



BEMCO HYDRAULICS LIMITED

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*ANNUAL REPORT &
ACCOUNTS
2005-2006*

BEMCO HYDRAULICS LIMITED

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, Kirtoskar 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



BEMCO HYDRAULICS LIMITED**Annual Report 2005-2006****NOTICE**

Notice is hereby given that 48th Annual General Meeting of the Company will be held on Friday, September 29, 2006 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 2006, the Profit and Loss Account for the year ended as on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Smt Urmila Devi Mohta who retires by rotation and being eligible offers himself 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 a special resolution

"RESOLVED THAT:

- a) Pursuant to section 94,16 and 31 and other applicable provisions, if any of the Companies Act, 1956 the consent of the Company in this 48th Annual General Meeting vide this special resolution be and is hereby accorded to increase in authorized capital from Rs. 1,50,00,000/- (Rupees One Crore Fifty Lakhs only) divided into 9,00,000 /- (Nine Lakhs Only) equity shares of Rs. 10/- (Rupees Ten) each and 60,000 (Sixty Thousand) preference shares of Rs. 100 (Rupees Hundred only) to Rs. 4,00,00,000/- (Rupees Four Crores only) divided into 34,00,000 (Thirty Four Lakhs) equity shares of Rs. 10/- (Ten) and 60,000, (Sixty Thousand) preference Shares of Rs. 100/- (Rupees One Hundred) each.
- b) 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. 4,00,00,000/- (Rupees Four Crores only) divided into 34,00,000 (Thirty Four Lakhs Only) equity shares of Rs. 10/- (Rupees Ten) each and 60,000 (sixty thousand) Preference shares of Rs. 100 (Rupee Hundred) each.
- c) 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."
6. To consider and if thought fit to pass with or without modification, the following as a ordinary resolution:

"RESOLVED that Mr. S. R. Deshpande, Practicing Company Secretary be and is hereby re-appointed to carry out certification of compliance for the financial year 2006-07".

for BEMCO HYDRAULICS LTD.

Place :Belgaum
Date : 28.07.2006

M. M. MOHTA
Chairman and Managing Director

BEMCO HYDRAULICS LIMITED**Annual Report 2005-2006****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 25th, 2006 to September 29th, 2006 (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, 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 Agenda No. 5 regarding alteration of Capital clauses in Memorandum and Articles of Association of the Company.

The turn over of the company is increasing day by day. To cope up with the increased volume of business, there is necessity to increase the margin for working capital. Besides, during the next five years, the Directors envisage a programme of substantial expansion and modernization, which requires infusion of capital. To enable the Directors to implement their programme, it is proposed to increase the authorized share capital to Rs. 4,00,00,000 from the present limit of Rs. 1,50,00,000/- by creating 25,00,000 fresh equity shares of Rs. 10/- each. The special resolution No. 5 seeks to give effect to this intent of the Directors and to carry out alteration to the capital clause in the memorandum of association.

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

MEMORANDUM OF INTEREST

None of the Directors of the Company is interested in this business except in his capacity as a member.

Refer Agenda No. 6 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 383 A(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 2006-07. Hence the Board commends the re-appointment.

The Re-appointment of practicing company secretary for certification of compliance not being an item of ordinary business as defined in section 173(1)(a) of the Companies Act, 1956 the same is being transacted as a special business and this explanation is offered.

MEMORANDUM OF INTEREST

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

for BEMCO HYDRAULICS LTD

Place : Belgaum
Date : 28.07.2006

M. M. MOHTA
Chairman and Managing Director

BEMCO HYDRAULICS LIMITED**Annual Report 2005-2006****DIRECTORS' REPORT**

To
Dear Shareholders,

Your Directors have pleasure in presenting the Forty Eighth Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2006.

