



87th Annual Report & Accounts 2007-08



The Singareni Collieries Company Limited
(A Government Company)



Our Mission

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

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BANKERS:

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

AUDITORS:

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

Location of mining areas:

Khammam District

Yellandu
Rudrampur
Manuguru

Warangal District

Bhoopalpalli

Karimnagar District

Ramagundam (Godavarikhani)

Adilabad District

Srirampur
Mandamarri
Belampalli

BOARD OF DIRECTORS

1. **Chairman & Managing Director**
Sri S.Narsing Rao (From 18.9.2006)
2. **Director (Operations)**
Sri J.V.Dattatreyyulu (From 1.10.2006)
3. **Director (Finance)**
Sri E.V. Krishna Reddy (From 10.6.2006)
4. **Director (Planning & Projects)**
Sri D.L.R.Prasad (From 1.10.2006)
5. **Director (Personnel, Administration & Welfare)**
Sri L.Shashidhar (From 5.7.2007)
Sri B.Venkateswar Rao (From 4.8.2006 to 5.7.2007)
6. **Director (Electrical & Mechanical)**
Sri I.V.N.Prasada Rao (From 19.3.2008)
Sri E. Raja Rao (From 1.3.2006 to 29.2.2008)
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 C-M. D, 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.
11. **Sri I.Y.R. Krishna Rao** (From 23.6.2006)
Principal Secretary, Finance Dept., Govt. of A.P.

Sri J. Rama Krishna
G.M(C.A) & Company Secretary

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

Board of Directors

(As on 29.9.2008)



Sri S. Narsing Rao
Chairman & Managing Director



Sri J.V. Dattatreyyulu
Director (Operations)



Sri E.V. Krishna Reddy
Director (Finance)



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



Sri L. Shashidhar
Director (Personnel,
Administration & Welfare)



Sri I.V.N. Prasada Rao
Director (Electrical &
Mechanical)



Sri K.S. Kropha
Director



Sri K.C. Samria
Director



Sri D.C. Garg
Director

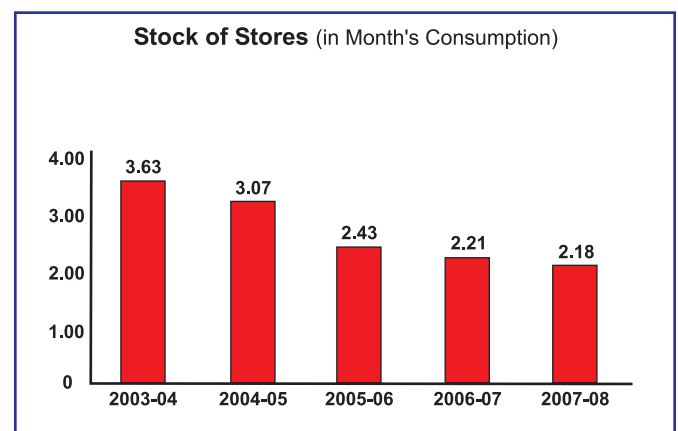
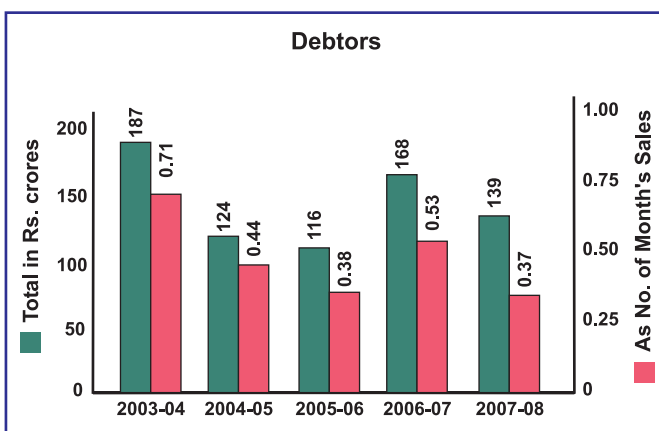
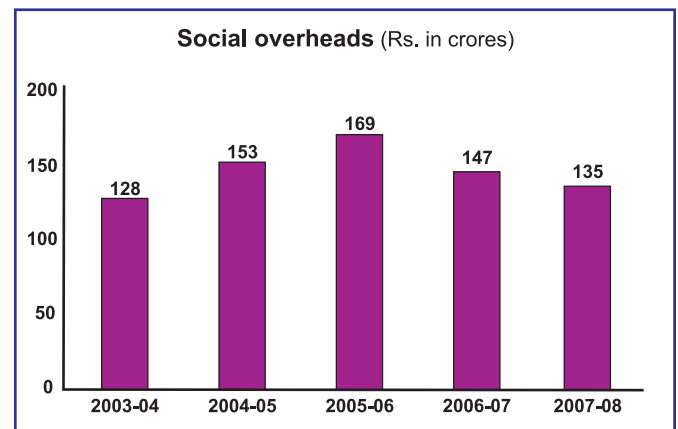
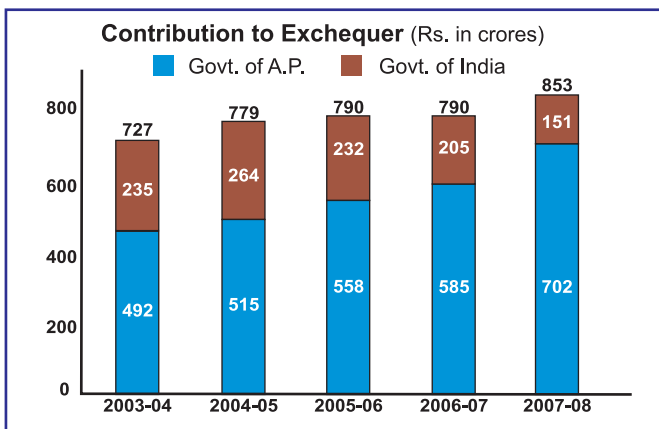
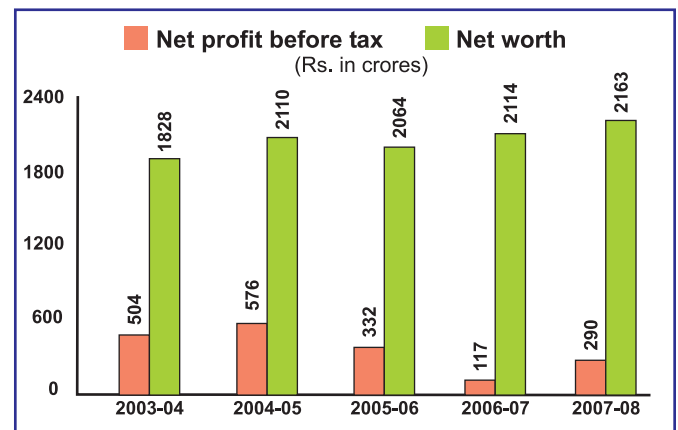
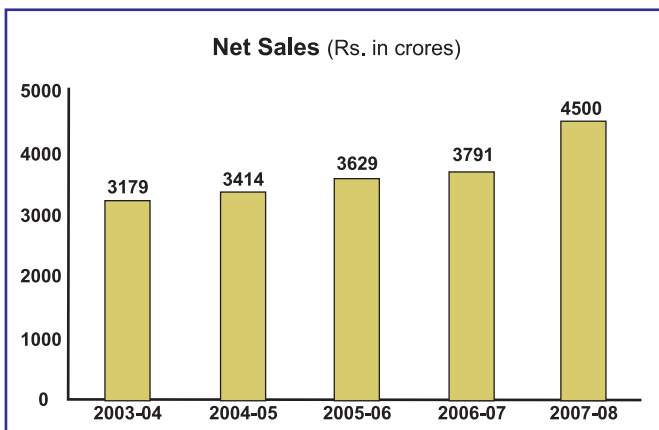
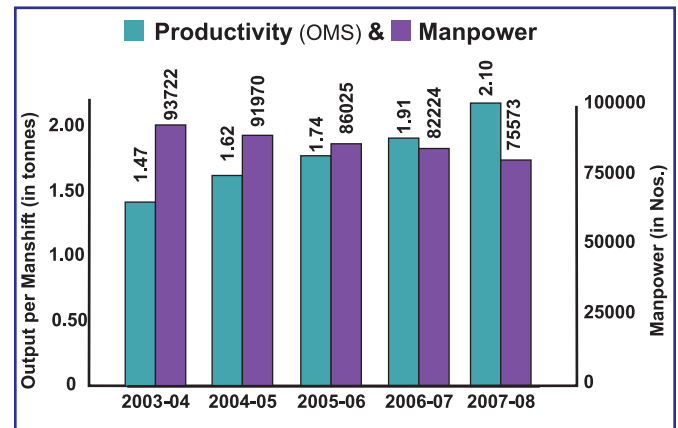
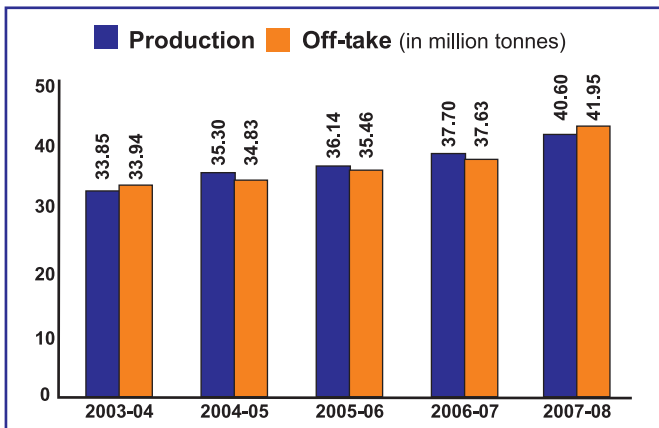


Sri A.K. Goyal
Director



Sri I.Y.R. Krishna Rao
Director

Graphs indicating performance



Performance indicators at a glance

Sl. No.	Indicators	Unit	2007-08	2006-07	2005-06	2004-05	2003-04
1.	Production						
	a) Open cast	(Lakh Tonnes)	279.58	258.31	234.27	223.29	205.40
	b) Underground	(Lakh Tonnes)	126.46	118.76	127.11	129.74	133.14
	c) Total	(Lakh Tonnes)	406.04	377.07	361.38	353.03	338.54
2.	Off-take	(Lakh Tonnes)	419.50	376.29	354.47	348.25	339.41
3.	Stock of Coal	(Lakh Tonnes)	1.48	12.18	14.13	7.34	2.62
4.	Output per Man Shift	(Tonnes)	2.10	1.91	1.74	1.62	1.47
5.	Manpower	(Nos.)	75573	82224	86025	91970	93722
6.	Net sales	(Rs. Lakhs)	449968	379055	362910	341373	317865
7.	Net profit before tax	(Rs. Lakhs)	29012	11720	33249	57601	50399
8.	Accumulated Profit	(Rs. Lakhs)	15151	11589	17642	19060	2815
9.	General Reserve	(Rs. Lakhs)	46040	40000	30000	20000	10000
10.	Equity Share Capital	(Rs. Lakhs)	173320	173320	173320	173320	173320
11.	Long-term Debt	(Rs. Lakhs)	66334	66334	66334	66334	79690
12.	Net worth	(Rs. Lakhs)	216258	211400	206392	210973	182786
13.	Capital employed	(Rs. Lakhs)	302028	253942	217571	190311	153464
14.	Contribution to Exchequer						
	- State Government	(Rs. Lakhs)	70164	58486	55818	51543	49181
	- Central Government	(Rs. Lakhs)	15139	20524	23226	26370	23547
15.	Earning per Share	(Rupees)	1.02	0.37	1.06	2.08	0.84
16.	Debt - Equity Ratio	(ratio)	0.38:1	0.38:1	0.38:1	0.38:1	0.46:1
17.	Capital turnover Ratio	(times)	1.49	1.49	1.67	1.79	2.07
18.	Cost of sales to sales	(percentage)	93.55	96.91	90.84	83.13	84.14
19.	Debtors as No. of months' sales	(months)	0.37	0.53	0.38	0.44	0.71

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 87th Annual General Meeting of the Company will be held on Monday, the 29th day of September, 2008 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 2007-08.
2. To declare dividend @ 2% on the equity share capital for the financial year 2007-08.
3.
 - 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.
 - iii) To appoint a Director in place of Sri A.K.Goyal 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.
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 2007-08.

“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, Chartered Accountants, Hyderabad, Statutory Auditors in connection with the audit of accounts of the Company for the financial year 2007-08.”

SPECIAL BUSINESS:

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

5. Resolved that pursuant to Section 17 (1) and other applicable provisions, if any of the Companies Act, 1956, the Objects Clause of the Memorandum of Association of the Company be and is hereby altered by inserting the following new object as sub clause(cc) of clause 3 as under:

“To carry on the business of establishing, developing and maintaining industrial parks, special economic zones, technology parks, software parks, industrial area and industrial estates by providing infrastructure facilities including power, water supply, tele-communication, roads, bridges, common social infrastructure and other essential facilities for their speedy development and for the purpose to acquire, sell, dispose-off, lease, hire properties and/ or services of any nature and to provide consultancy and advisory services of any kind in this regard and other activities incidental or ancillary thereto including investing in other companies with similar business activities.”

6. Resolved that pursuant to the provisions of Section 149 and other applicable provisions if any, of the Companies Act, 1956, the sanction be and is hereby accorded for taking up businesses relating to mining iron ore, bauxite, base metals, copper, lead, zinc, manganese and other minerals & metals.
7. Resolved that the sanction be and is hereby accorded for appointment and payment of remuneration to Sri I.V.N.Prasada Rao as Director (Electrical & Mechanical) on the Board of the Company for a period of 2 years from 19.3.2008 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 E.V.Krishna Reddy as Director (Finance) on the Board of the Company from 10.6.2008 to 8.6.2010 on the existing terms & conditions laid before the meeting duly initialled by the Chairman for the purpose of identification.

Date: 1.9.2008,
Place: Kothagudem.

By order of the Board
Sd/-
(J. Rama Krishna)
GM(Corporate Affairs) &
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 15.9.08 to 29.9.08 (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:

Government of India has permitted development & Management of Special Economic Zones (SEZ) inter-alia by Indian companies with a view to augmenting infrastructural facilities for export promotion. The Company has large bank of idle land and the same can be developed as SEZ which yields additional revenue to the Company besides protecting/ safeguarding the land. The developer of SEZ will have full freedom in allocation of developed plots to approved SEZ units on commercial basis with full authority to provide services like water, electricity, security, restaurants, recreation centres etc., on commercial lines. In addition the developer will get benefits in the form of taxes & incentives. Under the IT Act, 100% profits derived from SEZ development business are deductible from the income for 10 consecutive years out of first 15 years. Further the developer can import/ procure goods without payment of customs/ excise duties, service tax, CST etc., for the development, operation and maintenance of SEZ.

The present proposal is to facilitate taking up new business as mentioned in the proposed new clause along with existing business as part of exploring new business opportunities to improve profitability of the Company.

This will enable the company to carry on its business economically and efficiently and the proposed activities can be, under the existing circumstances, conveniently and advantageously carried along with the present activities of the company.

Pursuant to Section 17(1) of the Act, the proposal requires sanction of shareholders by Special Resolution.

The Board of Directors in the meeting held on 27.5.2008 recommended the proposal for approval of shareholders.

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

Resolution No. 6:

India has rich deposits of Iron ore both in terms of quantity and quality. There is tremendous scope for using the mined ore within the Country for augmenting steel production and export steel in lieu of iron ore. Mining of other minerals & metals is also a profitable business. In the above background, SCCL intends to foray into the lucrative Iron ore, other minerals & metals mining for expanding its business activities. SCCL's rich experience in opencast mining of coal will be useful for this purpose. Your Company is empowered to take up mining of Iron ore, other minerals and metals in accordance with the objects clause of Memorandum of Association.

However, since it is a new business, as required under Section 149 of the Companies Act, 1956 approval of the shareholders is sought for the proposal.

The Board of Directors in the meeting held on 28.3.2008 recommended the proposal for approval of shareholders.

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

Resolution No. 7:

The Board in the meeting held on 28.3.2008 approved the appointment of Sri I.V.N. Prasada Rao, Chief General Manager (E&M)(UG Mines) as Director (Electrical & Mechanical) for a period of 2 years from 19.3.2008 in place of Sri E. Raja Rao whose tenure was up to 29.2.2008.

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 Prasada Rao for a period of 2 years from 19.3.2008.

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

Resolution No. 8:

The Board in the meeting held on 16.6.2008 approved the extension of term of Sri E.V. Krishna Reddy as Director (Finance) from 10.6.2008 to 8.6.2010 on the existing terms & conditions.

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

Approval of the shareholders is sought for extension of term and payment of remuneration to Sri Krishna Reddy from 10.6.2008 to 8.6.2010.

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

Directors' Report

Dear Members,

Your Directors are pleased to present the 87th Annual Report and audited financial accounts of the Company for the year ended 31st March 2008.

