



**BEMCO HYDRAULICS LIMITED**

**44**

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*Annual Report & Accounts*  
**2001-2002**

## **BEMCO HYDRAULICS LIMITED**

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Directors :

**M. M. Mohta**, Chairman and Managing Director  
**Urmila Devi Mohta**  
**R. M. Shah**  
**Anirudh Mohta**, Joint Managing Director  
**N. K. Daga**

Bankers :

**Bank of Maharashtra**  
**State Bank of India**

Auditors :

**M/s. A. C. Bhuteria & Co.**  
Chartered Accountants  
2, India Exchange Place  
KOLKATA-700 001

Registered Office :

Khanapur Road,  
Udyambag,  
BELGAUM-590 008  
(Karnataka)

# **BEMCO HYDRAULICS LIMITED** **Annual Report 2001-2002**

## **NOTICE**

Notice is hereby given that 44th Annual General Meeting of the Company will be held on Saturday, September 28, 2002 at the Registered office of the Company at 3.30 pm to transact the following business :

### **ORDINARY BUSINESS :**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2002 and the Profit and Loss Account for the year ended as on that date and the Reports of the Directors' and Auditor's thereon.
2. To appoint a Director in place of Smt. Urmila Devi Mohta who retires by rotation and being eligible offers herself for re-appointment.
3. To appoint a director in place of Shri. N.K. Daga who retires by rotation and being eligible offers himself for re-appointment.
4. To re-appoint Auditors and fix their remuneration.

### **SPECIAL BUSINESS :**

5. To consider and if thought fit, to pass the following as an ordinary Resolution :  
"RESOLVED THAT, Mr. S.R. Deshpande, Company Secretary be and is hereby appointed to carry out the certification of Compliance for the Financial year 2002-2003 and Mr. M.M. Mohta Chairman and Managing Director, be and is hereby authorized to decide his remuneration".

for **BEMCO HYDRAULICS LTD**

Place : Belgaum

Date : 31st July 2002

**M. M. Mohta**

Chairman and Managing Director

### **NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY AND THE PROXY NEED NOT BE A MEMBER.
2. An Explanatory Statement pursuant to Section 173 of the Companies Act 1956 in respect of special business is annexed hereto.
3. Proxies in order to be effective should be stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
4. Members are requested to intimate the Company about the change of Address, if any.
5. The Register of Members and Share Transfer Books shall remain closed from September 23, 2002 to September 28, 2002 (both the days inclusive).

### **AN EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT 1956 IN RESPECT OF SPECIAL BUSINESS :**

The Companies (Compliance Certificate) Rules 2001 become applicable to this Company with effect from 11st June 2002 by virtue of the GSR 419 (E). Therefore the Board appointed Mr. S.R. Deshpande Company Secretary to carry out the Certification of Compliance for the Year 2001-2002 and his Certificate of Compliance is attached to Director's report.

In respect of the financial year 2002-2003 as recommended by the Institute of Company Secretaries of India, the Board has decided to refer his appointment to the Share Holders as the Secretary's Certificate is addressed to the Share Holders. Hence the Board commends the appointment.

## DIRECTORS' REPORT

To  
The Shareholders.

Your Directors' submit their Forty Fourth Annual Report together with the Accounts for the year ended 31st March 2002.

### FINANCIAL RESULTS :

The Financial results for the year under review in comparison with the previous year is given below :

	2001-2002 Rs.	2000-2001 Rs.
01 Gross Profit for the year after meeting all operating expenses but before interest and depreciation amounts to :	3,085,966	7,935,094
02 Deduction there from : Interest	4,576,768	4,687,157
03 Profit before depreciation	(1,490,802)	3,247,937
04 Depreciation for the year	1,366,189	1,602,375
05 Profit After Depreciation - (PBIT)	(2,856,991)	1,645,562
06 Provision for Taxation	0	(525,000)
07 Deferred Tax Assets	933,000	0
08 Profit amounts to — (PAT)	(1,923,991)	1,120,562
09 Prior Period Adjustments Net	(103,723)	(257,758)
10 Net Profit/Loss	(2,027,714)	862,804
11 Deferred Tax Liability	(584,000)	0
12 Surplus brought forward	301,230	(580,538)
13 Investment Allowance Written back	0	18,964
14 Total Profit/Loss carried forward	(2,310,484)	301,230

### DIVIDEND :

Your Directors express their inability to recommend any dividend on account of loss sustained.