FINANCIAL RESULTS :

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

		2005-2006 Rs.	2004-2005 Rs.
01	Gross Profit for the year after meeting all operating expenses but before interest, gratuity provision and depreciation amounts to:	1,41,91,643	95,93,996
02	Deduction there from: Interest	55,14,396	50,78,375
03	Profit before depreciation	86,77,247	45,15,621
04	Depreciation for the year	7,29,741	8,89,099
05	Profit After Depreciation - (PBIT)	79,47,506	36,26,522
06	Provision for Taxation	(27,04,000)	(4,13,000)
07	Provision for FBT	(6,02,000)	
08	Differed Tax Assets	1,28,000	(10,23,000)
09	Profit / (Loss) - (PAT)	47,69,506	21,90,522
10	Income Tax Earlier Years	5,243	(28,522)
11	Net Profit/Loss	47,74,749	21,62,000
12	Surplus brought forward	(44,51,016)	(66,13,016)
13	Total Profit /Loss carried forward	3,23,733	(44,51,016)

DIVIDEND

To conserve the resources, the Directors do not recommend any dividend.

REVIEW OF OPERATION

The year 2005-06 has witnessed strong economic growth for most of Engineering industry & other Auto Component industry as well as growing demands from India Railways, Aviation and Defense. Improved growth of the global economy translated into higher demand for Engineering & Auto Component Industry in India, which improved the performance of your company. The company's success in these areas is reflected in the strong growth in sale, as well as in profits during 2005-06. The highlights of financial performance, as a stand-alone entity are:

- ❖ Profit before depreciation, interest and tax (PBDIT) increased by 47.93 per cent from Rs. 95.94 Lakhs in 2004-2005 to Rs. 141.92 Lakhs in 2005-2006.
- ❖ Profit after tax (PAT) increased by 117.94 per cent from Rs. 21.91 Lakhs in 2004-05 to Rs. 47.75 Lakhs in 2005-2006.

FUTURE PROSPECTS:

2005-06 was a good year for your company as compared with 2004-05 and there is every indication that 2006-07 will be even better.

As a result of our efforts made during past few years' development of various items for above have been done.

BEMCO HYDRAULICS LIMITED**Annual Report 2005-2006**

Besides the above your Company has the pending orders worth Rs. 1926.58/- Lakhs in hand and the orders worth Rs. 1600/- lacs in pipeline and during the of current financial year i.e. 2006-07 the company has set the Sales turn over target of Rs. 2400/- lakhs.

To sum up the outlook for the next few years is very bright.

COLLABORATION FOR TECHNICAL KNOW-HOW:

We are pleased to inform you that the **Technology Licence Agreement** with **PINETTE EMIDCAU INDUSTRIES, FRANCE** has already been signed on 10th April 2006 and we bagged the order from ACSIL worth Rs. 300/- lacs wherein this technology is being used and we have orders worth Rs. 375/- lacs in the pipeline under finalization.

ALTERATION IN CAPITAL STRUCTURE

As decided in the 47th AGM held on 30th September 2005 the Company has amended Authorised Share Capital structure as under:

PREVIOUS CAPITAL	AMMENDED IN 47 TH AGM
10,00,000 Equity Shares of Rs. 10/- each Total Authorised Equity Share Capital of Rs. 1,00,00,000/- (One Crore Only)	9,00,000 Equity Shares of Rs. 10/- each Total Authorised Equity Share Capital of Rs. 90,00,000/- (ninety Lakhs only)
50,000 Preference Shares of Rs. 100/- each. Total Preference Share Capital of Rs. 50,00,000/- (Fifty Lacs Only)	60,000 Preference Shares of Rs. 100/- each. Total Preference Share Capital of Rs. 60,00,000/- (Sixty Lacs Only)

Further as decided in the 47th AGM the Company has allotted the 20,000/- Nos. 11% Redeemable Cumulative Preference Shares, each of Rs. 100/- as a result the Issued Subscribed and Paid-up Capital of Rs. 128.67 Lacs divided in to - 6,47,700 Equity Share of Rs. 10/- each and 52,732 11% Cumulative Redeemable Preference Shares of Rs. 100/- each.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the 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, 2006 and of the profit of the Company for the period ended on that date.
- 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.