PERFORMANCE HIGHLIGHTS:

The year 2007-08 has witnessed growth in all fronts as can be seen from the following;

Performance parameters	2007-08	2006-07	% increase over 2006-07
Production (in million tonnes)	40.60	37.71	7.66
Despatches (in million tonnes)	41.95	37.63	11.48
Gross sales (Rs. in crores)	5233.53	4416.32	18.50
Productivity (Output per manshift in tonnes)	2.10	1.91	9.95
Capacity utilisation (Coal)(Percentage)	114	109	4.59

FINANCIAL RESULTS:

The financial performance of the Company for the year 2007-08 as compared to the previous year is as under;

Particulars	(Rs. in crores)	
	2007-08	2006-07
Gross revenue	5618.01	4732.69
Profit before interest, depreciation, provisions & tax	592.08	373.18
Less: Interest	8.77	8.48
Depreciation	244.77	217.75
Provisions (net)	48.42	29.76
Prior period adjustments (net)	0.23	11.94
Provision for taxation (net of deferred Tax incl. previous years)	113.72	41.45
Net profit after tax	176.17	63.80
Appropriations :		
Proposed Dividend	34.66	20.80
Tax on Dividend	5.89	3.53
Transfer to General Reserve	100.00	100.00

Dividend

Your Directors are pleased to recommend dividend @ 2% on the paid-up capital for the financial year 2007-08 for approval of shareholders in the ensuing Annual General meeting.

Share capital

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

Coal pricing

The Company has been experiencing enormous rise in input costs and consequently the increase in cost of production. In order to partially recover the rising cost of production the basic price of D-grade coal was slightly enhanced by 10% w.e.f., 00.00 hours of 8.9.07 and of E-grade coal by 15% w.e.f., 00.00 hours of 28.12.07.

Capital expenditure

Capital Expenditure incurred during 2007-08 was Rs.573.97 crores as against Rs.448.64 crores incurred in the previous year representing an increase of 28%.

Foreign exchange earnings and outgo

During 2007-08 the foreign exchange outgo was Rs.72.78 crores as against Rs.32.16 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

During 2007-08 total production of 40.60 million tonnes was achieved out of which open cast projects have contributed 27.96 million tonnes and underground mines have contributed 12.64 million tonnes. The production growth in opencast and underground mines has been 8.25% and 6.40% respectively when compared with the previous year. The technology-wise details of production are as under;

(in million tonnes)

Sl. No.	Technology	2007-08		2006-07 Actual	% variance over 2006-07
		Target	Actual		
1.	Underground				
	a) Hand section	5.16	4.83	5.58	-13.44
	b) Machine mining:				
	i. Road header	0.13	0.12	0.11	9.09
	ii. Longwall	0.90	1.13	0.92	22.83
	iii. Side Dump Loaders	3.11	3.79	3.03	25.08
	iv. Load Haul Dumpers	1.39	1.44	1.10	30.91
	v. Blasting Gallery	1.31	1.29	1.03	25.24
	vi. Continuous miner	0.43	-	0.07	-
	vii. Scraper	-	0.04	0.04	-
	Total machine mining	7.27	7.81	6.30	23.97
	Total underground	12.43	12.64	11.88	6.40
2.	Opencast	25.61	27.96	25.83	8.25
	Total	38.04	40.60	37.71	7.66

Overburden removal

During the year 2007-08 overburden of 140.71 million cubic metres was removed in opencast projects as against 139.86 million cubic metres removed in the previous year. The Company is outsourcing OB removal activity as per the laid down policy. The reduction in achieving OB removal against the target is due to delay in land acquisition in some projects. The details of overburden removal by Company equipment and through outsourcing are as under;

(in million Cu. Mtrs.)

Particulars	2007-08		2006-07	Variance over 2006-07	
	Target	Actual	Actual	Absolute	Percentage
Company equipment	52.01	42.89	53.23	-10.34	-19.42
Outsourcing	121.40	97.82	86.63	12.91	11.19
Total	173.41	140.71	139.86	0.61	0.85

Capacity utilisation

The capacity utilisation of coal was 114% during 2007-08 as against 109% achieved in the previous year.

Productivity:

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

(in tonnes)

Particulars	2007-08		2006-07	Variance over 2006-07	
	Target	Actual		Absolute	percentage
Underground Mines					
- Hand section	0.71	0.67	0.62	0.05	8.1
- Machine mining	1.45	1.49	1.51	-0.02	-1.3
Total UG mines	1.07	1.02	0.90	0.12	13.3
Opencast projects	8.20	10.76	9.50	1.26	13.3
Overall					
- Mines	2.48	2.63	2.39	0.24	10.0
- Mines & Depts.	2.16	2.10	1.91	0.19	9.9

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			
	2007-08	2006-07			Scheduled shift hours		Machine available hours	
			2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Draglines	2	2	94	88	36	49	39	56
Shovels	57	59	77	80	48	48	63	60
Dumpers	346	363	73	73	35	35	48	48
Dozers	85	76	68	69	31	34	45	50
Drills	47	49	79	80	21	30	26	31

MARKETING

Target and off-take of coal

During the year 2007-08 off-take of coal was 41.95 million tonnes against the AAP target of 38.04 million tonnes. As per the new coal distribution policy announced by the Ministry of Coal, GoI, the customers who are drawing more than 4,000 tonnes per annum have to enter into FSA and so far 140 such customers have entered into FSAs with SCCL. Apart from that, 3 power utilities, 44 cement units, 38 sponge iron units and 18 CPP customers have FSAs with SCCL. 89% of despatches have been covered by FSAs and Joint sampling protocols against 87% covered in the previous year. The number of customers registered with SCCL have gone up from 5,502 in 2006-07 to 6,375 in 2007-08. The details of sector-wise AAP target & off-take and colliery consumption during 2007-08 as compared to the previous year are as under.

(in million tonnes)

Sector	2007-08			2006-07		
	Target	Off-take	% Achieved	Target	Off-take	% Achieved
Power	29.70	31.93	108	28.98	28.39	98
Cement	5.00	5.58	112	4.90	5.15	105
Heavy Water Plant	0.50	0.49	98	0.50	0.50	100
Other Industries	2.72	3.79	139	3.00	3.45	115
Colliery Consumption	0.12	0.16	133	0.12	0.14	117
Total	38.04	41.95	110	37.50	37.63	100

Mode of despatches

Despatches through different modes (excluding colliery consumption) during 2007-08 as against previous year are as indicated below;

(in million tonnes)

Year	Rail	Road	Merry-go-round	Rope-way	Total
2007-08	21.69	10.98	8.63	0.49	41.79
2006-07	18.57	9.31	9.11	0.50	37.49
Absolute increase	3.12	1.67	-0.48	-0.01	4.30

Wagon loading performance

During the year 2007-08 daily average loading of 2,719/1088 Four Wheeler Wagons/ Box wagons was done as against 2,355/942 FWW/Box wagons in 2006-07 registering a growth rate of 15.45%.

Measures for improving quality & customer satisfaction

Modernisation of CHPs by establishing auto sampling system is in progress and labs are provided with latest equipment. Washery is being established at Manuguru on BOO basis. With a view to facilitate the customers who are unable to get coal as per the existing system, e-auction of coal is introduced under which coal can be purchased online through simple, transparent and customer friendly system. Complaints received from customers on sampling, quality and weighment have slightly increased from 15 in the previous year to 20 during the year under report and necessary measures were taken to address the complaints which lead to prompt elimination of grievances of customers.

Exploration:

3 geological reports of virgin blocks viz., Penuballi, Venkatapur & Ulipitta and 13 geological reports for reconstruction projects and mining plans have been prepared during the year 2007-08. Insitu stress measurement was successfully conducted in Adriyala block from a depth of 77.50 metres to 522 metres by drilling boreholes with high degree accuracy and precision maintaining a constant 76 mm dia., hole by adopting latest polymer drilling technology for the first time in Indian coal mining industry. During the year under report, 198 million tonnes of reserves were proved against 382 million tonnes proved in the previous year. Thus, the total proved reserves in Godavari Valley Coalfield have gone up from 8,957 million tonnes at the end of previous year to 9,155 million tonnes as on 31.3.2008. The coal extracted by the Company in the Godavari Valley Coalfield up to the year 2007-08 was about 836 million tonnes.

INDUSTRIAL RELATIONS

The year 2007-08 has set a new record in the IR scenario of the Company with zero strikes. It is the culmination of the success achieved by the Company in establishing congenial atmosphere and maintaining industrial harmony and peace. It was possible through multi-dimensional approach which inter-alia consists efforts in creating increased awareness among workmen, enhancing welfare measures, transparency and holding meetings with Unions at regular intervals. Elections for according recognition to the trade Unions at Company and areas levels were conducted for the 4th time successfully. While the year 2007-08 is strike-free, the number of strikes, mandays & production lost in previous year are as under;

Particulars	Unit	2007-08	2006-07
Strikes	No.	Nil	3
Mandays lost	No.	Nil	5,587
Production lost	Tonne	Nil	9,872

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 and social security schemes are being continued with more vigour. Awareness campaigns on the subjects of health, hygiene, prevention and spreading of diseases were organized extensively for the benefit of employees and the people living in the vicinity of mining areas. Model townships with integrated approach with all civic amenities are being developed in various areas for its employees. The overall housing satisfaction as on 31.3.08 was 68% as against 60% at the end of previous year. In Bhoopalpalli where the housing satisfaction is low and in Sattupalli which is a new mining area, the Company is proposing to allot developed house plots to the employees with infrastructure facilities for construction of own houses.

In order to improve employment opportunities to the dependents of the employees/ ex-employees, the Company has established a Polytechnic College at Srirampur with Computers, Civil, Electrical & Mechanical branches from the academic year 2008-09. Merit scholarships are being given to employees' children for pursuing Engineering/ Medical courses.

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 which inter-alia include Coal India Inter Company Football Tournament at Kothagudem. The SCCL Caroms team has won title team championship in CIL Inter-Company Tournament held at Ranchi.

Awards & Accolades

The SCCL has received APPCB award for Excellence in Bio-Medical Waste Management for the year 2007-08 for Main Hospital at Kothagudem, Infratech, 2006 award for Best Productivity in Underground Mines.

Corporate Social Responsibility

SCCL always endeavours to play an active role as a responsible corporate citizen through various activities relating to environment protection, ecological balance for the well being of the community at large. SCCL has taken up several activities in the surroundings of coal belt areas for providing good quality of life and better living standards by providing civic, social and essential infrastructure in coal belt areas viz., laying of roads, drainage & sanitary facilities, street lighting, drinking water supply, educational facilities, relief measures during disasters, medical & health services by actively associating with the various Government departments. In the mega health and mobile medical camps conducted by the Company, 14,811 persons living in remote places were benefited wherein medical consultation and investigation were carried out and medicines were supplied free of cost.

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 the year 2007-08 training was imparted to 1,097 persons in various vocational courses in association with A. P. Khadi and Village Industries Board. Out of them 486 candidates secured employment and 105 candidates established their own units. Training is being imparted to about 200 candidates in Web designing and Hardware & Networking. Assistance was given to 825 candidates for selection in Army/ police recruitment rallies out of which 99 candidates got selected. 4 entrepreneur awareness programmes were conducted wherein 1800 unemployed youth have participated and assistance is extended for establishing units by getting subsidy/ loans under various schemes of the Government. 41 candidates were imparted training in the courses offered by National Academy of Construction and all of them have got employment. Training in Bedside Assistant course was imparted to 23 candidates and all of them have got employment. Awareness rallies were organized on the subjects of eve-teasing, AIDS etc. About 5,967 spouses of employees were made literates through various literacy programmes organized during the year under report. These activities have created good atmosphere and social order in the coal belt areas.

An expenditure of Rs.135 crores was incurred on various social overheads during the year 2007-08 as against Rs.147 crores incurred in the previous year.

INFORMATION TECHNOLOGY

Enterprise Resource Planning (ERP) software is being implemented in association with SAP India initially in Finance, Payroll, Materials management and Marketing & Movement modules. Networking through intranet is established between various departments/ mines. Laser Profiler is introduced for Survey department. Project monitoring is integrated with Estates and Purchase departments for reviewing implementation of various projects. Hospital management system is implemented at Main Hospital, Kothagudem and steps are being taken to replicate the same in other 3 area hospitals.

SAFETY IN MINES

The Company strives constantly, continuously and consistently for complete safe and accident free mining operations. During the year under report several measures were taken towards improving safety which include mechanization of mines & other work places, creation of awareness among the workmen & their family members, organising training programmes & workshops, conducting safety audit.

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
2007-08	11	11	535	538	0.27	13.25
2006-07	16	19	587	592	0.50	15.70

Mines rescue services

The mines rescue services of the Company were developed on par with international standards and best of its kind in India. This is achieved by continuous strengthening of rescue services with the best training, latest rescue equipment and by adopting international best practices. During the year under report 29 Nos. of special stretchers (13 spine board & 16 scoop) were imported from Australia/ Singapore to improve conveyance facilities of injured persons from place of work and the same are being used on trial basis at Rescue service points. During the year under report, 32 persons were imparted initial training in rescue and recovery works and 593 active rescue trained persons working at different mines of the Company were imparted 4947 refresher manshift practices.

Two mines rescue teams of the SCCL have participated in All India Mines Rescue competitions held in February, 2008 conducted by SECL at Manendgarh and bagged 1st and 3rd overall best performance prizes respectively. The SCCL team got 1st prize for the 3rd consecutive year.

HUMAN RESOURCE DEVELOPMENT

The HR philosophy of the Company firmly endorses the view that there is enormous and unlimited potential in the human resource which has to be tapped and channelised. In this direction the employees at all levels are provided opportunities for excelling in their tasks through good working environment, challenging assignments, self development, knowledge updation through workshops, knowledge sessions, interactive sessions, training & development programmes.

Number of executives & non-executives covered under in-house and outside training programmes are as under;

In-house training programmes

Description	2007-08	2006-07
Executives	1,117	1,915
Non-executives	792	1,072

Training outside the Company

Within the Country

Description	2007-08	2006-07
Executives	584	716
Non-executives	658	943

Outside the Country

Description	2007-08	2006-07
Executives	30	37
Non-executives	Nil	5

The manpower of the Company was brought down from 82,224 as at the end of previous year to 75,573 by the end of the year under report. The Golden handshake (VRS) scheme implemented during the year 2007-08 was availed by 4,722 employees.

MEASURES FOR CONSERVATION OF ENERGY

In order to conserve the energy and oversee the energy conservation activities an exclusive Energy Manager is appointed. A Committee has been constituted to study and fix norms of energy consumption for each mine. Non-conventional energy resources viz., solar energy is being exploited by installing solar water heaters, encouraging employees to purchase solar lanterns. Awareness is being created among the employees and their family members for using energy efficient electrical appliances mainly CFLs etc., and taking energy saving measures. Energy audit is in progress.

VSDs installed for ID/FD fans of 5 Boilers at 18 MW Powerhouse at Ramagundam & 2 Boilers at 13.7 MW Powerhouse at Kothagudem to save energy and to reduce PSA power consumption.

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

Description	2007-08		2006-07	
	Target	Actual	Target	Actual
Specific energy consumption in KWH/tonne	16.25	14.75	17.50	16.77

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

An arrangement has been made with Joy Mining Machinery Limited, UK for revival & replacement of continuous miner equipment entrapped at VK-7 incline, Kothagudem and production is likely to resume in 2008-09. Contract was entered with DBT for introducing Continuous miner technology with Ram cars operated by diesel at GDK-11A incline and equipment is received. The Govt. of India has approved Jallaram Shaft project wherein bulk production new generation Longwall technology is proposed to be introduced for the first time in India.

CAPITAL PROJECTS AND SCHEMES

Projects/schemes under implementation

As on 31.3.2008 there were 30 mining projects (20 opencast and 10 underground) in various stages of implementation with an ultimate aggregate capacity of 39.61 million tonnes per annum with a sanctioned capital outlay of Rs.2447.49 crores. Out of 30 projects, 24 projects are on schedule. Non-availability of land for compensatory afforestation, delay in forest land diversion and environmental clearance are main constraints effecting timely commissioning of projects. However efforts are made to expedite implementation of the remaining 6 projects.

Projects approved by the Company

The Board of Directors of the Company have approved the following projects during the year 2007-08;

Sl. No.	Name of the Project	Capacity (m.t.p.a)	Capital (Rs.crores)	Date of sanction
1.	Medapalli OCP Expansion	3.00	83.30	26.6.07
2.	Manuguru OC-II Extension	4.00	44.21	26.6.07
3.	RG OC-I Expansion Phase-II	1.50	79.52	12.10.07
4.	RG OC-III Extension	4.30	43.12	12.10.07
5.	KTK OC Sector-I Project	1.25	91.50	3.1.08
6.	Manuguru Opencast Project	1.50	50.46	3.1.08
	Total	15.55	392.11	—

Project approved by Govt. of India

During the year 2007-08 the following project was 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 Gol
1.	Jallaram shaft project	2.285	467.78	20.10.04	14.9.07

Project pending for approval of Govt. of India:

The following project is pending with the Govt. of India for approval as on 31.3.08;

Sl. No.	Name of the Project	Capacity (m.t.p.a)	Capital (Rs.crores)	Date of sanction by the Board
1.	Revised project report of Kakatiya longwall	2.747	379.72	12.10.07

Power Projects

Environmental clearance 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 has been received and work is in progress for setting up the plant.

The Board has accorded in principle approval for setting up of 500 MW Merchant Power Plant and recommended the same for sanction of Gol. It is proposed to set-up the plant at Jayapuram Village, Srirampur Mandal, Adilabad District. The project is under consideration of Gol.

