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BHARAT ELECTRONICS LIMITED

FORTY THIRD ANNUAL REPORT

1996-97

Report  Junction.com



REGISTERED OFFICE

"Trade Centre", 116/2, Race Course Road,
Bangalore-560 001





NOTICE

TO ALL SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT the forty third Annual General Meeting of the Shareholders of Bharat Electronics Limited will be held on Thursday the 25th September 1997 at 11.00 AM at the Registered Office of the Company at "Trade Centre", 116/2, Race Course Road, Bangalore - 560 001, to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report for the year ended 31st March 1997 and Balance Sheet as at 31st March 1997 and Profit & Loss Account for the year ended 31st March 1997 along with the Report of the Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Ms. Anjali Ahluwalia, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Lt. Gen A.J.S. Bhalla, who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass, with or without modifications, the following as Ordinary Resolution:

"RESOLVED THAT Shri O.P. Rawat who was appointed as Additional Director with effect from 29.10.1996 whose term of office expires at the Annual General Meeting scheduled to be held on 25.9.1997 and for the appointment of whom the Company has received a notice under S.257 of the

Companies Act 1956 from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement in rotation."

6. To consider and if thought fit, to pass, with or without modifications, the following as Ordinary Resolution:

"RESOLVED THAT Shri V.V. Gangadhara Rao, who was appointed as Executive Director (Other Units) with effect from 29.1.1997 whose term of office expires at the Annual General Meeting scheduled to be held on 25.9.1997 and for the appointment of whom the Company has received a notice under S.257 of the Companies Act 1956 from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement in rotation."

BY ORDER OF THE BOARD

FOR BHARAT ELECTRONICS LIMITED

(K.S. NAGESH)
COMPANY SECRETARY

BANGALORE

Date: 2nd September 1997



NOTE

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his behalf and the proxy need not be a Member of the Company. The instrument appointing a proxy should however be deposited at the Registered Office of the Company duly completed, not less than 48 hours before the commencement of the meeting.
2. The Dividend when sanctioned will be payable on or after 25th September 1997 to those Shareholders whose names are registered in the books of the Company as on that date.
3. The relative Explanatory Statements, pursuant to Section 173 of the Companies Act, 1956, in respect of the business under item nos. 5 and 6 above, are annexed hereto.
4. The Register of Members and Share Transfer Books of the company will remain closed from 16th September 1997 to 25th September 1997, both days inclusive.
5. Members are requested to notify immediately any change in their address to the company, by sending a written communication to the Registered Office.
6. Members desirous of getting any information in respect of Accounts of the Company are requested to send their queries, in writing, to the company at the Registered Office so as to reach at least 7 days before the meeting so that the required information can be made available at the meeting.

MEMBERS ARE REQUESTED TO BRING THEIR COPIES OF THE ANNUAL REPORT TO THE MEETING.



ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956.

In respect of item No.5

Shri O.P.Rawat was appointed as Additional Director with effect from 29.10.1996. However, to meet the requirement of Sections 255, 256 and 260 of the Companies Act, 1956, and Article 71C of the Articles of Association of the Company, Shri O.P.Rawat is to be appointed as Director liable to retire by rotation. The Company has received a notice in writing from a member under Section 257 of the Act signifying his intention to propose the appointment of Shri O.P.Rawat, as a Director of the company and a deposit of Rs.500 has been received in this connection by the Company.

Shri O.P.Rawat, is Joint Secretary (SY), Government of India, Ministry of Defence, Dept. of Defence Production & Supplies, New Delhi.

Your Directors feel that the company would immensely benefit from the wide and varied experience possessed by Shri O.P.Rawat and accordingly recommend the passing of the resolution proposed at item no.5 of the Notice.

No Director other than Shri O.P.Rawat is in any way concerned or interested in the said resolution.

