



BEMCO HYDRAULICS LIMITED

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Annual Report & Accounts
2003-2004

BEMCO HYDRAULICS LIMITED



Annual Report 2003-2004

BEMCO HYDRAULICS LIMITED

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DIRECTORS :

M. M. MOHTA	- CHAIRMAN AND MANAGING DIRECTOR
ANIRUDH MOHTA	- JOINT MANAGING DIRECTOR
URMILA DEVI MOHTA	- DIRECTOR
R. M. SHAH	- DIRECTOR
N. K. DAGA	- DIRECTOR
DILIP CHANDAK	- DIRECTOR

BANKERS:

BANK OF MAHARASHTRA, Main Branch, Kirlskar Road, BELGAUM
STATE BANK OF INDIA, Commercial Branch, BELGAUM

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)

COMPLIANCE OFFICER :

R. B. PATIL - Sr. Manager Finance

NOTICE

Notice is hereby given that 46th Annual General Meeting of the Company will be held on Thursday, September 30, 2004 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 2004, 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- election
3. To appoint a Director in place of Shri N. K. Daga who retires by rotation and being eligible offers himself for re- election
4. To re-appoint Auditors and fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit to pass with or without modification, the following as an ordinary resolution.

"RESOLVED THAT, the members of the company in this 46th Annual General Meeting do hereby elect Mr. Dilip Chandak as a Director of the Company who shall retire by rotation in pursuance of Clause No. 141 of the Articles of Association of the Company."

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

"RESOLVED THAT pursuant to section 198, 269, 309, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the members of the Company in this 46th Annual General Meeting through this special resolution do hereby approve and confirm the re-appointment of Mr. M. M. Mohta as Chairman and Managing Director with effect from 1st April 2004, on five year tenure upon the terms and conditions set out in the Agreement executed on 01.04.2004 whose salient features were mailed to the individual members pursuant to section 303(2) of the Companies Act, 1956 which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said re-appointment and or/ agreement, in such manner as may be agreed to between the Board of Directors and Mr. M. M. Mohta.

7. To consider and if thought fit to pass with or without modification, the following as a special resolution.

"RESOLVED THAT pursuant to section 198, 269, 309, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the members of the Company in this 46th Annual General Meeting through this special resolution do hereby approve and confirm the re-appointment of Mr. Anirudh Mohta as Joint Managing Director with effect from 1st April 2004, on five year tenure upon the terms and conditions set out in the Agreement executed on 01.04.2004 whose salient features were mailed to the individual members pursuant to section 303(2) of the Companies Act, 1956 which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said re-appointment and or/ agreement, in such manner as may be agreed to between the Board of Directors and Mr. Anirudh Mohta.

8. To consider and if thought fit to pass with or without modification, the following as a special resolution:

RESOLVED THAT :

- a) Pursuant to section 94 (e), 16 and 31 and other applicable provisions, if any, of the Companies Act, 1956 the consent of the Company in this forty sixth Annual General Meeting through this special resolution be and is hereby accorded to the cancellation of 2,00,000 (Two lakhs) equity shares of Rupees 10 (ten) each aggregating to a sum of Rs. 20,00,000/- (Rupees Twenty lakhs only) from out of the un-issued and unsubscribed authorised share capital of the company,
- b) 20,000 (Twenty Thousand) preference shares of Rs. 100 (Rupees Hundred) each aggregating to a sum of Rs. 20,00,000/- (Rupees Twenty lakhs only) ranking for dividend and all other purposes pari passu with the existing Preference Shares of the Company, be and are hereby created in lieu of the equity shares referred to in (a) above,
- c) Clause V of the Memorandum of Association of the company be and is hereby altered to read as follows:

The Authorised share capital of the company is Rs. 1,50,00,000/- (Rupees one crore fifty lakhs only) divided in to 10,00,000 (Ten lakhs) equity shares of Rs. 10 each and 50,000 (fifty thousand) Preference shares of Rs. 100 (Rupee Hundred) each.

- d) Clause 4 of the Articles of Association of the company be and is hereby altered as follows:

The Authorised share capital of the company shall be as stated in the clause No V of the Memorandum of Association of the company.

- e) The Board of Directors be and is hereby authorised to do and perform all such other acts, deeds and things as may be necessary or desirable to give effect to this special Resolution.