ENVIRONMENT & ECOLOGY

SCCL carries out eco-friendly coal mining and gives due concern for protection of environment, air, water, bio-diversity and nature. The activities taken by the Company have won laurels for the Company and several environmental organizations have conferred awards. SCCL takes measures on a continuous basis for keeping quality levels of air, water and environment within the limits and unaffected by mining &

allied operations. 4 Sewage Treatment Plants were constructed during 2007-08 and 1 STP is in advanced stage of completion in addition to 2 STPs already working. The recycled waste water from domestic sewage in employees' colonies is being used for raising plants, parks & gardens and also let out for the agriculture use. In all construction works fly ash bricks are used to preserve the clay.

Afforestation:

During the year 2007-08 SCCL has developed plantations covering the area of 281 hectares on overburden dump, 243 hectares on surface area of underground mines and 28 Kms., of avenue plantations. In addition 88,500 numbers of saplings of horticulture and afforestation species were distributed for planting in residential colonies, homestead, institutional premises. In all 9,87,696 numbers of seedlings were planted as against 12,66,596 in the previous year.

RESEARCH & DEVELOPMENT

During the year under report, R&D activities were taken up in UG mines on strata control studies in Longwall, BG panels, semi-mechanised, wide stall method of working, simultaneous extraction of seams, estimation of Longwall support capacity, water dams design, determination of in-situ strength of coal, degree of gassiness and reclassification. In opencast projects, studies were carried out in High wall and dump slope stability, determination of optimum slope of benches, impact of deep hole blast vibrations and controlled blasting. The activities benefited in expediting the new projects, improving safety, mine ventilation, production & productivity, health of workmen.

S & T projects

6 S&T projects were completed during the year under review and 6 projects are in progress at the end of the year.

Future plan of action

Ventilation studies, strata monitoring & ground control studies, introduction of resin capsules in heavy water seepage mines in conjunction with roof bolters are some of the studies proposed to be conducted in future.

During 2007-08 expenditure incurred on R & D was Rs.0.53 crores (previous year Rs.1.27 crores) which amounted to 0.12% of the total turnover.

INTERNAL AUDIT

The Internal Audit department takes up various audits as per the manual and annual audit programme. The performance of the Internal Audit department and its observations are being reviewed by the Audit Committee.

While 203 audit memos involving an amount of Rs.41.98 lakhs were pending at the beginning of the year, 219 audit memos involving an amount of Rs.36.67 lakhs were issued during the year under review. Full compliance was received for 206 audit memos clearing an amount of Rs.41.07 lakhs and 216 audit memos involving Rs.37.59 lakhs are pending recovery. The Internal audit has advised recoveries to the tune of Rs.1.95 crores after conducting audit of different bills during the year under report against the recoveries of Rs.2.29 crores advised during the previous year.

VIGILANCE

The Vigilance aims at elimination of unethical behaviour of employees, establishing transparent, foolproof systems for preventing irregularities & frauds and conducts inspections/ checks. While 124 cases were pending at the beginning of the year under review, 214 cases were received during the year 2007-08. The Vigilance dept., has submitted reports in 317 cases and 21 cases were pending as on 31.3.2008. Based on the reports submitted by the Vigilance department action was taken on 28 employees. The Vigilance reports are being reviewed by the Board of Directors.

SUBSIDIARY

As on 31st March 2008, 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 the year 2007-08 it has earned Rs.3.93 crores net profit against Rs.4.80 crores in the previous year. The decline in profit during the year 2007-08 was due to change in the product mix, payment of earlier dues of group gratuity scheme and general increase in the input costs. The accumulated loss of the Company has been almost wiped out as it came down from Rs.408.94 lakhs at the end of previous year to Rs.16.24 lakhs during the year under report. Since the accumulated loss is less than 50% of the net worth, APHMEEL has come out of the purview of BIFR in 2007-08. The copy of accounts of the subsidiary Company for the year 2007-08 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

During the year 2007-08 none of the employees received remuneration 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

For the financial year 2007-08, the Comptroller & Auditor General of India has re-appointed M/s. Raju & Prasad, Chartered Accountants, Hyderabad as Statutory Auditors of the Company 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 K.C.Samria, Director, Ministry of Coal was appointed as Director w.e.f., 25.9.07 in place of Sri Sanjiv Kumar Mittal, J.S&F.A, Ministry of Coal who ceased to be a Director w.e.f., 10.9.07.

Sri D.C.Garg, C&MD of WCL was appointed as a Director w.e.f., 21.9.07 in place of Sri Abhiram Sharma who ceased to be a Director w.e.f., 21.9.07 after his retirement on attainment of superannuation as C&MD of MCL.

During the period from 18.8.07 to 11.10.07 when Sri A.K.Goyal, Special Chief Secretary to Govt., of AP was on leave, Sri D.K.Panwar who was holding full additional charge of the Special Chief Secretary post in Energy department was appointed as a Director in place of Sri A.K.Goyal after which Sri A.K.Goyal has been reappointed as Director from 11.10.07.

Sri L.Shashidhar, has been appointed as Director (Personnel, Administration & Welfare) w.e.f., 5.7.07 in place of Sri B. Venkateswar Rao, on withdrawal of his services by Govt. of A.P.

The tenure of Sri E.V.Krishna Reddy as Director(Finance) was extended from 10.6.08 to 8.6.2010.

Sri I.V.N.Prasada Rao, CGM(E&M)(UG Mines) has been appointed as Director (Electrical & Mechanical) w.e.f., 19.3.08 in place of Sri E.Raja Rao who ceased to be as Director (E&M) w.e.f., 29.2.08 on completion of his tenure.

Your Directors wish to place on record their appreciation of the valuable guidance extended by Sri E.Raja Rao during his tenure as Director of the Company.

Sri A.K.Goyal, 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.

During the year under report 6 Board meetings were held.

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 2007-08 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.

Business development:

The company has taken up manufacture of SMS/SME explosives required for OB removal to overcome the problems of shortage of explosives. The Company is also examining to take up businesses like setting up of SEZs with the main idea of protecting vast tracts of land available and mining of iron ore & other metals. The Company is also proposing to enter into coal trading including import and sale of coal to meet the increasing demand.

JVC with NTPC: Joint business development group constituted with the officials of SCCL and NTPC is exploring the business opportunities for the NTPC-SCCL Global Ventures Private Limited.

ACKNOWLEDGEMENTS

Your Directors convey their deep sense of gratefulness for the unstinted 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 express their heart felt thanks for the trust and confidence reposed by valued customers, bankers & financial institutions and all stake holders of the Company and look forward for same in future. Your Directors gratefully acknowledge 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 place on record their deep sense of appreciation for the committed services of employees but for which the success achieved by the Company would have not been possible.

For and on behalf of the Board of Directors

Sd/-

(S. Narsing Rao)

Chairman & Managing Director

Date : 18.8.2008
Place : Hyderabad.



View of Koyagudem Open Cast Mine



Shovel - Dumper working in Open Cast Mine

Surface Miner - For Selective Mining





Donation of Medical Van "Arogya Mitra" to NIMS - Contribution towards rural medical facility

Medical camp in surrounding area - Assistance for inclusive growth



Environmental Bio chemistry at Main Hospital, KGM - Acknowledge for best practices

Shale picking for improved quality - A commitment to customers



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, 2008.

Replies of the Management forming part of the Director's Report to the Shareholders

The preparation of financial statements of **The Singareni Collieries Company Limited, Kothagudem for the year ended 31 March 2008** 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 **22-07-2008**.

I, on 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 2008**. 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.

**1. Comments on Profitability – Balance Sheet
Fixed Assets (Schedule-E-1)
Lease hold Lands – Rs.159.85 crore (net)**

The above does not include Rs.7.91 crore being the Net Present Value (NPV) payable against ground mining lease obtained for 113 Ha. of surface forest land, the demand for which was raised during November, 2007 by **D.F.O.**, Mancherla in accordance with Honorable Supreme Court directions (September, 2006) payable at 100% of total NPV for surface rights.

Non-provision has resulted in understatement of Sundry Creditors Capital a/c by Rs.7.91 crore and understatement of lease hold lands by Rs.7.91 crore with consequential overstatement of profit for the year by Rs.79 lakhs (@ 10% amortisation every year).

Levy of NPV of Rs.791 lakhs on 113 Hectares of surface land, is contested as the land was handed over to SCCL in 1978 i.e., prior to enactment of Forest (conservation) Act' 1980. The issue is taken up with Principal Chief Conservator of Forests. Pending communication, no provision is made in the books.

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, 2008.

Replies of the Management forming part of the Director's Report to the Shareholders

**2. Profit and Loss Account
Expenditure
Repairs & Maintenance Rs.100.06 crore**

Expenditure of Rs.0.54 crore incurred towards Annual Maintenance Contract (AMC) on the ERP software (on trail run) before commissioning the software has been treated as revenue expenditure instead of Capital expenditure

AMC Charges on Phase I & II of ERP package were charged off to Revenue, as they do not add any value to the Asset. However, as observed AMC charges up to date of commissioning of ERP package will be capitalized.

This has resulted in understatement of Capital Work-in-Progress by Rs.22 lakh as well as pre paid expenses by Rs.32 lakh and understatement of profit for the year by Rs.54 lakh.

**3. Comments on Financial Position – Balance Sheet
Fixed Assets (Schedule E-1)
Lands – Free hold – Rs.131.84 crore (net)**

The above does not include Rs.57 lakh being the cost of Patta land (Acres 97.50) acquired and taken possession during 2007-08 and wrongly exhibited under Advances – Land Acquisitions, contrary to Accounting Policy on Fixed Assets (Schedule-H).

The audit comment is noted and necessary adjustments will be carried out in 2008-09. However, there is no impact on profit as depreciation is not chargeable on Freehold Land.

This has resulted in understatement of Lands (Freehold) under Fixed Assets (Sch.E-1) by Rs.57 lakh and overstatement of Current Assets, Loans & Advances (Schedule-G) by similar amount.

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

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

Date: 25-09-2008
Place: Hyderabad

Date: 26-09-2008.
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 2008 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 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. Further to our comments in Annexure referred to in paragraph (3) above, we report that;
 - 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. -

AUDITORS' REPORT (contd..)**Management reply on the audit observations (Contd..)**
(Under Section 217(3) of the Companies Act, 1956)

- 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 22.03.2002, 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, 2008, -
- 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/-
(Padmakant J. Mehta)
Partner (M.No.015652)

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

Date: 22.7.2008
Place : Hyderabad

Date: 18.8.2008
Place: Hyderabad.

ANNEXURE TO AUDITORS' REPORT

(Refer para 3 of our report of even date)

Management reply on the audit observations

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

- i) a) The Company has maintained proper records at its mining areas showing full particulars including quantitative details and situation of fixed assets. This being a statement of fact calls for no comment separately.
- 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.* 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.
- 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. This being a statement of fact calls for no comment separately.
- ii) a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. This being a statement of fact calls for no comment separately.
- 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. This being a statement of fact calls for no comment separately.
- 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. This being a statement of fact calls for no comment separately.
- 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. This being a statement of fact calls for no comment separately.
- 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. This being a statement of fact calls for no comment separately.

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 there under. 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 2008 other than those indicated below:

Nature of Dues	Un paid (Rs. in lakhs)	Period to which the amount relates	Forum where pending
Sales Tax	236.72	2000-01	Sales Tax Appellate Tribunal
	115.46	2001-02	
	233.35	2003-04	
	28.26	2004-05	
	142.96	2005-06	
Electricity Duty	1310.91	from April, 85 to March, 08	AP High Court

Management reply on the audit observations (Contd..)

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

This being a statement of fact calls for no comment separately.

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This being a statement of fact calls for no comment separately.

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)

Sl. No.	Nature of fraud	Amount involved (Rs. in lakhs)
1.	<i>Inflation of over burden removal quantities there by avoiding powder factor recoveries from explosive suppliers</i>	219.53
2.	<i>Claims by fake pattedars towards land acquisition proceedings.</i>	95.00
3.	<i>Fake claims of MMC/ Lump sum payments to workmen</i>	18.00
4.	<i>Fraudulent claims/ misappropriation by employees/ employees of Co's owned Super Bazaar.</i>	3.71
	Total	336.24

Management reply on the audit observations (Contd..)

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

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

For M/s.RAJU & PRASAD
Chartered Accountants
Sd/-
(Padmakant J. Mehta)
Partner (M.No.015652)

For and on behalf of the Board

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

Date : 22.7.2008
Place: Hyderabad.

Date : 18.8.2008
Place: Hyderabad.

Balance Sheet as at 31st March 2008

(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	61190.75	51588.98
2. Reserve for future overburden removal		15782.38	24315.38
3. Secured Loans	C	86270.74	73039.08
4. Deferred Tax liability (net)		9689.18	12388.78
Total		<u>346252.86</u>	<u>334652.03</u>
APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	E1	511758.40	479808.04
Less : Depreciation		<u>273748.02</u>	<u>268570.82</u>
Net Block		238010.38	211237.22
b) Capital Works-in-progress	E2	31211.98	29560.63
2. Investments	F	1942.01	29687.01
3. Advance action for overburden removal		24030.66	37513.56
4. Current Assets, Loans & Advances	G		
a) Current Assets			
i) Inventories		24021.09	32511.56
ii) Sundry Debtors		16533.93	18518.82
iii) Cash & Bank Balances		155005.47	87346.91
iv) Other Current Assets		2784.78	3275.89
b) Loans & Advances		52411.66	53631.58
		<u>250756.93</u>	<u>195284.76</u>
LESS :			
Current Liabilities & Provisions	D		
a) Current Liabilities		155068.86	105354.38
b) Provisions		<u>62882.85</u>	<u>76785.74</u>
		217951.71	182140.12
Net Current Assets		32805.22	13144.64
5. Miscellaneous Expenditure (to the extent not written-off or adjusted)			
Voluntary Retirement Compensation		18252.61	13508.97
Accounting Policies	H		
Notes on Accounts	I		
Total		<u>346252.86</u>	<u>334652.03</u>

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

Sd/- (J.Rama Krishna) G.M(C.A)&Company Secretary	Sd/- (M.V.V. Subba Rao) Chief General Manager (F & A)	Sd/- (E.V.Krishna Reddy) Director(Finance)	For and on behalf of the Board Sd/- (S. Narsing Rao) Chairman & Managing Director
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Date : 21.7.2008
Place : Hyderabad

As per our report of even date
For M/s.RAJU & PRASAD
Chartered Accountants
Sd/-

Date : 22.7.2008
Place : Hyderabad

(Padmakant J. Mehta)
Partner (M.No.015652)

Profit & Loss account for the year ended 31st March 2008

(Rs. in Lakhs)

Particulars	Schedule reference	Current year	Previous year
INCOME			
Sale of coal			
Gross sales		523353.23	441631.92
Less: Statutory levies		72292.99	62544.74
Less: Transfer to Development		1092.32	31.94
Net sales	01	449967.92	379055.24
Internal consumption of coal	02	1898.44	1689.19
Other Income	03	38448.17	31637.31
Increase/ decrease in stock	04	(-) 6914.09	(-) 2831.08
Total		483400.44	409550.66
EXPENDITURE			
Employees' Remuneration and other benefits	05	186361.72	166780.08
Consumption of Raw materials, Stores & Spares	06	36361.78	37680.53
Power & Fuel	07	18761.63	18987.90
Transportation charges	08	10496.59	7396.67
Repairs & Maintenance	09	10006.12	11293.70
Social Amenities	10	14136.04	13349.48
Interest	11	876.92	848.39
Provisions and Write-offs	12	4842.03	2975.73
Other Expenses	13	8718.95	8336.97
Contractual Expenses		4646.85	4591.28
Depreciation		24477.01	21775.44
Voluntary Retirement Compensation		17125.49	9894.92
Overburden Removal		137002.04	114287.68
Less : Transfers	14	19424.50	20368.05
Total		454388.67	397830.72
Profit for the year before prior period adjustments and taxation		29011.77	11719.94
Less: Prior Period Adjustments (Net)	15	22.94	1194.04
Less: Provision for Taxation			
a) Current		11936.00	6873.22
b) Deferred		—	—
c) Fringe Benefit Tax		299.72	288.94
Add: Deferred tax credit		660.63	3745.78
Income tax of earlier years		203.29	- 729.03
Profit after Taxation		17617.03	6380.49
Add: Profit brought forward from previous year		11588.98	17641.80
Profit available for appropriations		29206.01	24022.29
APPROPRIATIONS			
Less: Transfer to General Reserve		10000.00	10000.00
Less: Proposed dividend		3466.40	2079.84
Less: Tax on proposed dividend		589.11	353.47
Balance carried to Balance Sheet		15150.50	11588.98

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

Sd/- (J.Rama Krishna) G.M(C.A)&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
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Date : 21.7.2008
Place : Hyderabad

As per our report of even date
For M/s.RAJU & PRASAD
Chartered Accountants

Date : 22.7.2008
Place : Hyderabad

Sd/-
(Padmakant J. Mehta)
Partner (M.No.015652)

Schedule forming part of Balance Sheet as at 31st March 2008

SCHEDULE - A SHARE CAPITAL

(Rs. in Lakhs)

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

SCHEDULE - B RESERVES & SURPLUS

(Rs. in Lakhs)

Particulars	Current year	Previous year
GENERAL RESERVE		
Opening balance	40000.00	30000.00
Less: Gratuity Transitional Liability	3959.75	
Additions during the year	10000.00	10000.00
	46040.25	40000.00
PROFIT & LOSS ACCOUNT		
Balance carried forward	15150.50	11588.98
Total	61190.75	51588.98

SCHEDULE TO BALANCE SHEET AS AT 31st MARCH 2008

SCHEDULE - C
LOAN FUNDS-SECURED

(Rs. in Lakhs)

