employees to know their rights as consumers of various items. The students & lecturers of Singareni Educational institutions have actively involved in consumer awareness programmes.

The Company has been taking various 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 Coal India inter company Kabadi tournament and sports & games events to the physically & mentally challenged persons. The SCCL cricket team has won 1st prize in CIL inter-company cricket tournament held at Ranchi. During 2006-07 the SCCL teams have won 14 gold medals, 13 silver medals and 3 bronze medals in various CIL tournaments. 16 swimming pools are in operation through out colliery areas.

The SCCL has the highest number of Underground mines with manriding systems which aim at safety and comfort to workmen. Out of 38 Manriding systems approved so far, 35 systems were already installed and procurement/installation of remaining 3 systems is in progress.

In the mega and mobile medical camps 26,434 persons were benefitted. 6 Ayurvedic medical camps were conducted at Manuguru for the benefit of employees to exploit the traditional medicinal methods.

Corporate Social Responsibility

SCCL's mission is to emerge as a responsible corporate citizen through adoption of good corporate governance practices by laying due emphasis on protection of environment, ecology and bio-diversity and with due regard for corporate social obligations. The Company's CSR activities are mainly focussed on the areas of improving quality of life and better living standards of employees, protection of environment and the welfare of the community living in the vicinity of coal mining areas particularly and community at large generally. In pursuit of achieving its mission the Company has initiated several activities for providing civic & social infrastructure in coal belt areas viz., laying of roads, drainage & sanitary facilities, street lighting, drinking water supply, educational facilities by actively associating with the various Government departments. The Company also strives for providing facilities for health care, sports, recreation, relief during natural calamities, arts, culture and social welfare by taking up the activities on its own and also by supporting various philanthropic & voluntary organisations. The Company has also been taking measures for upliftment of physically & mentally disabled people by supporting organisations like Manochaitanya. In order to extend medical care to the habitats of coal belt areas particularly the remote areas where medical facilities are less and targeting the economically backward people free medical camps were organised by the Company's Medical & Health department wherein 13,421 persons were benefitted. In addition to the above mobile medical camps were also organised which were availed by 13,013 persons.

Activities of Singareni Seva Samithi

The 'Singareni Seva Samithi' a non-profit organisation established by the Company has been continuing its activities for socio-economic development of coal belt region through various welfare oriented activities.

During 2006-07 training was imparted to 1,791 candidates in various vocational courses who can engage in the vocations and earn lively-hood. With this the total number of candidates trained by the Samithi has gone up to 6,187. The candidates are extended help in obtaining financial assistance from Khadi and Village Industries Board. 156 candidates trained by the Samithi were selected in Army/ para-military forces recruitment rallies, thus bringing the total number of candidates selected to 475. About 1,000 spouses of employees were made literates through various literacy programmes organized during the year under report. Apart from the above, the Samithi has organized various other programmes viz., yoga & meditation, medical, anti-alcoholism counseling camps and several people were benefited. These activities have good impact in bringing positive change in the coal belt areas.

An expenditure of Rs.147 crores was incurred on various social overheads during the year 2006-07 as against Rs.169 crores incurred in the previous year.

INFORMATION TECHNOLOGY

The main focus of Company's computerisation programme is development of application software for key business functions for facilitating integration of entire business operations through connectivity. Networking viz., Local area networks (LANs) and wide area network (WAN) is done for facilitating flow of information among various departments and area offices. E-procurement system is stabilised. Digitalization of mine plans is completed in respect of all mines. In order to culminate the various measures for computerisation taken so far to make the Information Technology as an 'effective decision support system' Enterprise Resource Planning (ERP) package is proposed to be introduced and the Finalisation of contract for procurement and implementation of the package is in an advanced stage.

SAFETY IN MINES

The main focus for improving the safety in the mines is on improving the awareness and bringing safety consciousness among employees through various programmes/ trainings by devising the same in easily understandable way. Additional thrust is given for improving the safety awareness among contractors workmen. Apart from the above, various measures viz., standardisation of roof bolting activity, introduction of semi mechanisation through SDLs/LHDs in under ground mines, and provision of various equipment for prevention/ minimizing the adverse effects of accidents were also taken. Evacuations of coal by baskets is completely eliminated in 15 underground mines to reduce deployment of coal fillers at potentially accident prone zones. Services of NIRM, CMRI etc., are being utilised for designing support pattern for effective strata management. 3 burn side boring machines were provided in 3 coal mining regions of the Company in order to dewater the mines.

Despite taking all possible measures, in VK-7 incline while continuous miner was in operation an accident took place due to sudden roof fall with a thickness of 3-3.5 metres without any warning physically or through instrumented monitoring system causing 4 fatalities and serious injuries to 2 persons.

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
2006-07	16	19	586	591	0.50	15.67
2005-06	7	7	805	807	0.19	22.33

Mines rescue services

During 2006-07, 13 persons were imparted initial training in rescue and recovery works and 603 active rescue trained persons working at different mines of the Company were imparted 5263 refresher manshift practices. Specialised equipment to upgrade rescue services was procured. High speed micro gas chromatograph, which facilitates analysis of mine gas samples in 6 minutes against 4 hours under conventional method was imported from Australia which is first of its kind in Indian Coal mining industry for Mines Rescue services. Thermal Image Camera for facilitating identification of exact location of seat of fire, search camera for facilitating rescue of personnel trapped under roof collapse in mines and buildings, were introduced. In International Mines Rescue competitions held on 15th & 16th September 2006 in China, SCCL won 2nd and 5th prizes. In the All India Mines Rescue competitions held at Ranchi, CCL in February 2007 the SCCL team has bagged 1st and 3rd prizes.

HUMAN RESOURCE DEVELOPMENT

The HRD department mainly aims at bringing overall development through various training & management development programmes. Workshops, knowledge sessions, interactive sessions are regularly held at in-house centres for updation & dissemination of knowledge of employees in various disciplines.

In-house training programmes: The Company has well equipped and state of the art training centres through out the colliery areas wherein training programmes are conducted with practical approach with the best & eminent faculty internally and also by inviting from premier institutes like IIMs/ ISM/ Earth Resource Centre, Jodhpur etc. Number of executives & non-executives covered under in-house training programmes are as under;

Description	2006-07	2005-06	% increase over 2005-06
Executives	1,915	1,593	20.21
Non-executives	1,072	768	39.58

Training outside the Company: The Company has also been sponsoring the employees to the programmes organized by reputed/ premier institutions within and outside the country to continuously update their skills / knowledge. Number of executives & non-executives covered in / outside training programmes are as under;

Within the Country

Description	2006-07	2005-06	% variance over 2005-06
Executives	716	749	-4.41
Non-executives	943	727	29.71

Outside the Country

Description	2006-07	2005-06	% increase over 2005-06
Executives	37	19	94.74
Non-executives	5	-	-

In addition to the above, the HRD department has also brought out books titled as 'Trammers & Hauler Operators guide', 'Dealing with mine gasses' in the local language for better understanding by the concerned employees which are found to be very much useful in their operations.

The manpower of the Company was brought down from 86,025 as at the end of previous year to 82,224 by the end of the year under report. The Golden handshake (VRS) scheme implemented during the year 2006-07 was availed by 6,056 employees.

MEASURES FOR CONSERVATION OF ENERGY

In order to conserve the energy, various measures were taken such as elimination of illegal power tapping through high voltage distribution system, exploiting non-conventional energy resources, bringing awareness among employees and among their family members regarding the importance of energy saving and conservation, energy audit.

The Board has approved FR for setting up of 20 MW captive power plant in place of 13.7 MW power house existing at Kothagudem at a capital outlay of Rs.90 crores.

During the year under review the specific energy consumption in KWH/tonne was the lowest ever achieved since 1973-74. The details are as under;

Description	2006-07		2005-06	
	Target	Actual	Target	Actual
Specific energy consumption in KWH/tonne	17.50	16.77	17.50	17.24

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Semi-mechanisation of Underground mines with Load Haul Dumpers (LHDs), Side Dump Loaders (SDLs) is in progress and so far 102 SDLs & 37 LHDs were put into operation. In introduction of continuous miner with shuttle car technology in association with Joy Mining Machinery Limited, UK at VK-7 incline, Kothagudem

some problems were encountered and the equipment was entrapped due to roof fall. Efforts are in progress to overcome the problems and continuing the introduction of technology. Contract was entered with DBT for Continuous miner technology with Ram cars operated by diesel at GDK-11A incline and scientific studies were completed and method of work is under study. Contract was entered for introduction of Highwall mining technology at certain opencast projects for extraction of coal locked up in high walls and scientific studies are in progress.

CAPITAL PROJECTS AND SCHEMES

Projects/schemes under implementation

As on 31.3.2007 there were 42 mining projects (17 opencast and 25 underground) in various stages of implementation with an ultimate aggregate capacity of 30.96 million tonnes per annum with a sanctioned capital outlay of Rs.2067.18 crores. Out of 42 projects, 35 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 7 projects.

Projects approved by the Company

The Board of Directors of the Company have approved/ sanctioned the following projects during the year 2006-07.

Sl. No.	Name of the Project	Capacity (m.t.p.a)	Capital (Rs.crores)	Date of sanction
A.	Opencast projects			
1.	JVR OC-I expansion	0.900	39.98	28.6.06
2.	Sravanapalli OCP	2.000	94.00	28.6.06
3.	Indaram OCP	1.200	91.20	23.2.07
	Sub-total (A)	4.100	225.18	—
B.	Underground projects			
4.	Sand stowing at Goleti-1 incline	—	2.28	28.6.06
5.	SDL in SK and RK-1A incline	0.220	3.03	28.6.06
6.	GDK-5 Diesel LHD	0.454	24.66	4.9.06
	Sub-total (B)	0.674	29.97	—
	Total (A + B)	4.774	255.15	—

RFR approved by the Company

The Board of Directors of the Company have approved Revised Feasibility report of following project during the year 2006-07.

Sl. No.	Name of the Project	Capacity (m.t.p.a)	Capital (Rs.crores)	Date of sanction
1.	Khairagura OCP	2.50	92.46	4.9.06

Projects approved by Govt. of India

During the year 2006-07 the following projects were approved by Govt. of India;

Sl. No.	Name of the Project	Capacity (m.t.p.a)	Capital (Rs.crores)	Date of sanction by the Board	Date of sanction by the Govt.
1.	Adriyala shaft	2.144	212.34	11.07.03	29.09.06
2.	Shanthikhani Longwall	1.167	249.03	29.12.03	09.10.06

Projects pending for approval of Govt. of India

The following projects are pending with the Govt. of India for approval as on 31.3.07.

Sl. No.	Name of the Project	Capacity (m.t.p.a)	Capital (Rs.crores)	Date of sanction by the Board
1.	Peddampeta shaft	1.483	297.69	29.12.03
2.	Jallaram shaft	2.285	470.29	20.10.04
3.	Kakatiya longwall	2.160	380.85	18.06.05
4.	Rampuram shaft project	1.575	333.71	23.02.07

ENVIRONMENT & ECOLOGY

Measures being taken by the Company for protection of environment, bio-diversity and for prevention of pollution were well recognised and company has received prestigious awards from various environmental organisations/ institutions. The Company is taking all measures without any compromise for keeping air, water and environment quality levels within the limits. In its pursuit to encourage the people for protection of environment the SCCL has instituted 'Singareni Collieries award for excellence in environment education and awareness creation' which will be presented every year with a cash prize of Rs.10,000/-, rolling shield and citation to the meritorious contributors for the environment in coal belt areas. The environmental education programme which was introduced in all Singareni schools further strengthened during 2006-07 by introducing text books for students and publishing manual for imparting environment education by teachers.

Afforestation

The industrial plantations at underground mines are meant for achieving self sufficiency in meeting the demand of renewable roof supports for UG mining. Plantations on overburden dump aim at reclamation of mine spoils through biological engineering method and the objective is to reduce negative impact on the adjacent eco-systems. Clean, green and aesthetic environment in coal mining areas is being achieved by involving all employees and their family members by celebrating various programmes like 'Vana Mahotsava', 'Environmental awareness weeks' etc. The vacant places in colonies, offices, schools, hospitals, mining establishments are extensively covered with plantations. The SCCL became a member of the committee constituted by Bureau of Indian Standards for standardising eco-friendly mining.

During 2006-07 SCCL has developed plantations covering an area of 252 hectares on overburden dump, 275 hectares on surface area of underground mines and 24 Kms., of avenue plantations. In addition, 56,782 numbers of seedlings of horticulture and afforestation species were distributed for planting in residential colonies, homesteads, institutional premises. In total 12,66,596 numbers of seedlings were planted. Aquatic habitat management, herbarium development and botanical garden are also under the process of development.

Awards & Accolades

In recognition of various measures taken for protection of environment & ecology, afforestation and waste land development, the company has received following awards;

- i) TERI corporate environmental award (First prize) from The Energy & Resources Institute presented by HE the then Honourable President of India, Dr. A.P.J. Abdul Kalam on 26.6.06 at New Delhi.
- ii) Sristi Environmental Award from Society For Research & Initiative For Sustainable Technologies and Institution presented on 22.4.07 at New Delhi.
- iii) Greentech Environment Excellence Award 2006 (Gold Award) in Metal and Mining Sector from Green Tech Foundation, New Delhi presented on 30.8.06 at Goa.
- iv) Indira Gandhi Vriksha Mitra Award 2004 from Ministry of Environment & Forests, Govt. of India presented on 5.6.07 at New Delhi.

RESEARCH & DEVELOPMENT

During the year under report R&D activities were taken up on ventilation pressure surveys and network analysis as required for deep shaft projects and other activities that were in progress viz., strata control studies in longwall, BG panels and wide stall method of working, testing of quick setting cement capsules in watery holes were also continued. The activities aim at enabling introduction of new technologies, improving safety, production & productivity and creating conducive working environment to the workmen.

Studies by outside consultants

During the year under report 26 studies were completed and 30 studies were assigned to outside agencies. 40 studies are in progress at the end of year.

S & T projects

During the year 2006-07 one S&T project was completed and 12 projects are in progress at the end of the year under report.