### REVIEW OF OPERATION :

You are well aware that there is a worldwide recession particularly in Engineering Industry, which has affected the performance of your Company. However during the year under report your directors have exercised cost control very effectively and could succeed in minimizing the loss and the performance during the year under review was not to the level of satisfaction. Total Net Sales for the year amounted to Rs. 722.35 Lacs as against Rs. 1,203/- Lacs for the year ended 31st March 2001 showing a decrease of 39.96%. The loss for the year under review amounted to Rs. 19.24 Lacs as against Profit after Tax of Rs. 11.20/- Lacs for the previous years. The new concept of deferred tax as per the AS-22 issued by the Institute of the Chartered Accountants of India has also affected the Profitability for the year.

### FUTURE PROSPECTUS :

All the Engineering Industries are passing through the recession and situation may improve in latter provided Government takes concrete steps.

Your Directors are glad to inform you that your company succeeded in developing in Import Substitute Product for the **INDIAN RAILWAYS** and demonstrated the same successfully. The User of this has also accorded **TECHNO-COMMERCIAL** approval for this Product. This will help in future to expand the Product base and Product-Mix so that the Company can maintain the growth even though there is a recession in Engineering Industry :

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The management of the company has formulated and put in several measures to curtail costs. Important and significant reduction in the manpower cost has been achieved which in-turn will make us more competitive.

## **DIRECTORS' RESPONSIBILITY STATEMENT :**

Pursuant to Section 217(2AA) of Companies Act, 1956 the Directors confirm that :

- In the preparation of the annual accounts, the applicable accounting standards have been followed.
- Appropriate accounting principles have been selected and applied consistently, and have 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 as at 31st March, 2002 and of the profits/loss of the Company for the period ended 31st March, 2002.
- 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.
- The annual accounts have been prepared on a going concern basis.

## **CORPORATE GOVERNANCE :**

The company believes in good corporate practices to enable the Board to direct and control the affairs of the company in an efficient manner and to achieve its ultimate goal of maximizing shareholder value. Realizing this, the company has adopted many practices over the last few years, even when there are no mandatory requirements in this regard. As a result, a number of provisions regarding Corporate Governances prescribed by the Listing Agreements have already been complied with and steps are being taken to comply with the balance provisions. A separate note on Corporate Governance is enclosed herewith.

## **COMPLIANCE CERTIFICATE :- (Refer to Proviso to Section 383A (1) of the Companies Act 1956)**

Pursuant to Section 383-A read with Government Notification No. 419(E) dated 11th June 2002, the Compliance certificate of the Practising Company Secretary is attached hereto.

## **MODERNIZATION AND TECHNOLOGY UPGRADATION, COST REDUCTION RESTRUCTURING SCHEME/ PROCESS :**

During the year Company has not taken any Modernization Programme.

## **FIXED DEPOSITS : U/S 58A of the Companies Act, 1956 :**

There is no Fixed Deposit liability as on 31-03-2002 and further Company has not accepted any fixed deposit from Public.

## **DIRECTORS :**

Smt. Urmila Devi Mohta and Shri. N.K. Daga retire from the Board by rotation and are eligible for re-appointment.

## **AUDITORS REPORT :**

M/s A.C. Bhuteria & Co., Chartered Accountants, Kolkata appointed in last AGM in place of the M/s P.G. Bhagawat, Chartered Accountant, who had expressed their unwillingness to accept audit assignment for the Year 2001-2002, retire at the concluding of the ensuing AGM. The retiring auditors M/s A.C. Bhuteria & Co., Chartered Accountants, Kolkata have confirmed their eligibility and willingness to continue as the Auditor of the Company if reappointed. Auditor's Report is self-explanatory.

## **PERSONNEL :**

The industrial relations during the year remained extremely harmonious. The Directors wish to place on record their appreciation for the hard work and continuous efforts and valuable support rendered by the employees at all levels under review.

**HEALTH AND SAFETY OF THE EMPLOYEE :**

Health and safety of the employee has always been prime concern of the company and company has appointed a medical officer to have routine checkup on the health of the employees.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :****CONSERVATION OF ENERGY :**

The present manufacturing process employed is not energy intensive and hence, there is limited scope for conservation of energy. However, efforts are being made to keep the consumption of power and fuel at minimum. No statement in Form A pursuant to Companies (Disclosure of Particulars in the Report of the Board) 1988 is annexed as the company is not engaged in the activity specified in the schedule A to the said Rules.

**PARTICULARS OF EMPLOYEES :**

Information in accordance with the provisions 217(2A) of the Companies Act 1956, read with the Companies (Particular of the employees Rules) 1975 as amended, regarding particulars of employees is not applicable as none of the employee of the Company is given remuneration in the scale specified by that section.

**EXPENDITURE IN FOREIGN CURRENCY AND FOREIGN EXCHANGE :**

The required information in respect of foreign exchange earning and outgo is as under :

**C.I.F. Value of Imports, Expenditure and Earning in Foreign Currency**

Particulars	2001-2002 Rs.	2000-2001 Rs.
i) C.I.F. Value of Imports : Raw Materials And Components	19,77,083	Nil
ii) Expenditure in Foreign Currency : Travelling	2,27,814	2,74,621
iii) Earning Foreign Exchange : FOB value of Exports	3,13,855	28,39,988

The Company is exploring the possibilities/avenues for increasing Export earnings in foreign currency.