Particulars	Current year	Previous year
A) FROM THE GOVERNMENT OF INDIA :		
(Secured by a first charge in favour of Govt. of India created by equitable mortgage on the entire immovable assets of the Company, except 300 Acres of free hold land required for employee welfare, and guaranteed by Govt. of A.P., as per the Tripartite agreement dated 19.10.2004)		
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	14139.00	4241.23
(Secured by first charge in favour of participating banks ranking pari-passu on the stocks & receivables and other Current Assets)		
2. SHORT TERM DEMAND LOAN FROM BANK	5797.94	2464.05
State Bank of Hyderabad, Hyderabad (Secured by pledge of SBH term deposits)		
Total	<u>86270.74</u>	<u>73039.08</u>

SCHEDULE TO BALANCE SHEET AS AT 31st MARCH 2008

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)	259.16	206.49
- Due to subsidiary (APHMEL)	418.99	888.55
- Others (net of advances against SIT)	90894.46	50304.70
Advances and Deposits	38001.01	29317.04
Unclaimed dividend	0.33	0.20
Other liabilities	11419.47	12558.31
Provident Funds including Company's contribution and administrative charges	2708.93	2745.44
Pension recoveries	250.49	257.38
Family Benefit-cum-Insurance Savings Scheme accumulation(including interest accrued)	3486.67	3655.76
Production linked bonus & Special incentive	7517.52	5416.42
Shortages, damages and others	111.83	4.09
	155068.86	105354.38
B) PROVISIONS :		
For Taxation	17735.80	33999.08
For Actuarial Gratuity	32135.20	33071.01
For Actuarial Leave encashment	7823.86	5838.70
For Proposed Dividend	3466.40	2079.84
Tax on Proposed Dividend	589.11	353.47
Reclamation of land		306.12
Diminution in value of Assets	1132.48	1137.52
	62882.85	76785.74
Total	217951.71	182140.12

SCHEDULE TO BALANCE SHEET AS AT 31st MARCH 2008

SCHEDULE - E1

FIXED ASSETS

(Rs. in Lakhs)

	Gross Block				Depreciation				Net Block	
	As at 31.3.2007 (1)	Additions during the year (2)	Adjustments/ deductions during the year (3)	As at 31.3.2008 (4)	Up to 31.3.2007 (5)	for the year (6)	Adjustments/ deductions during the year (7)	Up to 31.3.2008 (8)	As at 31.3.2008 (9)	As at 31.3.2007 (10)
1. Lands (Note-3):										
i) Freehold	11082.00	2003.88	427.37	13513.25	329.57	--	--	329.57	13183.68	10752.43
ii) Leasehold	5568.16	12618.99	1126.65	19313.80	1311.52	1887.96	129.16	3328.64	15985.16	4256.64
2. Buildings:										
i) Factory	7289.79	598.37	-294.26	7593.90	2469.38	236.01	-104.77	2600.62	4993.28	4820.41
ii) Others	49088.13	13376.41	-78.85	62385.69	9724.47	921.95	-36.76	10609.66	51776.03	39363.66
3. Railway sidings	2487.00	236.79	23.11	2746.90	1702.10	68.22	3.61	1773.93	972.97	784.90
4. Plant & Machinery	325258.67	22243.50	-18231.90	329270.27	212733.33	16732.61	-17384.52	212081.42	117188.85	112525.34
5. Furniture & Fixtures	1037.46	50.17	-6.79	1080.84	837.72	46.77	-6.52	877.97	202.87	199.74
6. Mine development	74819.95	1991.09	-3874.86	72936.18	37001.72	4560.98	-1670.78	39891.92	33044.26	37818.23
7. Vehicles	3176.88	74.95	-334.26	2917.57	2461.01	123.87	-330.59	2254.29	663.28	715.87
Total	479808.04	53194.15	-21243.79	511758.40	268570.82	24578.37	-19401.17	273748.02	238010.38	211237.22
Previous year's total	451801.26	39419.31	-11412.53	479808.04	258402.62	21879.06	-11710.86	268570.82	211237.22	193398.64

SCHEDULE TO BALANCE SHEET AS AT 31st MARCH 2008

SCHEDULE - E2

CAPITAL WORKS-IN-PROGRESS

(Rs. in Lakhs)

	Balance as at 31.3.2007	Additional expenditure during the year	Deletions/ adjustments during the year	Balance as at 31.3.2008
I. Buildings:				
a) Factory	270.20	481.59	617.95	133.84
b) Others	15095.25	4419.27	13575.85	5938.67
II. Railway sidings	—	263.26	259.90	3.36
III. Plant & Machinery (including in transit)	4679.43	25732.16	22277.75	8133.84
IV. Mine development	9504.85	8719.40	2169.79	16054.46
V. Vehicles	10.90	74.39	74.95	10.34
VI. Intangible assets - ERP Software	—	937.47	—	937.47
Total	29560.63	40627.54	38976.19	31211.98
Previous year's total	23953.31	41281.23	35673.91	29560.63

SCHEDULE TO BALANCE SHEET AS AT 31st MARCH 2008

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) 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
c) 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
d) 6,900 10.70% redeemable non-convertible APPFCL Bonds(Series III/2002 OPTION-'A') of Rs.1.00 lakh each fully paid up. Aggregate market value Rs. Nil. (Previous year Rs.28793.42 lakhs)	—	6900.00
e) 100 Nos. 8.50% APSFC-Non SLR Bonds (Series II/2008) of Rs. 10 lakhs each fully paid up. Aggregate market value - not listed as on 31.3.08	1000.00 1000.00	— 28750.00
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) 50,000 Equity shares of Rs.10/- each fully paid-up of NTPC-SCCL Global Ventures Pvt., Ltd.	5.00	—
d) 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.	—	—
	942.01	937.01
Total	1942.01	29687.01

SCHEDULE TO BALANCE SHEET AS AT 31st MARCH 2008

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	21998.12	22885.81
Less: Provision for Slow/Non-moving Obsolete Stores	<u>2540.56</u>	<u>2759.40</u>
	19457.56	20126.41
Stores-in-transit & under inspection	3252.47	4160.00
Stock of Coal	1311.06	8225.15
	24021.09	32511.56
II. Sundry Debtors - Unsecured		
a) Outstanding for over 6 months		
i) Considered good	1257.51	771.58
ii) Considered doubtful	2773.99	2831.83
Less: Provision	<u>2773.99</u>	<u>2831.83</u>
	15276.42	17747.24
b) Other debts considered good	15276.42	17747.24
	16533.93	18518.82
III. Cash and Bank balances		
i) Cash Balances:		
Cash and stamps on hand	10.57	9.43
Cheques and bank drafts on hand	73.78	—
ii) Bank balances with Scheduled Banks		
In Current Accounts	2520.02	2336.88
In Deposit Account	152401.10	85000.60
Remittance in transit	<u>—</u>	<u>—</u>
	155005.47	87346.91
IV. Other Current Assets		
Interest accrued on Investments	2784.78	3275.89
Total carried forward	198345.27	141653.18

SCHEDULE TO BALANCE SHEET AS AT 31st MARCH 2008

SCHEDULE - G

CURRENT ASSETS, LOANS & ADVANCES (Contd..)

(Rs. in Lakhs)

Particulars	Current year	Previous year
Total Brought Forward	198345.27	141653.18
B) LOANS & ADVANCES		
Unsecured considered good		
I. i) Advances recoverable in cash or in kind or for value to be received		
* Advances to Staff	2948.20	2985.31
Interest accrued on Loans, Advances and deposits	957.36	1041.09
Advances against Purchases, Railway Sidings and others	3069.49	618.61
Miscellaneous Advances	8806.60	3668.58
Advance Tax including TDS	17448.30	36678.95
Pre-paid expenses	411.62	364.51
Advances and Loans to Subsidiary Company- M/s A P H M E L (Note No.11)	657.59	859.35
ii) Deposits	18112.50	7415.18
Total	52411.66	53631.58
II. Unsecured - Considered Doubtful Advances against Purchases and others	254.54	320.80
Less: Provision	254.54	320.80
Total	250756.93	195284.76

	Balance as on 31-3-2008	Maximum balance during 2007-08	Balance as on 31-3-2007	Maximum balance during 2006-07
* a) Due from Directors	2.34	3.07	3.07	3.64
b) Due from officers of the Company	2.10	2.68	2.68	3.24

Schedule to Profit and Loss account for the year ended 31st March 2008

**SCHEDULE : 01
SALE OF COAL**

(Rs. in Lakhs)

Description	Current year	Previous year
Gross Sales:	523353.23	441631.92
Less: Statutory levies -		
Royalty	45870.67	33737.20
Stowing excise duty	4179.25	3748.65
APMBL cess	2737.56	7497.16
CST on Coal sales	3758.49	4620.08
VAT on Coal sales	15747.02	12941.65
Total levies	72292.99	62544.74
Basic value:	451060.24	379087.18
Less: Transfer to development	1092.32	31.94
Net	449967.92	379055.24

**SCHEDULE : 02
INTERNAL CONSUMPTION OF COAL**

(Rs. in Lakhs)

Description	Current year	Previous year
Coal consumed at Collieries	1898.44	1689.19
Total	1898.44	1689.19

**SCHEDULE : 03
OTHER INCOME**

(Rs. in Lakhs)

Description	Current year	Previous year
Rents - Gross (TDS Rs.16.39 Lakhs)	369.99	345.99
Electricity & fuel	992.62	665.78
Water charges	58.31	55.08
Sand stowing and protective works assistance/subsidy	2961.05	1922.32
Weigh bridge rebate	-	53.15
Interest on investments (non-trade) Gross (TDS:Rs.711.14 lakhs)	2070.54	6858.51
Interest on sundry debtors for coal, loans, advances & deposits Gross (TDS – Rs.2129.83 Lakhs)	10284.48	5351.80
Profit on sale of fixed assets	-	25.00
Surface coal transport charges	12397.33	8419.46
Miscellaneous receipts	5212.87	5603.00
Rapid loading & crushing charges	1509.12	1189.47
Provisions and liabilities no longer required	2209.91	1122.47
Gain on exchange variation	381.95	25.28
Total	38448.17	31637.31

SCHEDULE : 04

INCREASE / DECREASE IN STOCK

(Rs. in Lakhs)

Description	Current year	Previous year
Closing stock of Coal	1311.06	8225.15
Less : Opening stock of Coal	8225.15	11056.23
Total	<u>(-) 6914.09</u>	<u>(-) 2831.08</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)	154190.71	129870.92
CMPF including administrative charges	15216.28	15179.81
Attendance bonus	7300.79	7581.70
Production linked bonus/ performance linked reward	4795.11	6113.33
Gratuity	16165.41	17526.13
Workmen's compensation	88.60	185.62
Group insurance	216.82	169.29
Group personal accident insurance	1.83	2.45
C & MD & Directors' remuneration (Note No. - 14)	46.53	41.38
Life cover premia under gratuity scheme with LIC	455.55	462.52
	<u>198477.63</u>	<u>177133.15</u>
Less: Transferred to -		
Power & Fuel	669.96	578.07
Repairs & maintenance	4486.98	4024.03
Social Amenities	4769.97	4762.84
Development	2189.00	988.13
	<u>12115.91</u>	<u>10353.07</u>
Net	<u>186361.72</u>	<u>166780.08</u>

SCHEDULE : 06

CONSUMPTION OF RAW MATERIALS, STORES & SPARES

(Rs. in Lakhs)

Description	Current year	Previous year
Gross:		
Stores & Spares	36202.48	37042.67
Explosives	3940.05	3888.81
	40142.53	40931.48
Less: Transferred to -		
Power & Fuel	370.86	344.15
Repairs & maintenance	800.93	1149.88
Social Amenities	1025.20	775.06
Development	1583.76	981.86
	3780.75	3250.95
Net	36361.78	37680.53

SCHEDULE : 07

POWER & FUEL

(Rs. in Lakhs)

Description	Current year	Previous year
Electricity purchased	15103.62	15545.16
Coal consumed	1899.54	1753.98
Salaries, wages and allowances (from Schedule-5)	669.96	578.07
Stores (from Schedule-6)	370.86	344.15
Depreciation	92.38	91.76
Other expenses	625.27	674.78
Total	18761.63	18987.90

SCHEDULE : 08

TRANSPORTATION CHARGES

(Rs. in Lakhs)

Description	Current year	Previous year
Coal transport charges	9041.60	6209.30
Sand transport charges	1454.99	1187.37
Total	10496.59	7396.67

SCHEDULE : 09

REPAIRS & MAINTENANCE

(Rs. in Lakhs)

Description	Current year	Previous year
Maintenance charges on railway sidings	281.34	229.12
Buildings - Wages (transfer from Schedule-5)	1894.34	1761.56
- Stores (transfer from Schedule-6)	131.64	179.59
- Other expenses	2276.56	3519.03
Plant & Machinery - Wages (transfer from Schedule-5)	2592.64	2262.47
- Stores (transfer from Schedule-6)	669.29	970.29
- Other expenses	2160.31	2371.64
Total	<u>10006.12</u>	<u>11293.70</u>

SCHEDULE : 10

SOCIAL AMENITIES

(Rs. in Lakhs)

Description	Current year	Previous year
Employees welfare expenses - Wages (transfer from schedule-5)	4769.97	4762.84
- Stores (transfer from schedule-6)	1025.20	775.06
- Other expenses	5402.12	5414.67
Lumpsum/ Monthly Monetary Compensation for dependents	1463.84	1125.14
VRS/Golden Hand Shake Monetary terminal payments/ Exgratia	3.00	-
Grants to Singareni Collieries Educational Society	1471.87	1271.04
Expenditure on Company run Schools	0.04	0.73
Total	<u>14136.04</u>	<u>13349.48</u>

SCHEDULE : 11

INTEREST

(Rs. in Lakhs)

Description	Current year	Previous year
Interest on cash credit	208.76	215.13
Interest on others	668.16	633.26
Total	<u>876.92</u>	<u>848.39</u>

SCHEDULE : 12

PROVISIONS AND WRITE-OFFS

(Rs. in Lakhs)

Description	Current year	Previous year
Bad and doubtful debts written off	156.90	694.09
Provision for obsolescence Stores	325.81	154.41
Provision for shortages & damages	1.39	—
Stores and spares written off	3.63	33.42
Advances written off	69.73	30.84
Assets written off	3486.57	458.83
Provision for doubtful debts/ advances	107.63	59.24
Provision for others	109.10	—
Obsolete stores written off	546.47	389.71
Other losses written off	—	17.67
For diminution in value of assets	34.80	1137.52
Total	4842.03	2975.73

SCHEDULE : 13

OTHER EXPENSES

(Rs. in Lakhs)

Description	Current year	Previous year
Rents	22.83	41.16
Insurance	48.02	47.99
Rates & Taxes	339.80	309.58
Travelling expenses	383.29	387.73
Postage, telegrams and telephones	254.11	239.60
Legal expenses	79.55	73.33
Wagon cancellation and demurrage charges	90.84	53.61
Bank charges and commission	145.30	122.08
CISF Salaries and wages	2033.40	1947.50
Directors' travelling expenses	24.83	18.18
Auditors' remuneration		
- Audit Fee	8.43	8.99
- Out of pocket expenses	2.50	1.37
- Other expenses-certifications / services	—	0.39
- Tax Audit	1.40	1.68
Advertisements	501.95	444.02
Loss on sale of fixed assets	—	2.72
Research and development expenses	53.00	43.14
Other general expenses	3973.99	4140.19
Subscriptions to journals and periodicals	15.25	15.34
Printing and stationary	160.16	157.12
Exchange variation	0.03	—
Expenditure on internal shunting of wagons	47.40	53.01
Computer maintenance and hire charges	38.40	12.61
Plantation expenditure	225.00	215.63
Service charges for e-booking of coal	269.47	—
Total	8718.95	8336.97

SCHEDULE : 14

TRANSFERS

(Rs. in Lakhs)

Description		Current year	Previous year
Transfer to Development	- Overheads	614.93	322.68
	- Depreciation	257.13	228.60
Transfer to Overburden Removal	- Interest	136.07	147.30
	- Overheads	11102.29	12584.94
	- Depreciation	7206.16	7055.56
Expenditure allocated to Central Workshop		107.92	28.97
	Total	19424.50	20368.05

SCHEDULE : 15

PRIOR PERIOD ADJUSTMENTS (NET)

(Rs. in Lakhs)

Description		Current year	Previous year
Depreciation provided in the earlier years written back		17.73	343.22
Credits and adjustments pertaining to earlier years		306.60	151.63
	Total (A)	324.33	494.85
EXPENDITURE :			
Salaries, wages, bonus, ex-gratia, company contribution to PF W.C.		0.78	1503.94
Consumption of stores and spares		1.11	60.21
Coal transport bills		—	12.51
Depreciation		330.31	32.55
Power and fuel		—	7.50
Rates and taxes		0.09	0.72
Maintenance charges etc., on railway sidings		—	10.28
Welfare expenses		5.62	8.14
Interest		0.70	20.42
Other miscellaneous expenditure		8.66	32.62
	Total (B)	347.27	1688.89
	NET (A - B)	(-) 22.94	(-) 1194.04

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. Interest on belated payment of coal dues and loans & advances to subsidiary company.
- b. Escalation in prices and duties for explosives, equipment and spares supplied.
- c. Credit towards Powder factor is accounted as and when recovered from the suppliers of Explosives.
- d. Additional claims from contractors on Capital Works when claims are settled.
- e. Scrap on Realisation; and
- f. Insurance Claims.