BEMCO HYDRAULICS LIMITED**Annual Report 2005-2006****COMPLIANCE CERTIFICATE: - (Refer to Proviso to Section 383A (1) of the Companies Act 1956)**

Pursuant to Section 383-A the Compliance Certificate of a Practicing Company Secretary is attached hereto.

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

There is no Fixed Deposit liability as on 31.03.2006. Further the Board declares that during the financial year 2005-06, the Company has not accepted any public deposits or unsecured loans falling within the purview of section 58A of the Companies Act, 1956.

DIRECTORS:

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

AUDITOR & AUDIT REPORT:

M/S A. C. Bhuteria & Co., Chartered Accountants, Kolkata retire at the ensuing Annual General Meeting. The retiring auditors have confirmed their *willingness* and *eligibility* to accept audit assignment, if re-appointed.

Audit Report is self-explanatory and needs no further clarification.

PERSONNEL:

The industrial relations during the year remained extremely harmonious. The Directors wish to place on record their appreciation of the hard work and continuous efforts as well as 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 a medical officer to have routine checkup on the health of the employees.

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

a.	Energy conservation measures taken	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.
b.	Additional investments and proposals, if any, being implemented for reduction of consumption of energy;	NIL
c.	Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods;	NIL
d.	Total energy consumption and energy consumption per unit of production as per Form A.	No statement in Form A pursuant to Companies (Disclosure of Particulars in the Report of the Board Rules) 1988 is annexed as the company is not engaged in the activity specified in the schedule A to the said Rules.

B. Technology absorption:

e.	Efforts made in technology absorption.	As per Form B given below
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Form B

Research and development (R & D)

1.	Specific areas in which R & D carried out by the company	NIL
2.	Benefits derived as a result of the above R & D	NIL
3.	Future plan of action	NIL
4.	Expenditure on R & D a. Capital b. Recurring c. Total d. Total R & D expenditure as per percentage of total turnover	NIL NIL NIL NIL

Technology absorption, adaptation and innovation

1.	Efforts, in brief, made towards technology adsorption,, adaptation and innovation	NIL
2.	Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.	NIL
3.	In case o b f-imported technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished: a. Technology imported. b. Year of import. c. Has technology been fully absorbed? d. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.	NIL

C. FOREIGN EXCHANGE EARNING AND OUTGO:

f.	Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans;	The Company is exploring the possibilities / avenues for increasing Export earnings in foreign currency. Company has its own website www.bemcoworld.com for global marketing.
g.	Total foreign exchange used and earned.	As per the table below

C.I.F. VALUE OF IMPORTS, EXPENDITURE AND EARNING IN FOREIGN CURRENCY

PARTICULARS	2005-2006 Rs.	2004-2005 Rs.
i) Out flow C.I.F. Value of Imports: Raw Materials And Components	3,15,519	5,57,404
ii) Expenditure in Foreign Currency: Travelling	36,670	1,37,583
iii) Earning in Foreign Exchange: FOB value of Exports	22,08,300	33,61,838

BEMCO HYDRAULICS LIMITED**Annual Report 2005-2006****PARTICULARS OF EMPLOYEES:**

Information, in accordance with the provisions of section 217 (2A) of the Companies Act 1956, read with the Companies (Particulars 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

APPOINTMENT OF COMMON AGENCY FOR SHARE REGISTRY WORK

The Company has appointed M/S Adroit Corporate Services Private Limited, Mumbai to handle all the work related to Share Registry in terms of both Physical and Electronic mode, w. e. f. 1st February 2003, in pursuance with the Circular No. 15 dated December 27, 2002 issued by the Securities and Exchange Board of India.

