

HSCC (INDIA) LIMITED

BALANCE SHEET AS AT 31st March 2009

| | SCHEDULE NO | As at 31st March,2009 (Rupees) | As at 31st March,2008 (Rupees) |
|--|------------------------|---|---|
| SOURCES OF FUNDS: | | | |
| SHAREHOLDERS FUNDS | | | |
| Share Capital | 1 | 24,001,800 | 16,001,200 |
| Reserves and Surplus | 2 | 634,112,913 | 569,457,584 |
| TOTAL | | <u>658,114,713</u> | <u>585,458,784</u> |
| APPLICATION OF FUNDS: | | | |
| FIXED ASSETS | | | |
| Gross Block | 3 | 112,606,798 | 113,620,278 |
| Less: Depreciation | | 45,060,756 | 44,063,523 |
| Net Block | | <u>67,546,042</u> | <u>69,556,755</u> |
| Capital Work in Progress | | - | 1,057,887 |
| Retired Assets (held for disposal) | | - | 116,881 |
| | | 67,546,042 | 70,731,523 |
| DEFERRED TAX ASSET (NET) (Refer Note No. 20) | | 9,456,641 | 4,193,289 |
| CURRENT ASSETS, LOANS AND ADVANCES | | | |
| Sundry Debtors | 4 | 65,404,893 | 108,775,547 |
| Cash and Bank Balances | 5 | 3,465,712,487 | 3,027,058,819 |
| Other Current Assets | 6 | 207,429,321 | 199,630,776 |
| Loans and Advances | 7 | 454,139,872 | 478,699,201 |
| | | <u>4,192,686,573</u> | <u>3,814,164,343</u> |
| LESS: CURRENT LIABILITIES AND PROVISIONS | | | |
| Current Liabilities | 8 | 3,566,802,157 | 3,272,067,164 |
| Provisions | 9 | 44,772,386 | 31,563,207 |
| | | <u>3,611,574,543</u> | <u>3,303,630,371</u> |
| NET CURRENT ASSETS | | 581,112,030 | 510,533,972 |
| Significant Accounting Policies | 13 | | |
| Notes to Accounts | 14 | | |
| TOTAL | | <u>658,114,713</u> | <u>585,458,784</u> |

Schedules referred to above form an integral part of the accounts

As per our Report of even date attached

For and on behalf of the Board of Directors

For O. P. Bagla & Co.

Chartered Accountants

(V. C. Sharma)
Chairman and Managing Director

(Dr. S. N. Pal)
Director (Engg.)

(C.A. Rakesh Kumar)

Partner

M No. 87537

Place : New Delhi

Dated : 11/08/2009

(A. K. Aggarwal)
Executive Director (F&A) and CS

HSCC (India) Limited
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st March,2009

| | SCHEDULE NO. | 2008 - 09 (Rupees) | 2007 - 08 (Rupees) |
|---|-----------------|---------------------------|---------------------------|
| INCOME: | | | |
| Consultancy Fee- | | 195,931,519 | 174,931,621 |
| (Includes Rs 1086514/- as prior period income Previous Year Rs.2753090/-) | | | |
| (Gross of tax deducted at source Rs 13674950/- ; Previous Year Rs 12239421/-) | | | |
| Less: Reversal of Excess fees booked in previous years | | <u>2,292,373</u> | <u>886,133</u> |
| Other Income | 10 | 193,639,146 | 174,045,488 |
| | | <u>133,666,804</u> | <u>135,588,810</u> |
| Total Income | | <u>327,305,950</u> | <u>309,634,298</u> |
| EXPENDITURE: | | | |
| Employees remuneration and benefits | 11 | 103,330,164 | 97,135,517 |
| Contribution to Staff Trusts | | 3,450,000 | 2,660,000 |
| Administrative and Other Expenses | 12 | 62,855,972 | 71,337,572 |
| Depreciation | | <u>4,369,107</u> | <u>4,536,814</u> |
| Total Expenditure | | <u>174,005,243</u> | <u>175,669,903</u> |
| Profit Before Tax | | <u>153,300,707</u> | <u>133,964,395</u> |
| Less: Provision for Income Tax | | | |
| - Current year Tax | | 60,000,000 | 44,000,000 |
| - Deferred Tax Liability (Asset) | | (5,263,352) | 5,224,522 |
| - Fringe Benefit Tax | | <u>1,496,979</u> | <u>1,540,955</u> |
| | | <u>97,067,080</u> | <u>83,198,918</u> |
| Add/ (Less):Income Tax / FBT Adjustment for Earlier years | | <u>(74,366)</u> | <u>443,417</u> |
| Profit After Tax | | <u>96,992,714</u> | <u>83,642,335</u> |
| Balance Brought Forward From Previous Year | | <u>393,897,257</u> | <u>354,591,707</u> |
| Profit available for Appropriations | | <u>490,889,971</u> | <u>438,234,042</u> |
| APPROPRIATIONS : | | | |
| Dividend | | 20,801,560 | 20,801,560 |
| Corporate Tax on Dividend | | 3,535,225 | 3,535,225 |
| Transfer to General Reserve | | 20,000,000 | 20,000,000 |
| Surplus Carried to Balance Sheet | | <u>446,553,186</u> | <u>393,897,257</u> |
| | | <u>490,889,971</u> | <u>438,234,042</u> |
| Earning Per Share (Basic/ Diluted) | | <u>404</u> | <u>523</u> |
| Significant Accounting Policies | 13 | | |
| Notes to Accounts | 14 | | |
| Schedules referred to above form an integral part of the accounts | | | |

As per our Report of even date attached

For and on behalf of the Board of Directors

For O. P. Bagla & Co.

Chartered Accountants

(V. C. Sharma)
Chairman and Managing Director

(Dr. S. N. Pal)
Director (Engg.)