III. FIXED AND CURRENT ASSETS:

1. FIXED ASSETS:

- a. Freehold Lands includes cost of acquisition, compensation, rehabilitation expenses and interest up to the date of taking possession.
- b. Leasehold lands include cost of compensatory land and afforestation and deforestation expenditure with regard to acquisition of forest land under lease.
- c. Equipment received for Projects under construction / Mines under development but not installed and commissioned by the end of the year is shown as Capital Works-in-Progress.
- d. Exchange differences in respect of Foreign Currency Liabilities are recognised in the year of incurrence.
- 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.
iii) Coal issued for internal consumption is valued at grade-wise Selling Prices and exhibited as contra.

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SCHEDULE TO BALANCE SHEET AS AT 31st MARCH 2008

- 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:

1. 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 (14.28%), Jumbo Drills (13.33%) at CDF Panel and SDLs (25%) are depreciated on the basis of estimated life, which is lower than Schedule XIV. Thus entailing higher depreciation charge.
2. Depreciation is calculated on 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.
3. a. 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.
- b. Intangible Assets – ERP software will be amortised over a period of 5 years.

VIII. INVESTMENTS:

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

IX. EMPLOYEES RETIREMENT BENEFITS:

1. (a) Gratuity is a defined benefit scheme. The cost of providing benefits is determined using the projected unit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in P&L A/c. for the period in which they occur except transitional provision. The retirement benefit obligations recognised in the Balance Sheet represents the present value of the defined benefit obligations as reduced by the fair value of scheme assets.
- (b) Leave encashment is provided based on actuarial valuation carried out at each balance sheet date.
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 31-3-2008	For the year ended 31-3-2007
1.	Contingent liability not provided in respect of:		
	a) Letter of Credit (Inland & Foreign)	5293.61	6949.49
	b) Claims against the Company not acknowledged as debts :		
	i) Demands from Revenue Authorities under Andhra Pradesh Non-Agricultural Land Assessment (Amendment) Act, 1974.	5982.33	5982.33
	ii) Suits filed by employees who have been terminated/suspended and others pending at various stages at courts	Not Quantifiable	Not Quantifiable
	iii) Demand from Divisional Forest Officer towards NPV for renewal of different mining leases.	3299.99	13223.86
	iv) Others	2471.46	4247.73
	v) Profession Tax: Orders issued by Dept. of Revenue (CT-IV) of Govt. of AP vide Memo No. 14897/CT.IV/2004 dt.23.01.2008 for collection of profession tax from NCWA employees at pre-revised rates from December 2007 have been kept in abeyance till further orders of the Govt. of A.P.	Not Quantifiable	Not Quantifiable
	vi) Demand from Commercial Taxes Department which are disputed and pending at various stages viz., ADC, Warangal, STAT, Hyderabad and A.P. High Court.	756.75	1012.41
	c. Claims in respect of suits filed by the pattadars for additional compensation for Acres: 7386, Guntas:39 (Previous year: Acres 10641 Guntas 22) contested by the Company and pending in Courts	Not Quantifiable	Not Quantifiable
2.	Estimated value of contracts remaining to be executed on Capital Accounts including Rs.1336.16 lakhs (Previous year Nil) towards ERP-SAP Software - Intangible Assets.	30470.32	35294.17
3.	a) Land Measuring Acres:790, Guntas:16 (Previous year Acres 1287 Guntas 08) shown under Fixed Assets has not been registered in the name of the Company.	Not Quantifiable	Not Quantifiable
	b) Value of Land Measuring Acres 172 Guntas19 (Previous year Acres: 423, Guntas:16) is in Company's possession not reflected in Accounts since acquisition proceedings are not completed.	Not Quantifiable	Not Quantifiable

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Sl. No.	Particulars	For the year ended 31-3-2008	For the year ended 31-3-2007
4.	Sundry Debtors Unsecured - Considered good include dues recoverable from non-core Coal customers towards levy of 20% additional price in respect of which recovery proceedings are pending.	32.24	33.32
5.	a) Income Tax Assessments up to the Assessment Year 2006-07 have been completed b) Sales tax assessments upto the Accounting Year 2004-05 have been completed.	—	—
6.	Decrease in Fixed Assets on account of exchange rate difference on P&M acquired under foreign currency liability. (Refer Note No. 17 (c))	—	113.40
7.	a) Subsidy / Grants received / receivable from Coal Controller are recognised based on estimates basis during the financial year. i) On capital account ii) On Revenue Account b) Plant & Machinery include provision for impairment on account of damage to Continuous Miner and One Shuttle Car as per the agreement made with Joy Mining for replacement of above assets.	516.19 3212.96 1069.00	650.26 2405.98 1069.00
8.	Royalty & APMBL cess on Closing Stock of Coal of 1.48 L.T. (Previous Year 12.18 L.T.) will be transacted in Books on despatch of coal.	188.81	1339.56
9.	In respect of fixed assets, the same are confirmed as available based on certification by the unit head.	—	—
10.	Provision towards Fringe Benefit Tax is provided on perquisites / expenditure as per legal advice obtained by the Company.	299.72	288.94
11.	Interest receivable from M/s APHMEL on loans & advances given by SCCL up to 31.03.2008 not transacted in the books.	196.45	208.95

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12. Gratuity Plan: Company has taken a policy with LIC for payment of Gratuity to all its employees through a "Group Gratuity Scheme". Effective from 1.4.07 the company adopted the Accounting Standard (Revised) on employees benefits. Pursuant to the above transitional provision worked out to Rs.5998.71 Lakhs. After considering Deferred Tax, Rs.3959.75 Lakhs is deducted from opening balance of Reserves.

The following table indicates status of the gratuity plan as required under AS 15 (revised).

PARTICULARS	For the year ended 31.3.08 (Rs.)
Obligations at beginning of the year	8769871145
Service cost	363407872
Interest cost	701589692
Benefits settled	-1312392227
Actuarial(gain)/loss	792665174
Obligations at the end of the year, at fair value	9315141656
Change in plan assets	
Plan assets at beginning of the year, at fair value	4862899450
Expected return on plan assets	451018517
Actuarial(gain)/loss	0
Contributions	2100095934
Benefits settled(estimated)	-1312392227
Fair value of plan assets at the end of the year	6101621674
Reconciliation of present value of the obligation and the fair value of the plan assets.	
Fair value of plan assets at the end of the year	6101621674
Present value of the defined benefit obligations at the end of the year	9315141656
Assets/(liability) recognized in the balance sheet	-3213519982
Gratuity cost for the year	
Service cost	363407872
Interest cost	701589692
Expected return on plan assets	-451018517
Actuarial(gain)/loss	792665174
Net gratuity cost	1406644221
Assumptions	
Interest rate	8%
Expected return on plan assets	9.5%
Expected rate of salary increase	4%
<p>i) Actuarial Liability of Gratuity is worked out based on salary paid on 31.3.2008 wherein NCWA pay revision effective from 1.7.2006 and executive pay revision effective from 1.1.2007 and DA merger were not considered as they cannot be quantified.</p>	
<p>ii) LTC/ LLTC payments recognised in the accounts on payment basis.</p>	
<p>iii) Provision for Gratuity made on the basis of actuarial liability worked out by LIC.</p>	

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Sl. No.	Particulars	For the year ended 31.3.2008	For the year ended 31.3.2007
13.	Deferred Tax Accounting – AS-22 In compliance with Accounting Standard (AS-22) relating to 'Accounting for Taxes on Income' of Deferred Tax Assets and liabilities are as under:		
	(A) Deferred tax assets:		
	Carry forward Capital Gain & Loss	NIL	NIL
	Gratuity provision	9821.57	12032.17
	Other provisions	5320.97	4543.34
	VRS Amortisation	5035.25	3125.41
	Total (A)	<u>20177.79</u>	<u>19700.92</u>
	(B) Deferred Tax Liability:		
	Depreciation	27196.69	27647.19
	Overburden Removal	2791.74	4442.51
	Total (B)	<u>29988.43</u>	<u>32089.70</u>
	Net Deferred Tax Liability (A-B) Adj. due to revision of tax rate	(-) 9810.64	(-)12388.78 (-) 121.45
	i) Net Deferred Tax Asset credited to Account.	660.63	3745.78
	ii) Deferred tax on Gratuity Transitional provision	2038.96	
14.	Details of Remuneration of the Chairman & Managing Director and whole time Directors:		
	Salaries and allowances	40.81	37.32
	Contribution to PF & Pension	3.77	3.60
	Others	1.95	0.46
	Total	46.53	41.38
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.	a) Pending finalisation of NCWA-VIII wage agreement, a provision of Rs.28543.99 lakhs has been made on estimated basis during the current financial year. b) Pending finalisation of Executive pay revision, a provision of Rs.3928.45 lakhs has been made on estimated basis during the current financial year.		

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17. Change in Accounting Policies resulted in net debit of Rs.486.22 lakhs to P&L Account as detailed hereunder;
- Claims / recoveries towards higher grade / sub-grade hither to accounted on cash basis on receipt of such advices are brought on to accrual basis from 2007-08, as there is specific time frame for submission of debit Notes/ credit Notes in FSA. Consequent to above change net grade variations accounted in 2007-08 for despatches made up to 31st March, 2008, in respect of which advices are received on or after 1.4.2008 amounts to Rs.188.14 lakhs. Profit for the year and cumulative profit also increased by like amount.
 - Hitherto SDLs are depreciated @ 11.33% SLM with 9 years life. As per the technical estimate the Life of the SDLs is 4 years. Hence SDLs are depreciated over 4 years i.e., 25% SLM from 2007-08. Since the above change in life of Depreciable Asset is an accounting estimate residual value of the SDLs hitherto depreciated @ 11.33% is charged over residual revised life. Charge to P&L Account on account of Depreciation on SDLs, is more by Rs.944.02 lakhs. Consequently the profit for the year and cumulative profit is less by like amount.
 - Exchange difference in respect of foreign currency Liabilities incurred to acquire fixed Assets are adjusted to carrying amount of such Fixed Assets. From 2007-08 Foreign Exchange variations are being recognised as per AS-11. Consequent to above, gain on exchange variation during the year an amount of Rs.308.16 lakhs is credited to P&L Account. However due to non capitalisation of gain on exchange variations, depreciation charge is more by Rs.38.50 Lakhs. The net impact is Rs.269.66 Lakhs on current year profit.
18. Since no supplier/ service providers have forwarded a copy of the memorandum filed with the government as per the Micro, small and Medium Enterprises Development Act, 2006, firms coming under such category could not be identified. Hence disclosure requirement under that Act is not possible. However, action will be taken in the current year to identify those category suppliers.
19. Balances of Sundry Creditors, Sundry Debtors, Advances, Deposits etc., are subject to confirmation, reconciliation and adjustments, if any.
20. 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 made from the Society.
21. 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.
22. Dues to Small Scale Units outstanding for more than 30 days at the date of the Balance Sheet comprise the following:
- Action Construction Equipment (P) Ltd., M/s. Coastal Pneumatic Agencies, Ex-Kburn Industries, Mine Aid Products, Suncrest Industries, Standard Industrial Engineers & MSSIDC., Aditya Air Products Pvt. Ltd., Rishi Vishal Metals (P) Ltd., M/s. Anjana Explosives, Computer India, Eastern Fabritech Pvt. Ltd., Electroteknica, Gouthami Explosives Pvt. Ltd., Mine Line & Vijay Engineers., Asrani Tubes Ltd., Bilaspur Tool Industries, Deccan Engg. Enterprises, Deccan Tools Industries Pvt. Ltd., Eastern Fabritech, Kamineni Wires, KJV Alloy conductors Pvt. Ltd., Kepro Tools & Equipment, Rukmani Metals & Gases, Rishivishai Metals Pvt. Ltd., Ramtek Industries, Srinidhi Chemical Industries, Saipriya Enterprises, Techno Precision Engineers Pvt. Ltd., Ushamartin Ltd., Uma Enterprises, Vajra Tools and Vijay Engineers, Arun Smithy Shop, A-1 Computer Shoppee, Central Cables Ltd., Deccan Tools Industries, Giriraj Hydraulics Pvt. Ltd.,

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Mining & Allied Products, Netco Cable Industries Pvt. Ltd., Rishis Vishal Metals (P) Ltd., Rock Set Technologies, Shreem Capacitors Pvt. Ltd, Sri Vijaya Industries, Acharya Safety Spares Corporation, KND Industries, Vikranth Ropes Pvt. Ltd. Bharat Wire Ropes, Bharat Mining & Drilling Engineers, Creative Engineers, Electroteknica Switchgears, Essem Tools, Hitech Rota Equipment, Jujamore Industrial Products, M.P. Engineering Works, Narmada Engineering Company Ltd., Srinivasa Engineering Industries, Kamineni Wires, Kollipara Electrodes, Mineline Pvt. Ltd., National Cement Corporation, Rishis Vishal Metal, Eva-Dutt Automatic Systems, Genuine Trade Centre, Vijaya Explosives Pvt. Ltd., M/s. Hydraulic Syndicate, M/s. Ramesh Engineering Works, M/s. Shree Laxmi Medical Needs, M/s. Vijaya Engineers, M/s. ABC Electricals Pvt. Ltd., M/s. Chanda & Co (Engg) Pvt. Ltd., M/s. Ramadevi Chemical Industries.

23. Based upon assessment of carrying cost of assets there is no impairment of assets during the year under AS-28. Hence no provision made thereof.

24. Related Party Transactions (AS-18):

Related Parties:

- 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.
 - ii) NTPC-SCCL Global ventures a Joint venture by SCCL and NTPC.
 - iii) Whole time Directors of SCCL during the financial year: Shri S. Narsing Rao, C & M D, and other Directors: S/Shri J.V.Dattatreyyulu, E.V.Krishna Reddy, D.L.R.Prasad, L.Shashidhar, B. Venkateswar Rao, I.V.N. Prasada Rao and E.Raja Rao.
 - iv) Remuneration to whole time Directors including Chairman and Managing Director is disclosed in Note No.14.
- Advances due from whole time Directors are disclosed under Schedule G - Current Assets, Loans and Advances.

25. The Company has formed a 50:50 Joint venture company under the name and style of NTPC-SCCL Global ventures Pvt. Ltd., on July 31st 2007 with NTPC Ltd to undertake various activities in coal and power sectors including acquisition of coal / lignite mine block development and operation of integrated coal based power plants and providing consultancy services.

Details of Interest of the Company in Joint Venture as per AS-27:

- i) Name of the Joint Venture entity : NTPC – SCCL Global Ventures Private Limited
- ii) Country of Incorporation : India
- iii) Principal Activities : Coal & Lignite mining & Setting up integrated power plants.
- iv) Ownership interest : 50%
- v) Original cost of Investment : Rs.5 lakhs
- vi) Aggregate amounts related to interest in Joint Venture entity.

The Company's interest in the aforementioned jointly controlled entity's assets, liabilities income and expenditure are as under;

	31.3.2008 (Audited) Rs. Lakhs
Assets	5.00
Liabilities	5.00
Income	—
Expenditure	-0.735
Profit after Tax	-0.735

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26. Earnings per share (AS-20): (Basic and Diluted)	2007-08	2006-07
	(Rs. in Lakhs)	
a) Net Profit after Tax	17617.03	6380.49
b) Number of Ordinary Equity Shares (fully Paid-up)	173,31,98,119	173,31,98,119
c) Earnings per Share (a/b)	Rs.1.02	Rs. 0.37
27. Expenditure on Removal of Over Burden (P&L A/c) includes Rs.2385.45 Lakhs (debit) on account of the following:		
a) An amount of Rs.7839.43 Lakhs being the balance expenditure under Advance action OB Removal of RGM OC-I (Rs.7831.45 Lakhs) and MNG COC (Rs.7.98 Lakhs) which are closed due to exhaustion of Reserves.		
b) On review of the mineable reserves the Stripping Ratio of Koyagudem OCP-I has been revised from 3.97 Cu.M/T to 3.09 Cu.M/T and its consequent impact on Expenditure on removal of Overburden is Rs.4191.37 Lakhs (credit).		
c) Due to expansion/integration of OC Mines, the existing Mines ceased to be in operation and new mines with Revised Average Stripping Ratio have come into existence from 1.4.2008. Consequent to this, the OBR Advance Action and OBR Reserve as on 31.3.2008 of existing mines is charged off under Expenditure on Removal of Overburden (P&L A/c) and the net impact is Rs.1262.61 Lakhs (credit).		
28. Fixed Deposit Receipts received from contractors/suppliers held with the Company as security not transacted in the Books.	For the year ended 31.3.08	(Rs. in lakhs) For the year ended 31.3.07
	2006.44	1876.05
29. An amount of Rs.117.59 Lakhs (Previous year Rs.117.59 lakhs) was recovered towards powder factor at RG OC-II from IEL and taken into Books of account as per term of purchase order. However the amount was released as advance pending arbitration proceedings, against pending bills.		
30. Interest free Moratorium, on payment of Funded Interest of Rs.66333.80 lakhs for a period of 10 years was sanctioned by Govt. of India, which is payable in 10 equal annual installments, commencing from 2007-08. 1 st installment of Rs.6633.38 lakhs was to be paid by 31.3.2008. The proposal requesting Govt. of India for a further moratorium of 10 years was recommended by Govt. of A.P. and the same is under consideration of Govt. of India.		
31. Demand for payment of NPV for renewal of four leases was disputed by SCCL and a suit was filed in the Supreme Court. However as per the directions of Supreme Court, Rs.12026.50 Lakhs was deposited with Central Empowerment Committee. Pending resolution of dispute, the amount was provisionally capitalised by crediting Sundry Creditors capital account, as the land is already under Company's possession and the expenditure is to be amortised over 10 years from the date of payment as per the Accounting Policy.		