**DEMATERIALISATION OF SHARES :**

As the Company's Equity Shares are being compulsory traded in Dematerialised Form, for the benefit of the investors, the Company has already jointed DEPOSITORY SYSTEMS operated by CDSL (Central Depository Services India Ltd.).

**ACKNOWLEDGEMENT :**

Your Directors wish to place on record their appreciation for the support of the employees during the year.

Your directors also wish to place on record their sincere appreciation for the support by Financial Institutions, Bankers and other Institutions and customers.

For and on behalf of the Board of Directors

**M.M. MOHTA**

Chairman & Managing Director

**ANIRUDH MOHTA**

Joint Managing Director

Place : BELGAUM

Date : 31st July 2002

## CORPORATE GOVERNANCE

Issues involving corporate Governance are taking on a high profile globally and have come to the fore recently in India. Corporate Governance has an important role to play as an instrument of investor protection. The importance of Corporate Governance lies in its contribution both to business prosperity and to accountability.

While complying with the various provisions of laws and regulations regarding corporate Governance, it was observed that the Company has already been following good practices in major areas.

A Board of Directors, consisting of Executive and other two are independent Directors who are well known in their respective fields, manages the Company. These independent members of the Board of Directors have been associated with the Company for a very long time.

The profile of the Board of Directors as under.

Name	Date of Appointment	Qualification
<b>Sri M.M. Mohta</b> Chairman & Managing Director	23.03.1991 as Managing Director (Prior to that he was President of the Company)	B.Com
<b>Sri Anirudh Mohta</b> Joint Managing Director	18.08.1994 as Technical Director (From 01.04.99 as a Joint Managing Director)	B.E. Industrial Production
<b>Smt. Urmila Devi Mohta</b> Director	30.05.1992	Matriculate
<b>Sri R.M. Shah</b> Director	05.01.1988	Automobile Engineer
<b>Sri. N.K. Daga</b> Director	17.04.1998	B.Com., Local Businessman
<b>AGM-Regional Office, Bangalore</b> Bank of Maharashtra, Regional Office, Bangalore		—
<b>Board Observer</b>		

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During the financial year 2001-2002, 10 Board Meetings were held and the attendance of the Directors was as follows :

Name of the Director	No. of Meetings Held	No. of Meetings Attended
<b>Sri M.M. Mohta</b> Chairman & Managing Director	10	10
<b>Sri Anirudh Mohta</b> Joint Managing Director	10	10
<b>Smt. Urmila Devi Mohta</b> Director	10	10
<b>Sri R.M. Shah</b> Director	10	4
<b>Sri. N.K. Daga</b> Director	10	6
<b>Assistant General Manager</b> Bank of Maharashtra, Regional Office, Bangalore	10	—
<b>Board Observer</b>		

The Certificate from the Chairman and Managing Director regarding due compliance of all statutory requirements under the various acts were placed at every meetings of the Board of Directors.

The Company has a well-established system of internal audit, being followed for the last 10 years. This is carried out by M/s. Jain, Christopher, Shrikant & Shrikant Bangalore, and an external audit firm.

Apart from the above regular Minutes of Meeting as well as Quarterly Results have been sent regularly to the Board observer, Bank of Maharashtra, Regional Office, Bangalore.

The Share Transfer Committee of the Directors of the Company regularly approves the transfer and transmission of securities and other related matters.

The Board of Directors is committed to achieve the highest standards of Corporate Governance and will endeavor to make further improvements during the current year and in future.



## COMPLIANCE CERTIFICATE

To,  
The Members,

I have examined the registers, records, books and papers of **BEMCO HYDRAULICS LIMITED**, (the company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the company for the financial year ended on 31st March, 2002. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers, I certify that in respect of the aforesaid financial year.