9. To consider and if thought fit to pass with or without modification, the following as a special resolution.

RESOLVED that pursuant to the provisions of section 81(1A) of the Companies Act, 1956 and other applicable provisions if any, of the said Act and in accordance with the Memorandum and Articles of Association of the Company and also subject to such terms and conditions as may be determined by the Board of Directors of the Company or any committee thereof and also further subject to such approvals, consents, permissions or sanctions of appropriate authorities and also of the financial institutions, Banks with whom the company has borrowing arrangements and under which such approvals, consents, permissions, sanctions may be necessary, the consent of the company through this special resolution passed in this 46th Annual General Meeting be and is hereby accorded to the Board of Directors offering, issuing and allotting on private placement basis from out of the authorised capital of the company, an appropriate number of Cumulative Redeemable Preference shares of an aggregate face value not exceeding Rs. 25,00,000/- (Rupees Twenty five lakhs only) consisting of 25,000 (twenty five thousand) Cumulative Redeemable Preference Shares of Rs. 100/- each for cash at par exclusively to promoters or such other person(s)/ companies as the Board of Directors may deem it fit on the following terms and conditions

1. The said shares rank for dividend in priority to the equity shares for the time being of the Company,
2. The said shares are not convertible in to equity,
3. The said shares rank pari passu with the existing 11% 14,732 Cumulative Preference Shares of Rs. 100 each issued in March 2003 except premium i.e. at face value of Rs. 100/- each,
4. The said shares shall in winding up be entitled to rank as regards repayment of capital and arrears of dividend whether declared or not up to the commencement of the winding up, in priority to equity shares but shall not be entitled to any further participation in profit or current assets.
5. The voting rights of the persons holding the said shares shall be in accordance with the provisions of section 87 of the Companies Act, 1956.

RESOLVED FURTHER that the Board of Directors or a Committee thereof be and is hereby authorised to approve, agree and accept such modification to the terms and conditions of the Cumulative Redeemable Preference shares proposed to be issued as may be suggested by the financial Institutions, banks and to do all such acts, deeds, matters and things and to take all such steps as may be necessary and expedient and to settle any matter that may arise in connection therewith.

RESOLVED FURTHER that the Company shall not create and or issue in future preference shares ranking in priority to the said shares and in the event of the company creating and or issuing cumulative redeemable preference shares in future ranking pari passu with the existing cumulative preference shares, it would do so only with the consent in writing of the holders of not less than three fourth of the said shares then outstanding or with the sanction of the special resolution passed at a separate meeting of the holders of the said shares then outstanding.

10. To consider and if thought fit to pass with or without modification, the following as an ordinary resolution.

" RESOLVED that Mr. S.R.Deshpande, Practising Company Secretary be and is hereby re-appointed to carry out certification of compliance for the financial year 2004-05.

Place: Belgaum
Date: 30.07.2004

for **BEMCO HYDRAULICS LTD**

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 16, 2004 to September 30, 2004 (both the days inclusive).
6. Members interested in seeking any clarification on the annual accounts are requested to address their queries to Mr. R.B. Patil, Senior Manager-Finance and Compliance Officer, Bemco Hydraulics Ltd. Udyambag, Belgaum at least one week before the dated of the meeting so as to enable the compilation of data.

AN EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT 1956 IN RESPECT OF SPECIAL BUSINESS:**Refer AGM Agenda No. 5 regarding appointment of Mr. Dilip Chandak.**

Pursuant to clause No. 157 of the Articles of Association read with section 260 Companies Act, 1956 the Board of Directors has appointed Mr. Dilip Chandak as an Additional Director in its meeting held on 29.01.2004. He holds office till the commencement of the forthcoming Annual general Meeting. Mr. Dilip Chandak holds bachelors degree in commerce and holds vast experience in trade and commerce. The Company has received a notice under section 257 of the Companies Act, 1956 from Mr. Vijay Sambarekar, a shareholder signifying his intention to propose the candidature of Mr. Dilip Chandak for the post of a Director.

Mr. Dilip Chandak has made significant contribution to the deliberations of the Board of Directors as well as to the deliberations of the Remuneration Committee, as he happens to be its member in his capacity as an independent Director. The Board therefore, commends his appointment as a Director.

MEMORANDUM OF INTEREST

Except Mr. Dilip Chandak, none of the Directors of the company are interested in his appointment as a Director.