Future plan of action

S&T project on ash/paste filling with envisaged 100% coal extraction is proposed to be taken up and various studies including ventilation studies for deep shaft projects will be taken up.

During 2006-07 expenditure incurred on R & D was Rs.1.27 crores (previous year Rs.1.11 crore) which amounted to 0.034% of the total turnover.

INTERNAL AUDIT

Internal Audit department has been conducting various audits viz., systems studies, transaction audit, surprise checks/ physical verification of assets and stocks. The findings and coverage of Internal Audit are being reviewed by the Audit Committee.

As on 1.4.2006, while 188 audit memos involving an amount of Rs.35.12 lakhs were pending, 290 audit memos involving Rs.44.63 lakhs were issued during the year under review. Full compliance was received for 275 audit memos clearing an amount of Rs.37.77 lakhs and 203 audit memos involving Rs.41.98 lakhs are pending recovery. The department has advised recoveries to the tune of Rs.2.29 crores after conducting audit of different bills during the year under report.

VIGILANCE

The main objective of Vigilance is to bring propriety and integrity in the organisation by keeping a vigil on irregularities, procedural deviations, misappropriations etc., through fair and prompt investigations, inspections/ checks. The dept., also strives for establishing good systems /procedures. As on 1.4.2006 while 102 cases were pending, 182 cases were received during the year under review. The Vigilance dept., has submitted reports in 160 cases and 124 cases were pending as on 31.3.2007. Based on the reports submitted by the Vigilance department action was taken on 87 employees, 50 outsiders. The Vigilance reports are being reviewed by the Board of Directors.

SUBSIDIARY

As on 31st March 2007, the SCCL continues to hold Rs.1408.27 lakhs of equity amounting to 81.54% in A.P Heavy Machinery & Engineering Ltd., as at the end of previous year. During 2006-07 it has earned Rs.4.80 crores net profit against Rs.15.82 crores in the previous year. The decline in profit is mainly due to reduction of turnover, execution of low margin works and increase in payment to employees. The accumulated loss

of the Company which stood at Rs.8.89 crores at the end of previous year came down to Rs.4.08 crores during the year under report. Since the accumulated loss is less than 50% of the net worth, APHMEEL will come out of the purview of BIFR in 2007-08. The copy of accounts of the subsidiary Company for the year 2006-07 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 2006-07 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

The Comptroller & Auditor General of India has re-appointed M/s. Raju & Prasad, Chartered Accountants, Hyderabad as Statutory Auditors of the Company for the financial year 2006-07 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 K. C. Samria, Director, Ministry of Coal, Govt. of India and Sri D.C.Garg, Chairman-cum-Managing Director, Western Coalfields Ltd. The Board has concurred with the recommendations of the Committee given in its 2 meetings held during the year under report.

DIRECTORS

Sri S.Narsing Rao, IAS has been appointed as C&MD w.e.f.,18.9.2006. Sri R.H.Khwaja has relinquished the charge of the post on withdrawal of his services by Govt., of A.P.

As Sri A.K.Goyal, Special Chief Secretary, Energy department was on leave, Sri D.K. Panwar who was holding full additional charge of the Spl. Chief Secretary post had been appointed as a Director in his place from 18.8.2007 to 11.10.2007 after which Sri Goyal was re-appointed as Director.

Sri I.Y.R.Krishna Rao, Principal Secretary, Finance dept., has been appointed as a Director w.e.f., 23.6.2006 in place of Sri T.S.Appa Rao who ceased as a Director from 24.5.2006.

Sri K.C.Samria, Director, Ministry of Coal has been appointed as a Director w.e.f., 25.9.2007 in place of Sri Sanjiv Kumar Mittal who ceased as a Director from 10.9.2007.

Sri D.C.Garg, Chairman-cum-Managing Director, WCL has been appointed as a Director w.e.f., 21.9.2007 vice Sri Abhiram Sharma.

Sri J.V.Dattatreylu, Director (P&P) has been redesignated as Director (Operations) w.e.f., 1.10.2006 as Sri P.Vasudeva Rao has retired as Director(Operations) on 30.9.2006 on attaining the age of superannuation.

Sri E.V.Krishna Reddy has been appointed as Director (Finance) w.e.f.,10.6.2006.

Sri D.L.R.Prasad, Chief General Manager (Corporate Planning & Business Development) was appointed as Director (Planning & Projects) w.e.f.,1.10.2006 in place of Sri J.V.Dattatreyyulu who was redesignated as Director (Operations).

Sri L.Shashidhar, IAS has been appointed as Director (Personnel, Administration & Welfare) w.e.f., 5.7.2007 in place of Sri B. Venkateswar Rao, IAS on withdrawal of his services by Govt. of A.P.

Your Directors wish to place on record their appreciation of the valuable guidance extended by Sri R.H.Khwaja as C&MD and Sri Sanjiv Kumar Mittal, Sri D.K.Panwar, Sri Abhiram Sharma, Sri P.Vasudeva Rao, Sri B.Venkateswar Rao during their tenure as Directors of the Company.

Sri I.Y.R.Krishna Rao and Sri K.S.Kropha, Directors retire 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, Sri D.C.Garg and Sri K.C.Samria Directors retire by rotation in accordance with Article 98 of Articles of Association of the Company at the forthcoming Annual General Meeting and are eligible for re-election.

4 meetings of Board of Directors were held during the year 2006-07.

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 judgments 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 2006-07 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 SCENARIO

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

SMS/SME explosives required for OB removal to overcome the problems of shortage of explosives. The company is also proposing to establish a Merchant Power Plant to have advantages of power sector reforms.

JVC with NTPC

The company has entered into Joint Venture Agreement with NTPC for establishment of joint venture companies for under taking activities related to coal mining and power generation in India & abroad and a JVC named NTPC-SCCL Global Ventures Private Limited was formed in this direction.

MODIFICATION OF LOGO

The colour of name of the Company in the logo is changed into black colour with gold colour background to reflect that the core business of the SCCL is mining coal which is considered as 'black gold'.

ACKNOWLEDGEMENTS

Your Directors convey their thanks and gratitude for the support and co-operation received from the Govt. of Andhra Pradesh, particularly Energy & Finance Departments and the Govt. of India particularly from the Ministries of Coal, Finance, Environment & Forests.

Your Directors gratefully acknowledge the faith and confidence of valued customers, bankers & financial institutions and all stake holders of the Company and expect the same in future. Your Directors express their sincere gratefulness for the valuable guidance extended by the Statutory Auditors, the Comptroller & Auditor General of India, the Registrar of Companies and the Director General of Mines Safety.

Your Directors take this opportunity to place on record their heart felt appreciation for the dedication and commitment of employees at all levels that has contributed to the success of the Company.

For and on behalf of the Board of Directors

Sd/-

(S. Narsing Rao)

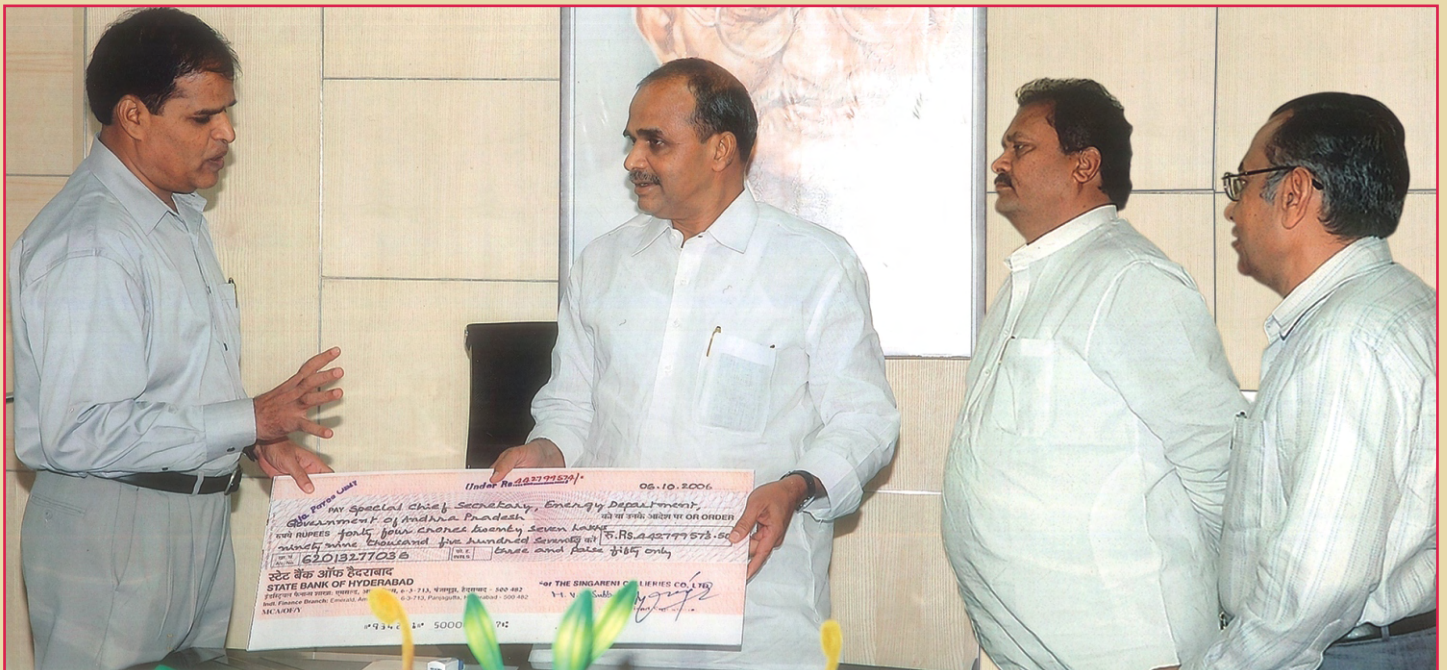
Chairman & Managing Director

Date : 08.11.2007

Place : Hyderabad.



Modernisation of CHPs - Focus on customer needs



Contribution to exchequer through dividend payment



Power generation for captive needs



Pledge for adopting safe mining practices

Integrated townships for well being of employees



Empowering women through self-employment schemes

Medical camp - concern for local community



**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 31 MARCH 2007.**

The preparation of financial statements of The Singareni Collieries Company Limited, Kothagudem for the year ended 31 March 2007 in accordance with financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act 1956 based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 7.9.2007.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of The Singareni Collieries Company Limited, Kothagudem for the year ended 31 March 2007. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619(4) of the Companies Act, 1956.

For and on behalf of the
Comptroller and Auditor General of India
Sd/-
(P.J.Mathew)
AG (C&RA), Andhra Pradesh

Date: 22.11.2007
Place: Hyderabad.

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, 2007 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:

Provision for Rs. 1069 lakhs towards damage to an item of plant and machinery is made based on oral discussions with the equipment supplier (refer note 8(c) of schedule I - Notes on account). In the absence of documentary evidence to support company's decision, we are unable to express our opinion on the adequacy or otherwise of the said provision in the accounts.

Provision for Rs. 1069 lakhs towards damage to Continuous Miner and one Shuttle Car is made based on suppliers letter dated 27.7.2007. The provision made is adequate.

AUDITORS' REPORT (contd..)

5. Further to our comments in Annexure referred to in paragraph (3) above and subject to our remarks in paragraph (4)

i) 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.

ii) In our opinion, proper Books of Account as required by law have been kept by the Company, so far it appears from our examination of those books.

iii) The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the Books of Account maintained.

iv) In our opinion the Profit and Loss Account, the Balance Sheet and the cash flow statement comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956, except otherwise mentioned in the accounting policy No.II under schedule H.

v) In view of the clarification issued by the Department of Company Affairs vide its General Circular No.8/2002, dated 22.3.2002, we are of the opinion that the provisions of Section 274(1)(g) of the Companies Act 1956, does not apply to the Directors of this Company, as they are appointed by the State/Central Governments.

vi) In our opinion and to the best of our information and according to the explanations given to us, the said Financial statements read together with the Significant Accounting policies and other notes thereon give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a) In the case of Balance Sheet, of the State of Affairs of the Company as on 31st March, 2007;

b) In the case of Profit and Loss Account, of the Profit for the year ended on that date; and

c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For M/s.RAJU & PRASAD
Chartered Accountants
Sd/-
(S. Ranganathan)
Partner (M.No.22738)

Date : 07.09.2007
Place: Hyderabad.

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

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For and on behalf of the Board

Sd/-
(S. Narsing Rao)
Chairman & Managing Director

Date: 21.11.2007
Place: Hyderabad.

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 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)

Fixed Assets with original value of Rs. 3.00 lakhs and above were verified in 2005-06 & 2006-07 and discrepancies dealt in Accounts. In respect of other fixed assets, below Rs. 3.00 lakhs the same are confirmed as available based on certification by the unit head.

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 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 2007 other than those indicated below.

Nature of Dues	Un paid (Rs. in lakhs)	Period to which the amount relates	Forum where pending
Sales Tax	29.65	1998-99	Sales Tax Appellate Tribunal
	236.62	2000-01	
	184.12	2001-02	
	263.78	2002-03	
	138.62	2003-04	
	159.62	2004-05	
Electricity Duty	1048.04	from April, 85 to March, 07	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.399.60 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)

Vigilance department is conducting surprise inspections regularly to curb pilferages/ misappropriation of the property of the Company.

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.	<i>Theft of scrap material</i>	3.24
2.	<i>Mainpulation of tare weight and misappropriation of scrap material</i>	0.84
3.	<i>Fake claims of MMC / Lump sum payments workmen</i>	21.00
4.	<i>Inflation of over burden removal quantities there by avoiding powder factor recoveries from explosive suppliers and payment of excess incentives to employees</i>	274.52
		399.60

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/-
(S. Ranganathan)
Partner (M.No.22738)

Date : 07.09.2007
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/-
(S. Narsing Rao)
Chairman & Managing Director

Date : 21.11.2007
Place: Hyderabad.

