



BEMCO HYDRAULICS LIMITED



BEMCO

55

ANNUAL REPORT & ACCOUNTS 2012-2013

BEMCO HYDRAULICS LIMITED

*** SHRI ***

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, Kirloskar 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

COST AUDITORS :

UMESH NARASIMHA KINI, B.Com. ACMA.
Cost Accountant,
Shanti Niketan, Banvasi Road,
SIRSI - 581 401

INTERNAL AUDITORS

PRABHAKAR K. LATKAN
Chartered Accountants
1083, Anantshayan Galli,
BELGAUM - 590 002

COMPLIANCE OFFICER :

R.B. PATIL – General Manager Finance

REGISTERED OFFICE :

Khanapur Road, Udyambag,
BELGAUM - 590 008 (Karnataka)
Phone : 0831-4219000, 2441980
Fax : 0831-2441263

BEMCO HYDRAULICS LIMITED

Udyambag, Belgaum – 590 008

NOTICE

Notice is hereby given that, 55th Annual General Meeting of the Company will be held on MONDAY, July 29th 2013 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 2013, Statement of Profit and Loss for the year ended as on that date and the Reports of the Directors' and Auditor's thereon.
2. To declare Dividend on 11% Redeemable 3,38,000 Preference Shares, in terms of issue of shares
3. To appoint a Director in place of Shri R. M. Shah, who retires by rotation and being eligible, offers himself for re- election.
4. To appoint a Director in place of Shri Dilip Chandak, who retires by rotation and being eligible, offers himself for re- election.
5. To re-appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit to pass with or without modification, the following as a special resolution:
"RESOLVED THAT, the consent of the Company in this 55th Annual General Meeting through this special resolution be and is hereby accorded pursuant to the provisions of section 293(1)(d) of the Companies Act, 1956 to the Board of directors of the Company to borrow money by way of loans or otherwise from time to time for purposes of the Company even though the moneys to be borrowed by them on behalf of the Company together with the moneys already borrowed will exceed the aggregate of the paid up capital of the Company and its free reserves not set apart for any specific purpose provided the amount at any time remaining un discharged or the moneys borrowed or raised by the Board of directors for the purpose of the Company shall not exceed the sum of Rs. 25,00,00,000/- (Rupees Twenty Five Crores Only).
FURTHER RESOLVED THAT, the Company doth hereby approve, confirm and ratify all borrowings made by the board of directors of the Company up to date for the purpose of the Company".
7. **TO RE-APPOINT PRACTICING COMPANY SECRETARY**
To consider and if thought fit to pass with or without modification, the following as an 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 2013-14."

Place: Belgaum
Date: 28.05.2013

for **BEMCO HYDRAULICS LTD**

M. M. MOHTA
Chairman and Managing Director

¹Details of the Appointees' provided in the Corporate governance report under clause No 49 of the Listing Agreement
²Details of the Appointees' provided in the Corporate governance report under clause No 49 of the Listing Agreement

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 Monday, July 15, 2013 to Monday, July 29, 2013 (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, General Manager-Finance and Compliance Officer, Bemco Hydraulics Ltd. Udyambag, Belgaum at least one week before the date of the meeting 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. 6 regarding increase in the borrowing power of the board of directors of the Company.

In view of the incremental Sales Turnover of the Company, the fund requirement has also increased and there is need to expand the existing Factory Shed. So it is necessary to increase the borrowing power of the board of directors from Rs. 15,00,00,000/- (Rupees Fifteen Crores Only) (for which the members accorded their consent in the Annual General Meeting held on 30th July 2012) to Rs. 25,00,00,000/- (Rupees Twenty Five Crores Only).

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 ordinary resolution.

Refer Agenda No. 7 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 2013-14. 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 appointment of practicing Company Secretary.

Place: Belgaum
Date: 28.05.2013

for **BEMCO HYDRAULICS LTD**

M. M. MOHTA
Chairman and Managing Director

BEMCO HYDRAULICS LIMITED

Udyambag, Belgaum – 590 008

DIRECTORS' REPORT

To

Dear Shareholders,

Your Directors have pleasure in presenting the 55th ANNUAL REPORT together with the Audited Accounts of the Company for the year-ended 31st March 2013.