Refer Agenda No. 6 regarding re-appointment of Mr. M. M. Mohta as Chairman and Managing Director.

1. Shri M. M. Mohta was appointed as Chairman and Managing Director of the Company with effect from 01.04.1999 to 31.03.2004 pursuant to the provisions of Sec. 269, 198 309 and other applicable provisions, if any of the Companies Act 1956 by share holders at the Extra Ordinary General Meeting of the Company held on 25th May 1999 on the terms and conditions approved in the said Extra Ordinary General Meeting. Subsequently the remuneration of Mr. M. M. Mohta was revised from Rs. 30,000/- per month to Rs. 50,000/- per month, by the shareholders in the 42nd AGM held on 26th September 2000.

Pursuant to the provisions of sec 269(2) read with Schedule XIII, the Board has re-appointed Mr. M. M. Mohta as Chairman and Managing Directors of the Company in its meeting held on 23rd March 2004 for the period from 1st April 2004 to 31st March 2009, i.e. for a period of next 5 years on the terms and conditions approved in the said Board meeting, subject to further approval by the Remuneration Committee and by the Share Holders in the forth coming 46th Annual General Meeting. The Remuneration committee consisting of three independent Directors has approved the payment of remuneration in its' meeting, held on 23rd March 2004 and an Agreement has also been executed on 1st April 2004 between Mr. M. M. Mohta and the Company.

The abstract of agreement with Mr. M. M. Mohta in respect of his appointment and the terms and conditions thereof were circulated amongst all Shareholders on 12th & 13th April 2004 under certificate of posting. The terms of re-appointment and remuneration of Mr. M. M. Mohta inter alia contain the following principal terms and conditions:

ABSTRACT OF THE AGREEMENT WITH MANAGING DIRECTOR & CHAIRMAN

Parties	Bemco Hydraulics Limited and Mr. Madan Mohan Mohta
Principle terms of the agreement	That Mr. Madan Mohan Mohta is reappointed as Chairman & Managing Director of the Company and he shall hold office as such for a period of five years commencing from 1 st day of April 2004.
Consideration /Salary	SALARY Rs 50,000/- per month w. e. f. 1 st April 2004
Commission	No commission on profits
PERQUISITES:	<p>Restricted to an amount equal to the 50% of the Annual Salary i. e. Rs. 3,00,000/- (Rupee. Three Lakhs only) per annum, namely</p> <p>CATEGORY – A</p> <p>HOUSING – The expenditure incurred by the company on providing furnished residential accommodation for the Managing Director shall be subject to a ceiling of 25%(Twenty Five Percent) of the Chairman & Managing Director's Salary. In case the company provides no accommodation, the appointee shall be entitled to House Rent Allowance, subject to ceiling of 25%(Twenty Five Percent) of the Salary payable to the Chairman and Managing Director.</p> <p>GAS, ELECTRICITY, WATER AND FURNISHING:</p> <p>Explanation: -The expenditure incurred by the company on Gas, Electricity, Water and Furnishing shall be valued as per the Income Tax Rules 1962. This shall however, be subject to ceiling of ten percent of the Salary of the appointee.</p> <p>Medical Reimbursement: Expenses incurred for the appointee and family subject to ceiling of one-month salary in a year or three month salary over a period of three years.</p> <p>Leave Travel Concession: For the appointee and his family once in a year incurred in accordance with any rules specified by the company.</p> <p>Encashment of Leave at the end of the Tenure:-In accordance with the rules and regulations applicable to senior executives of the company from time to time, the monetary equivalent of such encashment of leave shall not be included in computation of the ceiling on perquisites referred in category 'C'.</p> <p>Club Fees: -Fees of club subject to a maximum of two clubs. This will not include admission and life membership fees.</p> <p>Personal accident Insurance: - Premium not to exceed Rs. 4,000/- per annum.</p> <p>CATEGORY – B</p> <p>Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund, there will be in accordance with the schemes applicable to Senior Executives of the Company from time to time and will not be included in the computation of the ceiling on perquisites mentioned above to the extent they either singly or taken together, are not taxable under the Income tax Act 1961, as amended from time to time.</p> <p>Gratuity: In accordance with the rules and regulations applicable to Senior Executive of the company from time to time but not exceeding half months salary for each completed year of his service.</p> <p>CATEGORY – C</p> <p>Provision of a car for use on company's business and telephone at residence both these facilities will not be considered as perquisites, personal long distance calls on telephone and use of car for private purpose shall be billed by the company to him.</p> <p>Minimum Remuneration:</p> <p>That in the event of any loss, or inadequacy of profit in any financial year of the company during the Chairman and Managing Directors tenure of office the above remuneration shall nevertheless be paid and allowed as the minimum remuneration for such year.</p> <p>The total remuneration would however be subject to the overall ceiling laid down under the provision of Schedule XIII of the Companies Act, 1956.</p>
Tenure	Five years from 1st April 2004 to 31st March 2009