(C.A. Rakesh Kumar)
Partner
M No. 87537
Place : New Delhi
Dated : 11/08/2009

(A. K. Aggarwal)
Executive Director (F&A) and CS

HSCC (India) Limited

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31st March 2009

SCHEDULE - 1

SHARE CAPITAL

| | As at 31st March,2009 (Rupees) | As at 31st March,2008 (Rupees) |
|---|-----------------------------------|-----------------------------------|
| AUTHORISED | | |
| 500000 Equity Shares (Previous year 200000) of Rs.100/- each | <u>50,000,000</u> | <u>20,000,000</u> |
| ISSUED, SUBSCRIBED AND PAID UP | | |
| 240018 Equity Shares (Previous year 160012) of Rs.100/-each fully paid up | 24,001,800 | 16,001,200 |
| (Out of above shares 80006 shares and 120009 Shares of Rs. 100/- each fully paid up have been issued by way of Bonus shares by capitalisation of General Reserve in the year 2008-09 and 2003-04 respectively) | <u>24,001,800</u> | <u>16,001,200</u> |

HSCC (India) Limited

SCHEDULE - 2

RESERVES AND SURPLUS

| | As at 31st March,2009 (Rupees) | | As at 31st March,2008 (Rupees) | |
|---|-----------------------------------|---------------------------|-----------------------------------|---------------------------|
| GENERAL RESERVE | | | | |
| As per Last Account | 175,560,327 | | 156,517,986 | |
| Less : Utilized for Issue of Bonus Shares | (8,000,600) | | - | |
| Less: Transitional Liability (Net of Deferred Tax) for Leave Encachment under AS 15 (Revised) Employees Benefits | - | | 957,659 | |
| Add: Transfer from Profit & Loss Account | <u>20,000,000</u> | 187,559,727 | <u>20,000,000</u> | 175,560,327 |
| | | | | |
| Balance in Profit and Loss Account | | 446,553,186 | | 393,897,257 |
| | | <u>634,112,913</u> | | <u>569,457,584</u> |

HSCC (INDIA) LIMITED

SCHEDULE-3

A. FIXED ASSETS

(Rupees)

| PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|------------------------------|--------------------|--------------------------|----------------------------------|--------------------|-------------------|------------------|----------------------------|-------------------|-------------------|-------------------|
| | As at 01.04.08 | Addition during the year | Sales/Adjustment during the Year | As at 31.03.09 | upto 31.03.2008 | For the Year | Adjustment during the year | Upto 31.03.2009 | As at 31.03.09 | As at 31.03.08 |
| Land -Lease Hold * | 47,213,583 | - | 1,850,627 | 45,362,956 | 1,807,206 | 524,595 | - | 2,331,801 | 43,031,155 | 45,406,377 |
| Bulding-on Lease Hold Land | 18,170,688 | 1,098,686 | - | 19,269,374 | 6,886,966 | 619,120 | - | 7,506,086 | 11,763,288 | 11,283,722 |
| Office Flats- Lease Hold | 2,947,502 | - | - | 2,947,502 | 1,321,585 | 81,296 | - | 1,402,881 | 1,544,621 | 1,625,917 |
| Furniture & Fixtures | 9,118,354 | 258,706 | - | 9,377,060 | 7,411,417 | 318,866 | - | 7,730,283 | 1,646,777 | 1,706,937 |
| Electrical Appliances | 11,970,537 | 89,768 | - | 12,060,305 | 8,105,955 | 556,035 | - | 8,661,990 | 3,398,315 | 3,864,582 |
| Air Conditioners/ Coolers | 2,852,828 | - | - | 2,852,828 | 1,631,200 | 169,928 | - | 1,801,128 | 1,051,700 | 1,221,628 |
| Office Equipments | 2,551,609 | 86,657 | 89,500 | 2,548,766 | 1,531,126 | 156,413 | 19,451 | 1,668,088 | 880,678 | 1,020,483 |
| Vehicles | 1,285,076 | - | - | 1,285,076 | 1,045,039 | 62,146 | - | 1,107,185 | 177,891 | 240,037 |
| Computers | 17,510,101 | 2,849,804 | 3,456,974 | 16,902,931 | 14,323,029 | 1,880,708 | 3,352,423 | 12,851,314 | 4,051,617 | 3,187,072 |
| Current Year's Total | 113,620,278 | 4,383,621 | 5,397,101 | 112,606,798 | 44,063,523 | 4,369,107 | 3,371,874 | 45,060,756 | 67,546,042 | 69,556,755 |
| Previous Year's Total | 118,741,056 | 3,089,136 | 8,209,914 | 113,620,278 | 46,690,210 | 4,536,814 | 7,163,501 | 44,063,523 | 69,556,755 | |

Note :

1. * Lease hold land is amortised proportionately over 90 years from the date of Lease deed from 1996 Valuing Rs.5,749,075/- and from 2006 Valuing Rs. 41,464,508/- (Refer Note No.2)

B. RETIRED ASSETS HELD FOR DISPOSAL:-

| PARTICULARS | Net Block | Sales / Adjustment during the year | Net Block |
|---------------------------|---------------------------------------|------------------------------------|-------------------------------------|
| | Net Realisable Value As at 01/04/2008 | | Net Realisable Value As at 31.03.09 |
| Air Conditioners/ Coolers | 116,881 | 116,881 | NIL |