32. 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: 355.17 L Ts (Previous Year - 345.35 L Ts)
as certified by the Management.
- c) Quantitative Details:

	2007-08		2006-07	
	Quantity (Tonnes)	Value Rs. in Lakhs	Quantity (Tonnes)	Value Rs. in Lakhs
Opening Stock	1217786	8225.15	1413349	11056.22
Add: Production	40604390 (71100)	—	37707227 (3000)	—
Less: Turnover	41950328 (227966)	452958.68 (2990.76)	37629185 (145109)	380776.37 (1721.13)
Adjustments	276615	—	(-)273605	—
Closing Stock	148463	1311.06	1217786	8225.15

- 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	2007-08	2006-07
Stores & Spares	2032.69	2760.42

e) Expenditure in Foreign Currency:

(Rs. in Lakhs)

Particulars	2007-08	2006-07
Traveling Expenses	18.55	47.20
Consultancy Payments	187.02	201.85

f) Consumption of Stores & Spares:

(Rs. in lakhs)

	2007-08		2006-07	
	Amount	% of total consumption	Amount	% of total consumption
Imported	2971.88	6.94	1913.30	4.38
Indigenous	39852.30	93.06	41736.60	95.62
Total	42824.18	100.00	43649.90	100.00

33. Cash flow statement (AS-3) for the year 2007-08:

(Rs. in Lakhs)

Sl. No.	Particulars	2007-08	2006-07
A	CASH FLOW FROM OPERATING ACTIVITIES		
	Profit before tax and prior period adjustments	29011.77	11719.94
	Adjustments for:		
	Depreciation	24312.26	21638.60
	Interest income	-2070.54	-6858.51
	Interest expense	876.92	848.39
	VRS Expenditure	17125.49	9894.92
	Gain Exchange Variation	-381.95	-25.28
	Loss Exchange variation	0.03	0
	Net Profit/Loss on sale of Assets	0.00	-22.28
	Prior period adjustments	290.34	40152.55
	Operating profit before working capital changes	69164.32	-1484.29
	Adjustments towards changes in		23991.55
	Inventories	8490.47	1646.12
	Sundry Debtors	1984.89	-4582.14
	Other Current Assets	491.11	-5.14
	Loans & Advances	14702.82	-7735.12
	Current Liabilities	49408.36	-11921.79
	Provisions for Gratuity & L.E	1049.35	8446.23
	Provision (Diminution of assets & unclaimed Dividend)	-5.04	1137.52
	Taxation	-27995.99	-17729.41
	FBT paid	-299.72	-288.93
	Deferred tax liability	-2038.97	—
	Actual Gratuity Transitional Provision	-3959.75	
	Overburden Reserve	-8533.00	7057.27
	Cash flow from operating activities (A)	102458.85	-23975.39
			11736.10
B	CASH FLOW FROM INVESTING ACTIVITIES		
	Increase in fixed assets (Net)	-51398.00	-39144.23
	Purchase of Investments	0.00	0.00
	Sale of Investments	27745.00	42648.80
	Decrease in capital Work-in-Progress	-1651.35	-5607.32
	Change in VRS Deferment	-21869.13	-8834.69
	Cash flow from investing activities (B)	-47173.48	-10937.44

Contd...

(Rs. in Lakhs)

Sl. No.	Particulars	2007-08	2006-07
C	CASH FLOW FROM FINANCING ACTIVITIES		
	Decrease in Secured Loans	13231.66	3016.85
	Interest income	2070.54	6858.51
	Interest expense incl. Prior period Interest	-877.62	-868.82
	Dividend paid	-2079.84	-8665.93
	Dividend Tax paid	-353.47	-1215.41
	Gain/ Loss on Exchange variation	381.92	25.58
	Decrease in Unsecured Loans	0.00	<u>0.00</u>
	Cash flow from investing activities (C)	<u>12373.19</u>	<u>-849.52</u>
D	Net increase in cash and cash equivalents (A+B+C)	67658.56	-50.86
E	Cash & cash equivalents at the beginning of the year	87346.91	87397.77
F	Cash & cash equivalents at the end of the year (D+E)	155005.47	87346.91
34.	Previous year's figures, wherever necessary, have been re-grouped, recast, rearranged to conform with those of the current year.		

Signatures to Schedules

Sd/- (J.Rama Krishna) G.M(C.A)&Company Secretary	Sd/- (M.V.V. Subba Rao) Chief General Manager (F & A)	Sd/- (E.V.Krishna Reddy) Director(Finance)	For and on behalf of the Board Sd/- (S. Narsing Rao) Chairman & Managing Director
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Date : 21.7.2008
Place : Hyderabad

As per our report of even date
For M/s.RAJU & PRASAD
Chartered Accountants

Date : 22.7.2008
Place : Hyderabad

Sd/-
(Padmakant J. Mehta)
Partner (M.No.015652)

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	00571	State Code: 01
Balance Sheet Date	31.03.2008	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
350308.37	350308.37

Sources of Funds

Paid-up Capital	Reserves & Surplus
173319.81	61190.75
Secured Loans	Reserve for OBR
86270.74	15782.38
Deferred Tax Liability (Net)	9689.18

Application of Funds

Net Fixed Assets (incl.Cap.WIP)	Investments
269222.36	1942.01
Net Current Assets	Misc. Expenditure
32805.22	18252.61
Advance action for OBR	
24030.66	

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

Turnover/Income	Total Expenditure
449967.92	454388.67
Profit Before Tax	Profit After Tax
29011.77	17617.03
Earnings per share (in Rs.)	Dividend rate (%)
1.02	2

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, 2008
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, 2008	
(i) For the Subsidiary's financial year ended as aforesaid	Rs. 320.21 Lakhs.
(ii) For the Previous financial years of the subsidiary since it became the Holding Company's Subsidiary	Rs.1654.80 Lakhs.
(b) Dealt within the Holding Company's account for the year 31st March, 2008	
(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, 2008.	- 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) G.M.(C.A.)&Company Secretary	Sd/- (M.V.V. Subba Rao) Chief General Manager (F & A)	Sd/- (E.V.Krishna Reddy) Director(Finance)	Sd/- (S. Narsing Rao) Chairman & Managing Director
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Date : 21.7.2008
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	2007-2008	2006-2007
A. TOWNSHIP		
1. Repairs & Maintenance	4418.79	5646.06
2. Sanitation	551.99	977.31
3. Water Supply	2231.37	2351.41
4. Depreciation	818.07	637.05
	<u>8020.22</u>	<u>9611.83</u>
Less : Township Income	321.46	363.56
Water Charges	<u>145.59</u>	<u>55.08</u>
	467.05	418.64
Total (A)	<u>7553.17</u>	<u>9193.19</u>
B. OTHER SOCIAL OVERHEADS		
1. Medical Facilities	4471.95	4134.32
2. Expenditure on Social & Cultural activities, Clubs, Sports, Games etc.	91.21	178.38
3. Super Bazar	168.60	32.77
4. Schools & Colleges	1171.25	1162.51
Total (B)	<u>5903.01</u>	<u>5507.98</u>
Total (A) + (B)	<u>13456.18</u>	<u>14701.17</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)

31st ANNUAL REPORT & ACCOUNTS 2007 – 2008

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

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BOARD OF DIRECTORS

Sri J.V.Dattatreyyulu, Chairman	from	27-6-2008
Sri I.V.N.Prasada Rao, Chairman	up to	26-6-2008
Sri E. Raja Rao, Chairman	up to	29-2-2008
Sri B. Nagabhushana Rao, Managing Director	from	31-12-2002
Sri B.V.Rajeswara Rao, SBI Nominee	up to	12-1-2008
Sri Y. Suryanarayana, APIDC Nominee	up to	20-12-2007
Sri K. Rajendra Prasad, APIDC Nominee	from	22-3-2008
Sri Dilip Kumar Basu	up to	31-5-2008
Sri Virendra Sawhney	from	17-3-2007
Sri G.V. Rami Reddy	from	23-3-2002
Sri N.V.V.N.M. Murali Rao	from	25-9-2004
Sri Juvva Seshagiri Rao	from	24-9-2005
Sri Kuchipudi Srinivasa Rao	from	23-9-2006

Company Secretary

Sri V. Venkateswara Rao

BANKERS

State Bank of India
Vijayawada - 520 007

AUDITORS

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

PRODUCTION UNIT

20-2, Industrial Estate
VIJAYAWADA - 520 007

VIZAG UNIT

A7-A10, Autonagar
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 to all the members of Andhra Pradesh Heavy Machinery & Engineering Limited that 31st Annual General Meeting of the Company will be held on Friday, the 26th day of September, 2008 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 Balance sheet of the Company as on 31st March, 2008 and the Profit & Loss account for the year ended 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 thereon.
2. To appoint a Director in place of Sri K. Rajendra Prasad who retires by rotation and is eligible for re-election.
3. To appoint a Director in place of Sri Juvva Seshagiri Rao, who retires by rotation and is eligible for re-election.
4. To fix the remuneration payable to the Statutory Auditors for the financial year 2008-09.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

“**RESOLVED THAT** pursuant to Section 17(1) of the Companies Act, 1956 and other applicable provisions of the Act, if any, the Objects Clause IIIA (Main Objects) of the Memorandum of Association of the Company be and is hereby altered by inserting following New Object 6 and renumber accordingly:

6. To carry on the business of establishing, developing and maintaining industrial parks, special economic zones, technology parks, software parks, industrial area and industrial estates by providing infrastructure facilities including power, water supply, tele-communication, roads, bridges, common social infrastructure and other essential facilities for their speedy development and for the purpose to acquire, sell, dispose-off, lease, hire services of any nature and to provide consultancy and advisory services of any kind in this regard and other activities incidental or ancillary thereto including investing in other companies with similar business activities.”

By order of the Board of Directors
Sd/-
(V. Venkateswara Rao)
Company Secretary

Registered Office:
KONDAPALLI - 521 228
Krishna District.
Dated: 9th August, 2008.

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. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing their Representative to attend and vote on their behalf at the Meeting.
4. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the Meeting is annexed hereto.

5. The register of members and the share transfer books of the Company will remain closed from 19.9.2008 to 26.9.2008 (both days inclusive) for the purpose of Annual General Meeting.
6. Members are requested to bring their Attendance Slip along with their copy of Annual Report to the Meeting.
7. Members are requested to intimate any change in their address to the Registered Office of the Company for sending all correspondence.
8. Members other than SCCL and APIDC can send nominations for election of one post of Director before 5.00 p.m. on 11.9.2008. Only those who have obtained Director Identification Number from Ministry of Corporate Affairs, Govt. of India are eligible for the post of Director. Any clarifications in this regard can be sought from Company Secretary.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

The following explanatory statement sets out all material facts relating to the Special Business mentioned in the accompanying Notice.

Item No.5:

Government of India has permitted development & Management of Special Economic Zones (SEZ) inter-alia by Indian companies with a view to augmenting infrastructural facilities for export promotion. The Company has large tracts of land available at Kondapalli, the same can be developed as SEZ which yields additional revenue to the Company besides protecting/ safeguarding the land. The developer of SEZ will have full freedom in allocation of developed plots to approved SEZ units on commercial basis with full authority to provide services like water, electricity, security, restaurants, recreation centres etc., on commercial lines. In addition the developer will get benefits in the form of taxes & incentives. Under the IT Act, 100% profits derived from SEZ development business are deductible from the income for 10 consecutive years. Further the developer can import/ procure goods without payment of customs/ excise duties, service tax, CST etc., for the development, operation and maintenance of SEZ.

The present proposal is to facilitate taking up new business as mentioned in the proposed new clause along with existing business as part of exploring new business opportunities to improve profitability of the Company.

This will enable the company to carry on its business economically and efficiently and the proposed activities can be, under the existing circumstances, conveniently and advantageously carry out along with the present activities of the company.

Pursuant to Section 17(1) of the Companies Act, 1956 the proposal requires sanction of the members by way of special Resolution.

The Board of Directors at their meeting held on 30th day of June 2008 recommended the proposal for sanction of Members.

None of the Directors of your Company is concerned or interested in the Resolution proposal to be passed.

By order of the Board of Directors
Sd/-
(V. Venkateswara Rao)
Company Secretary

Registered Office:
KONDAPALLI-521 228
Krishna District.

Dated: 9th August, 2008

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 31st Annual Report of your Company together with the Audited Accounts for the financial year ended 31st March 2008.

The Company recorded a Net Profit of Rs. 392.70 Lakhs during the current financial year i.e 2007-08 as against Rs.479.78 Lakhs during the previous year. With the patronization extended by SCCL through order as well as working capital support to execute the orders, the performance of the Company has been encouraging. The fall in the profit during the year 2007-08 was due to change in the product mix, payment of the earlier dues towards group gratuity scheme and general increase in the input costs.

The Company achieved the production of Rs.5647.56 lakhs only against its targeted production of Rs.6000 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 summarized financial results are as under:

(Rupees in lakhs)

	2007-08	2006-07
Turnover of the Company	5935.72	5196.79
Gross Profit (+)/Loss (-) before interest and depreciation	694.89	932.52
Interest	77.83	61.51
Depreciation	17.08	16.15
Profit for the year before charging provisions	599.98	854.86
Net Profit for the year after charging prior period adjustments and provisions	560.42	726.63
Profit after deferred Tax	392.70	479.78

The net profit for the financial year under review is Rs.392.70 lakhs against a profit of Rs.479.78 lakhs of the previous year. The earning of profit by the Company was possible due to increase in the production and implementation of various cost reduction measures apart from enforcing work norms and discipline among work force.

STATUS OF BIFR CASE

The Hon'ble BIFR on consideration of the merits of the case and the other material on record notes stated that the company M/s APHMEL is continuing its manufacturing operations, started earning profits and was able to turn its net worth positive during the Financial Year 2005-06. As the company M/s Andhra Pradesh Heavy Machinery Engineering Ltd., (APHMEL) ceases to be sick industrial company, within the meaning of Section 3(1)(O) of the Act, the Board, hereby, discharges the company M/s Andhra Pradesh Heavy Machinery Engineering Ltd., (APHMEL) from the purview of SICA/BIFR vide its order dated:30-11-2007.

FINANCIAL RECONSTRUCTION

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

ISO 9001-2000 CERTIFICATION

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

FUTURE OUTLOOK

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

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

For the first time we have received order for manufacturing of Mill Shell from BHEL, Hyderabad.

Selco International proposed to have strategic alliance to manufacture equipment required for processing Municipal Solid Waste.

CONTRIBUTION TO EXCHEQUER

During the year under review, the Company contributed an amount of **Rs.852.46 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 both the 2.8Mtr., VTBs. It is observed that on load current consumption is reduced by 1/3rd compared to its earlier consumption.

		<u>2007-08</u>	<u>2006-07</u>
A) Units (KWH) Annual Consumption	:	11,48,158	11,81,991
B) Turnover (Rupees in lakhs)	:	5935.72	5196.79

In spite of increase in the turnover by 14.22% over previous year, decreased in the units consumed by 2.86 %.

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 14-06-2008 the total number of employees is 544. 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 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 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

The Singareni Collieries Company Limited has withdrawn the nomination of Sri E.Raja Rao, Director(E&M), Singareni Collieries Company Limited due to his voluntarily retirement from the service on 1.3.2008. Subsequently The Singareni Collieries Company Limited appointed Sri I.V.N. Prasada Rao, Director (E&M), SCCL, as Chairman and Part-time Director of APHMEL with effect from 15-4-2008. Further on 27-6-2008 Sri J.V. Dattatreya, Director(Operations), SCCL has been appointed by the Singareni Collieries Company Limited as Chairman and part-time Director of the company in place of Sri I.V.N. Prasada Rao with immediate effect. The Singareni Collieries Company Limited has withdrawn the nomination of Sri Dilip Kumar Basu, Director (Tech.) Operations, BCCL from 1-6-2008 consequent to his retirement from service in BCCL on attaining the age of superannuation on 31-5-2008.

The Andhra Pradesh Industrial Development Corporation Limited has withdrawn its nomination of Sri Y. Suryanarayana due to his resignation on 20-12-2007. Subsequently, the APIDC nominated Sri K. Rajendra Prasad and appointed as Part-time Director on 22-3-2008.

The State Bank of India has withdrawn their nominee Sri B. V. Rajeswara Rao on 12-1-2008.

The Board of Directors placed on record its appreciation of the services rendered to the Company by Sri E. Raja Rao, Sri I.V.N. Prasada Rao, Sri Dilip Kumar Basu, Sri Y. Suryanarayana and Sri B.V. Rajeswara Rao during their tenure as Directors on the Board.

Sri K. Rajendra Prasad and Sri Juvva Seshagiri Rao are due to retire by rotation and are eligible for re-election in the coming 31st 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. Nagabhushana 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 2007-08.

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, CPPL, 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/-
(J.V. Dattatreyyulu) Chairman
Sd/-
(B. Nagabhushana Rao) Managing Director

Registered Office:
KONDAPALLI - 521 228
Krishna District.
Dated 30.6.2008.