FINANCIAL RESULTS:

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

	2012-2013	2011-2012
	Rs.	Rs.
1 Gross Profit for the year after meeting all operating expenses but before interest and depreciation amounts to:	4,66,50,616	3,64,95,496
2 Deduction there from: Interest	3,04,12,042	2,07,80,657
3 Profit before depreciation	1,62,38,574	1,57,14,839
4 Depreciation for the year	61,73,918	88,38,333
5 Profit before Taxation - (PBT)	1,00,64,656	68,76,506
6 Provision for Taxation	(21,10,750)	(41,18,400)
7 Deferred Tax	(15,36,000)	14,94,000
8 Profit after Taxation - (PAT)	64,17,906	42,52,106
9 Income tax Earlier Years	(8,08,629)	(1,88,402)
10 Net Profit	56,09,277	40,63,704
11 Surplus brought forward	1,01,92,783	1,18,33,325
12 Profit Available for Appropriation	1,58,02,060	1,58,97,029
13 Transferred to general Reserve	10,00,000	10,00,000
14 Transferred to Capital redemption Reserve	-	14,73,200
15 Provision of Dividend on Preference Shares	37,18,000	27,80,052
16 Provision for Income Tax on Dividend	6,31,874	4,50,994
17 Balance carried to Balance Sheet	1,04,52,186	1,01,92,783

DIVIDEND:**On Equity:**

Taking in to account the huge fund requirement for the large number of orders on hand, and to conserve the resources, the Directors do not recommend any dividend on equity shares.

On Preference Shares:

In terms of issue, the Company proposes to pay dividend on 3,38,000 Preference Shares @11% for the year-ending on 31st March 2013, absorbing a sum of Rs. 37,18,000.

The total cash outflow because of Dividend and Tax thereon amounts to Rs. 43.50 Lakhs.

REVIEW OF OPERATION:

Since recent past few years, the Company has seen upward trend of business and the same has been maintained during year under report.

The company's status in this respect is as under:

- The net Revenue Income during year under review increased by 53.53%
- Gross profit during the year under review is Rs. 466.51 Lakhs as against the Gross profit of Rs. 364.95 Lakhs during the previous year which is 27.83 % higher than the previous year
- Profit after tax (PAT) increased by 50.93 % from Rs. 42.52 Lakhs in 2011-2012 to Rs. 64.18 Lakhs in 2012-2013.
- Company could discharge the liability of Dividend on Preference shares & tax thereon to the tune of Rs. 43.50 Lakhs for the year under report i.e. for the year ending on 31st March 2013.
- Also company has extended the production facilities by investing in additional factory shed and plant & machinery.

FUTURE PROSPECTS:

Your company is in continual process of changing over of product-mix by using the advanced technology & adding some critical components in the product list of the company.

At present your Company has already executed the orders worth Rs. 305.24 Lakhs till date and the orders worth Rs. 3378.54 Lakhs are in hand to execute in the current year. In addition to this, orders worth Rs. 2580.90 Lakhs are in pipelines. Further healthy enquiries are being received regularly, and the management feels that most of them will be converted into firm orders. However, company is setting the sales target, for 2013-14, of Rs. 4500/- Lakhs on conservative basis.

Company is studying the possibilities of adding the line of Mechanical Presses in its product mix which may help to grow its sales turnover.

To sum up, the outlook for the next year looks bright.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures from the same.
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company as at 31st March 2013.
- (iii) The Directors have taken proper and sufficient care 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; and
- (iv) The Directors have prepared annual accounts of the Company on a 'Going Concern' basis.

SECRETARIAL COMPLIANCE REPORT:

Pursuant to Section 383A (1) of the Companies Act, 1956 secretarial compliance Certificate from a practicing Company Secretary is attached hereto.

PARTICULARS OF EMPLOYEES:

Information in accordance with the provisions of section 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 employees of the Company is given remuneration in the scale specified by that section

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

There is no Fixed Deposit liability as on 31st March 2013, further, the Board declares that during the financial year 2012-13, the Company has not accepted any public deposits or unsecured loans falling within the purview of section 58A of the Companies Act, 1956.

RETIRING DIRECTORS BY ROTATION:

Mr. R. M. Shah and Dilip Chandak, retire by rotation and are eligible for re-appointment.

AUDITOR & AUDIT REPORT:

M/S A. C. Bhuteria & Co., Chartered Accountants, Kolkata statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The Auditors have confirmed their eligibility and willingness to accept the audit assignment, if re-appointed.

The Auditors have at clause XI in annexure to their report pointed out defaults in repayment of dues to bank and financial institution, the board would like to stress the fact that on account of non recovery of timely dues from the company's customers, small delay occurred in repayment of bank dues this is temporary aberration and the account is now regular.