HSCC (India) Limited

SCHEDULE - 4

SUNDRY DEBTORS (Unsecured)

| | As at 31st March,2009 (Rupees) | As at 31st March,2008 (Rupees) |
|--|-----------------------------------|-----------------------------------|
| Debts Outstanding for a Period exceeding six months: | | |
| -Considered Good | 23,066,446 | 35,910,236 |
| -Considered Doubtful | 7,276,525 | 888,608 |
| | <hr/> | <hr/> |
| | 30,342,971 | 36,798,844 |
| Other Debts - Considered Good | 42,338,447 | 72,865,311 |
| | <hr/> | <hr/> |
| | 72,681,418 | 109,664,155 |
| Less : Provision for doubtful debts | 7,276,525 | 888,608 |
| | <hr/> | <hr/> |
| | 65,404,893 | 108,775,547 |
| | <hr/> <hr/> | <hr/> <hr/> |

HSCC (India) Limited

SCHEDULE - 5

CASH AND BANK BALANCES

| | As at 31st March,2009 | As at 31st March,2008 |
|--|------------------------------|------------------------------|
| | (Rupees) | (Rupees) |
| Cash -in-Hand including Imprest | 523,475 | 107,281 |
| Cheque -in-Hand | 2,193,774 | - |
| With Scheduled Banks : | | |
| -On Current Accounts | 41,257,835 | 68,945,511 |
| -On Deposit Accounts | 1,196,597,762 | |
| Less : Book Overdraft | 360,178 | 1,142,943,414 |
| (Out of the above Bank has a standing lien to the extent of outstanding Bank Gurantees Rs 107.28 lakhs Previous Year Rs. 80.00 lakhs) | | |
| Balance held on behalf of Ministries/Clients (Refer Note No. 3) | | |
| -On Saving Accounts | 69,433,102 | 170,142,024 |
| -On Deposit Accounts | 2,163,001,589 | 1,684,536,733 |
| Less: Book Overdraft | 6,934,872 | 39,616,144 |
| (Out of above Bank has a standing lien to the extent of outstanding Letter of Credits Rs. 868.71 lakhs Previous Year Rs. 301.76 lakhs) | 3,465,712,487 | 3,027,058,819 |

HSCC (India) Limited

SCHEDULE - 6

OTHER CURRENT ASSETS

| | As at 31st March,2009 (Rupees) | As at 31st March,2008 (Rupees) |
|--|-----------------------------------|-----------------------------------|
| Interest accrued but not due | | |
| -On Deposits with banks | 76,215,927 | 41,052,187 |
| -On behalf of Ministries/ Clients -on Deposits with Banks (Refer Note No. 3) | 117,402,095 | 141,862,617 |
| -On staff Loans and advances | 1,472,642 | 1,973,789 |
| Consultancy Fee accrued but not due | 12,338,657 | 14,742,183 |
| | <u>207,429,321</u> | <u>199,630,776</u> |

HSCC (India) Limited

SCHEDULE - 7

LOANS AND ADVANCES

| | As at 31st March,2009 | As at 31st March,2008 |
|---|----------------------------------|----------------------------------|
| | (Rupees) | (Rupees) |
| LOANS : To Employees | | |
| -Secured- Considered good | 2,370,299 | 1,807,950 |
| -Unsecured - Considered good | 316,400 | 422,100 |
| Advances recoverable in cash or in kind or for value to be received (unsecured, considered good except specified otherwise) : | | |
| a) Employees | 563,446 | 650,320 |
| b) Suppliers/ Contractors on behalf of Clients | | |
| -Considered good | 335,261,870 | 370,843,669 |
| -Considered Doubtful | <u>1,089,309</u> | <u>1,089,309</u> |
| | <u>336,351,179</u> | <u>371,932,978</u> |
| Less:Provision for Doubtful Debts | <u>1,089,309</u> | <u>1,089,309</u> |
| | 335,261,870 | 370,843,669 |
| c) Others | 9,349,971 | 6,113,605 |
| d) Suppliers/ Contractors on behalf of Ministies/ Clients (Refer Note No. 3) | 99,499,469 | 92,583,140 |
| e) Income Tax Deposit under protest | 6,778,417 | 6,278,417 |
| | <u><u>454,139,872</u></u> | <u><u>478,699,201</u></u> |

Notes:

| | | |
|---|---------|---------|
| -Amount Due from Directors/ Departmental Heads | 140,449 | 327,537 |
| -Maximum Amount due at any time during the year | 638,099 | 480,921 |

HSCC (India) Limited

SCHEDULE - 8

CURRENT LIABILITIES

| | As at 31st March,2009 (Rupees) | As at 31st March,2008 (Rupees) |
|---|-----------------------------------|-----------------------------------|
| Sundry Creditors | 49,057,811 | 44,786,418 |
| Deposits/Advances from Clients | 446,471,856 | 513,713,594 |
| Earnest Money Deposits | 33,532,858 | 40,447,158 |
| Other Liabilities | 14,402,210 | 18,923,623 |
| On behalf of Clients | | |
| -Sundry Creditors | 454,623,052 | 474,719,518 |
| -Retention Money | 126,312,987 | 129,968,483 |
| On behalf of Ministries/Clients (Refer Note No. 3 & 4) | | |
| -Sundry Creditors | 672,005,038 | 640,379,885 |
| -Deposits/Advances | 1,770,396,345 | 1,409,128,485 |
| | <u>3,566,802,157</u> | <u>3,272,067,164</u> |

HSCC (India) Limited

SCHEDULE - 9

PROVISIONS

| | As at 31st March,2009 (Rupees) | | As at 31st March,2008 (Rupees) | |
|---------------------------------------|-----------------------------------|--------------------------|-----------------------------------|--------------------------|
| Provision for Income Tax | 150,400,000 | | 142,400,000 | |
| Less: Advance Income Tax/TDS | <u>155,726,867</u> | (5,326,867) | <u>152,134,363</u> | (9,734,363) |
| Provision for Fringe Benefit Tax | 4,086,445 | | 2,614,551 | |
| Less: Advance Fringe Benefit Tax paid | <u>4,282,387</u> | (195,942) | <u>2,581,600</u> | 32,951 |
| Proposed Dividend | | 20,801,560 | | 20,801,560 |
| Corporate Dividend Tax | | 3,535,225 | | 3,535,225 |
| Provision for Leave Encashment | | 25,958,410 | | 16,927,834 |
| | | <u>44,772,386</u> | | <u>31,563,207</u> |