In terms of Para 1 of part III of Schedule XIII to the Companies Act 1956, the re-appointment of Mr. M. M. Mohta is referred to the members. Although an ordinary resolution is sufficient for the purpose, but as a matter of abundant caution, the confirmation through a special resolution is sought.

MEMORANDUM OF INTEREST

Mrs. Urmila Devi Mohta and Mr. Anirudh Mohta are interested in the appointment as Mr. M.M. Mohta happens to be their close relative.

Refer Agenda No. 7 regarding re-appointment of Mr. Anirudh Mohta as Joint Managing Director.

In pursuance of the provisions of Sec. 269,198 309 of the Companies Act 1956 Shri Anirudh Mohta was appointed as Joint Managing Director of the Company with effect from 01.04.1999 to 31.03.2004 by share holders at the Extra Ordinary General Meeting of the Company held on 25th May 1999 on the terms and conditions approved in the said Extra Ordinary General Meeting. Subsequently the remuneration of Mr. Anirudh Mohta was revised from Rs. 10,000/- per month to Rs. 25,000/- per month, by the shareholders at the 42nd Annual General Meeting held on 26th September 2000. The tenure of his appointment expired on 31st March 2004.

Pursuant to the provisions of sec 269(2) read with Schedule XIII, the Board has re-appointed Mr. Anirudh Mohta as Joint Managing Directors of the Company in its meeting held on 23rd March 2004 for the period from 1st April 2004 to 31st March 2009, i.e. for a period of next 5 years on the terms and conditions approved in the said Board meeting, subject to further approval by the Remuneration Committee and by the Share Holders in the forth coming 46th Annual General Meeting. The Remuneration committee consisting of three independent Directors has approved the payment of remuneration in its' meeting, held on 23rd March 2004 and an Agreement has also been executed on 1st April 2004 between Mr. Anirudh Mohta and the Company.

The abstract of agreement with Mr. Anirudh Mohta in respect of his appointment and the terms and conditions thereof were circulated amongst all Shareholders on 12th & 13th April 2004 under certificate of posting. The terms of re-appointment and remuneration of Mr. Anirudh Mohta *inter alia* contain the following principal terms and conditions:

ABSTRACT OF THE AGREEMENT WITH JOINT MANAGING DIRECTOR	
Parties	Bemco Hydraulics Limited and Mr. Anirudh Mohta
Principal terms of the agreement	That Mr. Anirudh Mohta is re-appointed as the Joint Managing Director of the Company and he shall hold office as such for a period of five years commencing from 1 st day of April 2004.
Consideration /Salary	SALARY Rs 30,000/- per month w. e. f. 1 st April 2004
Commission	No commission on profits
PERQUISITES:	<p>Restricted to an amount equal to the 100% of the Annual Salary i. e. Rs. 3,60,000/- (Rupee. Three Lakhs sixty thousand only) per annum, namely</p> <p>CATEGORY – A</p> <p>HOUSING – The expenditure incurred by the company on providing furnished residential accommodation for the Joint Managing Director shall be subject to a ceiling of 60%(Sixty Percent) of the Joint Managing Director's Salary. In case the company provides no accommodation, the appointee shall be entitled to House Rent Allowance, subject to ceiling of 50%(Fifty Percent) of the Salary payable to the Joint Managing Director.</p> <p>GAS, ELECTRICITY, WATER AND FURNISHING:</p> <p>Explanation: -The expenditure incurred by the company on Gas, Electricity, Water and Furnishing shall be valued as per the Income Tax Rules 1962. This shall however, be subject to ceiling of ten percent of the Salary of the appointee.</p> <p>Medical Reimbursement: Expenses incurred for the appointee and family subject to ceiling of one-month salary in a year or three month salary over a period of three years.</p>