The Auditors Report is attached which is self explanatory.

COST AUDITOR & COST AUDIT REPORT:

The company has appointed Mr. Umesh Narasimha Kini, Cost Accountant, for conducting Cost Audit for the F. Y. 2012-13 The due date for filing of the Cost report is 27th September 2013. The report is under Preparation.

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) 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	NIL
	b. Recurring	NIL
	c. Total	NIL
	d. Total R & D expenditure as per percentage of total turnover	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 of 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 Not Applicable

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.bemcohydraulics.net 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	2012-2013 Rs.	2011-2012 Rs.
i). C.I.F. Value of Imports: Raw Materials And Components	54,65,317	1,02,70,897
ii). Expenditure in Foreign Currency:(paid/payable) Traveling	4,90,066	5,71,016
Exhibition Expenses (InnoTrans Berlin Germany)	8,27,265	Nil
Technical Know How (Paid / Payble)	3,19,79,161	23,75,538
Agency Commission	Nil	23,03,320
iii). Earnings in Foreign Exchange: FOB value of Exports	Nil	1,68,08,693

CORPORATE GOVERNANCE:

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate Chapter on Corporate Governance practices followed by the Company together with a Certificate from the Practicing Company Secretary confirming compliance forms part of this Report.

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 share of the company is listed on The Bombay Stock Exchange, and the company has paid the listing fees for the year 2013-2014. During the year there was no suspension in trading of the securities of the Company.

DISCLOSURE PURSUANT TO SECTION 22 OF SEXUAL HARASSMENT OF WOMAN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Sexual Harassment of Woman at Workplace (Prevention, Prohibition and Redressal) Act, 2013 is notified w. e. f. 22nd April 2013 and requires every employer to comply with its provisions and make a disclosure of the number of cases occurring under the Act. Your Company has already constituted a internal committee and as on date there were no complaints received as shall be apparent from the table of complaints mentioned below.

Sr. No.	No of cases filed under the Act before the internal committee	No of disposal under the Act
1	NIL	NIL

ACKNOWLEDGEMENT:

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

Your Directors also place on record their sincere appreciation for the assistance and co-operation received from Financial Institutions, Bankers and other Institutions, Government Authorities, vendors, customers and members during the year under review. Your Directors wish to place on record their appreciation for the committed services of the executives, staff and workers of the Company.

For and on behalf of the Board of Directors

Place: BELGAUM
Date: 28.05.2013

M. M. MOHTA
Chairman & Managing Director

ANIRUDH MOHTA
Joint Managing Director

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

1. The Company's Philosophy on Code of Corporate Governance.

After clause 49 of the listing agreement became mandatorily applicable to this company during the financial year 2011-12, the entire governance system is supervised by a proactive Board of Directors that oversees management functions to ensure their effectiveness in delivering shareholder value. In order to execute this structure efficiently, Bemco strives to maintain an effective, informed and independent Board. With the objective of continuous improvement, your Company's governance practices are continuously reviewed and benchmarked to those prevailing in the best governed companies across industries.

The Company's philosophy on corporate governance envisages striving towards the highest level of transparency, accountability and equity in all facets of its operation and its interactions with all stakeholders including shareholders, employees, clients, suppliers etc. The philosophy on corporate governance is driven by the agenda for the welfare of all the stakeholders. Bemco Hydraulics Limited believes that sound corporate governance is critical to enhance and retain stakeholders' trust. Bemco has always been committed to the principles of good Corporate Governance to promote the effective functioning of the Board and its Committees. The Board of Directors of the Company is committed in its responsibility for all constituents including investors, regulatory authorities and employees. The Company believes that the essence of Corporate Governance is transparency, accountability, investor protection, better compliance with statutory laws and regulations, value creation for shareholders/stakeholders. The Company further believes that all its operations and actions must serve the goal of enhancing overall shareholder's value over a sustained period of time and at the same time protect the interest of stakeholders. BEMCO was compliant with the provisions of Clause 49 of the Listing Agreement even when the clause was not mandatory to it.

The Company believes that the constant effort to improve operational performance, guided by our values, forms the basis for good Corporate Governance. Corporate Governance is strongly driven by the Company's values such as quality, commitment, customer orientation and integrity.

2. Board of Directors

a. Composition of the Board

As on 31st March 2013, the strength of the Board was six Directors, comprising of two Executive Directors and four Non-Executive Directors. Three out of six Directors were Independent Directors, which duly complied with the requirement of clause 49 of the Listing Agreement especially as the Chairman of the Board happens to be an executive Chairman.