In respect of item No.6

Shri V.V.Gangadhara Rao was appointed as Executive Director (Other Units) with effect from 29.1.1997. However, to meet the requirement of Sections 255, 256 and 260 of the Companies Act, 1956, and Article 71C of the Articles of Association of the Company, Shri V.V.Gangadhara Rao is to be appointed as Director liable to retire by rotation. The Company has received a notice in writing from a member under Section 257 of the Act signifying his

intention to propose the appointment of Shri V.V.Gangadhara Rao, as a Director of the Company and a deposit of Rs.500 has been received in this connection by the Company.

Your Directors feel that the company would immensely benefit from the wide and varied experience possessed by Shri V.V.Gangadhara Rao and accordingly recommend the passing of the resolution proposed at item no.6 of the Notice.

No Director other than Shri V.V.Gangadhara Rao is in any way concerned or interested in the said resolution.



Comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956 on the Accounts of Bharat Electronics Limited, Bangalore for the year ended 31st March 97

BALANCE SHEET:

1. Schedule-3 Secured Loans - Rs.18714.44 lakhs

This has been arrived at after including Cheques amounting to Rs.6.85 lakhs, deposited in the Bank on 2nd April 1997 i.e., after the close of the financial year. As a result, 'Secured Loans' as well as the Cash and Bank Balance - Cheques-in-hand have been understated by Rs.6.85 lakhs.

2. Schedule-6 - Capital Work-in-Progress, Plant and Machinery etc. - Rs.1057.83 Lakhs

This includes Rs.21.56 lakhs representing the value of one CNC 3D Co-ordinate Measuring Machine procured during the year and successfully commissioned before 31st March 1997. This has resulted in overstatement of Capital Work-in-Progress and understatement of Fixed Assets to that extent.

3. Schedule-9 - Sundry debtors - Rs. 47616.55 lakhs

(i) This includes an amount of Rs. 1135.68 lakhs receivable from a customer in respect of supply of an equipment accounted for as sales at Rs.791 lakhs each as against the contractual price of Rs.700 lakhs each during the three years ended March 1996. The amendment for the enhanced price has not been issued by the customer so far.

(ii) This includes an amount of Rs.43.49 lakhs being the balance amount claimed based on provisional prices and due from a customer since 1994. There is no written commitment for the enhanced price..

(iii) This includes an amount of Rs. 92.95 lakhs due since 1993 from a customer who has paid Rs. 5 lakhs only in August 1997.

(iv) This includes an amount of Rs.124.71 lakhs representing the balance receivable on the supply of two Nos.of a System to a customer during 1994-95 and 1995-96 at a provisional price of Rs.245.38 lakhs per system. As the sale price was firmed up during the year and the Company realised only Rs.185.52 lakhs per system, the outstanding balance should have been written off.

4. Schedule-12 - Current Liabilities - Other Liabilities Rs.2957.96 lakhs and Note No.15 of Notes forming part of Accounts (Schedule-20).

This includes Rs.882.99 lakhs being the liability created towards 70 sets of Product support items received from a customer in 1989-90 on loan basis and consumed in the manufacture of a product during the years 1990-91 to 1995-96 pending price fixation/confirmation by the customer, the adequacy of which is not ascertainable.

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5. PROFIT & LOSS ACCOUNT

Sales:- Rs. 121718.42 lakhs

- (i) This includes an amount of Rs.822.62 lakhs being the sales at Marketing Centres of the Company. Eventhough these goods have been accounted as sales on 31st March 1997, they have been held back by the Company till the settlement of invoice value by the buyer. Such transactions do not amount to unconditional appropriation of goods due to attachment of condition of payment of invoice value for the delivery of the goods and hence cannot be treated as sales as on 31st March 1997.
- (ii) This includes an amount of Rs. 1429.89 lakhs being the sales set up under FOR contracts in respect of which the goods were handed over to the transporters for delivery to the buyers after 31st March 1997. This is also in contravention of the Accounting Policy 2(i) of the Company.
- (iii) This includes an amount of Rs.442.50 lakhs being the value of partially completed work (only two milestones out of 5 have been fully completed) which should have been classified as Work-in-progress till completion. This has resulted in overstatement of Sales and corresponding understatement of Work-in-progress by Rs.442.50 lakhs.