1. The company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made there under and all entries there is have been duly recorded.
2. Subject to the disclosures made at item No. 17(infra), the company has filed the forms and returns as stated in Annexure 'B' to this Certificate with the **Registrar of Companies Karnatak, Bangalore** within the time prescribed under the Act and the Rules made there under.
3. The Company being public company, the restrictive conditions in section 3(1) (iii) of the Act are not relevant.
4. The Board of directors duly met ten times respectively on 30th April 2001, 30th June 2001, 10th July 2001 30th July 2001 17th September, 2001, 29th October, 2001, 29th December, 2001, 30th January, 2002, 25th February, 2002 and 30th March, 2002 in respect of which Meetings proper notices were given and the proceedings were properly recorded and signed in the minutes book maintained for the purpose.
5. The company has closed it register of members from **15th September 2001 to 29th September 2001** (both days inclusive) and necessary compliance of section 154 has been made.
6. The annual general meeting for the financial year ended on 31.03.2001 was held on **29th September 2001** after giving notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes book maintained for the purpose. Resolution proposing appointment of new auditors in place of the retiring auditors, who had expressed unwillingness to seek re-appointment, was through a corrigendum/ supplementary dated 28th July 2001 to the notice dated 10th July 2001.
7. No extra ordinary general meeting was held during the year.
8. The company has not advanced any loans to its directors or firms or companies referred to under section 295 of the Act.
9. The company has duly complied with the provisions of section 297 of the Act in respect of contracts specified in that section.
10. The company has made necessary entries in the Register maintained under section 301 of the Act.
11. As there was no instances falling within the purview of section 314 of the Act, the Company has not obtained any approvals from Board of directors, members of Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13. i) There was no allotment of securities during the financial year. The Company has delivered all certificates on lodgement thereof for transfer/transmission in accordance with the provisions of the Act. Further, the Company has established electronic connectivity with effect from 1.10.2001 pursuant to the SEBI directive on compulsory trading of securities in demat form the appointed M/s. Adroit Corporate Services Pvt. Ltd., Mumbai as Registrar and Share Transfer Agents who have issued certificates dated 10th January 2002 and 10th April 2002 under Regulation No. 54(5) of the SEBI (Depositories and participants) Regulations, 1996 to the effect that the company has cancelled and defaced bona fide certificates received during the quarters ended 31st December, 2001 and 31st March 2002 respectively.

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- ii) The Company has not deposited any amount in a separate Bank Account as on Dividend was declared during the year.
  - iii) The Company was not required to post warrants to any members of the company as no dividend was declared during the year.
  - iv) The company was not required to transfer any amount to Investor Education and Protection Fund as the Company had no un-claimed Dividend Accounts, Application Money due for refund, matured deposits, matured debentures and interest accrued thereon.
  - v) Subject to the observation that the Directors' Report contains information about Foreign Exchange by reference to Notes On Accounts and does not furnish the details in the Report itself, the company has complied with the provisions of Section 217 of the Act, As the paid up capital of the Company is beyond Rs. Fifty lacs, the Company was not bound to attach Compliance Certificate, in so far as the Companies (Compliance Certificate) Rules 2001, were not applicable to the Company then.
14. The board of Directors is duly constituted. There was no appointment of additional directors, alternate directors and directors to fill casual vacancy during the financial year.
  15. The company has not appointed any Managing Director/Whole time Director/Manager during the financial year.
  16. The Company has not appointed any sole selling agents during the financial year.
  17. The Company has filed a petition dated 3rd January 2002 under section 141 of the Act before the Company Law Board, Southern Region Bench, Chennai, seeking extension of time till 18th December 2001 and condonation of 456 days delay in filing charge particulars in respect of the deed of hypothecation dated 19th August 2000 in respect of the vehicle loan of Rs. 5,00,000/- borrowed from Bank of Maharashtra. In respect of the full satisfaction of the packing credit loan of Rs. 22.92 lakhs raised from Bank of Maharashtra, the company explains that the original charge itself was not registered with ROC, as a result, no question of filing form 17 and 13 arises, much less any necessity to approach Company Law Board u/s 141 of the Act. In respect of the 14,732 14% Preference shares redeemable on 13th January, 2001, but not redeemed so far, no application lies to the Company Law Board u/s 80A(1) of the Act as those shares were issued after the commencement of the Companies (Amendment) Act, 1988. The company explains that it has approached LIC of India, the main investor in these shares seeking extension of time till 31st March 2003 for redemption, and the matter is under consideration. Save what is stated here, the company was not required to obtain any approvals of the Central Government, Regional Director, Registrar and such other authorities prescribed under the various provisions of the Act during the financial year.
  18. The Directors have disclosed their interest in other Companies to the board of Directors pursuant to the provisions of the Act and the rules made there under.
  19. The Company has not issued any shares/debentures and other securities during the year.
  20. The Company has not brought back any shares during the financial year.
  21. There was not redemption of preference shares/debentures during the financial year.
  22. There was no transactions necessitating the company to keep in abeyance the right to dividend, right shares and bonus shares, pending registration of transfer of shares.
  23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of section 58A during the financial year.
  24. The amount borrowed by the company from directors, members, financial institution banks and others during the financial year ending 31st March 2002 is within the borrowing limits of the Company under section 293(1)(d) of the Act, viz Rs. 500 lakhs as specified by the resolution passed in the Extra Ordinary General Meeting held on 21st January, 1991.