	<p>Leave Travel Concession: For the appointee and his family once in a year incurred in accordance with any rules specified by the company.</p> <p>Encashment of Leave at the end of the Tenure:-In accordance with the rules and regulations applicable to senior executives of the company from time to time, the monetary equivalent of such encashment of leave shall not be included in computation of the ceiling on perquisites referred in category 'C'.</p> <p>Club Fees: -Fees of club subject to a maximum of two clubs. This will not include admission and life membership fees.</p> <p>Personal accident insurance: - Premium not to exceed Rs. 4,000/- per annum.</p> <p>CATEGORY - B</p> <p>Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund, there will be in accordance with the schemes applicable to Senior Executives of the Company from time to time and will not be included in the computation of the ceiling on perquisites mentioned above to the extent they either singly or taken together, are not taxable under the Income tax Act 1961, as amended from time to time.</p> <p>Gratuity: In accordance with the rules and regulations applicable to Senior Executive of the company from time to time but not exceeding half months salary for each completed year of his service.</p> <p>CATEGORY - C</p> <p>Provision of a car for use on company's business and telephone at residence both these facilities will not be considered as perquisites, personal long distance calls on telephone and use of car for private purpose shall be billed by the company to him.</p> <p>Minimum Remuneration:</p> <p>That in the event of any loss, or inadequacy of profit in any financial year of the company during the Joint Managing Director's tenure of office the above remuneration shall nevertheless be paid and allowed as the minimum remuneration for such year.</p> <p>The total remuneration would however be subject to the overall ceiling laid down under the provision of Schedule XIII of the Companies Act, 1956.</p>
Tenure	Five years from 1st April 2004 to 31st March 2009

In terms of Para, 1 of part III of Schedule XIII to the Companies Act 1956, the re-appointment of Mr. Anirudh Mohta is referred to the members. Although an ordinary resolution is sufficient for the purpose, but as a matter of abundant caution the confirmation through a special resolution is sought.

MEMORANDUM OF INTEREST

Mrs. Urmila Devi Mohta and Mr. M.M. Mohta are interested in the appointment, as Mr. Anirudh Mohta happens to be their son.

Refer Agenda No. 8 regarding alteration of Capital clauses in Memorandum and Articles of Association of the Company.

The company needs to augment its working capital on a fairly long-term basis. The company presently relies on unsecured loans i.e. inter corporate Deposits (ICDs) for this purpose. However, the banks and financial institutions are insisting for the infusion of long-term capital. The ideal situation is to go in for rights issue of equity shares. However, the financial position of the company till last year was such that the Directors are diffident about the success of rights issue. Therefore, the Directors have decided to make issue of 25,000 11% Redeemable Preference shares of Rs. 100 each for cash at par. Although the company has sufficient cushion in authorised share capital but it consists of equity shares as the preference share capital is of Rs. 30 lakhs: out of which Rs. 14,73,200 is paid up and there is insufficient balance in Authorised Preference Capital.

The Board has therefore decided to cancel 2,00,000 (Two Lakhs) un-issued and un-subscribed equity shares of Rs. 10 (Rupees Ten) each and to convert them in to 20,000 cumulative redeemable preference shares of Rs. 100 each. The combined

special resolution seeks to cancel the (a) un-issued *equity* shares (b) ~~create~~ redeemable preference shares and (c) to carry out consequential alteration to the capital clauses in the Memorandum and Articles of Association of the Company. Instead of repeating in full the figures and words of the share capital, the altered capital clause in Articles says that the share capital shall be as that specified in the memorandum of association. The Board commends the combined special resolution for consideration by the members.

MEMORANDUM OF INTEREST

None of the Directors of the Company is interested in this special resolution, except in his capacity as a shareholder.

Refer Agenda No. 9 regarding preferential allotment of Redeemable Preference Shares to promoters and others

As stated above, the Board intends to allot 25,000 (Twenty Five Thousand) 11% redeemable cumulative preference shares of Rs. 100 (Rupees Hundred) each to promoters and others on preferential basis; it needs the consent of the shareholders through a special resolution. Hence, this item of special business is included in the agenda. The Board seeks to emphasize that the preferential allotment to promoters and others is proposed because the management is diffident about the success of rights issue, keeping in view the adverse financial position of the company. Therefore, the preferential issue in no way amounts to enrichment of the promoters at the cost of the public investor.