HSCC (India) Limited**SCHEDULE - 10****OTHER INCOME**

| | 2008 -09 (Rupees) | 2007 -08 (Rupees) |
|--|------------------------------|------------------------------|
| Interest on deposits with banks (Includes Rs. NIL as prior period income; Previous Year Rs. 1144927/-) (Gross of tax deducted at source Rs. 20576104/-; Previous Year Rs. 23339251/-) | 120,656,405 | 114,885,513 |
| Interest on Staff Loans | 225,490 | 237,836 |
| Liabilities/Provisions no longer required, written back | 11,625,588 | 17,329,678 |
| Sale of Tender Documents | 1,037,610 | 2,355,600 |
| Miscellaneous Income | 121,711 | 780,183 |
| | <u>133,666,804</u> | <u>135,588,810</u> |

HSCC (India) Limited

SCHEDULE - 11

EMPLOYEES REMUNERATION AND BENEFITS

| | 2008 -09 (Rupees) | 2007 -08 (Rupees) |
|--|----------------------|----------------------|
| Salaries, Wages, Ex-gratia/PRP and allowances (Includes Exgratia of Rs 26733/- for prior period, previous year NIL) | 74,553,114 | 74,339,646 |
| Contribution to provident fund and other funds | 11,680,701 | 6,690,890 |
| Lease Rent for staff accomodations (Net of recoveries) | 5,481,833 | 5,547,647 |
| Staff welfare (including medical and leave travel assistance) | 11,614,516 | 10,557,334 |
| | <u>103,330,164</u> | <u>97,135,517</u> |

HSCC (India) Limited

SCHEDULE - 12

ADMINISTRATIVE AND OTHER EXPENSES

| | | 2008 -09 | | 2007 - 08 |
|---|-----------|-------------------|-----------|-------------------|
| | | (Rupees) | | (Rupees) |
| Rent | | 2,095,982 | | 1,914,352 |
| Travelling and Conveyance - | | | | |
| - Directors (including Foreign Travel Rs 195015/-; Previous Year Rs. 107181/-) | 702,736 | | 360,214 | |
| - Others (including Foreign Travel Rs 190384 /-; Previous Year Rs. 156328/-) | 9,732,666 | 10,435,402 | 6,670,995 | 7,031,209 |
| (includes Rs 65747/- for prior period, previous year NIL) | | | | |
| Insurance | | 338,653 | | 786,838 |
| Power and Fuel (includes Rs. NIL for prior period, Previous year Rs 305300/-) | | 2,411,024 | | 2,541,625 |
| Printing and Stationery | | 5,373,889 | | 4,543,280 |
| Postage and Telegrams | | 604,063 | | 524,909 |
| Telephone and Telex (includes Rs NIL for prior period, Previous year Rs. 14441/-) | | 1,704,760 | | 1,928,625 |
| Vehicle Running & Maint. Expenses (Net of Recoveries) | | 168,873 | | 334,430 |
| Vehicle hire charges | | 3,369,556 | | 3,701,942 |
| Advertisement and Publicity | | 212,514 | | 396,163 |
| Professional Charges and Fees for Services rendered (includes Rs 96875/- for prior period, Previous year Rs 50,000/-) | | 17,145,786 | | 20,703,444 |
| Repair and maintenance (Net of Recoveries) - | | | | |
| -Building | 930,960 | | 1,432,156 | |
| -Office Equip. (includes Rs. NIL for prior period, Previous year Rs 38700/-) | 1,063,714 | | 1,123,885 | |
| - Others | 1,473,883 | 3,468,557 | 804,951 | 3,360,992 |
| Auditors' Remuneration | | 265,875 | | 262,825 |
| Business Promotion | | 2,367,778 | | 2,967,866 |
| Subscription & Membership Fees | | 116,405 | | 194,487 |
| Legal Expenses | | 212,805 | | 7,710 |
| Information & Technology Expenses (includes Rs 340949/- for prior period, Previous year Rs 27364/-) | | 1,496,566 | | 526,443 |
| Recruitment and Training Expenses | | 1,184,481 | | 1,510,896 |
| Watch and Ward Expenses | | 1,491,971 | | 1,637,474 |
| Miscellaneous Expenses | | 575,195 | | 801,850 |
| Provision for Doubtful Debts / Advances/ Fees | | 7,276,526 | | 178,423 |
| Bad Debt Written Off | | 503,445 | | 14,766,882 |
| Loss / (Profit) on Sale / Write off / Retirement of Assets (Net) | | 35,866 | | 714,907 |
| | | 62,855,972 | | 71,337,572 |

HSCC (INDIA) LIMITED

SCHEDULE 13

SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING ASSUMPTIONS

The financial statements have been prepared on going concern basis under the historical cost convention on accrual basis and in accordance with the generally accepted accounting principles in India and provisions of the Companies Act, 1956.

2. REVENUE RECOGNITION

A. CONSULTANCY FEE

The policies for recognition of Consultancy fee in respect of various services are as under:

(a) ON DESIGN ENGINEERING / STUDIES / TRAINING / INFORMATION & TECHNOLOGY

Consultancy fee is recognized as income on the basis of bills raised/due to be raised in respect of fee receivable for work/stages completed as scheduled in the agreement with the client.