Balance Sheet as at 31st March 2007

(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	51588.98	47641.80
2. Reserve for future overburden removal		24315.38	17258.11
3. Secured Loans	C	73039.08	70022.23
4. Deferred Tax liability (net)		12388.78	16134.56
Total		<u>334652.03</u>	<u>324376.51</u>
APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	E1	479808.04	451801.26
Less : Depreciation		<u>268570.82</u>	<u>258402.62</u>
Net Block		211237.22	193398.64
b) Capital Works-in-progress	E2	29560.63	23953.31
2. Investments	F	29687.01	72335.81
3. Advance action for overburden removal		37513.56	24626.34
4. Current Assets, Loans & Advances	G		
a) Current Assets			
i) Inventories		32511.56	34157.68
ii) Sundry Debtors		18518.82	13936.68
iii) Cash & Bank Balances		87346.91	87397.77
iv) Other Current Assets		3275.89	3270.75
b) Loans & Advances		<u>53631.58</u>	<u>58783.68</u>
		195284.76	197546.56
LESS :			
Current Liabilities & Provisions	D		
a) Current Liabilities		101677.98	112627.47
b) Provisions		<u>80462.14</u>	<u>89425.88</u>
		182140.12	202053.35
Net Current Assets		13144.64	(-) 4506.79
5. Miscellaneous Expenditure (to the extent not written-off or adjusted)			
Voluntary Retirement Compensation		13508.97	14569.20
Accounting Policies	H		
Notes on Accounts	I		
Total		<u>334652.03</u>	<u>324376.51</u>

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

		For and on behalf of the Board	
Sd/-	Sd/-	Sd/-	Sd/-
(J.Rama Krishna)	(M.V.V. Subba Rao)	(E.V.Krishna Reddy)	(S. Narsing Rao)
Company Secretary	Chief General Manager (F & A)	Director(Finance)	Chairman & Managing Director
Date : 07.09.2007		As per our report of even date	
Place : Hyderabad		For M/s.RAJU & PRASAD	
		Chartered Accountants	
		Sd/-	
Date : 07.09.2007		(S. Ranganathan)	
Place : Hyderabad		Partner (M.No.22738)	

Profit & Loss account for the year ended 31st March 2007

(Rs. in Lakhs)

Particulars	Schedule reference	Current year	Previous year
INCOME			
Sale of coal			
Gross sales		441631.92	418965.19
Less: Statutory levies		62544.74	56054.67
Less: Transfer to Development		31.94	—
Net sales	01	379055.24	362910.52
Internal consumption of coal	02	1689.19	1574.80
Other Income	03	31637.31	33038.07
Increase/Decrease in stock	04	(-) 2831.08	6061.83
Total		<u>409550.66</u>	<u>403585.22</u>
EXPENDITURE			
Employees' Remuneration and other benefits	05	166780.08	162728.00
Consumption of Raw materials, Stores & Spares	06	37680.53	35635.77
Power & Fuel	07	18987.90	19930.07
Transportation charges	08	7396.67	5411.53
Repairs & Maintenance	09	11293.70	11875.04
Social Amenities	10	13349.48	14288.38
Interest	11	848.39	937.14
Provisions and Write-offs	12	2975.73	2258.24
Other Expenses	13	8336.97	5851.35
Contractual Expenses		4591.28	3341.23
Depreciation		21775.44	21260.59
Voluntary Retirement Compensation		9894.92	8603.55
Overburden Removal		114287.68	93651.75
Less : Transfers	14	20368.05	15436.88
Total		<u>397830.72</u>	<u>370335.76</u>
Profit for the year before prior period adjustments and taxation		11719.94	33249.46
Less: Prior Period Adjustments (Net)	15	1194.04	157.64
Less: Provision for Taxation			
a) Current		6873.22	12120.71
b) Deferred		-	1069.64
c) Fringe Benefit Tax		288.94	306.42
Add: Deferred Tax Credit		3745.78	-
Less: Income tax of earlier years		729.03	1131.64
Profit after Taxation		6380.49	18463.41
Add: Profit brought forward from previous year		17641.80	19059.79
Profit available for appropriations		24022.29	37523.20
APPROPRIATIONS			
Less: Transfer to General Reserve		10000.00	10000.00
Less: Proposed dividend		2079.84	8665.99
Less: Tax on proposed dividend		353.47	1215.41
Balance carried to Balance Sheet		11588.98	17641.80

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

	Sd/-	Sd/-	Sd/-
	(J.Rama Krishna)	(M.V.V. Subba Rao)	(E.V.Krishna Reddy)
	Company Secretary	Chief General Manager (F & A)	Director(Finance)
			Sd/-
			(S. Narsing Rao)
			Chairman & Managing Director
Date : 07.09.2007		As per our report of even date	
Place : Hyderabad		For M/s.RAJU & PRASAD	
		Chartered Accountants	
		Sd/-	
Date : 07.09.2007		(S. Ranganathan)	
Place : Hyderabad		Partner (M.No.22738)	

Schedule forming part of Balance Sheet as at 31st March 2007

SCHEDULE - A SHARE CAPITAL

(Rs. in Lakhs)

Particulars	Current year	Previous year
1. AUTHORISED		
180,00,00,000 Equity Shares of Rs.10/- each	<u>180000.00</u>	<u>180000.00</u>
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)	<u>173319.81</u>	<u>173319.81</u>
Total	<u>173319.81</u>	<u>173319.81</u>

SCHEDULE - B RESERVES & SURPLUS

(Rs. in Lakhs)

Particulars	Current year	Previous year
GENERAL RESERVE		
Opening balance	<u>30000.00</u>	20000.00
Additions during the year	<u>10000.00</u>	<u>10000.00</u>
	40000.00	30000.00
PROFIT & LOSS ACCOUNT		
Balance carried forward	<u>11588.98</u>	<u>17641.80</u>
Total	<u>51588.98</u>	<u>47641.80</u>

SCHEDULE TO BALANCE SHEET AS AT 31st MARCH 2007

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)	<u>66333.80</u>	<u>66333.80</u>
	66333.80	66333.80
B) FROM BANKS :		
1. CASH CREDIT FROM BANKS	4241.23	1035.71
(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	2464.05	2652.72
State Bank of Hyderabad, Hyderabad (Secured by pledge of APPFCL Bonds)		
Total	<u>73039.08</u>	<u>70022.23</u>

SCHEDULE TO BALANCE SHEET AS AT 31st MARCH 2007

SCHEDULE - D
CURRENT LIABILITIES AND PROVISIONS

(Rs. in Lakhs)

Particulars	Current year	Previous year
A) CURRENT LIABILITIES :		
Sundry Creditors		
Due to SSI (Note No.22)	206.49	112.49
Due to Subsidiary (APHMEL)	888.55	1069.68
Others (net of advances against SIT)	50304.70	73352.43
Advances and Deposits	29317.04	19973.97
Other liabilities	8882.11	6424.85
Provident Funds including Company's contribution and administrative charges	2745.44	2643.07
Pension recoveries	257.38	264.22
Family Benefit-cum-Insurance Savings Scheme accumulation(including interest accrued)	3655.76	3666.03
Production linked bonus & Special incentive	5416.42	5116.43
Shortages, damages and others	4.09	4.30
	101677.98	112627.47
B) PROVISIONS :		
For Taxation	33999.08	44126.24
For Gratuity and Leave encashment	42585.91	34139.68
For Proposed Dividend	2079.84	8665.99
Tax on Proposed Dividend	353.47	1215.41
Unclaimed Dividend	0.20	0.14
Reclamation of land	306.12	1278.42
Dimention in value of assets	1137.52	-
	80462.14	89425.88
Total	182140.12	202053.35

SCHEDULE TO BALANCE SHEET AS AT 31st MARCH 2007

SCHEDULE - E1

FIXED ASSETS

(Rs. in Lakhs)

	Gross Block				Depreciation					Net Block	
	As at 31.3.2006 (1)	Additions during the year (2)	Adjustments/ deductions during the year (3)	As at 31.3.2007 (4)	Up to 31.3.2006 (5)	for the year (6)	Adjustments/ deductions during the year (7)	Up to 31.3.2007 (8)	As at 31.3.2007 (9)	As at 31.3.2006 (10)	
1. Lands (Note-5):											
i) Freehold	9183.21	1586.85	311.94	11082.00	329.57	--	--	329.57	10752.43	8853.64	
ii) Leasehold	3210.67	2357.49	--	5568.16	1102.74	533.97	-325.19	1311.52	4256.64	2107.93	
2. Buildings:											
i) Factory	6694.14	626.98	-31.33	7289.79	2252.21	234.89	-17.72	2469.38	4820.41	4441.93	
ii) Others	43182.03	5921.12	-15.02	49088.13	8999.98	732.13	-7.64	9724.47	39363.66	34182.05	
3. Railway sidings	2439.85	25.91	21.24	2487.00	1629.94	66.54	5.62	1702.10	784.90	809.91	
4. Plant & Machinery	312074.24	24571.97	-11387.54	325258.67	208244.29	15583.77	-11094.73	212733.33	112525.34	103829.95	
5. Furniture & Fixtures	982.45	59.96	-4.95	1037.46	781.79	59.72	-3.79	837.72	199.74	200.66	
6. Mine development	70753.80	4141.04	-74.89	74819.95	32523.95	4531.71	-53.94	37001.72	37818.23	38229.85	
7. Vehicles	3280.87	127.99	-231.98	3176.88	2538.15	136.33	-213.47	2461.01	715.87	742.72	
Total	451801.26	39419.31	-11412.53	479808.04	258402.62	21879.06	-11710.86	268570.82	211237.22	193398.64	
Previous year's total	433684.86	32486.33	-14369.93	451801.26	252104.12	21363.86	-15065.36	258402.62	193398.64		

SCHEDULE TO BALANCE SHEET AS AT 31st MARCH 2007
SCHEDULE - E2

CAPITAL WORKS-IN-PROGRESS

(Rs. in Lakhs)

	Balance as at 31.3.2006	Additional expenditure during the year	Deletions/ adjustments during the year	Balance as at 31.3.2007
I. Buildings:				
a) Factory	259.92	643.76	633.48	270.20
b) Others	11749.74	9374.17	6028.66	15095.25
II. Railway sidings	-	47.15	47.15	-
III. Plant & Machinery (including in transit)	3373.39	25948.64	24642.60	4679.43
IV. Mine development	8563.70	5128.62	4187.47	9504.85
V. Vehicles	6.56	138.89	134.55	10.90
Total	23953.31	41281.23	35673.91	29560.63
Previous year's total	15052.43	41585.59	32684.71	23953.31

SCHEDULE TO BALANCE SHEET AS AT 31st MARCH 2007

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) NIL (Previous year 1548.80) 13.60% redeemable non-convertible APTRANSCO Bonds (Series I/99) of Rs.1.00 lakh each fully paid up.	—	1548.80
c) 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
d) 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
e) 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
f) 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
Aggregate market value Rs.28793.42 lakhs. (Previous year Rs.73343.52 lakhs)	28750.00	71398.80
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
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	29687.01	72335.81

SCHEDULE TO BALANCE SHEET AS AT 31st MARCH 2007

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	22885.81	18744.30
Less: Provision for Slow/Non-moving Obsolete Stores	<u>2759.40</u>	<u>2994.69</u>
	20126.41	15749.61
Stores-in-transit & under inspection	4160.00	7351.84
Stock of Coal	<u>8225.15</u>	<u>11056.23</u>
	32511.56	34157.68
II. Sundry Debtors - Unsecured		
a) Outstanding for over 6 months		
i) Considered good	771.58	833.11
ii) Considered doubtful	2831.83	2815.33
Less: Provision	<u>2831.83</u>	<u>2815.33</u>
b) Other debts considered good	<u>17747.24</u>	<u>13103.57</u>
	18518.82	13936.68
III. Cash and Bank balances		
i) Cash Balances:		
Cash and stamps on hand	9.43	9.48
Cheques and bank drafts on hand	—	1361.32
ii) Bank balances with Scheduled Banks		
In Current Accounts	2336.88	1809.28
In Deposit Account	<u>85000.60</u>	<u>84217.69</u>
Remittance in transit	87346.91	87397.77
IV. Other Current Assets		
Interest accrued on Investments	<u>3275.89</u>	<u>3270.75</u>
Total carried forward	<u>141653.18</u>	<u>138762.88</u>

SCHEDULE TO BALANCE SHEET AS AT 31st MARCH 2007

SCHEDULE - G

CURRENT ASSETS, LOANS & ADVANCES (Contd..)