DISCLOSURE AS PER LISTING AGREEMENT

The equity shares of the company are listed on:

- a. Bangalore Stock Exchange Ltd. (Regional)
- b. The Stock Exchange, Mumbai
- c. The Calcutta Stock Exchange Association Ltd.

And the company has paid the listing fees for the year 2006-2007.

The Directors wish to inform you that the trading in the shares of the Company is under suspension at the Bombay Stock Exchange since 1996. The Company has taken up the matter with SEBI and the Securities Appellate Tribunal, Mumbai against the suspension of trading. The matter is posted for final hearing on 19th July 2006 before the Securities appellate Tribunal.

ACKNOWLEDGEMENT:

Your Directors wish to place on record their appreciation of the services rendered by the employees during the year.

Your Directors also wish to place on record their sincere appreciation of the Financial Institutions, Bankers and other Institutions and customers for their co-operation during the difficult phase that the company underwent during last two years.

For and on behalf of the Board of Directors

M. M. MOHTA
Chairman & Managing Director

Place: BELGAUM
Date: 26.06.2006

ANIRUDH MOHTA
Joint Managing Director

BEMCO HYDRAULICS LIMITED**Annual Report 2005-2006****REPORT ON CORPORATE GOVERNANCE****COMPANY'S PHILOSOPHY**

Your Company believes that for its sustained success, it must maintain global standards of corporate conduct towards its shareholders, customers, employees, all other stakeholders and society in general. The Company has always focused on good corporate governance, which is a key driver of sustainable corporate growth and long-term value creation for its shareholders. The Company believes that corporate governance is not just limited to creating checks and balances. It is more about creating organization excellence leading to increasing employee and customer satisfaction and shareholder value. The primary objective of corporate governance is to create and adhere to a corporate culture of conscience & consciousness, transparency & openness, to develop capabilities and identify opportunities that best serve the goal of value creation. The Company believes, it must leverage its human and capital resources to translate opportunities into reality, create awareness of corporate vision and spark dynamism and entrepreneurship at all levels.

Above all, corporate governance must balance individual interest with corporate goals and operate within accepted norms of propriety, equity, fair play and a sense of justice. Accountable and transparency are key drivers to improve decision-making and the rationale behind such decisions, which in turn creates stakeholder confidence.

BOARD OF DIRECTORS

The Board of Directors consists of six directors including one Chairman & Managing Director, one Joint Managing Director and Four non-executive directors, out of which three are independent directors. The brief profile of the board of directors as under :-

Name	Designation	Status	Date of Appointment
Shri Madan Mohan Mohta	Chairman & Managing Director	Executive Chairman	23.03.1991 as Managing Director (Prior to that he was President of the Company)
Shri Anirudh Mohta	Joint Managing Director	Executive Director	18.08.1994 as Technical Director (from 01.04.1999 as a Joint Managing Director)
Smt. Urmila Devi Mohta	Director	Non Executive Director	30.05.1992
Shri R. M. Shah	Director	Non Executive Director	05.01.1988
Shri N. K. Daga	Director	Non Executive Director	17.04.1998
Shri Dilip Chandak	Director	Non Executive Director	29.01.2004

During the year under review, 5 Board Meetings were held 29th April 2005, 29th July 2005, 30th September 2005, 28th October 2005 & 30th January 2006. The composition of the Board of Directors, attendances of the directors of the Board Meeting are as follows:

Name of the Director	Category of Director	No of Meetings Held	No of Meetings Attended
Shri Madan Mohan Mohta	CMD / ED	5	5
Shri Anirudh Mohta	JMD / ED	5	5
Smt. Urmila Devi Mohta	NED	5	5
Shri R. M. Shah	NED / ID	5	4
Shri N. K. Daga	NED / ID	5	5
Shri Dilip Chandak	NED / ID	5	5

CMD - Chairman & Managing Director
NED - Non Executive Director

JMD - Joint Managing Director
ID- Independent Director

ED - Executive Director