Statutory Approvals

The Board is advised that the issue of cumulative preference shares is outside the purview of SEBI Take Over Code 1997 and therefore, no exemption or permission from SEBI is required for the proposed preferential issue on private placement. Further, as the preferential allotment is of *preference shares, which are not convertible in to equity or other instrument carrying voting rights*, SEBI Guidelines on pricing for preferential allotment are not applicable.

Lastly, the Directors wish to state that, as envisaged by the special resolution passed in the Extra Ordinary General Meeting held on 5th February 2003, the holders of 14,732 11% cumulative redeemable preference shares of Rs. 100 each have given their consent in writing for the issue and allotment of 25,000 (Twenty Five Thousand) fresh 11% cumulative redeemable preference shares on *pari passu* basis

The Board commends the special resolution for consideration by the members.

MEMORANDUM OF INTEREST

All the Directors of the Company may be deemed to be interested in this special resolution.

Refer Agenda No. 10 regarding re-appointment of Mr. S. R. Deshpande – Practicing Company Secretary.

Company Secretary appointed in the last Annual General Meeting for certification of compliance pursuant to the proviso to section 383A(1) of the Companies Act, 1956 retires at the conclusion of the forthcoming Annual General Meeting. The Board has decided to re-appoint him for the financial year 2004-05. Hence the Board commends the re-appointment.

MEMORANDUM OF INTEREST

None of the Directors of the Company is interested in the appointment of practicing Company secretary.

Place: Belgaum

Date: 30.07.2004

for BEMCO HYDRAULICS LTD

M. M. MOHTA
Chairman and Managing Director

DIRECTORS' REPORT

To
The Shareholders.

Your Directors have pleasure in presenting the Forty Sixth Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2004.

FINANCIAL RESULTS:

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

		2003-2004 Rs.	2002-2003 Rs.
01	Gross Profit / (Loss) for the year after meeting all operating expenses but before interest, and depreciation amounts to:	87,63,960	(16,23,618)
02	Deduction there from: Interest	45,21,328	48,25,962
03	Profit /(Loss) before depreciation	42,42,632	(64,49,580)
04	Depreciation for the year	13,37,618	13,47,378
05	Profit / (Loss) After Depreciation - (PBIT)	29,05,014	(77,96,958)
06	Provision for taxation	(110,000)	Nil
07	Deferred tax assets	(9,23,000)	28,58,000
08	Profit / (Loss) amounts to - (PAT)	18,72,014	(49,38,958)
09	Income Tax for earlier years	3,31,640	(15,67,227)
10	Net Profit / (Loss)	22,03,654	(65,06,185)
11	Deficit brought forward	(8,816,669)	(23,10,484)
12	Total Loss carried forward	(66,13,015)	(88,16,669)

DIVIDEND:

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

REVIEW OF OPERATION:

You are well aware that there was a worldwide recession particularly in Engineering Industry, which has affected the performance of your Company during past two years. However the position has improved during the year under report and Net Sales for the year ended on 31st March 2004, are of Rs 889.78 Lacs as against Rs. 567.83 Lacs for the year ended 31st March 2003, showing an increase of 56.70%. The Profit after tax for the year under review amounted to Rs. 22.04 Lacs as against loss of Rs 65.06 Lacs during previous year.

FUTURE PROSPECTS:

Your Directors have to inform you that your company has succeeded in achieving for the first quarter of the financial year 2004-05 ended on 30th June 2004, Sales Turnover of Rs. 124.30 lacs as against Rs. 172.09 lacs during the previous year for the same quarter.

However, considering the orders position in hand as on date, the Company is likely to achieve Sales target of Rs. 1,450/- Lacs during current financial year i.e. 2004-2005 and the Directors hope that they would be able to wipe off the loss significantly.

Further, the management is putting continuous efforts and to improve the performance in coming years, provided the Industrial economy continues to improve.

REFERENCE TO THE BIFR

On account of the erosion of more than 50% of peak net worth as on 31st March 2003, due to losses, the Board was advised to make a reference to the BIFR, New Delhi under section 23 of the SICA 1985 as an *incipient* sick company.