(Rs. in Lakhs)

Particulars	Current year	Previous year
Total Brought Forward	141653.18	138762.88
B) LOANS & ADVANCES		
Unsecured considered good		
I. i) Advances recoverable in cash or in kind or for value to be received		
* Advances to Staff	2985.31	3069.83
Interest accrued on Loans, Advances and deposits	1041.09	1173.08
Advances against Purchases, Railway Sidings and others	618.61	1045.54
Miscellaneous Advances	3668.58	2014.61
Advance Tax including TDS	36678.95	45297.24
Pre-paid expenses	364.51	341.87
Advances and Loans to Subsidiary Company- M/s A P H M E L (Note No.11)	859.35	1602.38
Less: Provision	859.35	1602.38
ii) Deposits	7415.18	4239.13
Total	53631.58	58783.68
II. Unsecured - Considered Doubtful Advances against Purchases and others	320.80	355.60
Less: Provision	320.80	355.60
Total	195284.76	197546.56

Balance as on 31-3-2007	Maximum balance during 2006-07	Balance as on 31-3-2006	Maximum balance during 2005-06
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* a) Due from Directors	3.07	3.64	0.00	0.43
b) Due from officers of the Company	2.68	3.24	3.24	3.78

Schedule to Profit and Loss account for the year ended 31st March 2007

**SCHEDULE : 01
SALE OF COAL**

(Rs. in Lakhs)

Description	Current year	Previous year
Gross Sales:	441631.92	418965.19
Less: Statutory levies -		
Royalty	33737.20	31772.21
Stowing excise duty	3748.65	3530.34
APMBL cess	7497.16	4273.04
CST on Coal sales	4620.08	4050.97
VAT on Coal sales	12941.65	12428.11
Total levies	62544.74	56054.67
Basic value:	379087.18	362910.52
Less: Transfer to development	31.94	—
Net	379055.24	362910.52

**SCHEDULE : 02
INTERNAL CONSUMPTION OF COAL**

(Rs. in Lakhs)

Description	Current year	Previous year
Coal consumed at Collieries	1689.19	1574.80
Total	1689.19	1574.80

**SCHEDULE : 03
OTHER INCOME**

(Rs. in Lakhs)

Description	Current year	Previous year
Rents - Gross (TDS Rs.7.16 Lakhs)	345.99	332.57
Electricity & fuel	665.78	578.93
Water charges	55.08	76.80
Sand stowing and protective works assistance/subsidy	1922.32	1557.48
Weigh bridge rebate	53.15	48.34
Interest on investments (non-trade) Gross (TDS:Rs.1299.59 lakhs)	6858.51	12070.24
Interest on sundry debtors for coal, loans, advances & deposits Gross (TDS – Rs.1040.83 Lakhs)	5351.80	4710.13
Profit on sale of fixed assets	25.00	—
Surface coal transport charges	8419.46	6886.20
Miscellaneous receipts	5603.00	4032.29
Rapid loading & crushing charges	1189.47	997.12
Provisions and liabilities no longer required	1122.47	1747.97
Gain on exchange variation	25.28	—
Total	31637.31	33038.07

SCHEDULE : 04

INCREASE / DECREASE IN STOCK

(Rs. in Lakhs)

Description	Current year	Previous year
Closing stock of Coal	8225.15	11056.23
Less : Opening stock of Coal	11056.23	4994.40
Total	<u>(-) 2831.08</u>	<u>6061.83</u>

SCHEDULE : 05

EMPLOYEES REMUNERATION AND OTHER BENEFITS

(Rs. in Lakhs)

Description	Current year	Previous year
Gross wages:		
Salaries, wages and allowances (Note No. - 16)	129870.92	143373.30
CMPF including administrative charges	15179.81	14399.00
Attendance bonus	7581.70	7286.38
Production linked bonus/ performance linked reward	6113.33	3214.06
Gratuity	17526.13	4868.27
Workmen's compensation	185.62	212.41
Group insurance	169.29	224.17
Group personal accident insurance	2.45	2.43
C & MD & Directors' remuneration (Note No. - 14)	41.38	44.71
Life cover premia under gratuity scheme with LIC	462.52	422.41
	<u>177133.15</u>	<u>174047.14</u>
Less: Transferred to -		
Power & Fuel	578.07	514.83
Repairs & maintenance	4024.03	3505.84
Social Amenities	4762.84	4594.74
Development	988.13	2703.73
	<u>10353.07</u>	<u>11319.14</u>
Net	<u>166780.08</u>	<u>162728.00</u>

SCHEDULE : 06

CONSUMPTION OF RAW MATERIALS, STORES & SPARES

(Rs. in Lakhs)

Description	Current year	Previous year
Gross:		
Stores & Spares	37042.67	34900.89
Explosives	3888.81	4149.19
	40931.48	39050.08
Less: Transferred to -		
Power & Fuel	344.15	309.68
Repairs & maintenance	1149.88	1346.79
Social Amenities	775.06	871.07
Development	981.86	886.77
	3250.95	3414.31
Net	37680.53	35635.77

SCHEDULE : 07

POWER & FUEL

(Rs. in Lakhs)

Description	Current year	Previous year
Electricity purchased	15545.16	16868.79
Coal consumed	1753.98	1571.74
Salaries, wages and allowances (from Schedule-5)	578.07	514.83
Stores (from Schedule-6)	344.15	309.68
Depreciation	91.76	90.81
Other expenses	674.78	574.22
Total	18987.90	19930.07

SCHEDULE : 08

TRANSPORTATION CHARGES

(Rs. in Lakhs)

Description	Current year	Previous year
Coal transport charges	6209.30	4496.76
Sand transport charges	1187.37	914.77
Total	7396.67	5411.53

SCHEDULE : 09

REPAIRS & MAINTENANCE

(Rs. in Lakhs)

Description	Current year	Previous year
Maintenance charges on railway sidings	229.12	262.32
Buildings - Wages (transfer from Schedule-5)	1761.56	1589.38
- Stores (transfer from Schedule-6)	179.59	282.07
- Other expenses	3519.03	4469.82
Plant & Machinery - Wages (transfer from Schedule-5)	2262.47	1916.46
- Stores (transfer from Schedule-6)	970.29	1064.72
- Other expenses	2371.64	2290.27
Total	<u>11293.70</u>	<u>11875.04</u>

SCHEDULE : 10

SOCIAL AMENITIES

(Rs. in Lakhs)

Description	Current year	Previous year
Employees welfare expenses - Wages (transfer from schedule-5)	4762.84	4594.74
- Stores (transfer from schedule-6)	775.06	871.07
- Other expenses	5414.67	6339.86
Lumpsum/ Monthly Monetary Compensation for dependents	1125.14	1470.37
Grants to Singareni Collieries Educational Society	1271.04	1001.24
Expenditure on Company run Schools	0.73	11.10
Total	<u>13349.48</u>	<u>14288.38</u>

SCHEDULE : 11

INTEREST

(Rs. in Lakhs)

Description	Current year	Previous year
Interest on cash credit	215.13	13.51
Interest on others	633.26	923.63
Total	<u>848.39</u>	<u>937.14</u>

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007

SCHEDULE : 12

PROVISIONS AND WRITE-OFFS

(Rs. in Lakhs)

Description	Current year	Previous year
Bad and doubtful debts written off	694.09	14.93
Provision for obsolescence Stores	154.41	53.97
Provision for shortages & damages	—	2.71
Stores and spares written off	33.42	9.14
Advances written off	30.84	5.44
Assets written off	458.83	439.63
Provision for doubtful debts/ advances	59.24	62.52
Loss on soiled notes written off	—	0.01
Obsolete stores written off	389.71	388.87
Other losses written off	17.67	2.60
Provision for reclamation of land	—	1278.42
For diminution in value of assets	1137.52	—
Total	<u>2975.73</u>	<u>2258.24</u>

SCHEDULE : 13

OTHER EXPENSES

(Rs. in Lakhs)

Description	Current year	Previous year
Rents	41.16	7.01
Insurance	47.99	44.00
Rates & Taxes	309.58	308.85
Travelling expenses	387.73	360.85
Postage, telegrams and telephones	239.60	239.18
Legal expenses	73.33	65.57
Wagon cancellation and demurrage charges	53.61	97.43
Bank charges and commission	122.08	122.60
CISF Salaries and wages	1947.50	1946.47
Directors' travelling expenses	18.18	21.02
Auditors' remuneration	8.99	4.49
- Audit Fee	1.37	0.81
- Out of pocket expenses	0.39	0.05
- Other expenses-certifications / services	1.68	0.56
- Tax Audit		
Advertisements	444.02	546.60
Loss on sale of fixed assets	2.72	—
Research and development expenses	43.14	110.52
Other general expenses	4140.19	1481.84
Subscriptions to journals and periodicals	15.34	15.39
Printing and stationary	157.12	147.14
Expenditure on internal shunting of wagons	53.01	42.07
Computer maintenance and hire charges	12.61	25.19
Plantation expenditure	215.63	263.71
Total	<u>8336.97</u>	<u>5851.35</u>

SCHEDULE : 14

TRANSFERS

(Rs. in Lakhs)

Description		Current year	Previous year
Transfer to Development	- Overheads	322.68	454.58
	- Depreciation	228.60	16.00
Transfer to Overburden Removal	- Interest	147.30	175.24
	- Overheads	12584.94	7514.73
	- Depreciation	7055.56	7249.35
Expenditure allocated to Central Workshop		28.97	26.98
	Total	20368.05	15436.88

SCHEDULE : 15

PRIOR PERIOD ADJUSTMENTS (NET)

(Rs. in Lakhs)

Description		Current year	Previous year
Depreciation provided in the earlier years written back		343.22	6.74
Credits and adjustments pertaining to earlier years		151.63	611.89
Sales		—	13.55
	Total (A)	494.85	632.18
EXPENDITURE :			
Salaries, wages, bonus, ex-gratia, company contribution to PF W.C.		1503.94	95.11
Consumption of stores and spares		60.21	93.91
Coal transport bills		12.51	1.51
Depreciation		32.55	109.14
Power and fuel		7.50	2.38
Rates and taxes		0.72	12.89
Maintenance charges etc., on railway sidings		10.28	28.83
Coal stock adjustments		—	44.73
Welfare expenses		8.14	13.89
Interest		20.42	324.46
Other miscellaneous expenditure		32.62	62.97
	Total (B)	1688.89	789.82
	NET (A - B)	1194.04	157.64

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. Credit towards Powder factor is accounted as and when recovered from the suppliers of Explosives.
- e. Additional claims from contractors on Capital Works when claims are settled.
- f. Scrap on Realisation; and
- g. 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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- 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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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 in case of Renewal of leases.
 - From the year of possession in case of fresh leases.

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. A Trust has been established covering Gratuity liability of employees. The trust has taken a Master Policy from LIC of India. LIC's liability under the policy shall be to the extent of balance available in the fund. Provision is made for the difference between the Actuarial valuation and Fund Balance.
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.

SCHEDULE - I

NOTES FORMING PART OF THE ACCOUNTS

(Rs. in Lakhs)

Sl. No.	Particulars	For the year ended 31-3-2007	For the year ended 31-3-2006
1.	Contingent liability not provided in respect of: - Letter of Credit (Inland & Foreign)	6949.49	5133.73
2.	Claims against the Company not acknowledged as debts : i) 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) Demand from Divisional Forest Officer towards NPV for renewal of different mining leases. Out of total Demand of Rs. 13223.86 an amount of Rs. 3000.00 Lakhs was deposited by 31st March 2007 and case was filed in Supreme Court. iv) Others v) Profession Tax: Orders issued by Dept. of Revenue (CT-IV) of Govt. of AP vide Memo No. 14897/CT.IV/2004 dt.06.04.2006 for collection of profession tax from NCWA employees at pre-revised rates from 01-04-2006 have been kept in abeyance till June-2007 vide their Memo No. 14897/CT. IV/2004-2 dt.09.06.2006. vi) Demand from Commercial Taxes Department which are disputed and pending at various stages viz., ADC, Warangal, STAT, Hyderabad and A.P. High Court.	5982.33 Not Quantifiable 13223.86 4247.73 Not Quantifiable 1012.41	5982.33 Not Quantifiable 13223.86 7789.42 Not Quantifiable 208.28
3.	Claims in respect of suits filed by the pattadars for additional compensation for Acres: 10641, Guntas:22 (Previous year: Acres 6620 Guntas 29) contested by the Company and pending in Courts	Not Quantifiable	Not Quantifiable
4.	Estimated value of contracts remaining to be executed on Capital Accounts.	35294.17	40244.36
5.	a) Land Measuring Acres:1287, Guntas:08 (Previous year Acres 902 Guntas 11) shown under Fixed Assets have not been registered in the name of the Company. b) Value of Land Measuring Acres 423 Guntas16 (Previous year Acres: 490, Guntas:19) is in Company's possession not reflected in Accounts since acquisition proceedings are not completed.	Not Quantifiable Not Quantifiable	Not Quantifiable Not Quantifiable

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Sl. No.	Particulars	For the year ended 31-3-2007	For the year ended 31-3-2006
6.	Sundry Debtors Unsecured - Considered good include:		
	A. Coal Customers:		
	Dues recoverable from non-core Coal customers towards levy of 20% additional price in respect of which suits have been filed.	33.32	34.02
	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.	Nil	107.24
	ii) Input Tax Credit disputed by CT dept.,	Nil	128.00
7.	a) Income Tax Assessments up to the Assessment Year 2004-05 have been completed, while assessment for the Assessment Year 2005-06 have been provisionally completed.	—	—
	b) Sales tax assessments upto the Accounting Year 2003-04 have been completed.		
8.	a) Decrease in Fixed Assets on account of exchange rate difference on P&M acquired under foreign currency liability.	113.40	0
	b) Subsidy / Grants from Coal Controller are recognised based on estimated basis during the financial year.	3056.24	2205.63
	c) Provision for impairment on account of damage to Continuous Miner and One Shuttle Car is made after deducting 50% of FOB value of New Equipment as tentatively agreed to be reimbursed by the supplier.	1069.00	0
9.	a) Royalty on Closing Stock of Coal of 12.18 L.T (Previous year 14.13 L.T) will be transacted in Books on despatch of coal.	1096.00	1272.01
	b) APMBL Cess on Closing Stock of Coal of 12.18 LT's (Prev.year 14.13LT's) will be transacted in the Books on despatch of coal.	243.56	282.66
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 31.03.2007 not transacted in the books. However, an amount of Rs. 69.54 Lakhs (Previous Year Rs.4.74 Lakhs) received during the year accounted on receipt basis.	208.95	253.33

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Sl. No.	Particulars	For the year ended 31-3-2007	For the year ended 31-3-2006
12.	Company has taken a policy with LIC for payment of Gratuity to all its employees through a "Group Gratuity Scheme". Amount payable on account of actuarial valuation as on 31-03-2007 is grouped under Current Liabilities & Provisions in Schedule – D.	35746.20	26224.68
13.	<p>Deferred Tax Accounting – AS-22</p> <p>In compliance with Accounting Standard (AS-22) relating to 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India, the net Deferred Tax Liability as at 31st March, 2007 Comprises of the major components of deferred tax liabilities as under:</p> <p>(A) Deferred tax assets:</p> <p>Carry forward Capital Gain & Loss NIL 371.80</p> <p>Gratuity provision 12032.17 8827.23</p> <p>Other provisions 4543.34 4653.86</p> <p>VRS Amortisation 3125.41 1669.03</p> <p>Total (A) 19700.92 15521.92</p> <p>(B) Deferred Tax Liability:</p> <p>Depreciation 27647.19 29176.33</p> <p>Overburden Removal 4442.51 2480.15</p> <p>Total (B) 32089.70 31656.48</p> <p>Net Deferred Tax Liability (A-B) (-) 12388.78 (-) 16134.56</p> <p>Net Deferred Tax Asset of Rs. 3745.78 Lakhs (Previous year deferred tax liability of Rs. 1069.64) has been credited to Profit and Loss Account.</p>		
14.	<p>Details of Remuneration of the Chairman & Managing Director and whole time Directors:</p> <p>Salaries and allowances 37.32 37.34</p> <p>Contribution to PF, Pension 3.60 4.09</p> <p>Others 0.46 3.27</p> <p>Total 41.38 44.70</p>		
15.	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.		
16.	Pending finalisation of NCWA VIII wage agreement, effective from 01.07.2006 a provision of Rs. 13131 Lakhs and on account of Executives wage revision effective from 1.1.2007 Rs.605 Lakhs has been made on estimated basis.		