(b) ON PROCUREMENT

- (i) Consultancy fee is recognized as income on the basis of bills raised/due to be raised in respect of fee receivable for work/stages completed as scheduled in the agreement with the client.
- (ii) Where stages of Consultancy fee have not been expressly prescribed in the agreement with clients, the same is recognized as income to the following extent:
 - on placement of supply order – 70% of total fee receivable
 - on receipt of supplies/installation of equipments – balance 30% of total fees.

(c) ON CONSTRUCTION CONTRACTS (Project Management)

Consultancy fee is recognized as income on the basis of work measured as scheduled in the agreement with the client. Where work done is not measured as at the end of the year, Consultancy fee is recognized as Income on the basis of technical assessment of work done.

B. GENERAL

- (a) Where there is a revision in the cost of the project the Consultancy income is reflected in the year of revision in the cost.
- (b) If mobilization advance is received against fee then it is adjusted proportionately against the various stages as scheduled in the agreement with client.
- (c) If advance fee is part of stage payment then it is recognized as income along with the completion of next stage as defined in the agreement.

3. FIXED ASSETS

- (a) Fixed Assets are stated at cost of acquisition inclusive of inward freight, duty, taxes and incidentals related to acquisition less depreciation.
- (b) Retired Assets held for disposal are stated at net realisable value.

4. DEPRECIATION

- (a) Depreciation on fixed assets is provided on written down value method at the rates and in the manner prescribed under Schedule XIV, as amended to date, of the Companies Act, 1956, except (i) written down value of Software is depreciated fully in the 3rd year of purchase, considering maximum useful life of the Software, (ii) 100% depreciation in respect of assets costing not more than Rs.5,000/- per item in the year of purchase.
- (b) Leasehold land is amortised proportionately over the duration of lease.

(c) Stationery items and library books are completely charged off to revenue in the year of purchase.

5. PRIOR PERIOD ITEMS

Items of income / expenditure in excess of Rs.20,000/- each, relating to earlier years are treated as prior period income/expenditure and are appropriately disclosed.

6. PREPAID EXPENSES

Expenses in each case upto Rs.20,000/- relating to subsequent years are being charged off to current year expenses, and those more than Rs.20,000/- each are treated as pre-paid expenses.

7. RETIREMENT BENEFITS

(i) Provident Fund

The Company makes regular contribution to Employees' Provident Fund Trust and the same is charged to Profit & Loss Account.

(ii) Gratuity

The Company has set up a Gratuity Trust Fund which is administered by Life Insurance Corporation of India. The annual gratuity liability is determined based on actuarial valuation as a percentage of annual wage bill specified by the Life Insurance Corporation of India under the Group Gratuity Scheme.

(iii) Leave encashment

Leave encashment liability is provided based on actuarial valuation as at the end of the year.

8. FOREIGN CURRENCY TRANSACTIONS

Foreign Currency Transactions are recorded on the basis of exchange rate prevailing on the date of respective transaction. Gains/losses arising out of subsequent fluctuations in exchange rates, arising, either on settlement or on translation, is recognised in the Profit & Loss Account. Where such transactions are on behalf of clients, the gain/loss is transferred to respective clients' Accounts.

9. RESEARCH & DEVELOPMENT

Revenue expenditure on Research & Development is charged as expense in the year in which it is incurred.

10. PROVISION FOR TAXATION

Income Tax expense comprises of current tax provision and the net change on the deferred tax account.

Current tax is computed as per the provision of the Income Tax Act, 1961.

Deferred tax is the tax effect of timing difference between taxable income and book income and is accounted for using the tax rates enacted or subsequently enacted as on Balance Sheet date subject to the consideration of prudence.

11. DIVIDEND

Provision for Dividend for the year is made as proposed by the Board of Directors subject to approval of the members of the Company at the Annual General Meeting.

12. LIABILITIES / PROVISIONS NO LONGER REQUIRED

Liabilities / Provisions outstanding for four years or more which are no longer required as on the date of Balance Sheet are written back. Claims arise, if any, after that date are charged off in the year of claim. Net amount is shown under the head other income.

13. CONTINGENT LIABILITIES

No provision is made for liabilities which are contingent in nature, but if material the same are disclosed by way of note.

HSCC (INDIA) LIMITED

SCHEDULE 14

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009

1. Contingent Liabilities not provided for :
 - (i) Claims against the Company not acknowledged as debts - Rs. 1.83 lakhs (Previous Year Rs.1.83 lakhs).
 - (ii) Unsettled disputed staff dues - Rs.9.12 lakhs (Previous Year Rs.6.09 lakhs).
 - (iii) Guarantees issued by Banks on behalf of Company outstanding as on 31.03.2009 - Rs.107.28 lakhs (Previous Year Rs.80 lakhs)
 - (iv) Estimated amount of contracts remaining to be executed on Capital Account and not provided for in the Accounts (net of advances) - NIL (Previous Year Rs.0.93 lakhs).
 - (v) Cases aggregating to Rs.3,999 lakhs (Net of Payments) (Previous Year Rs.1,743 lakhs) (approx) are under court/ arbitration by suppliers / contractors against various clients, where HSCC is co-defendant. However, the Management does not foresee any liability on the Company in these cases.
 - (vi) Income Tax demands pending disposal of appeals are for Rs. 14.90 lakhs (Previous Year Rs.393.29 lakhs).

2. Land cost included Rs.414.65 lakhs towards plot area of 2683.07 sq.mts. allotted by NOIDA Authority for office building to the Company. On joint physical measurement of such land a shortfall of 164.94 sq.mts. was noticed for which the Company has initiated legal proceedings against the NOIDA Authority for refund of the proportionate amount of Rs.18.51 lakhs of short area along with interest and other charges and for necessary amendment in the lease deed. In view of shortfall of land in possession of the Company, the proportionate amount of Rs.18.51 lakhs has been de-capitalised during the year in the aforesaid value of land. Pending amendment in the lease deed, the leasehold land is amortized proportionately, on the original value till the final disposal of the matter.