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	Independent Non Executive Director	05.01.1988
Shri N. K. Daga	Director	Independent Non Executive Director	17.04.1998
Shri Dilip Chandak	Director	Independent Non Executive Director	29.01.2004

b. Number of Board Meetings

During the financial year under review, 5(Five) Board Meetings were held on 28th May 2012, 14th August 2012, 26th October 2012, 9th November 2012 and 13th February 2013.

c. Director's attendance record and directorship held.

Attendance of each Director at Board Meetings held during the financial year 2012-13 and the Annual General meeting (AGM) held on 30th July 2012, directorship and committee positions in other public companies of which Director is a member/ Chairman and the shareholding of Non-Executive Directors is as follows:

Sr No	Name of Director	No of Shares held by Non-executive Directors	No. of Directorships in other Companies (#)	No. of Committee positions held in other Companies		Attendance at the Meetings	
				Chairman	Member	Board	AGM
	Executive Director						
1.	Mr. Madan Mohan Mohta	N.A.	6	Nil	Nil	5	Present
2.	Mr. Anirudh Mohta	N.A.	5	Nil	Nil	5	Present
	Non-Executive Director						
3.	Smt. Urmila Devi Mohta	N.A.	6	Nil	Nil	5	Present
	Independent and Non-Executive Directors						
4.	Mr. R .M. Shah	5680	1	Nil	Nil	4	Present
5.	Mr. Dilip Chandak	-	5	Nil	Nil	4	Present
6.	Mr. N. K. Daga	-	-	Nil	Nil	4	Present

Notes:

- # Including private limited companies, Firms, Trust & HUFs.
1. As on 31st March 2013, Mr. Anirudh Mohta and Smt. Urmila Devi Mohta are related to Mr. Madan Mohan Mohta as Son & Wife

d. Information supplied to the Board.

During the year 2012-13, information as mentioned in Annexure 1A to clause 49 of the Listing Agreement has been placed before the Board for its consideration, namely

- Annual operating plans and budgets and any updates.
- Capital budget, purchase and disposal of plant, machinery and equipment.
- Quarterly, half yearly and annual results of the company.
- Minutes of the meeting of the audit committee and other committees of the board.
- Information on recruitment and remuneration of senior officers just below the board level.
- Materially important show cause, demand, prosecution notices and penalty notices, if any.
- Fatal and serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the company, or substantial non- payments by clients.
- Any issue which involves possible public or product liability/claims of substantial nature.

The aforesaid information is generally provided as a part of the agenda of the Board Meeting or is placed at the table during the course of the Meeting. The senior management staffs are also invited to the Board Meeting to present reports on the Company's operations and internal control systems. The detailed agenda is sent to the Directors a week before the Board Meeting. In special and exceptional circumstances, additional or supplementary items(s) on the agenda are permitted to be taken up as 'any other item' with the permission of the Chairman. The Board also periodically reviews Compliance Reports in respect of laws and regulations applicable to the Company.

3. Audit Committee:**a. Composition, Meetings and Attendance of the Committee.**

Though section 292A of the Companies Act 1956, is not applicable to this company as its paid-up capital is less than Rupees Five Crores, Clause 49(II)(d) is applicable to the Company as the capital is more than Rupees Three Crores on an from 5th August 2011. Thus, the board has constituted the Audit Committee.

As on March 31, 2013, the Audit Committee comprises of two Independent Directors & one Executive Director viz Shri R.M.Shah - Chairman, Shri Dilip Chandak- Member, Shri Anirudh Mohta- Joint Managing Director. All Members of the Audit Committee possess accounting and financial management knowledge.

The Audit Committee met four times during the year on 28th May 2012, 10th August 2012, 9th November 2012 & 13th February 2013. The maximum time gap between any two consecutive meetings did not exceed four months. The minutes of the meetings of the Audit Committee are reviewed and noted by the Board. The details of the composition of the Committee, meetings held, attendance at the meetings along with sitting fees paid are given below:

Name of the Member	Category	Position	No of Meetings held	No of Meetings attended	Sitting Fees paid (in Rs.)
Shri R. M. Shah	Independent Director	Chairman	4	4	Nil
Shri Anirudh Mohta	Joint Managing Director	Member	4	4	Nil
Shri Dilip Chandak	Independent Director	Member	4	4	Nil

The Chairman of the Audit Committee was present at the Annual General Meeting of the Company held on 30th July 2012 to answer shareholder queries.