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17.	Incremental Liability towards VRS Rs.1459 lakhs being 2/3 of payment in respect of ex-employees (1/3 amortised in 2005-06) on account of NCWA-VII wage revision charged to prior period wages during the year 2006-07.
18.	The change in the accounting policy as regards amortisation of the cost of Lease Hold lands is made to clearly exhibit practice being followed by the company. However Capitalisation made prior to possession in a few cases were reviewed and corrected, which resulted in reversal of amortisation by Rs.325 Lakhs. Cumulative profit increased to that extent.
19.	During the year an amount of Rs.12664 Lakhs was charged to P&L account towards the difference between the accrued liability as per actuarial valuation and the fund balance to conform to AS 15. Profit for the year consequently decreased by Rs.12664 Lakhs.
20.	Balances of Sundry Creditors, Sundry Debtors, Advances, Deposits etc., are subject to confirmation, reconciliation and adjustments, if any.
21.	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.
22.	<p>Dues to Small Scale Units outstanding for more than 30 days at the date of the Balance Sheet comprise the following:</p> <p>Anand Mincons, ABC Electricals Pvt. Ltd., Action Construction Equipment (P) Ltd., Aditya Air Products Pvt. Ltd., Amko Mining & Drilling Engineers, Anjana Explosives Ltd., Bharat Mining & Drilling Engg., Bharat wire Rope, Chanda & Co. (P) Ltd., Cindrella Industries, Coastal Pneumatic Agencies, Computer India, Costal Pnumatic Agencies, Creative Engineers, Desaraj Industries, Eastern Fabriutech Pvt. Ltd., Ek KBurn Industries, Electroteknica Switch Gears Ltd., Essem Tools, Genuine Trade Centre, Godavari Explosives, Gowthami Explosives Pvt. Ltd., Hi-Tech Rota Equipment, India Casting Co., Industrial Allied Corp., Jujamore Industrial Products, Jujamore Industries, Kamineni Wires, Kollipara Electrodes Pvt. Ltd., Lipi Data Systems Ltd., M.P. Engineering Works, M.P. Engineering, Maharaja Cables, Mine Aid Products, Mine Line Pvt. Ltd., Minothi Engineering, Minoti Engineering Works, Narmada Engg. Co. Ltd., National Cement Corporation, Power Tap Mechanical Industries, Pragma Enterprises, Precision Components Hi-Tech Ltd., Quadrant Epp Surlon, Ramadevi Chemical Industries, Ramesh Engineering Works, Rishis Vishal Metals (P) Ltd., Rukmani Metals & Gaseous, S.R.R. Enterprises, Sri Vijaya Industries, Srinivasa Engg. Industries, Standard Industrial Engineering, Suncrest Industries, Union Asbestos & Allied Products, United Engg. Co., Vasudha Minerals, Vazra Tools, Vijaya Engineers, Vikranth Ropes (P) Ltd., Visakha Wire Ropes Ltd., Yudhan Marketing.</p>
23.	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.
24.	All fixed assets with Original Cost above Rs. 10 Lakhs and all additions thereto were physically verified and dealt in the books during 2005-06. Continuing our Scheme of Physical Verification of Assets in a phased manner, assets costing Rs.3 to 10 Lakhs were physically verified by respective Area Committees constituted for the purpose and the discrepancies, 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.

Contd...

25.	The stock of un-graded coal at pitheads is excluded from Measured stocks for valuation of closing stock. The same will be accounted as and when sold.		
26.	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. 1247.71 Lakhs (pre.year Rs.258.06 lakhs) was charged to P&L account under the head “Provisions and Write Offs”.		
27.	Provision of Rs. 288.94 Lakhs (Prev.Year Rs.306.42 Lakhs) towards Fringe Benefit Tax is provided on perquisites / expenditure as per legal advice obtained by the Company.		
28.	<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 S. Narsing Rao, C & M D, Shri R. H. Khwaja , C&MD, Other Directors: S/Shri J. V. Dattatreylulu, P. Vasudeva Rao , E. V. Krishna Reddy, K. Raghu N. Chary, D. L. R. Prasad, B. Venkateswar Rao, M. Subramanyam, 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>		
29.	Earnings per share (AS-20): (Basic and Diluted)	2006-07	2005-06
	a) Net Profit after Tax (Rs. Lakhs)	6380.49	18463.41
	b) Number of Ordinary Equity Shares (fully Paid-up)	173,31,98,119	173,31,98,119
	c) Earnings per Share (a/b)	Rs.0.37	Rs.1.06
30.	FSA agreement with APGENCO expired on 30.06.06 and the same is yet to be renewed. Pending renewal of the agreement penalties payable to APGENCO amounting Rs.745 Lakhs towards Grade variation in coal supplies for the period from 01.07.06 to 31.03.07 is provided in the accounts based on in-principle agreement by APGENCO for the revised % of grades.		
31.	Fixed Deposit Receipts received from contractors/ suppliers held with the Company as security not transacted in the Books.	(Rs. in Lakhs) 1876.05	1405.15
32.	An amount of Rs.117 Lakhs was recovered towards powder factor at RG OC-II from IEL and taken in to Books of accounts as per term of purchase order. A reference was made to arbitration by supplier.		
33.	Additional information pursuant to Paragraphs 3, 4C and 4D of the Part-II of the Schedule VI of Companies Act, 1956.		
	a) Licensed Capacity: Not applicable.		
	b) Installed Capacity: Coal: 345.35 L.Ts (Previous Year - 368.90 L.Ts) as certified by the Management.		

Contd...

SCHEDULE TO BALANCE SHEET AS AT 31st MARCH 2007

c) Quantitative details :				
	2006-07		2005-06	
	Quantity (Tonnes)	Value (Rs. in Lakhs)	Quantity (Tonnes)	Value (Rs. in Lakhs)
Opening Stock	1413349	11056.22	733526	4994.40
Production	37707227	—	36139302	—
	(3000)			
Turnover	37629185	380776.37	35446731	364485.32
	(145109)	(1721.13)		
Adjustments	(-) 273605	—	(-) 12748	—
Closing Stock	1217786	8225.15	1413349	11056.22

- 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.

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

Particulars	2006-07	2005-06
Stores & Spares	2760.42	1247.52

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

Particulars	2006-07	2005-06
Travelling Expenses	47.20	23.60
Consultancy Payments	201.85	53.51

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

Particulars	2006-07		2005-06	
	Amount	Percentage	Amount	Percentage
Imported	1913.30	4.38	949.26	2.27
Indigenous	41736.60	95.62	40939.32	97.73
Total	43649.90	100.00	41888.58	100.00

34. Cash flow statement (AS-3) for the year 2006-07: (Rs. in Lakhs)

Sl. No.	Particulars	2006-07	2005-06
A	CASH FLOW FROM OPERATING ACTIVITIES		
	Profit before tax and prior period adjustments	11719.94	33249.46
	Adjustments for:		
	Depreciation	21638.60	21335.40
	Interest income	-6858.51	-12070.23
	Exchange variation	-25.28	-
	Net Profit/Loss on sale of Assets	-22.28	-
	Interest expense	848.39	937.14
	Prior period adjustments	-1484.29	269.22
	Operating profit before working capital changes	14096.63	10471.53
		25816.57	43720.99

Contd...

Sl. No.	Particulars	2006-07	2005-06
	Adjustments towards changes in		
	Inventories	1646.12	-7481.43
	Sundry Debtors	-4582.14	-90.57
	Other Current Assets	-5.15	1775.28
	Loans & Advances	-7735.12	-10599.23
	Current Liabilities	-11921.79	33155.49
	Provisions for Gratuity & L.E.	8446.23	-608.55
	Provision for Diminution of assets & unclaimed		
	Dividend	1137.52	-
	Overburden Reserve	7057.27	3682.54
	Taxation	-17729.41	-7454.04
	Fringe Benefit Tax paid	-288.93	-306.42
		-23975.40	12073.07
	Cash flow from operating activities (A)	1841.17	55794.06
B	CASH FLOW FROM INVESTING ACTIVITIES		
	Increase in fixed assets (Net)	-39144.23	-33255.70
	Sale of Investments	42648.80	32743.60
	Decrease in capital Work-in-Progress	-5607.32	-8900.88
	Change in VRS Deferment	1060.23	-13162.11
	Cash flow from investing activities (B)	-1042.52	-22575.09
C	CASH FLOW FROM FINANCING ACTIVITIES		
	Decrease in Secured Loans	3016.85	-4606.28
	Interest income	6858.51	12070.23
	Interest expense incl. Prior period Interest	-868.81	-1261.60
	Exchange Variation	25.28	-
	Dividend paid	-8665.93	-8665.99
	Dividend Tax paid	-1215.41	-1215.41
	Cash flow from investing activities (C)	-849.51	-3679.05
D	Net increase in cash and cash equivalents (A+B+C)	-50.86	29539.92
E	Cash & cash equivalents at the beginning of the year	87397.77	57857.85
F	Cash & cash equivalents at the end of the year (D+E)	87346.91	87397.77
35.	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) Chief General Manager (F & A)	For and on behalf of the Board Sd/- (E.V.Krishna Reddy) Director(Finance)	Sd/- (S. Narsing Rao) Chairman & Managing Director
Date : 07.09.2007 Place : Hyderabad	As per our report of even date For M/s.RAJU & PRASAD Chartered Accountants		
Date : 07.09.2007 Place : Hyderabad	Sd/- (S.Ranganathan) Partner (M.No.22738)		

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	31.03.2007	CIN: U10102AP1920SGC000571

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
334652.03	334652.03

Sources of Funds

Paid-up Capital	Reserves & Surplus
173319.81	51588.98
Secured Loans	Reserve for OBR
73039.08	24315.38
Deferred Tax Liability (Net)	12388.78

Application of Funds

Net Fixed Assets (incl.Cap.WIP)	Investments
240797.85	29687.01
Net Current Assets	Misc. Expenditure
13144.64	13508.97
Advance action for OBR	
37513.56	

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

Turnover/Income	Total Expenditure
379055.24	397830.72
Profit Before Tax	Profit After Tax
11719.94	6380.49
Earnings per share (in Rs.)	Dividend rate (%)
0.37	1.20

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
Item Code No. (ITC Code)	270400.09
Product Description	COKE

**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, 2007
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, 2007	
(i) For the Subsidiary's financial year ended as aforesaid	Rs. 391.21 Lakhs.
(ii) For the Previous financial years of the subsidiary since it became the Holding Company's Subsidiary	Rs.1334.59 Lakhs.
(b) Dealt within the Holding Company's account for the year 31st March, 2007	
(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, 2007.	- 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)
Chief General Manager (F & A)

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

Sd/-
(S. Narsing Rao)
Chairman & Managing Director

Date : 07.09.2007
Place : Hyderabad.

SCHEDULE – J

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

(Rs. in Lakhs)

Particulars	2006-2007	2005-2006
A. TOWNSHIP		
1. Repairs & Maintenance	5646.06	6404.04
2. Sanitation	977.31	1271.18
3. Water Supply	2351.41	3075.73
4. Depreciation	637.05	976.04
	<u>9611.83</u>	<u>11726.99</u>
Less : Township Income	363.56	385.71
Water Charges	<u>55.08</u>	<u>78.36</u>
	418.64	464.07
Total (A)	<u>9193.19</u>	<u>11262.92</u>
B. OTHER SOCIAL OVERHEADS		
1. Medical Facilities	4134.32	4500.28
2. Expenditure on Social & Cultural activities, Clubs, Sports, Games etc.	178.38	184.62
3. Super Bazar	32.77	29.84
4. Schools & Colleges	1162.51	947.50
	<u>5507.98</u>	<u>5662.24</u>
Total (B)	<u>5507.98</u>	<u>5662.24</u>
Total (A) + (B)	<u>14701.17</u>	<u>16925.16</u>

NOTE: Expenditure relating to Township and Social Overheads included in the Profit & Loss Accounts 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)

30TH ANNUAL REPORT & ACCOUNTS 2006 – 2007

(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 B. Nagabhushana Rao, Managing Director	from 31-12-2002
Sri B.V.Rajeswara Rao, SBI Nominee	from 29-06-2006
Sri Y. Suryanarayana, APIDC Nominee	from 26-10-2004
Sri C.L. Srivastav	upto 30-09-2006
Sri Virendra Sawhney	from 17-03-2007
Sri G.V. Rami Reddy	from 23-03-2002
Sri Partha S Bhattacharyya	upto 04-11-2006
Sri Dilip Kumar Basu	from 23-06-2007
Sri N.V.V.N.M. Murali Rao	from 25-09-2004
Sri Juvva Seshagiri Rao	from 24-09-2005
Sri V.V. Koteswara Rao	upto 23-09-2006
Sri Kuchipudi Srinivasa Rao	from 23-09-2006

Company Secretary

Sri V. Venkateswara Rao

BANKERS

State Bank of India
Vijayawada - 520 007

PRODUCTION UNIT

20-2, Industrial Estate
VIJAYAWADA - 520 007

AUDITORS

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

VIZAG UNIT

A7-A10, Autonagar
VISAKHAPATNAM - 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 30th Annual General Meeting of the Members of the Company will be held on Saturday, the 29th day of September, 2007 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, 2007 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 G.V. Rami Reddy who retires by rotation and is eligible for re-election.
3. To appoint a Director in place of Sri N.V.V.N.M.Murali 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.

Dated: 23rd June, 2007.

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 22-09-2007 to 29-09-2007 (both days inclusive).

Note : 1. Shareholders other than SCCL and APIDC can send nominations for election of one post of Director before 5.00 P.M. on 14-09-2007.