3. Funds received from some of the clients are kept in separate Bank accounts (Corpus Accounts) in accordance with the terms and conditions of the agreement. In terms of such agreements Rs.14,300 lakhs (Previous Year Rs.9962 lakhs) were received during the year for execution of various consultancy projects. Interest accrued (net of TDS), on deposit of amount so received with Banks is accumulated to the credit of respective clients' accounts. Wherever agreements do not specify, the interest is accounted for as income of the Company. Further, various debit and credit balances held on behalf of such clients are shown separately under respective account heads in the financial statements.

Also, Letters of Credit have been established with banks on behalf of Ministries / clients. Amount outstanding as on 31.03.2009 - Rs.868.71 lakhs (Previous Year Rs.301.76 lakhs).

4. As identified from the available information, a sum of Rs.251.72 lakhs towards principal is due to the units on behalf of client as on 31.03.2009 (Previous Year Rs.247.43 lakhs) covered under Micro, Small and Medium Enterprises Development Act, 2006. However, there is no interest paid / payable / accrued on this outstanding during the year.
5. Balances appearing in most of the parties' accounts under the head Sundry Debtors, Loans & Advances, Sundry Creditors, Deposits and various balances on behalf of Ministries / clients are subject to confirmation.
6. During the Financial Year 2004-05, one of the clients (AIIMS) has unilaterally deducted Rs.50 lakhs from the consultancy fee for its Trauma Project on account of "alleged deficiency" in performance of the contract. This unilateral deduction of Rs.50 lakhs is being protested by the Company and accordingly not accounted for the same. However, the Company is having credit balance in the Deposit Account which will be settled at the time of closure of the project.
7. Unclaimed balances of Sundry Creditors on account of client works are being transferred to respective client account in the year in which the accounts are settled with the clients.
8. The Company during the year has contributed Rs.20.70 lakhs and Rs.13.80 lakhs (Previous Year Rs.13.30 lakhs each) to approved Employees' Medical and Welfare Fund Trusts respectively for the welfare of its employees

- 9.(a) The pay revision of employees w.e.f. 01.01.2007 has since been implemented in accordance with DPE guidelines. Provision of Rs.300 lakhs for such pay revision was made till previous year. Pursuant to ascertainment of actual liability in this regard excess provision of Rs.105 lakhs has been written back during the year as “liability no longer required”. Further liability of Rs.120 lakhs has been provided for the year in accordance with the implemented pay revision as aforesaid.
- (b) Employees remuneration and benefits include the provision of Rs.66.00 lakhs (Previous Year Rs.41.82 lakhs) towards Performance Related Pay (PRP) for the year.
10. Managerial Remunerations to Whole Time Directors, i.e., Chairman & Managing Director and Director (Engineering) are as under:

| Particulars (paid / payable) | 2008-09 Rs.in lakhs | 2007-08 Rs.in lakhs |
|--|------------------------|------------------------|
| Salaries & Allowances | 17.18 | 12.41 |
| Contribution to Provident Fund | 1.74 | 1.40 |
| House Rent (Net) | 4.21 | 4.20 |
| Medical, LTC, perquisites and Tax on perquisites | 5.13 | 8.54 |
| Total | 28.26 | 26.55 |

In addition to above, amount of arrears of pay revision of Rs.9.66 lakhs has been accounted for during the year (Previous Year 01.01.2007 to 31.03.2008 Rs.8.86 lakhs).

The above excludes contribution to Gratuity Scheme, Group Insurance Scheme and provision for leave encashment.

Company's Cars have been provided to Chairman & Managing Director and Director (Engineering) for private use upto 1,000 Kms. per month against recovery of Rs.520/- per month.

11. Payment to Auditors

| Particulars | 2008-09 Rs. in lakhs | 2007-08 Rs. in lakhs |
|---|-------------------------|-------------------------|
| Audit Fee | 2.00 | 2.00 |
| Tax Audit Fee | 0.50 | 0.50 |
| Reimbursement of out of pocket expenses | 0.16 | 0.13 |
| Total | <u>2.66</u> | <u>2.63</u> |

12. In the opinion of the Board of Directors, the current assets and Loans & Advances as on 31.03.2009 have a value on realization in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet.

13. The system of project costing or allocation of manpower to respective jobs is not in practice. However, it has no material impact on profitability.

14. **Additional information** pursuant to the provision of Paragraphs (3) to (4D) of Part II of Schedule VI of the Companies Act, 1956 has been shown to the extent applicable (as the Company is primarily engaged in providing consultancy services) as under:

Information regarding foreign exchange (excluding exchange rate variation) :

| | 2008-09 (Rs. in lakhs) | 2007-08 (Rs. in lakhs) |
|--------------------------------------|---------------------------|---------------------------|
| Expenditure in Foreign Currency on : | | |
| - Travelling | 1.39 | 0.06 |
| - Value of imports on C.I.F. basis : | | |
| Capital Goods (on behalf of clients) | 849.64 | 225.99 |

15. Disclosure in terms of AS-7 on “Construction Contracts” issued by ICAI is given as under, so far as related to Civil Construction Projects taken up by the Company :

| | <u>2008-09</u> <u>(Rs. in lakhs)</u> | <u>2007-08</u> <u>(Rs. in lakhs)</u> |
|--|---|---|
| (a) Aggregate amount of cost incurred on behalf of the clients during the year | 9,750.07 | 15,287.33 |
| (b) Consultancy fee of such contracts recognized during the year | 1,440.97 | 891.06 |
| (c) Outstanding deposits / advances from Ministries / clients in respect of such contracts | 12,288.55 | 6,786.25 |
| (d) Outstanding retention money in respect of such contracts | 1,504.07 | 923.25 |