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)	11,48,158	11,81,991
	Total amount (Rs.)	55,82,485	56,00,852
	Rate/Unit (Rs./KWH)	4.86	4.74
	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.

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. Shredders
- 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.

There are no foreign exchange earnings and out-go during the year under review.

For and on behalf of the Board

Sd/-

(J.V. Dattatreylu)
Chairman

Sd/-

(B. Nagabhushana Rao)
Managing Director

Registered Office:
KONDAPALLI-521 228,
Krishna District.
Dated 30.6.2008

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 for the year ended 31 March 2008.

The preparation of financial statements of Andhra Pradesh Heavy Machinery & Engineering Limited, Kondapalli for the year ended 31 March 2008 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 30-06-2008.

I, on 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 for the year ended 31 March 2008. 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.

**Comments on financial position
Balance Sheet
Current Assets & Loans and Advances
Inventories (Schedule-6) (II): Rs.17.49 crore
Deposit with outside authorities: Rs.34.19 lakh**

The above includes an amount of Rs.8.92 lakh being the amount deposited with customs authorities towards duty payable for import of road header components and spares (As per item g of 1 of notes forming part of accounts) which is pending since 1988 for which no records are available with the company in support of the claim. Non-provision resulted in over statement of Loans and Advances by Rs.8.92 lakh and overstatement of net profit for the year by similar amount.

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

Date: 04-09-2008.
Place: Hyderabad

Replies of the management forming part of the Directors' Report to the members.

During the year 1988, the company has imported Road Header components and spares. With regard to assessment of Customs Duty, the customs authorities have not agreed with the stand of the company. To get the material delivered the company has deposited Rs.8.92 lakhs with the customs authorities pending finalisation of the assessment. The final assessment has not been completed and is pending before the Customs Authorities. The same was disclosed by the Company in the notes forming part of accounts under Contingent liabilities and also disclosed by Statutory Auditors in the Audit Report under disputed taxes. Basing on the outcome of the final assessment of the Customs Authorities necessary action would be taken by the Company. However, in the mean while provision would be made in the books during the financial year 2008-09.

For and on behalf of the Board
Sd/-
(B. Nagabushana Rao)
Managing Director

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, 2008, the Profit and Loss Account and also the Cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order 2004 (together the Order) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the Company.
- 4) Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - 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;

AUDITORS' REPORT (Contd..)

- 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, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 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;*
- f. *Disclosure in Balance Sheet with regard to Sundry Creditors:-*
- 1) *Total out standing dues of MICRO ENTERPRISES and SMALL ENTERPRISES; and*
 - 2) *Total outstanding dues of Creditors other than MICRO ENTERPRISES and SMALL ENTERPRISES. has not complied by the Company.*
- g. *Under the Notes forming part of Accounts: The Company has not disclosed the information required to be disclosed as per the provisions of Section 22 of the MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT,2006.*

Subject to above item (d),(f) and (g), in our opinion, and to the best of our information and according to explanations given to us, the said accounts, read together with the Company's accounting policies and the Notes thereto, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

- i. *In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2008;*
- ii. *In the case of the Profit and 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)

Date : 30.6.2008
Place: Vijayawada.

REPLIES OF THE MANAGEMENT (Contd..)

The net asset value is appreciated by virtue of raise in its market value.

No machine or an asset is found impaired to consider its recoverable value as on Balance Sheet date.

Despite its efforts, the Company has not received from the concerned creditors, the necessary details, to enable it to identify Micro and Small Enterprises among its creditors, in terms of the Micro, Small and Medium Enterprises Development Act, 2006. The Company is, therefore, unable to furnish the prescribed information with regard to its dues if any to such enterprises. The comment is noted for compliance in the financial year 2008-09.

Despite its efforts, the Company has not received from the concerned creditors, the necessary details, to enable it to identify Micro and Small Enterprises among its creditors, in terms of the Micro, Small and Medium Enterprises Development Act,2006. The Company is, therefore, unable to furnish the prescribed information with regard to its dues if any to such enterprises. The comment is noted for compliance in the financial year 2008-09.

For and on behalf of the Board

Sd/-
(B. Nagabushana Rao)
Managing Director

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

- (i) In respect of its fixed assets:
- (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) As explained to us, all the fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - (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, there was no material discrepancies noticed on physical verification of inventories as compared to the book records.
- (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 paragraph 3 of our report of even date)

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 there under with regard to the deposits accepted from the public are not applicable to the Company.
- (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		

(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.
- 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 2007-08.
- 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.

ANNEXURE TO THE AUDITORS' REPORT (Contd..)

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

- 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

Date : 30.6.2008
Place: Vijayawada.



STATEMENT ON ACCOUNTING POLICIES OF THE COMPANY FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDING 31ST MARCH, 2008

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 company accounts its liability for future Gratuity benefit based on actuarial valuation, as at the Balance Sheet date, determined every year by LIC.

8. AUDIT EXPENSES

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

Balance Sheet as at 31st March 2008

	Schedule No.	As at 31.3.2008		As at 31.3.2007	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS:					
SHAREHOLDERS FUNDS:					
Share Capital	1	17,27,12,930		17,27,12,930	
Share Deposit		<u>5,310</u>		<u>5,310</u>	
			17,27,18,240		17,27,18,240
LOAN FUNDS:					
Secured Loans	2	2,64,42,801		3,18,87,249	
Unsecured Loans	3	<u>4,86,60,320</u>		<u>6,23,35,196</u>	
			7,51,03,121		9,42,22,445
Total			<u>24,78,21,361</u>		<u>26,69,40,685</u>
APPLICATION OF FUNDS:					
FIXED ASSETS:					
Gross Block		15,16,33,015		14,92,43,622	
Less: Accumulated Depreciation		<u>12,28,09,305</u>		<u>12,28,24,509</u>	
Net Block	4		2,88,23,710		2,64,19,113
Capital work-in-progress	5		28,52,818		7,65,528
Deferred Tax Asset			2,02,55,674		1,52,81,114
CURRENT ASSETS, LOANS AND ADVANCES					
Interest accrued but not due on deposits	6(i)	1,79,494		2,09,574	
Inventories	6(ii)	17,48,98,958		17,32,69,583	
Sundry debtors	6(iii)	15,40,05,019		13,53,24,571	
Cash & Bank Balances	6(iv)	62,33,111		64,90,564	
Loans & Advances	6(v)	<u>2,07,61,334</u>		<u>1,70,06,361</u>	
			35,60,77,916		33,23,00,653
Less: Current Liabilities & Provisions:					
Liabilities	7	10,69,42,473		11,04,35,494	
Provisions	7	<u>5,48,70,603</u>		<u>3,82,85,031</u>	
			16,18,13,076		14,87,20,525
Net Current Assets			19,42,64,840		18,35,80,128
Profit & Loss Account			16,24,319		4,08,94,802
Total			<u>24,78,21,361</u>		<u>26,69,40,685</u>
Notes to Accounts	18				

For and on behalf of the Board

Sd/-
(V.Venkateswara Rao)
Company Secretary

Sd/-
(K.V.Raghava Rao)
Accounts Officer

Sd/-
(J.V. Dattatreyyulu)
Chairman

Sd/-
(B.Nagabhushana Rao)
Managing Director

Date: 30.6.2008,
VIJAYAWADA.

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

Date: 30.6.2008,
VIJAYAWADA.

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

Profit & Loss account for the year ended 31st March 2008

	SCHEDULE No.	CURRENT YEAR 2007-08 Rs.	PREVIOUS YEAR 2006-07 Rs.
INCOME			
Gross Sales		63,95,07,941	56,61,94,887
Less : Excise Duty		4,59,35,591	4,65,15,911
Sales	8	59,35,72,350	51,96,78,976
Other Income	9	1,35,39,717	75,02,046
		60,71,12,067	52,71,81,022
EXPENDITURE			
Raw Materials Consumed (Net)	10	34,67,16,322	31,47,53,053
Payments & Benefits to Employees	11	11,94,41,041	8,68,01,071
Manufacturing, Administrative & Other Expenses	12 & 13	4,01,77,576	3,69,17,650
Bad debts		14,72,732	-
Interest	14	77,83,230	61,51,295
Depreciation	4	17,08,084	16,14,525
Total Expenditure		51,72,98,985	44,62,37,594
Add/Less: Decrease/Increase(-) in stocks	15	2,98,15,411	(-)45,42,750
		54,71,14,396	44,16,94,844
Profit before extraordinary items		5,99,97,671	8,54,86,178
Add : Provisions withdrawn		77,028	13,32,780
		6,00,74,699	8,68,18,958
Less : Provisions	16	39,86,361	44,41,319
		5,60,88,338	8,23,77,639
Less : Prior Period Adjustments (Net)	17	-	97,14,542
		5,60,88,338	7,26,63,097
Add: Earlier year Income Tax		5,69,084	-
		5,66,57,422	7,26,63,097
Less : Fringe benefit tax-earlier year		6,15,572	-
		5,60,41,850	7,26,63,097
Less: Provision - Current tax		2,16,36,291	2,65,75,292
- Fringe Benefit Tax		1,09,636	1,38,145
Net profit for the year		3,42,95,923	4,59,49,660
Add : Deferred tax asset		49,74,560	20,28,601
Profit after deferred tax		3,92,70,483	4,79,78,261
Loss as per last Balance Sheet		4,08,94,802	8,88,73,063
Loss carried to Balance Sheet		16,24,319	4,08,94,802

For and on behalf of the Board

Sd/-
(V.Venkateswara Rao)
Company Secretary

Sd/-
(K.V.Raghava Rao)
Accounts Officer

Sd/-
(J.V. Dattatreyyulu)
Chairman

Sd/-
(B.Nagabhushana Rao)
Managing Director

Date: 30.6.2008
VIJAYAWADA

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

Date: 30.6.2008
VIJAYAWADA

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

SCHEDULE No.1
SHARE CAPITAL

	CURRENT YEAR 2007-08 Rs.	PREVIOUS YEAR 2006-07 Rs.
AUTHORISED		
2,00,00,000 Equity Shares of Rs.10/- each	<u>20,00,00,000</u>	<u>20,00,00,000</u>
	<u>20,00,00,000</u>	<u>20,00,00,000</u>
ISSUED CAPITAL		
1,73,01,710 Equity Shares of Rs.10/- each	<u>17,30,17,100</u>	<u>17,30,17,100</u>
	<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 2007-08 Rs.	PREVIOUS YEAR 2006-07 Rs.
1. Cash Credit(*) State Bank of India	<u>2,64,42,801</u>	<u>3,18,87,249</u>
Total	<u>2,64,42,801</u>	<u>3,18,87,249</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 2007-08 Rs.	PREVIOUS YEAR 2006-07 Rs.
1. Interest free loan from M/s.SCCL	1,78,00,300	2,38,00,300
2. Interest bearing loan from M/s.SCCL	1,80,00,000	2,40,00,000
3. Interest accrued & due on SCCL Loan	28,60,020	45,34,896
4. Interest free loan from Govt., of A.P towards VRS	1,00,00,000	1,00,00,000
Total	<u>4,86,60,320</u>	<u>6,23,35,196</u>

SCHEDULE No.4
SCHEDULE OF FIXED ASSETS

Sl. No.	Description	Gross Block				Depreciation				Net Value	
		As on 1.4.2007 Rs.	Additions during the year Rs.	Adjustments Rs.	As on 31.3.2008 Rs.	Upto 31.3.2007 Rs.	During the year Rs.	Adjustments Rs.	Upto 31.3.2008 Rs.	As on 31.3.2008 Rs.	As on 31.3.2007 Rs.
1.	Land	42,51,720	--	--	42,51,720	--	--	--	--	42,51,720	42,51,720
2.	Roads & Buildings	3,29,23,983	18,55,697	--	3,47,79,680	2,17,43,065	9,54,134	--	2,26,97,199	1,20,82,481	1,11,80,918
3.	Plant & Machinery										
	a) Indigenous	6,00,89,174	16,61,435	7,20,417	6,10,30,192	5,47,56,230	2,59,047	6,70,353	5,43,44,924	66,85,268	53,32,944
	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	18,03,326	--	47,200	17,56,126	13,97,320	55,613	42,619	14,10,314	3,45,812	4,06,006
5.	Office equipment	12,01,676	2,65,450	2,49,275	12,17,851	9,30,850	28,202	2,31,558	7,27,494	4,90,357	2,70,826
6.	Vehicles	12,28,217	48,038	859	12,75,396	4,75,888	78,943	859	5,53,972	7,21,424	7,52,329
7.	Other fixed assets	1,77,47,847	4,22,296	8,45,772	1,73,24,371	1,50,23,360	3,32,145	7,77,899	1,45,77,606	27,46,765	27,24,487
	Total	14,92,43,622	42,52,916	18,63,523	15,16,33,015	12,28,24,509	17,08,084	17,23,288	12,28,09,305	2,88,23,710	2,64,19,113
	Previous year	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

SCHEDULE No.5
CAPITAL WORK-IN-PROGRESS

	Current Year 2007-08 Rs.	Previous Year 2006-07 Rs.
Construction of Compound wall	-	7,65,528
Double ended boring machine	28,52,818	-
Total	28,52,818	7,65,528

SCHEDULE NO. 6
CURRENT ASSETS, LOANS AND ADVANCES

	Current Year 2007-08 Rs.	Previous Year 2006-07 Rs.
i) Interest accrued but not due on Deposits	1,79,494	2,09,574
Total (i)	1,79,494	2,09,574
ii) INVENTORIES		
Certified by the Management		
Raw materials	7,77,73,697	3,50,16,549
Boughtout items	5,76,06,323	6,86,64,150
Stock items	54,25,663	69,61,632
Maintenance material	3,85,815	3,52,115
Gases	92,705	1,22,876
Paints	2,42,417	2,01,775
Electrodes	21,65,241	21,31,109
Spares	21,35,850	19,95,093
Tools	45,89,661	35,44,038
Scrap	26,09,180	36,08,917
Work-in-progress	1,98,15,040	5,09,42,638
Finished goods	42,61,924	19,50,000
	17,71,03,516	17,54,90,892
Less : Provn. for non-moving items & Finished Goods	22,04,558	22,21,309
Total (ii)	17,48,98,958	17,32,69,583
iii) SUNDRY DEBTORS		
Unsecured		
1. Outstanding for a period exceeding six months		
Considered good	1,64,16,215	4,12,90,159
Considered doubtful	16,25,371	16,25,371
	1,80,41,586	4,29,15,530
Less : Provision	16,25,371	16,25,371
	1,64,16,215	4,12,90,159
2. Other debts considered good	13,75,88,804	9,40,34,412
Total (iii)	15,40,05,019	13,53,24,571

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CURRENT ASSETS, LOANS AND ADVANCES

	Current Year 2007-08 Rs.	Previous Year 2006-07 Rs.
iv) CASH AND BANK BALANCES		
1. Cash on hand (*)	12,263	1,97,773
2. Balances with scheduled banks		
- In current accounts	19,85,289	20,57,232
- In fixed deposits (\$)	42,35,559	42,35,559
Total (iv)	62,33,111	64,90,564
v) LOANS AND ADVANCES		
A) LOANS	---	---
B) ADVANCES		
(Recoverable in cash or kind or for value to be received)		
Advances for purchase of materials	1,40,61,073	1,02,24,397
Less : Provision for doubtful advances	37,77,029	28,31,892
	1,02,84,044	73,92,505
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	17,933	21,788
Advances for revenue expenses	9,429	3,865
Advances to others	35,50,288	4,60,826
Deposits with outside authorities	34,19,845	49,58,165
Prepaid expenses	8,93,657	5,86,622
Advance Income Tax & TDS (After current year tax provision)	4,56,540	18,90,203
Works contract tax deducted at source	14,19,232	9,82,021
Total (v)	2,07,61,334	1,70,06,361
Grand Total (i to v)	35,60,77,916	33,23,00,653

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

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

SCHEDULE No. 7

CURRENT LIABILITIES & PROVISIONS

	Current Year 2007-08 Rs.	Previous Year 2006-07 Rs.
A) CURRENT LIABILITIES		
Creditors for materials	2,00,65,368	3,17,61,156
Creditors for Small Scale Industries	2,18,259	11,90,692
Creditors for capital items	5,77,033	17,190
Creditors for contractors	27,44,912	7,28,910
Creditors for transportation	13,14,858	8,09,188
Advance from customers	79,08,208	56,23,348
Deposit from Suppliers and Contractors	78,52,572	59,15,519
Outstanding liability for expenses (*)	5,58,11,616	5,33,09,656
Other liabilities	1,04,14,243	1,10,44,431
Share deposit suspense (@)	11,954	11,954
Share deposit refundable	23,450	23,450
Total (A)	10,69,42,473	11,04,35,494
B) PROVISIONS		
For Gratuity	2,95,01,111	1,99,83,459
For E.L.	1,33,23,439	1,14,37,390
For Current tax	37,28,021	15,19,487
For FBT	13,512	21,122
For VTPS deposit	5,30,765	5,30,765
For Maintenance	47,92,808	47,92,808
For Salaries	29,80,947	-
Total(B)	5,48,70,603	3,82,85,031
Grand Total (A+B)	16,18,13,076	14,87,20,525

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

(*) Includes Rs.4,10,32,439/- (previous year Rs.4,20,16,615) towards interest on SCCL (Holding Company) mobilisation advance.