2. DIN Application form, Proof of Identity, Proof of Residence and two passport photos shall be enclosed to such nomination form by the persons who do not possess permanent Director Identification Number. To consider the DIN application an amount of Rs.100/- is to be remitted to MCA at Authorized Bank.

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 30th Annual Report of your Company together with the Audited Accounts for the financial year ended 31st March, 2007.

The Company recorded a Net Profit of Rs. 479.78 Lakhs during the current financial year i.e. 2006-07 as against Rs. 1581.96 Lakhs during the previous year. With the patronisation 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 the production of Rs. 5220.38 lakhs only against its targeted production of Rs.7200 lakhs due to changes in delivery schedules as well as non-release of expected orders from the customers during the financial year under review.

REVIEW OF FINANCIAL RESULTS & PRESENT SCENARIO

The summarised financial results are as under:

(Rupees in lakhs)

Description	2006-07	2005-06
Turnover of the Company	5196.79	6453.21
Gross Profit (+) / Loss (-) before interest and depreciation	932.52	1677.37
Interest	61.51	83.50
Depreciation	16.15	14.83
Profit for the year before charging provisions	854.86	1579.04
Net Profit for the year after charging prior period adjustments and provisions	726.63	1600.51
Profit after Deferred tax	479.78	1581.96

The net profit for the financial year under review is Rs.479.78 lakhs against a profit of Rs.1581.96 lakhs of the previous year. The earning of profit by the Company was possible due to 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 5-9-2005 has set aside the winding up orders issued by the BIFR and remanded the case to the BIFR. The Hon`ble Bench has directed the Company to submit Audited Balance Sheet for the financial year 2005-06 alongwith Net worth position of the company as on 31-03-2006 duly certified by the Statutory Auditors within a period of 15 days and further it has also directed the State Bank of India to forward the updated Modified Draft Rehabilitation Scheme by incorporating the final figures for the financial year 2005-06 vide its Lr.No.18(4)/20/B-IV/BIFR/Mon-II/96 dated:10-01-2007. Accordingly the Company submitted the Audited Balance Sheet for the year 2005-06 and Net worth Certificate as on 31-03-2006 duly certified by the Statutory Auditors vide our Lr.No.APHMEL/MD/2007/3393 Dated:23-01-2007 to the Hon`ble BIFR. The Company had been informed by the State Bank of India, SAM Branch that it has submitted updated Modified Draft Rehabilitation Scheme vide their Ir. No. SAMB:JKR:1929 dated:06-02-2007 to the Hon`ble BIFR. Further 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 8-5-2006 with the scope of "Design, Development, Manufacture and supply of Engineering equipment for Mining, Chemical, Power, Material Handling, Machine Tools and other Allied Industries".

NEW EQUIPMENT MANUFACTURED DURING THE YEAR

The Company manufactured 20 Nos. of 37 KW Direct Haulers and 1 No. of 2 x 200 KW Drive Head. These were supplied to the Singareni Collieries Company limited and working satisfactorily.

The company manufactured Powered Roof Support and sent for testing at Jessop, Calcutta.

FUTURE OUTLOOK

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

Order for Cars drawn by a Diesel Locomotive is received during the year. These Cars are designed and are being manufactured.

For the first time we have received order for manufacturing of L.P. Side wall and L.P. outer Casing from BHEL, Hyderabad.

Received enquiries for repair and replacement of various equipment at Barouni Thermal Station Coal handling Plant and Mill reject handling system at NALCO, Angule.

CONTRIBUTION TO EXCHEQUER

During the year under review, the Company contributed an amount of Rs.963.89 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.

		2006-07	2005-06
A) Units (KWH) Annual Consumption	:	1181991	1291393
B) Turnover (Rupees in lakhs)	:	5196.79	6453.21

There is decrease in no. of units consumed to the extent of 8.47% due to decrease in turnover.

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 30-06-2007 the total number of employees is 556. 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 V.V. Koteswara Rao, Director , retired by rotation on 23-09-2006, Sri Kuchipudi Srinivasa Rao was elected as Director of the Company by the share holders at its 29th A.G.M. held on 23-09-2006.

Sri C.L. Srivastav retired from service due to superannuation on 30-09-2006. In his place Sri Virender Sawhney Director (Technical) Operations has been nominated by the South Eastern Coalfields Limited, Bilaspur and appointed on 17-03-2007 as part-time Director as per the recommendation made by the Singareni Collieries Company Limited. Further Sri Partha S. Bhattacharyya resigned on 04-11-2006 from the Board of directors of the Company. In his place Sri Dilip Kumar Basu Director (Technical) Operations has been nominated by the Bharat Coking Coal Limited, Dhanbad as part-time Director as per the recommendation made by the Singareni Collieries Company Limited.

The Board of Directors placed on record its appreciation of the services rendered to the company by Sri Partha S. Bhattacharyya, Sri C.L. Srivastav and Sri V.V. Koteswara Rao during their tenure as Directors on the Board.

Sri G.V. Rami Reddy is due to retire by rotation and is eligible for re-election.

Sri N.V.V.N.M. Murali Rao, is due to retire by rotation and is eligible for re-election in the 30th Annual General Meeting.

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. Nagabushana Rao, Managing Director, MEMBER
3. Sri Juvva Seshagiri Rao, MEMBER

Four 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 2006-07.

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. Nagabushana Rao)
Chairman	Managing Director

Registered Office:
KONDAPALLI - 521 228
Krishna District.
Dated 21.07.2007

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)	11,81,991	12,91,393
	Total amount (Rs.)	56,00,852	62,60,856
	Rate/Unit (Rs./KWH)	4.74	4.85
	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.) } Average rate (Rs.) }	Not applicable	Not applicable
3.	Furnace oil		
	Quantity (K. Litres) } Total amount (Rs.) } Average rate (Rs.) }	Not applicable	Not applicable
4.	Other/Internal generation		
	Quantity } Total cost (Rs.) } Rate/Unit }	Not applicable	Not applicable

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 manufactured and supplied to the Singareni Collieries Company Limited.

2. Contributions of R&D

1. Development of machinery and process required for producing fuel from Solid waste
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. Upgraded Road Headers
- b. Mill Reject Handling System
- c. Hammer Mill & Pelletizing Press.

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.38,24,256/- 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/-

(E. Raja Rao)
Chairman

Sd/-

(B. Nagabhushana Rao)
Managing Director

Registered Office:
KONDAPALLI-521 228,
Krishna District.
Dated 21.07.2007

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 AND ENGINEERING LIMITED, KONDAPALLI, VIJAYAWADA FOR THE YEAR ENDED 31 MARCH 2007.

The preparation of financial statements of Andhra Pradesh Heavy Machinery & Engineering Limited, Kondapalli, Vijayawada for the year ended 31st March 2007 in accordance with financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act 1956 based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 21.7.2007.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of Andhra Pradesh Heavy Machinery & Engineering Limited, Kondapalli, Vijayawada for the year ended 31st March 2007. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under Section 619(4) of the Companies Act, 1956, which have come to my attention and which in my view, are necessary for enabling a better understanding of the financial statements and the related Audit Report.

Application of Funds

Current Assets, Loans and Advances

1) Sundry Debtors (Schedule 6) Rs.13.53 crore

The above includes Rs.11.07 lakh (the differential rate of CST – Rs.7.26 lakh and price variation claim – Rs.3.82 lakh) disallowed by M/s.Western Coalfields Limited (customer), Nagpur in respect of materials supplied by the company. As the disallowance was as per the terms and conditions of the Purchase Order placed by the customer, the amounts are irrecoverable and should have been charged to profit & loss account.

Accounting of irrecoverable amounts as debtors has resulted in overstatement of sundry debtors and overstatement of profit by Rs.11.07 lakh.

Current Liabilities and Provision

2) Provisions (Schedule 7) Rs.3.83 crore

This does not include Rs.2.72 crore being the difference between present value of gratuity liability (Rs.5.85 crore) for past services as on 31 March 2007 as intimated by LIC and the value of balance fund available with LIC together with the provision made in accounts (Rs.3.13 crore) which is contrary to the Accounting Standard 15.

This has resulted in understatement of provision for gratuity by Rs.2.72 crore and overstatement of profit by similar amount.

3) Deferred Tax Asset: Rs.20.29 lakh

This is overstated by Rs.17.65 lakh due to addition of balance Provision for Warrantly (Rs.16.13 lakh), which was already taken as expenditure in previous year, for calculating Deferred Tax Asset(DTA) for the current year and also due to incorrect application of Tax rate of 33.9966% applicable for the assessment year 2008-09 (Rs.1.52 lakh) instead of 33.66% applicable from the assessment year 2007-08. Consequently, the profit for the year is also overstated by Rs.17.65 lakh.

For and on behalf of the
Comptroller and Auditor General of India
Sd/-
(P.J.Mathew)
AG (C&RA), Andhra Pradesh

Date: 27.9.2007
Place: Hyderabad.

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 AND ENGINEERING LIMITED, KONDAPALLI, VIJAYAWADA FOR THE YEAR ENDED 31 MARCH 2007.

Application of Funds

Current Assets, Loans and Advances

1) Sundry Debtors (Schedule6) Rs.13.53 crore.

The above includes Rs.11.07 lakh (the differential rate of CST – 7.26 lakh and price variation claim – Rs. 3.82 lakh) disallowed by M/s Western Coalfields Limited (customer), Nagpur in respect of materials supplied by the company. As the disallowance was as per the terms and conditions of the Purchase Order placed by the customer, the amounts are irrecoverable and should have been charged to profit & loss account.

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For and on behalf of the Comptroller &
Auditor General of India

Sd/-

(P.J. Mathew)

Accountant General (C & RA)

Andhra Pradesh

Date: 27.9.2007

Place: Hyderabad.

REPLIES OF THE MANAGEMENT FORMING PART OF THE DIRECTORS' REPORT TO THE SHAREHOLDERS

The customer has been requested for issuing an amendment to the Purchase Order for enhancing the CST from 2% to 4% as per the changes made in the Act. Approval for the above request is yet to be received.

Basing on the outcome of the correspondence being made, necessary action would be taken in the financial year 2007-08 for making provision/ writing off.

Provision would be made in the books during the financial year 2007-08, duly considering the accrued gratuity liability as on 31.3.2008.

The company has measured the Deferred Tax Asset taking the liabilities existing as on the date of the Balance Sheet as at 31.3.2007 and applied the enacted rates as on the Balance Sheet date and has provided for the Deferred Tax Asset.

For and on behalf of the Board

Sd/-

(B.Nagabhushana Rao)

Managing Director

AUDITOR'S REPORT**REPLIES OF THE MANAGEMENT**

To

The Members

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, 2007, 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 mis-statement. 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.
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
- c. The Balance Sheet, Profit & Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account.
- d. *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 this standard, in our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow statement comply with the Accounting standards referred to in sub-Sec (3C) of Sec.211 of the Companies Act, 1956.
- e. On the basis of the written representations received from the Directors, as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 from being appointed as Director in terms of clause (g) of sub-section (1) of sec.274 of the Companies Act, 1956 on the said date.

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,

The comment with regard to impairment of assets is noted for compliance in the financial year 2007-08.

AUDITORS' REPORT (Contd..)

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 2007.
- 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)

For and on behalf of the Board

Sd/-
(B. Nagabushana Rao)
Managing Director

Place: Vijayawada
Date : 21.07.2007

ANNEXURE TO THE AUDITORS' REPORT

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

REPLIES OF THE MANAGEMENT

- (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 of inventories and noticed*

ANNEXURE TO THE AUDITORS' REPORT (Contd..)

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

that inventories as per book records (Financial records) are more by Rs.97.15 lakhs(Stocks less in Financial books Rs.1,40,47,042/- LESS Stocks excess in Financial books Rs.2,37,61,584/- Net excess in Financial books Rs.97,14,542/-). This year, the Company has written off Rs.97.15 lakhs as consumption pertaining to earlier years.

- (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 section 58A, 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..)

- (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 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		

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 less than 50% of its net worth. 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 2006-07.
- 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 assets 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 : 21-07-2007

REPLIES OF THE MANAGEMENT (Contd..)

STATEMENT ON ACCOUNTING POLICIES OF THE COMPANY FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDING 31ST MARCH, 2007

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

- i) Stores & Spares are valued on Weighted Average basis.
- ii) Finished goods and work-in-progress are valued at lower of cost or market value which ever is less.
- iii) 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. RETIREMENT BENEFITS

- i) Contribution to Provident Fund accounted on accrual basis.
- ii) Earned leave benefits are accounted on accrual basis.
- iii) The liability for gratuity to employees covered under the Group Gratuity Scheme with the Life Insurance Corporation of India. The annual premium is debited to profit and loss account.