16. Disclosure in terms of AS-15 (Revised in 2005) on ‘Employees’ Benefit’ as issued by the ICAI are as under:

I. Defined Contribution Plan

(A) Provident Fund

Company pays fixed contribution to Provident Fund at pre-determined rates to a separate Trust namely “HSCC Employees’ Provident Fund Trust” which invests the funds in permitted securities. The contribution to the Fund for the year is recognized as expense and is charged to Profit & Loss Account. The Provident Fund Trust is required to pay a minimum rate of interest on contributions to the members as specified by Government of India. Deficit to the Trust, if any, on account of payment of such minimum rate of interest is borne by the Company and is recognized in Profit & Loss Account expense. During the year the Company had recognized Rs.37.05 lakhs as employer’s contribution towards Provident Fund (Previous Year Rs.35.25 lakhs) and deficit on account of interest amounting to Rs.0.36 lakhs (Previous Year Rs.1.60 lakhs) in the Profit & Loss Account.

II. Defined Benefit Plan

(B) Gratuity

The Company has a defined benefit gratuity plan. Every employee who has rendered continuous service of five years or more is entitled to get gratuity at 15 days salary ($15 / 26 \times$ last drawn basic salary plus dearness allowance) for each completed year of service, subject to a maximum of Rs,10 lakhs (Previous Year Rs,3.50 lakhs) on superannuation, resignation, disablement or on death. The Scheme is funded by the Company and is managed by a separate Trust namely "HSCC Employees' Gratuity Fund Trust". The fund is administered by Life Insurance Corporation of India. The liability for the same is recognized on the basis of amount payable to Life Insurance Corporation of India being calculated by them on actuarial valuation using project unit credit method on annual basis. Accordingly, Rs.68.70 lakhs (Previous Year Rs.15.55 lakhs) has been provided in the Profit & Loss A/c for the year towards Company's contribution to such Gratuity Fund.

(C) Post-Retirement Medical Facility (PRMF)

The Company has post-Retirement Medical facility under which retired employees are provided medical facilities in the empanelled hospitals. The Scheme is funded by the Company and is managed by a Trust namely "HSCC Employees" Medical Fund Trust". The contribution to the Trust is recognized in Profit & Loss Account on payment basis. During the year the Company had recognized Rs.20.70 lakhs towards contribution to the said Trust (Previous Year Rs.13.30 lakhs) in the Profit & Loss Account which includes hospitalization of existing employees.

(D) Leave Travel Concession (LTC)

The Company has a Scheme of providing Leave Travel Concession to employees and their dependents. The Scheme is unfunded and is recognised in Profit & Loss Account on the basis of actual payment. During the year the Company had recognized Rs.13.24 lakhs towards LTC (Previous Year Rs.14.07 lakhs) in the Profit & Loss Account.

(E) Leave Encashment

The Company has a defined benefit Leave Encashment Plan for compensated absence for Earned Leave and Half Pay (sick leave). The Scheme is unfunded and is recognised in Profit & Loss Account on the basis of actuarial valuation using project unit credit method on annual basis. The amount received from previous organization is being credited to Profit & Loss Account.

The following is the summary of components:

(i) Change in present value of obligation

| | | 31.03.2009 (Rs. in lakhs) | 31.03.2008 (Rs. in lakhs) |
|-----|---|------------------------------|------------------------------|
| (a) | Present value of obligation as at the beginning of the period | 169.30 | 151.93 |
| (b) | Interest cost | 11.85 | 12.15 |
| (c) | Current service cost | 49.59 | 33.23 |
| (d) | Benefits paid | (24.42) | (35.73) |
| (e) | Actuarial (gain) / loss on obligation | 53.26 | 7.72 |
| (f) | Present value of obligation as at the end of period | 259.58 | 169.30 |

(ii) Expenses recognized in Profit & Loss Account

| | | 31.03.2009 (Rs. in lakhs) | 31.03.2008 (Rs. in lakhs) |
|-----|---|------------------------------|------------------------------|
| (a) | Current service cost | 49.59 | 33.23 |
| (b) | Interest cost | 11.85 | 12.15 |
| (c) | Net actuarial (gain) / loss recognized in the period | 53.26 | 7.72 |
| (d) | Expenses recognized in the statement of Profit & Loss | 114.70 | 53.10 |

(iii) Movement in the liability recognized in Balance Sheet

| | | 31.03.2009 | 31.03.2008 |
|-----|-----------------------|------------|------------|
| (a) | Opening net liability | 169.30 | 151.93 |
| (b) | Expenses as above | 114.70 | 53.10 |
| (c) | Benefits paid | (24,42) | (35.73) |
| (d) | Closing net liability | 259.58 | 169.30 |

(iv) The principal assumptions used in actuarial valuation are shown below:

| | | 31.03.2009 | 31..03.2008 |
|-----|----------------------------|------------|-------------|
| (a) | Discounting Rate (%) | 7.00 | 8.00 |
| (b) | Future salary increase (%) | 4.50 | 5.50 |
| (c) | Retirement Age (Years) | 60 | 60 |

17. Segment Reporting in terms of AS-17:

The Company's business is confined only to Consultancy. Accordingly, the Company operates in single primary segment. Further, the Company undertakes projects primarily within India. Hence there are no reportable Geographical segments.

18. Related Party Disclosures in terms of AS-18:

Details pertaining to Related Party Transactions are as follows:

(a) List of Related Parties

| Name | Nature of Relationship |
|--|--------------------------|
| (i) Shri V.C. Sharma Chairman & Managing Director | Key Management Personnel |
| (ii) Dr. S.N. Pal Director (Engineering) | Key Management Personnel |

(b) Related Party Transaction :

- (i) Remuneration to the Chairman & Managing Director and Director (Engineering) during the year is Rs.28.26 lakhs (Previous Year Rs.26.55 lakhs) as detailed in above para excluding reimbursement of expenses.