6. Schedule-18 - Other Expenses of Manufacture, Administration, Selling and Distribution - Rs.20728.79 lakhs

Provision for doubtful debts and advances, Customers' claims and disallowances - Rs.2639.25 lakhs.

No provision has been made for the liquidated damages amounting to Rs.771.56 lakhs deducted by the customers from the amounts payable to the Company eventhough as per the Accounting Policy No.2(v) of the Company, provision is required to be made even towards likely disallowances by customers, including liquidated damages.


(SHANKAR NARAYAN)
Pr.Director of Commercial Audit

Bangalore
Dated: 1st September 1997

ADDENDUM TO THE DIRECTORS REPORT

Comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956 on the Accounts of Bharat Electronics Limited, Bangalore for the year ended 31st March 1997

BALANCE SHEET:

1. Schedule-3 - Secured Loans
Rs. 18714.44 lakhs:

This has been arrived at after including Cheques amounting to Rs.6.85 lakhs, deposited in the Bank on 2nd April, 1997 i.e. after the close of the financial year. As a result, 'Secured Loans' as well as the Cash and Bank Balance - Cheques-in-hand have been understated by Rs.6.85 lakhs.

2. Schedule-6: Capital work-in-progress, Plant and Machinery etc. Rs.1057.83 lakhs:

This includes Rs.21.56 lakhs representing the value of one CNC 3D Co-ordinate Measuring Machine procured during the year and successfully commissioned before 31st March 1997. This has resulted in overstatement of Capital Work-in-Progress and understatement of Fixed Assets to that extent.

3. Schedule-9: Sundry Debtors: Rs. 47616.55 lakhs:

(i) This includes an amount of Rs.1135.68 lakhs receivable from a customer in respect of supply of an equipment accounted for as sales at Rs.791 lakhs each as against the contractual price of Rs.700 lakhs each during the three years ended March, 1996. The amendment for the enhanced

Company's reply:

This does not materially affect the disclosure.

Calibration of the machine is required to be completed before the machine can be put into use. Since calibration has been completed by the supplier on 10th April 1997, there is no understatement of Fixed Assets or overstatement of Capital work-in-progress.

(i) The Rs 700 lakh price is a provisional price and not a fixed price. Company's representation for enhancing price on finalisation is being pursued, and the company is confident about the receipt of the same.

price has not been issued by the customer so far.

(ii) This includes an amount of Rs.43.49 lakhs being the balance amount claimed based on provisional prices and due from a customer since 1994. There is no written commitment for the enhanced price.

(iii) This includes an amount of Rs.92.95 lakhs due since 1993 from a customer who has paid Rs.5 lakhs only in August 1997.

(iv) This includes an amount of Rs.124.71 lakhs representing the balance receivable on the supply of two Nos. of a System to a customer during 1994-95 and 1995-96 at a provisional price of Rs.245.38 lakhs per system. As the sale price was firmed up during the year and the Company realised only Rs.185.52 lakhs per system, the outstanding balance should have been written off.

4. Schedule-12: Current Liabilities - Other Liabilities Rs.2957.96 lakhs and Note No.15 of Notes forming part of Accounts (Schedule-20):

This includes Rs.882.99 lakhs being the liability created towards 70 sets of Product support items received from a customer in 1989-90 on loan basis and consumed in the manufacture of a product during the years 1990-91 to 1995-96 pending price fixation/confirmation by the customer, the adequacy of which is not ascertainable.

(ii) Final enhanced price from the customer, who is a Government Department, is awaited shortly.

(iii) The customer, a PSU, has assured that further payments will follow from October 1997.

(iv) Price to be paid by the customer is yet to be firmed up by the Price Negotiating Committee, before whom the matter is pending. Hence, it is felt that provision for the balance is not necessary.

The provision is made on the basis of technical estimates, pending price fixation/confirmation by the customer as disclosed in Note No.15 to the accounts.