8. AUDIT EXPENSES

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

Balance Sheet as at 31st March 2007

	Schedule No.	As at 31.3.2007		As at 31.3.2006	
		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	3,18,87,249		2,90,32,691	
Unsecured Loans	3	6,23,35,196		7,60,48,806	
			9,42,22,445		10,50,81,497
Total			26,69,40,685		27,77,99,737
APPLICATION OF FUNDS:					
FIXED ASSETS:					
Gross Block		14,92,43,622		14,75,07,463	
Less: Accumulated Depreciation		12,28,24,509		12,13,03,502	
Net Block	4		2,64,19,113		2,62,03,961
Capital work-in-progress	5		7,65,528		-
Deferred Tax Asset			1,52,81,114		1,32,52,513
CURRENT ASSETS, LOANS AND ADVANCES					
Interest accrued but not due on deposits	6(i)	2,09,574		2,09,643	
Inventories	6(ii)	17,32,69,583		16,54,66,255	
Sundry debtors	6(iii)	13,53,24,571		12,34,79,272	
Cash & Bank Balances	6(iv)	64,90,564		63,31,167	
Loans & Advances	6(v)	1,70,06,361		1,64,60,921	
		33,23,00,653		31,19,47,258	
Less: Current Liabilities & Provisions:					
Liabilities	7	11,04,35,494		12,42,96,493	
Provisions	7	3,82,85,031		3,81,80,565	
		14,87,20,525		16,24,77,058	
Net Current Assets			18,35,80,128		14,94,70,200
Profit & Loss Account			4,08,94,802		8,88,73,063
Total			26,69,40,685		27,77,99,737
Notes to Accounts	18				

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: 21.07.2007

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

VIJAYAWADA,
Date: 21.07.2007

(M.Krishna Murty)
Partner (M.No.10572)

Profit & Loss account for the year ended 31st March 2007

	SCHEDULE No.	CURRENT YEAR 2006-07 Rs.	PREVIOUS YEAR 2005-06 Rs.
INCOME			
Gross Sales		56,61,94,887	73,42,09,575
Less : Excise Duty		4,65,15,911	8,88,88,119
Sales	8	51,96,78,976	64,53,21,456
Other Income	9	75,02,046	1,02,29,219
		52,71,81,022	65,55,50,675
EXPENDITURE			
Raw Materials Consumed (Net)	10	31,47,53,053	38,15,73,354
Payments & Benefits to Employees	11	8,68,01,071	7,95,16,182
Manufacturing, Administrative & Other Expenses	12 & 13	3,69,17,650	4,54,94,133
Interest	14	61,51,295	83,50,235
Depreciation	4	16,14,525	14,83,081
Total Expenditure		44,62,37,594	51,64,16,985
Less : Increase in Stocks	15	45,42,750	1,87,69,926
		44,16,94,844	49,76,47,059
Profit before extraordinary items		8,54,86,178	15,79,03,616
Add : Provisions withdrawn		13,32,780	30,77,911
		8,68,18,958	16,09,81,527
Less : Provisions	16	44,41,319	0
		8,23,77,639	16,09,81,527
Less : Prior Period Adjustments (Net)	17	97,14,542	9,30,083
		7,26,63,097	16,00,51,444
Less : Provision - Current Tax		2,65,75,292	1,51,66,803
Fringe Benefit Tax		1,38,145	1,31,824
Net profit for the year		4,59,49,660	14,47,52,817
Add : Deferred tax asset		20,28,601	1,34,43,172
Profit after deferred tax		4,79,78,261	15,81,95,989
Loss as per last Balance Sheet		8,88,73,063	24,70,69,052
Loss carried to Balance Sheet		4,08,94,802	8,88,73,063

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: 21.07.2007

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

VIJAYAWADA,
Date: 21.07.2007

(M.Krishna Murty)
Partner (M.No.10572)

SCHEDULE No.1
SHARE CAPITAL

	CURRENT YEAR 2006-07 Rs.	PREVIOUS YEAR 2005-06 Rs.
AUTHORISED		
2,00,00,000 Equity Shares of Rs.10/- each	20,00,00,000	20,00,00,000
	<u>20,00,00,000</u>	<u>20,00,00,000</u>
ISSUED CAPITAL		
1,73,01,710 Equity Shares of Rs.10/- each	17,30,17,100	17,30,17,100
	<u>17,30,17,100</u>	<u>17,30,17,100</u>
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 2006-07 Rs.	PREVIOUS YEAR 2005-06 Rs.
1. Cash Credit(*) State Bank of India	3,18,87,249	2,35,32,691
2. Working capital loan from State Bank of India	0	55,00,000
Total	<u>3,18,87,249</u>	<u>2,90,32,691</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 2006-07 Rs.	PREVIOUS YEAR 2005-06 Rs.
1. Interest free loan from M/s.SCCL	2,38,00,300	2,98,00,300
2. Interest bearing loan from M/s.SCCL	2,40,00,000	3,00,00,000
3. Interest accrued & due on SCCL Loan	45,34,896	62,48,506
4. Interest free loan from Govt., of A.P towards VRS	1,00,00,000	1,00,00,000
Total	<u>6,23,35,196</u>	<u>7,60,48,806</u>

SCHEDULE No.4
SCHEDULE OF FIXED ASSETS

Sl. No.	Description	Gross Block			Depreciation			Net Value			
		As on 1.4.2006 Rs.	Additions during the year Rs.	Adjustments Rs.	As on 31.3.2007 Rs.	Up to 31.3.2006 Rs.	During the year Rs.	Adjustments Rs.	Up to 31.3.2007 Rs.	As on 31.3.2007 Rs.	As on 31.3.2006 Rs.
1.	Land	42,51,720	--	--	42,51,720	--	--	--	--	42,51,720	42,51,720
2.	Roads & Buildings	3,29,23,983	--	--	3,29,23,983	2,08,41,794	9,01,271	--	2,17,43,065	1,11,80,918	1,20,82,189
3.	Plant & Machinery										
a)	Indigenous	6,00,89,174	--	--	6,00,89,174	5,45,40,508	2,15,722	--	5,47,56,230	53,32,944	55,48,666
b)	Imported	2,99,97,679	--	--	2,99,97,679	2,84,97,796	--	--	2,84,97,796	14,99,883	14,99,883
4.	Furniture & Fixtures	16,90,760	1,12,566	--	18,03,326	13,36,920	60,400	--	13,97,320	4,06,006	3,53,840
5.	Office equipment	10,61,332	1,40,344	--	12,01,676	9,09,349	21,501	--	9,30,850	2,70,826	1,51,983
6.	Vehicles	10,42,858	2,93,905	1,08,546	12,28,217	5,13,802	55,604	93,518	4,75,888	7,52,329	5,29,056
7.	Other fixed assets	1,64,49,957	12,97,890	--	1,77,47,847	1,46,63,333	3,60,027	--	1,50,23,360	27,24,487	17,86,624
	Total	14,75,07,463	18,44,705	1,08,546	14,92,43,622	12,13,03,502	16,14,525	93,518	12,28,24,509	2,64,19,113	2,62,03,961
	Previous year	14,63,16,996	13,30,197	1,39,730	14,75,07,463	11,99,53,165	14,83,081	1,32,744	12,13,03,502	2,62,03,961	2,63,63,831

SCHEDULE No.5
CAPITAL WORK-IN-PROGRESS

	Current Year 2006-07 Rs.	Previous Year 2005-06 Rs.
Construction of Compound wall	7,65,528	0
Total	<u>7,65,528</u>	<u>0</u>

SCHEDULE NO. 6
CURRENT ASSETS, LOANS AND ADVANCES

	Current Year 2006-07 Rs.	Previous Year 2005-06 Rs.
i) Interest accrued but not due on Deposits	2,09,574	2,09,643
Total (i)	<u>2,09,574</u>	<u>2,09,643</u>
ii) INVENTORIES		
Certified by the Management		
Raw materials	3,50,16,549	3,84,41,561
Boughtout items	6,80,99,736	5,72,49,083
Stock items	69,61,632	61,65,522
Maintenance material	9,16,529	3,19,338
Gases	1,22,876	5,31,107
Paints	2,01,775	2,90,372
Electrodes	21,31,109	11,29,390
Spares	19,95,093	21,56,228
Tools	35,44,038	33,04,199
Scrap	36,08,917	14,25,128
Work-in-progress	5,09,42,638	5,15,21,216
Finished goods	19,50,000	34,58,699
	<u>17,54,90,892</u>	<u>16,59,91,843</u>
Less : Provn. for non-moving items & Finished Goods	22,21,309	5,25,588
Total (ii)	<u>17,32,69,583</u>	<u>16,54,66,255</u>
iii) SUNDRY DEBTORS		
Unsecured		
1. Outstanding for a period exceeding six months		
Considered good	4,12,90,159	2,43,58,044
Considered doubtful	16,25,371	0
	<u>4,29,15,530</u>	<u>2,43,58,044</u>
Less : Provision	16,25,371	0
	<u>4,12,90,159</u>	<u>2,43,58,044</u>
2. Other debts considered good	9,40,34,412	9,91,21,228
Total (iii)	<u>13,53,24,571</u>	<u>12,34,79,272</u>

Contd...

SCHEDULE No. 6 (contd.)

CURRENT ASSETS, LOANS AND ADVANCES

	Current Year 2006-07 Rs.	Previous Year 2005-06 Rs.
iv) CASH AND BANK BALANCES		
1. Cash on hand (*)	1,97,773	1,07,045
2. Balances with scheduled banks		
- In current accounts	20,57,232	19,88,563
- In fixed deposits (\$)	42,35,559	42,35,559
Total (iv)	64,90,564	63,31,167
v) LOANS AND ADVANCES		
A) LOANS	---	---
B) ADVANCES		
(Recoverable in cash or kind or for value to be received)		
Advances for purchase of materials	1,02,24,397	81,31,362
Less : Provision for doubtful advances	28,31,892	22,37,253
	73,92,505	58,94,109
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	21,788	36,049
Advances for revenue expenses	3,865	2,041
Advances to others	4,60,826	24,84,131
Deposits with outside authorities	49,58,165	49,57,465
Prepaid expenses	5,86,622	5,54,117
Advance Income Tax & TDS (After current year tax provision)	18,90,203	18,22,643
Works contract tax deducted at source	9,82,021	0
Total (v)	1,70,06,361	1,64,60,921
Grand Total (i to v)	33,23,00,653	31,19,47,258

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

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

SCHEDULE No. 7

CURRENT LIABILITIES & PROVISIONS

	Current Year 2006-07 Rs.	Previous Year 2005-06 Rs.
A) CURRENT LIABILITIES		
Creditors for materials	3,29,51,848	4,93,19,272
Creditors for capital items	17,190	15,639
Creditors for contractors	7,28,910	8,30,045
Creditors for Transportation	8,09,188	6,23,457
Advance from customers	56,23,348	24,90,751
Deposit from suppliers & contractors	59,15,519	42,26,605
Outstanding liability for expenses	5,33,09,656	5,62,07,807
Other liabilities	1,10,44,431	1,05,47,513
Share deposit suspense (@)	11,954	11,954
Share deposit refundable	23,450	23,450
Total (A)	<u>11,04,35,494</u>	<u>12,42,96,493</u>
B) PROVISIONS		
For Gratuity .	1,97,59,042	2,00,85,398
For E.L	1,16,61,807	1,19,64,402
For Current Tax	15,19,487	0
For FBT	21,122	0
For VTPS deposit	5,30,765	5,30,765
For Maintenance	47,92,808	56,00,000
Total (B)	<u>3,82,85,031</u>	<u>3,81,80,565</u>
Grand total (A+B)	<u>14,87,20,525</u>	<u>16,24,77,058</u>

(@) Represents the amount for which depositorwise details are not available.

SCHEDULE No.8

INCOME FROM SALE OF PRODUCTS AND SERVICES

	Current Year 2006-07 Rs.	Previous Year 2005-06 Rs.
Sale of Machinery / work done on outside orders	46,97,43,337	60,80,60,979
E-1 Sale	5,36,49,477	3,82,10,477
Total	<u>52,33,92,814</u>	<u>64,62,71,456</u>
Less: Sales returns current year	20,80,238	0
Sales returns earlier years	16,33,600	9,50,000
Total	<u>51,96,78,976</u>	<u>64,53,21,456</u>

SCHEDULE No.9

OTHER INCOME

	Current Year 2006-07 Rs.	Previous Year 2005-06 Rs.
Packing, forwarding and freight charges	22,71,011	51,37,341
Sale of scrap	26,21,592	37,46,432
Interest on deposits (Fixed Deposits) *	2,29,991	2,11,984
Interest on deposits**	91,824	91,824
Interest on Income tax refund	3,066	—
Sale of tender schedules	10,910	—
Rent received***	74,400	—
Miscellaneous receipts	21,99,252	10,41,638
Total	75,02,046	1,02,29,219

* An amount of Rs.74,103/- (Previous year Rs. 43,410/-) included towards TDS.

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

*** An amount of Rs. 16,696/- (Previous year NIL) included towards TDS.

SCHEDULE No.10

RAW MATERIALS CONSUMED

	Current Year 2006-07 Rs.	Previous Year 2005-06 Rs.
Raw materials	16,36,19,366	21,15,31,080
Boughtout items	8,45,39,345	13,62,48,774
Stock items	50,84,217	83,77,765
Maintenance materials	3,56,154	10,36,041
Consumable materials	91,84,566	93,91,849
Tools	18,79,421	23,76,776
E-1 Sales	5,00,89,984	2,93,56,140
	31,47,53,053	39,83,18,425
Less: Relief under CENVAT Scheme	—	1,03,53,946
Relief under VAT Scheme	—	63,91,125
Total	31,47,53,053	38,15,73,354

SCHEDULE No.11

PAYMENTS AND BENEFITS TO EMPLOYEES

	Current Year 2006-07 Rs.	Previous Year 2005-06 Rs.
Salaries, wages and bonus	6,91,88,151	6,44,65,737
Employer's contribution towards :		
- Employees State Insurance	10,58,824	2,20,525
- Provident Fund	17,69,131	15,37,952
- Family Pension Scheme	35,76,888	35,46,495
- Group Gratuity Assurance Scheme	70,02,985	60,33,144
- Deposit Linked Insurance Scheme	2,24,920	2,13,029
Administrative charges on PF Trust	85,467	80,950
- Death Relief Payments	30,000	1,50,000
Staff welfare expenses	33,91,813	28,84,822
Rent for Residential Accommodation to officials	4,61,481	3,83,528
Workmen Compensation	11,411	0
Total	8,68,01,071	7,95,16,182

SCHEDULE No.12
MANUFACTURING, ADMINISTRATIVE & OTHER EXPENSES

	Current Year 2006-07 Rs.	Previous Year 2005-06 Rs.
MANUFACTURING EXPENSES		
Sub-contracts	1,00,55,601	96,64,385
Erection & Commissioning Charges	1,00,000	2,83,410
Electricity charges : Power	56,00,852	62,60,856
Patterns written off	1,35,062	1,84,753
ADMINISTRATIVE EXPENSES		
Directors' travelling	98,475	1,01,929
Directors' sitting fees	11,000	13,750
Directors' incidentals	1,500	1,875
Board meeting expenses	8,098	3,574
Annual general body meeting expenses	1,81,635	1,76,552
Printing & stationery	4,58,399	5,36,603
Postage & telegrams	1,14,498	1,07,986
Telephone & telex charges	2,37,240	2,44,215
Travelling & conveyance charges	10,82,415	9,87,960
Electricity charges : Lighting	70,727	50,014
General freight charges	40,40,565	94,94,308
Packing charges	949	0
Professional charges	17,500	6,857
Advertisement & publicity	2,03,247	46,158
Auditors remuneration :		
Audit Fees	27,060	16,530
Tax Audit	11,224	6,612
Others	47,723	18,969
OTHER EXPENSES		
Clearing charges	0	3,185
Rent	73,632	73,632
Insurance	3,80,993	3,35,589
Handling charges	0	43,439
Repairs and maintence : Buildings	12,96,371	12,00,706
Machinery	14,61,594	47,12,493
General	22,314	87,919
Maintenance charges	13,32,020	11,49,819
Vehicle maintenance	5,22,002	5,69,086
Bank charges and guarantee commission	8,79,156	8,78,480
Sales Tax	4,57,671	57,357
Excise duty	5,65,470	0
Consultancy charges	1,66,709	79,844
Miscellaneous expenses (as per Schedule13)	72,55,948	80,95,288
Total	3,69,17,650	4,54,94,133