SCHEDULE No.8

INCOME FROM SALE OF PRODUCTS AND SERVICES

	Current Year 2007-08 Rs.	Previous Year 2006-07 Rs.
Sale of Machinery / work done on outside orders	54,64,21,407	46,97,43,337
E-1 Sale	4,78,13,249	5,36,49,477
	59,42,34,656	52,33,92,814
Less: Sales returns current year	5,69,866	20,80,238
Sales returns earlier years	92,440	16,33,600
Total	59,35,72,350	51,96,78,976

**SCHEDULE No.9
OTHER INCOME**

	Current Year 2007-08 Rs.	Previous Year 2006-07 Rs.
Packing, forwarding and freight charges	5,86,441	22,71,011
Sale of scrap	87,28,368	26,21,592
Interest on deposits (Fixed Deposits) *	2,82,003	2,29,991
Interest on deposits**	74,273	91,824
Interest on Income tax refund	2,21,970	3,066
Sale of tender schedules	27,580	10,910
Rent received***	13,10,149	74,400
Miscellaneous receipts	23,08,933	21,99,252
Total	1,35,39,717	75,02,046

* An amount of Rs.66,012/- (Previous year Rs. 74,103/-) included towards TDS.

** An amount of Rs. 14,291/- (Previous year Rs.1,660/-) included towards TDS.

*** An amount of Rs. 3,24,223/- (Previous year Rs.16,696/-) included towards TDS.

**SCHEDULE No.10
RAW MATERIALS CONSUMED**

	Current Year 2007-08 Rs.	Previous Year 2006-07 Rs.
Raw materials	20,09,02,366	16,36,19,366
Boughtout items	8,35,07,579	8,45,39,345
Stock items	70,38,473	50,84,217
Maintenance materials	4,88,722	3,56,154
Consumable materials	72,07,574	91,84,566
Tools	14,26,249	18,79,421
E-1 Sales	4,61,45,359	5,00,89,984
Total	34,67,16,322	31,47,53,053

**SCHEDULE No.11
PAYMENTS AND BENEFITS TO EMPLOYEES**

	Current Year 2007-08 Rs.	Previous Year 2006-07 Rs.
Salaries, wages and bonus	7,53,78,846	6,91,88,151
Employer's contribution towards :		
- Employees State Insurance	17,33,295	10,58,824
- Provident Fund	23,67,576	17,69,131
- Family Pension Scheme	35,23,007	35,76,888
- Group Gratuity Assurance Scheme	3,28,15,715	70,02,985
- Deposit Linked Insurance Scheme	2,11,660	2,24,920
Administrative charges on PF Trust	80,431	85,467
- Death Relief Payments	90,000	30,000
Staff welfare expenses	27,78,655	33,91,813
Rent for Residential Accommodation to officials	4,59,452	4,61,481
Workmen Compensation	2,404	11,411
Total	11,94,41,041	8,68,01,071

SCHEDULE No.12

MANUFACTURING, ADMINISTRATIVE & OTHER EXPENSES

	Current Year 2007-08 Rs.	Previous Year 2006-07 Rs.
MANUFACTURING EXPENSES		
Sub-contracts	1,53,79,903	1,00,55,601
Erection & Commissioning charges	50,000	1,00,000
Electricity charges: Power	56,15,919	56,00,852
Patterns written off	1,27,754	1,35,062
ADMINISTRATIVE EXPENSES		
Directors' travelling	69,489	98,475
Directors' sitting fees	15,950	11,000
Directors' incidentals	2,175	1,500
Board meeting expenses	15,670	8,098
Annual general body meeting expenses	1,77,631	1,81,635
Printing and stationery	4,74,672	4,58,399
Postage and telegrams	94,691	1,14,498
Telephone and telex charges	1,95,317	2,37,240
Travelling and conveyance charges	8,85,439	10,82,415
Electricity charges: Lighting	61,913	70,727
General freight charges	50,43,657	40,40,565
Packing charges	55	949
Professional charges	4,295	17,500
Advertisement and publicity	3,54,966	2,03,247
Auditors remuneration:		
Audit fee	22,472	27,060
Tax audit	11,236	11,224
Others	25,061	47,723
OTHER EXPENSES		
Rent	73,632	73,632
Insurance	3,04,461	3,80,993
Repairs and maintenance:		
Buildings	6,69,563	12,96,371
Machinery	9,81,591	14,61,594
General	17,756	22,314
Maintenance charges	14,69,103	13,32,020
Vehicle maintenance	5,10,875	5,22,002
Assets written off	1,18,006	-
Bank charges and guarantee commission	9,62,050	8,79,156
VAT	19,00,342	4,57,671
Excise duty	2,48,657	5,65,470
Consultancy charges	29,311	1,66,709
Miscellaneous expenses(as per Schedule 13)	42,63,964	72,55,948
Total	4,01,77,576	3,69,17,650

SCHEDULE No.13
MISCELLANEOUS EXPENSES

	Current Year 2007-08 Rs.	Previous Year 2006-07 Rs.
Conference, seminar & training	37,785	44,026
Rates and taxes	6,39,416	1,98,784
Miscellaneous expenses	20,49,764	4,17,574
Books and periodicals	12,818	6,310
Legal expenses	60,169	80,477
General expenses-testing charges	11,636	51,387
Filing fee	7,036	5,103
Entertainment	59,208	70,855
Non moving items identified in current year and written off	1,32,701	44,46,238
Non moving items identified in earlier year and written off	16,751	-
Old debit balances written off	4,54,782	-
Liquidated damages (SCCL)	5,01,003	10,58,460
Rework/ rectification expenses on sales	1,30,832	8,16,829
E-procurement transaction fee	14,174	-
Tender documents	30,640	8,966
Computer maintenance charges	22,009	22,943
Computer software charges	1,040	27,996
Hire charges – Machinery	82,200	-
Total	42,63,964	72,55,948

SCHEDULE No.14
INTEREST

	Current Year 2007-08 Rs.	Previous Year 2006-07 Rs.
Interest on cash credit with SBI	26,95,408	28,60,924
Interest on advances with SCCL	15,83,053	8,85,918
Interest - others *	35,04,769	24,04,453
Total	77,83,230	61,51,295

*includes Rs.20,22,485/- towards interest on SCCL loan.

SCHEDULE No.15

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

	Current Year 2007-08 Rs.	Previous Year 2006-07 Rs.
Certified by Management:		
A) Opening stock of work-in-progress	5,09,42,638	5,15,21,216
Opening stock of finished goods	19,50,000	34,58,699
	<u>5,28,92,638</u>	<u>5,49,79,915</u>
Less : Written off	-	44,46,238
	<u>5,28,92,638</u>	<u>5,05,33,677</u>
B) Closing stock of work-in-progress	1,98,15,040	5,09,42,638
Closing stock of finished goods	42,61,924	19,50,000
	<u>2,40,76,964</u>	<u>5,28,92,638</u>
C) Decrease in stock	2,88,15,674	23,58,961
Add/less: Increase/ decrease in scrap	9,99,737	21,83,789
Increase (-)/ decrease in stock	<u>2,98,15,411</u>	<u>(-) 45,42,750</u>

SCHEDULE No.16
PROVISIONS

	Current Year 2007-08 Rs.	Previous Year 2006-07 Rs.
Bad and doubtful debts	-	16,25,371
Non-moving items	-	22,21,309
Salaries	29,80,947	-
Material advances	10,05,414	5,94,639
Total	<u>39,86,361</u>	<u>44,41,319</u>

SCHEDULE No.17

SCHEDULE OF INCOME AND EXPENDITURE PERTAINING TO EARLIER YEARS

	Current Year 2007-08 Rs.	Previous Year 2006-07 Rs.
INCOME	-	-
	-	-
EXPENDITURE		
Consumption	-	97,14,542
	-	97,14,542
Net Expenditure	-	97,14,542

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.5.50lakhs (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.21.2.03,case No.II Ast-84 for the assessment year 1994-95) which was kept in advance Sales Tax account under the current assets. Central Sales tax assessment for the year 2005-06 is pending.
- b. Income-tax assessments for the assessment year 2006-07 and 2007-08 are pending.
- c. Guarantees given by the bank on behalf of the Company for an amount of Rs.135.12 lakhs for which counter guarantees of even amount are given by the Company to the Bank (previous year Rs.20.76 lakhs).
- d. Irrevocable Letters of credit in favour of Foreign and Inland suppliers Rs.NIL lakhs (Previous year Rs.65.67 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. 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.5.49 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. The appeal is still pending. In the meanwhile the ESI Recovery Officer has attached the bank accounts. Pending disposal of this appeal the company has agreed to pay monthly Rs.1 lakh to get the attachment order released if the company wins the appeal the amount paid by the company towards this account will be adjusted in current demand of ESI. During the year the company has paid Rs.7 lakhs. As the appeal is still pending no provision has been made.

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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.35.70 lakhs furnished by suppliers and contractors were held by the Company as on 31-3-2008 (previous year Rs.46.51 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.
7. Dues Rs.2.18 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., and Sri Lakshmi Prabha Fabricators and Engg.
8. Upto 31.3.2007 the company has accounted its Group Gratuity liability based on demand of premium raised by LIC. During the accounting year 2007-08 the company has accounted its Group Gratuity Liability based on actuarial valuation as at the Balance Sheet dated 31.3.2008 determined by LIC. Due to this change of accounting system an amount of Rs.2,58,50,454 has been excess charged to Gratuity.
9. Materials valued Rs.38.83 lakhs are lying with outside parties for job works (previous year Rs.0.59 lakhs).
10. The liability of Central Excise duty on finished goods is Rs.NIL (Previous year Rs.3.21 lakhs) has not been taken into accounts.
11. INCOME-TAX:
- (1) Current Income-tax: Tax on income for the current period determined on the basis of taxable income computed in accordance with the provisions of the Income Tax Act,1961.

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(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	2,55,283
Provision for Gratuity and Earned Leave	1,45,56,065
Others	54,44,326
	<u>2,02,55,674</u>

12. Segment reporting:

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

13. Impairment:

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

14. 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.

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

16. Despite its efforts, the Company has not received from the concerned creditors, the necessary details, to enable it to identify Micro and Small Enterprises among its creditors, in terms of the Micro, Small and Medium Enterprises Development Act, 2006. The company is, therefore, unable to furnish the prescribed information with regard to its dues if any to such enterprises.

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

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

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 2007-08		Previous year 2006-07	
		Quantity MTs.	Amount Rs.	Quantity MTs.	Amount Rs.
1.	Material handling equipment	6,261.50	51,58,94,915	5,907.58	44,20,88,724
2.	Repairs/ reconditioning	412.23	2,98,64,186	360.10	2,39,40,775
3.	E-1 sales	1,528.88	4,78,13,249	1,873.43	5,36,49,477
	Total	8,202.61	59,35,72,350	8,141.11	51,96,78,976

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4. PURCHASE OF RAW MATERIALS

Sl. No.	Description	Current year 2007-08		Previous year 2006-07	
		Quantity MTs.	Amount Rs.	Quantity MTs.	Amount Rs.
1.	Steel	7,357.01	22,83,36,728	6,716.17	13,98,21,893
2.	Other Raw Materials		1,53,22,786		2,44,08,813
3.	Consumable Stores		72,52,177		97,64,575
4.	Tools		24,71,872		21,27,466
5.	Spares		6,10,549		12,80,188
6.	Bought Out Items		7,24,49,752		10,08,67,269
7.	Stock Items		55,02,504		61,34,403
8.	Maintenance Material		5,22,422		25,31,843
9.	E-1 Sales Material		4,61,45,359		5,00,89,984
	Total		37,86,14,149		33,70,26,434

5. PARTICULARS REGARDING CAPACITY AND PRODUCTION

(in MTs.)

Sl. No.	Product group	Licensed capacity		Installed capacity		Actual production	
		Current year 2007-08	Previous year 2006-07	Current year 2007-08	Previous year 2006-07	Current year 2007-08	Previous year 2006-07
1.	Material Handling equipment	4710	4710	250	250	2582	2642
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	—	—	—	—	216	202
7.	Air pollution equipment	3000	3000	—	—	—	—
8.	Road headers & tunneling equipment	8 Nos.	8 Nos.	—	—	—	—
9.	Maintenance spares & overhauling equip.	—	—	—	—	696	540
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.

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6. DETAILS OF REMUNERATION TO MANAGING DIRECTOR

Sl. No.	Description	Current year 2007-08 Rs.	Previous year 2006-07 Rs.
1.	Salary	5,93,452	6,26,485
2.	P F Employer Contribution	65,914	69,052
3.	House Rent	43,200	39,600
4.	Others	4,261	4,977
	Total	7,06,827	7,40,114

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

Sl. No.	Description	Current year 2007-08		Previous year 2006-07	
		Percentage	Value (Rs.)	Percentage	Value (Rs.)
1.	Materials				
	Imported	—	—	—	—
	Indigenous	76.32	26,46,27,797	73.14	23,02,14,586
2.	Spare parts, Components and Others				
	Imported	—	—	0.21	6,47,175
	Indigenous	23.68	8,20,88,525	26.65	8,38,91,292
	Total		34,67,16,322		31,47,53,053

8. FOREIGN CURRENCY/ EXCHANGE TRANSACTIONS

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

CASH FLOW STATEMENT AS PER ACCOUNTING STANDARD-3

(Rs. in lakhs)

	Current Year 2007-08	Previous Year 2006-07
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax and extraordinary items	599.98	854.86
Adjustment for depreciation	17.08	16.15
Adjustment for interest paid	77.83	61.51
Adjustment for interest received/other income	-135.40	-75.02
Operating Profit before working capital changes	559.49	857.50
Decrease in unsecured loan	-136.75	-137.14
Increase in current assets and loans and advances	-240.36	-201.94
Deferred Tax Asset	-49.74	-20.29
Increase/ decrease(-) in current liabilities and provisions	130.92	-137.57
Cash generated from operations	263.56	360.56
Interest paid	-77.83	-61.51
Interest received/other income	135.40	75.02
Net cash flow from operating activities	321.13	374.07
Prior period adjustments (Net) Expenditure.(-)	0.00	-97.15
Provisions withdrawn	0.77	13.33
Provisions for taxation	-210.67	-265.75
Provisions for FBT	-7.25	-1.38
Provisions	-39.86	-44.41
Deferred Tax Asset(Net)	49.75	20.29
	113.86	-1.00
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	42.53	18.45
Capital work-in-progress	20.87	7.65
Decrease of fixed assets	-1.40	-0.15
Net cash used in investing activities	62.00	25.95
C) CASH FLOW FROM FINANCING ACTIVITIES		
Increase/ decrease(-) in Loans from banks and institutions	-54.44	28.55
Net increase in Cash & Bank(A-B-C)	-2.58	1.60
Opening balance of cash and bank	64.91	63.31
Closing balance of cash and bank	62.33	64.91

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. Registration Details		
Registration No:		2071
State Code		1
Balance Sheet Date		31.3.2008
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		409634
Total Assets		409634
Source of Funds:		(Rupees in thousands)
Paid up Capital (Including share deposit)		172718
Reserves & Surplus		NIL
Secured Loans		26443
Unsecured Loans		48660
Application of Funds:		(Rupees in thousands)
Net Fixed Assets		28824
Capital work-in-progress		2853
Investments		NIL
Net Current Assets		194265
Miscellaneous Expenditure		NIL
Accumulated Losses		1624
4. Performance of Company:		(Rupees in thousands)
Turnover		593572
Total Expenditure		537484
Profit Before Tax		56088
Profit After Tax		39270
Earnings per Share		0.002
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	

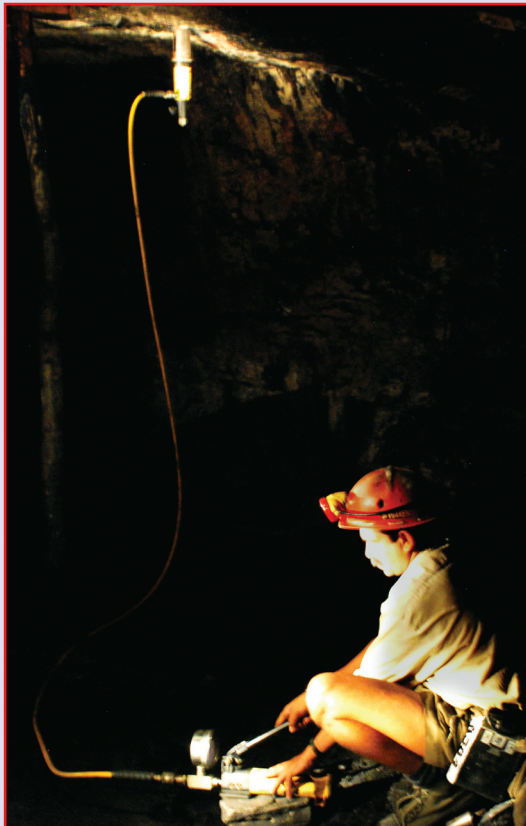
(Signatures to Accounting Policies & Schedules 1 to 18)

		For and on behalf of the Board	
Sd/- (V.Venkateswara Rao) Company Secretary	Sd/- (K.V.Raghava Rao) Accounts Officer	Sd/- (J.V. Dattatreyyulu) Chairman	Sd/- (B.Nagabhushana Rao) Managing Director
Date: 30.6.2008 VIJAYAWADA		As per our report attached For M/s.Rao & Murty Chartered Accountants Sd/- (M.Krishna Murty) Partner (M.No.10572)	
Date: 30.6.2008 VIJAYAWADA			



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