In addition to above, amount of arrears of pay revision of Rs.9.66 lakhs has been accounted for during the year (Previous Year 01.01.2007 to 31.03.2008 Rs.8.86 lakhs).

19. Earning per Share (Basic & Diluted) in terms of AS-20:

| <u>Calculation of E.P.S.</u> | <u>2008-09</u> | <u>2007-08</u> |
|---|----------------|----------------|
| A. Net Profit for the year attributable to Equity Shareholders (Rs. in lakhs) | 969.93 | 836.42 |
| B. Weighted average number of Equity Shares outstanding during the year (including 80006 bonus issue during the year on 09.03.2009) | 240018 | 160012 |
| C. Basic & Diluted Earning per Share (A) / (B) (Rs.) | 404 | 523 |
| D. Adjusted earning per share for the year 2007-08 (since bonus shares issued out of brought forward reserves) | --- | 348 |
| E. Nominal value per Share (Rs.) | 100 | 100 |

20. In line with Accounting Standard (AS-22), "Accounting for Taxes on Income" issued by The Institute of Chartered Accountants of India, the deferred tax asset (net) of Rs.52.63 lakhs for the current year has been recognised in the Profit & Loss Account.

Elements of net deferred tax liability and assets created for tax effect of timing differences are as under :

| Particulars of Deferred Tax Assets / (Liabilities) | As on 01.04.2008 (Rs. in lakhs) | For the year 2008-09 (Rs. in lakhs) | As on 31.03.2009 (Rs. in lakhs) |
|--|--|--|--|
|--|--|--|--|

Deferred Tax Assets

| | | | |
|--|-------|-------|-------|
| - Provision for Leave Encashment (claimable on payment basis) | 57.53 | 30.70 | 88.23 |
| - Provision for Doubtful Debts / Advances / Fees (not allowed under Income Tax Laws) | 6.73 | 21.70 | 28.43 |

| | | | |
|---------------------------|--------------|--------------|---------------|
| Total Deferred Tax Assets | <u>64.26</u> | <u>52.40</u> | <u>116.66</u> |
|---------------------------|--------------|--------------|---------------|

Less : Deferred Tax Liabilities

| | | | |
|--------------|-------|--------|-------|
| Depreciation | 22.33 | (0.23) | 22.10 |
|--------------|-------|--------|-------|

| | | | |
|--------------------------------|--------------|---------------|--------------|
| Total Deferred Tax Liabilities | <u>22.33</u> | <u>(0.23)</u> | <u>22.10</u> |
|--------------------------------|--------------|---------------|--------------|

| | | | |
|---------------------------------------|--------------|--------------|--------------|
| Net Deferred Tax Assets / (Liability) | <u>41.93</u> | <u>52.63</u> | <u>94.56</u> |
|---------------------------------------|--------------|--------------|--------------|

21. During the year, the Company has conducted physical verification of Fixed Assets through an independent Agency. Discrepancies noticed between physical and book balances of various movable assets are being reviewed and adjustments though not material shall be carried out after final review of such discrepancies. The written down value of such assets as at the end of the year is Rs.1.46 lakhs.
22. Previous year's figures have been re-arranged and re-grouped wherever found necessary so as to make them comparable with those of the current year. Figures have been rounded off to the nearest rupee except otherwise as stated.

23. Balance Sheet Abstract and Company's General Business Profile – Pursuant to Schedule VI to the Companies Act, 1956

Registration Details

| | |
|--------------------|------------|
| Registration No. | 15459 |
| State Code | 55 |
| Balance Sheet Date | 31.03.2009 |

Capital raised during the year (Amount in thousands of Rs.)

| | |
|-------------------|--------|
| Public Issue | Nil |
| Right Issue | Nil |
| Bonus Issue | 80,006 |
| Private Placement | Nil |

Position of mobilisation and deployment of funds (Amount in thousands of Rs.)

| | |
|-------------------|-----------|
| Total Liabilities | 4,269,689 |
| Total Assets | 4,269,689 |

Sources of Funds (Amount in thousands of Rs.)

| | |
|--------------------|---------|
| Paid-up Capital | 24,002 |
| Reserves & Surplus | 634,113 |
| Secured Loans | Nil |
| Unsecured Loans | Nil |

Application of Funds (Amount in thousands of Rs.)

| | |
|---------------------|---------|
| Net Fixed Assets | 67,546 |
| Deferred Tax Assets | 9,457 |
| Net Current Assets | 581,112 |
| Investment | Nil |
| Misc. Expenditure | Nil |
| Accumulated losses | Nil |

Performance of Company (Amount in thousands of Rs.)

| | |
|----------------------------|---------|
| Turnover and other income | 327,306 |
| Total expenditure | 174,005 |
| Profit Before Tax | 153,301 |
| Profit After Tax | 96,993 |
| Earning per share (in Rs.) | 404 |
| Dividend rate (%) | 86.67 |

Generic names of three principal products of Company (as per monetary terms)

| Item Code No. (ITC Code) | Service Description | Service Description |
|--|------------------------|------------------------|
| Not specified in Indian Trade Classification | Design & Engineering | Design & Engineering |
| -do- | Project Management | Project Management |
| -do- | Procurement Management | Procurement Management |

Signatures to Schedules 1 to 14

As per our Report of even date attached

For and on behalf of Board of Directors

for O.P. BAGLA & CO.
Chartered Accountants

(V.C. Sharma)
Chairman & Managing Director

(CA. Rakesh Kumar)
Partner
M.No.87537

(Dr. S.N. Pal)
Director (Engineering)

(A.K. Aggarwal)
Executive Director(F&A) & CS

Place : New Delhi

Dated : 11/08/2009