SCHEDULE No.13

MISCELLANEOUS EXPENSES

	Current Year 2006-07 Rs.	Previous Year 2005-06 Rs.
Conference, seminar & training	44,026	23,350
Rates & taxes	1,98,784	4,91,007
Miscellaneous expenses	4,17,574	15,74,812
News papers and periodicals	6,310	9,041
Legal expenses	80,477	32,350
General expenses-testing charges	51,387	1,81,787
Filing fee	5,103	2,414
Entertainment	70,855	45,729
Non moving items written off	44,46,238	28,06,817
Liquidated damages (SCCL)	10,58,460	28,94,118
Rework / Rectification expenses on sales	8,16,829	2,000
Tender Documents	8,966	11,020
Computer Maintenance Charges	22,943	13,299
Computer Software Charges	27,996	1,960
E-Procurement Transaction Fees	0	5,584
Total	72,55,948	80,95,288

SCHEDULE No.14

INTEREST

	Current Year 2006-07 Rs.	Previous Year 2005-06 Rs.
Interest on cash credit with SBI	28,60,924	31,46,153
Interest on advances with SCCL	8,85,918	19,06,037
Interest - others	24,04,453	32,98,045
Total	61,51,295	83,50,235

SCHEDULE No.15

SCHEDULE FOR INCREASE/ DECREASE OF CLOSING STOCK OF FINISHED GOODS AND WORK-IN-PROGRESS

	Current Year 2006-07 Rs.	Previous Year 2005-06 Rs.
Certified by Management		
A) Opening stock of work-in-progress	5,15,21,216	3,46,74,695
Opening stock of finished goods	34,58,699	18,81,718
	5,49,79,915	
Less: Written off	44,46,238	--
	5,05,33,677	3,65,56,413
B) Closing stock of work-in-progress	5,09,42,638	5,15,21,216
Closing stock of finished goods	19,50,000	34,58,699
	5,28,92,638	5,49,79,915
C) Increase	23,58,961	1,84,23,502
Add : Increase in Scrap	21,83,789	3,46,424
Increase in Stocks	45,42,750	1,87,69,926

SCHEDULE No.16
PROVISIONS

	Current Year 2006-07 Rs.	Previous Year 2005-06 Rs.
Bad and doubtful debts	16,25,371	0
Non-moving items	22,21,309	0
Material advances	5,94,639	0
Total	<u>44,41,319</u>	<u>0</u>

SCHEDULE No.17
SCHEDULE OF INCOME AND EXPENDITURE PERTAINING TO EARLIER YEARS

	Current Year 2006-07 Rs.	Previous Year 2005-06 Rs.
INCOME		
Others	0	3,84,657
	<u>0</u>	<u>3,84,657</u>
EXPENDITURE		
Consumption	97,14,542	12,70,383
Others	0	44,357
	<u>97,14,542</u>	<u>13,14,740</u>
Net Expenditure	<u>97,14,542</u>	<u>9,30,083</u>

SCHEDULE No.18

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 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. 21.02.03, case No.II Ast-84 for the assessment year 1994-95) which was kept in advance Sales Tax account under the current assets. Central Sales Tax assessment for the year 2005-06 is pending.
- b. Income-tax assessments for the assessment years 2005-06 & 2006-07 are not completed.
- c. Guarantees given by the bank on behalf of the Company for an amount of Rs.20.76 lakhs for which counter guarantees of even amount are given by the Company to the Bank (previous year Rs. 34.37lakhs).
- d. Irrevocable Letters of credit in favour of Foreign and Inland suppliers Rs. 65.67 lakhs (Previous year Rs. 43.57 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.Nil (claims as per suppliers Rs.22.90 lakhs claims as per books Rs.23.32 lakhs) are not acknowledged as debts.
- i. Interest payable to suppliers of Rs.38.11 lakhs. Suits against company Rs. 61.01 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.

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- 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 utilised 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.104.89 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 remitted Rs.20.28 lakhs towards damages and appealed for waiver of the left over damages of Rs.84.61 lakhs. 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.46.51 lakhs furnished by suppliers and contractors were held by the Company as on 31-03-2007 (previous year Rs.40.01 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/AAIFR.
 7. Dues Rs. 11.91 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., G.S.Alloy Castings, Krishna Engineering 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.0.59 lakhs are lying with outside parties for job works (previous year Rs.10.64 lakhs).
 10. The liability of Central Excise Duty on finished goods is Rs. 3.21 lakhs (previous year Rs.5.64 lakhs) has not been taken into accounts.
 11. Sales returns pertaining to this year is Rs.20,80,238/- and Rs.19,06,320/- relating to earlier years received during the year are included in the scrap value as Rs.38,900/-.

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SCHEDULE No.18 (contd..)

12. During the year the company has adopted the inventories valuation on weighted average basis and booked the consumption also on weighted average basis. During the year the company has reconciled the book stock with the stock of bin cards. In that exercise the company found Rs.1,40,47,042/- as excess stock than the book stock and found Rs.2,37,61,584/- less stock than the book stock. The company has brought the excess stock and less stock into records by debiting expenditure pertaining to earlier years Rs.97,14,542/- in accounts.

13. 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.
- (2) Deferred Tax : 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	3,12,375
Provision for Gratuity and Earned Leave	1,06,82,020
Others	42,86,719
	<u>1,52,81,114</u>

14. 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.

15. 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.

16. 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.

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

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

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

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

Sl. No.	Sale of products/ services	Current year 2006-07		Previous year 2005-06	
		Quantity MTs.	Amount Rs.	Quantity MTs.	Amount Rs.
1.	Material handling equipment	5907.58	44,20,88,724	7597.81	54,92,87,479
2.	Repairs/ reconditioning	360.10	2,39,40,775	217.99	3,10,13,263
3.	E-1 sales	1873.43	5,36,49,477	776.89	3,82,10,477
4.	Roof bolts (w.e.f.,23.1.06 ED not applicable)	—	—	742.39	2,68,10,237
	Total	8141.11	51,96,78,976	9,335.08	64,53,21,456

2. RAW MATERIALS CONSUMED FOR SALE OF PRODUCTS

Sl. No.	Description	Current year 2006-07		Previous year 2005-06	
		Quantity MTs.	Amount Rs.	Quantity MTs.	Amount Rs.
1.	Raw materials				
	Direct	6881.84	13,77,43,603	8,674.69	17,36,29,042
	Others		2,58,75,762		3,79,02,038
2.	Consumable Stores		91,84,566		93,91,849
3.	Consumable Tools		18,79,421		23,76,776
4.	Boughtout Items		8,45,39,345		13,62,48,774
5.	Stock Items		50,84,218		83,77,765
6.	Maintenance Material		3,56,154		10,36,041
7.	E-1 sales		5,00,89,984		2,93,56,140
			31,47,53,053		39,83,18,425
	Less: CENVAT		—		1,03,53,946
	Less: VAT		—		63,91,125
			31,47,53,053		38,15,73,354
	Less: Material included in work-in-progress & Finished goods.		5,71,354		1,24,95,143
	Total		31,41,81,699		36,90,78,211

Contd..

SCHEDULE No.18 (contd..)

3. OPENING AND CLOSING STOCK OF FINISHED GOODS

Sl. No.	Name of the product	Opening stock balance				Closing stock balance			
		Current year 2006-07		Previous year 2005-06		Current year 2006-07		Previous year 2005-06	
		Quantity MTs.	Value Rs.	Quantity MTs.	Value Rs.	Quantity MTs.	Value Rs.	Quantity MTs.	Value Rs.
1.	Material Handling Equipment	9.46	12,64,120	10.80	10,00,808	20.00	19,50,000	9.46	12,64,120
2.	Job Orders	1.00	28,394	1.00	28,394	0.00	0.00	1.00	28,394
3.	Maintenance spares & overhauling equipment	21.92	21,66,185	6.00	8,52,518	0.00	0.00	21.92	21,66,185
	Total	32.38	34,58,699	17.80	18,81,718	20.00	19,50,000	32.38	34,58,699

4. PURCHASE OF RAW MATERIALS

Sl. No.	Description	Current year 2006-07		Previous year 2005-06	
		Quantity MTs.	Amount Rs.	Quantity MTs.	Amount Rs.
1.	Steel	6716.17	13,98,21,893	6396.36	12,92,63,266
2.	Other Raw Materials		2,44,08,813		2,73,85,186
3.	Consumable Stores		97,64,575		86,08,227
4.	Tools		21,27,466		23,42,304
5.	Spares		12,80,188		51,25,164
6.	Bought Out Items		10,08,67,269		14,27,70,635
7.	Stock Items		61,34,403		1,19,88,800
8.	Maintenance Material		25,31,843		20,62,506
9.	E-1 Sales Material		5,00,89,984		2,93,56,140
	Total		33,70,26,434		35,89,02,228

Contd..

5. PARTICULARS REGARDING CAPACITY AND PRODUCTION

(in MTs.)

Sl. No.	Product group	Licensed capacity		Installed capacity		Actual production	
		Current year 2006-07	Previous year 2005-06	Current year 2006-07	Previous year 2005-06	Current year 2006-07	Previous year 2005-06
1.	Material Handling equipment	4710	4710	250	250	2642	2801
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	—	—	—	—	202	191
7.	Air pollution equipment	3000	3000	—	—	—	—
8.	Road headers & tunneling equipment	8 Nos.	8 Nos.	—	—	—	—
9.	Maintenance spares & overhauling equip.	—	—	—	—	540	445
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..

6. DETAILS OF REMUNERATION TO MANAGING DIRECTOR

Sl. No.	Description	Current year 2006-07 Rs.	Previous year 2005-06 Rs.
1.	Salary	6,26,485	5,27,755
2.	P F Employer Contribution	69,052	58,777
3.	House Rent	39,600	39,900
4.	Others	4,977	5,934
	Total	7,40,114	6,32,366

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.38,24,256/- (previous year Rs.95,47,668/-).
B) Percentage of materials consumed.

Sl. No.	Description	Current year 2006-07		Previous year 2005-06	
		Percentage	Value (Rs.)	Percentage	Value (Rs.)
1.	Materials				
	Imported	—	—	—	—
	Indigenous	73.14	23,02,14,586	65.34	24,93,46,825
2.	Spare parts, Components and Others				
	Imported	0.21	6,47,175	0.12	4,64,788
	Indigenous	26.65	8,38,91,292	34.54	13,17,61,741
	Total		31,47,53,053		38,15,73,354

8. FOREIGN CURRENCY/ EXCHANGE TRANSACTIONS

- a) Expenditure in Foreign Currency :
Royalty Rs.Nil (Previous Year Nil).
Spare Parts & Components Rs.38,24,256/- (Previous Year Rs.95,47,668/-).
- b) Earnings Foreign Exchange Nil (Previous Year Nil).

CASH FLOW STATEMENT AS PER ACCOUNTING STANDARD-3

(Rs. in lakhs)

	Current Year 2006-07	Previous Year 2005-06
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax and extraordinary items	854.86	1579.04
Adjustment for depreciation	16.15	14.83
Adjustment for interest paid	61.51	83.50
Adjustment for interest received/other income	-75.02	-102.29
Operating Profit before working capital changes	857.50	1575.08
Increase/Decrease in unsecured loan	-137.14	35.05
Increase (-)/ Decrease in current assets and loans and advances	-201.94	2.43
Deferred Tax Asset/(liability)	-20.29	-132.53
Decrease (-) in current liabilities and provisions	-137.57	-1164.99
Cash generated from operations	360.56	315.04
Interest paid	-61.51	-83.50
Interest received/other income	75.02	102.29
Net cash flow from operating activities	374.07	333.83
Prior period adjustments (Net) Expr. (-)	-97.15	-9.30
Provisions withdrawn	13.33	30.78
Provisions for Taxation	-265.75	-152.99
Provision for FBT	-1.38	0
Provisions	-44.41	0
Deferred Tax Asset(Net)	20.29	132.53
	-1.00	334.85
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	18.45	13.30
Capital work-in-progress	7.65	0
Decrease of fixed assets	-0.15	-0.07
Net cash used in investing activities	25.95	13.23
C) CASH FLOW FROM FINANCING ACTIVITIES		
Increase (-) / Decrease in Loans from banks and institutions	28.55	-305.19
Net cash used in Financing Activities	54.50	-291.96
Net increase in Cash & Bank(A-B-C)	1.60	16.43
Opening balance of cash and bank	63.31	46.88
Closing balance of cash and bank	64.91	63.31

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		31.3.2007
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		415661
Total Assets		415661
Source of Funds:		(Rupees in thousands)
Paid up Capital (Including share deposit)		172718
Reserves & Surplus		NIL
Secured Loans		31887
Unsecured Loans		62335
Application of Funds:		(Rupees in thousands)
Net Fixed Assets		26419
Capital work-in-progress		766
Investments		NIL
Net Current Assets		183580
Miscellaneous Expenditure		NIL
Accumulated Losses		40895
4. Performance of Company:		(Rupees in thousands)
Turnover		519679
Total Expenditure		447016
Profit Before Tax		72663
Profit After Tax		47978
Earnings per Share		0.28
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 18)

		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: 21.07.2007		As per our report attached For M/s.Rao & Murty Chartered Accountants	
		Sd/-	
VIJAYAWADA, Date: 21.07.2007		(M.Krishna Murty)	
		Partner (M.No.10572)	



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