

BELLS CONTROLS LIMITED

Annual Report 1998-99

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BELLS CONTROLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Sixty-ninth Annual General Meeting of Bells Controls Limited will be held at Mini Auditorium, Science City, JBS Haldane Avenue, Calcutta - 700 046, on Tuesday, the 28th September, 1999 at 4.30 p.m. to transact the following business :

1. To receive and adopt the Profit and Loss Account for the year ended 31st March, 1999 and the Balance Sheet as at that date together with the Reports of Directors and Auditors thereon.
2. To appoint a director in place of Mr. Milan Sen who retires by rotation but being eligible offers himself for re-appointment.
3. To appoint a director in place of Mr. Rajive Kaul who retires by rotation but being eligible offers himself for re-appointment.
4. To appoint a director in place of Mr. S. M. Datta who retires by rotation but being eligible offers himself for re-appointment.
5. To appoint Auditors and to authorise the Board of Directors of the Company to fix their remuneration.

SPECIAL BUSINESS :

To consider and, if thought fit, to pass, with or without modifications, the following Resolutions :

6. As an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification or re-enactment thereof for the time being in force, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the 'Board') to sell, transfer or otherwise dispose of the Company's Bangalore unit located at Jayanagar, Bangalore, with the right to use all the licences, permits, consents and approvals whatsoever and the benefit attached thereto, as a going concern, to Bells Softech Limited at a consideration of Rs. 186 lacs (Rupees one crore eighty six lacs) with effect from 1st October, 1999 or any other date as the Board of Directors of the Company may think fit and that the Board of Directors of the Company be and is hereby authorised to complete the said transfer on such other terms and conditions and with such modifications which it may deem fit in the interest of the Company and to do all such acts, deeds, matters and things as may be deemed necessary or expedient for the purpose of giving effect to this Resolution."

7. As a Special Resolution :

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, including any statutory modifications or re-enactment thereof for the time being in force and as may be enacted hereinafter, and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board'), consent is hereby accorded to the Board to delist equity shares of the Company from The Stock Exchange, Ahmedabad."

Registered Office :

Bells House

21 Camac Street

Calcutta 700 016

Dated : 2nd August, 1999

By Order of the Board

P. K. Sarawagi

Secretary

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 20th September, 1999 to 27th September, 1999, both days inclusive.
3. In accordance with Section 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed their dividend warrants for the said financial years, may claim the same from the Registrar of Companies, West Bengal, Nizam Palace, II M.S.O. Building, 234/4, A J C Bose Road, Calcutta - 700 020.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No. 6

The Company has identified software as a major growth area and has converted its Bangalore unit into a dedicated software development unit and has received the requisite approvals from the Government of India to operate it as a STP unit in Bangalore.

Bells Softech Limited (BSL) was promoted by the Company for developing and providing software and information technology services. The Members of the Company at the last Annual General Meeting, had also authorised the Company to invest in equity shares in BSL. In order to focus on this high growth area and in order to avail of various incentives/facilities which otherwise are not available to the Company, it is now proposed to transfer the Company's Bangalore unit to BSL with effect from 1st October, 1999.

Section 293 (1) (a) of the Companies Act, 1956 provides that the Board of Directors of the Company cannot, without prior consent of the Members of the Company in a general meeting, sell, transfer or otherwise dispose of the whole or substantially the whole of the undertaking, it is therefore necessary for the Company to obtain the consent of the Members of the Company; hence this resolution. The Board of Directors recommends the resolution set out in this notice for approval of the Members.

None of the Directors of the Company is interested or concerned in the resolution.

Item No. 7

The Company's equity shares are listed with The Calcutta Stock Exchange Association Limited, Calcutta, The Stock Exchange, Mumbai and The Stock Exchange, Ahmedabad.

With the networking of centres of The Stock Exchange, Mumbai, the Members of the Company have access to online dealings in the Company's equity shares across the country. Moreover, a miniscule number of Members holding a very small number of shares in the Company are located in the region where The Stock Exchange, Ahmedabad is situated and trading volume in the Company's shares on the said Stock Exchange is negligible. The proposed delisting of the Company's equity shares from The Stock Exchange, Ahmedabad, will, therefore, not affect any Member adversely.

As a part of the Company's cost reduction measures, it is proposed to delist the Company's equity shares from The Stock Exchange, Ahmedabad. As per the regulations stipulated by the Securities and Exchange Board of India, prior consent of the Members of the Company in a general meeting is required for voluntary delisting of the Company's shares.

The Board of Directors recommends the resolution set out in item no. 7 of this notice for approval of the Members.

None of the Directors of the Company is interested or concerned in the resolution.

BELLS CONTROLS LIMITED

BOARD OF DIRECTORS

Sudhir Jalan
Chairman & Managing Director
Milan Sen
Adarsh Jalan
R. Srinivasan, Dr.
Albert H. Isaac
Pramod Kumar Khaitan
A. P. Kurian
Rajive Kaul
S. M. Datta

SECRETARY

P. K. Sarawagi

PRINCIPAL BANKERS

Allahabad Bank
State Bank of India
Canara Bank
Standard Chartered Bank

AUDITORS

Lodha & Co.

REGISTRARS & SHARE TRANSFER AGENTS

Advance Management Services Limited
137, S. P. Mukherjee Road
Calcutta - 700 026

REGISTERED OFFICE

Bells House
21, Camac Street
Calcutta - 700 016

Directors' Report

BELLS CONTROLS LIMITED

The Directors present the Sixty-ninth Annual Report together with the audited Statement of Accounts of the Company for the financial year ended 31st March, 1999.

FINANCIAL RESULTS

| | Rs. in lacs | Previous Year Rs. in lacs |
|---|-----------------|------------------------------|
| Profit/(Loss) before depreciation, interest and tax | (803.15) | 504.36 |
| Interest | 391.76 | 298.47 |
| Depreciation | 144.70 | 137.98 |
| Profit/(Loss) before tax | (1339.61) | 67.91 |
| Provision for tax | - | 5.00 |
| Profit/(Loss) after tax | (1339.61) | 62.91 |
| Balance brought forward from previous year | 6.16 | 12.48 |
| Transfer from General Reserve | 570.00 | 55.00 |
| Amount available for Appropriation | (763.45) | 130.39 |
| Appropriations : | | |
| Proposed Dividend | - | 112.94 |
| Tax on Proposed Dividend | - | 11.29 |
| Balance carried forward | (763.45) | 6.16 |
| | <u>(763.45)</u> | <u>130.39</u> |

DIVIDEND

In view of loss in the year under review the Directors are unable to recommend payment of dividend.

OPERATIONS

The year under review was an extremely difficult year for the Company. The recessionary conditions prevailing in almost all sectors of the Indian economy throughout the year severely affected order booking and sales of all the divisions of the Company. As a result sales for the year reduced sharply from Rs. 6462-lacs in the previous year

to Rs. 4329 lacs, a fall of more than 33%. Due to the unfavourable industrial environment even the orders received by the divisions were at very low or negative margins. The interest costs also increased substantially in view of liquidity problems faced by most customers and substantial funds being blocked on account of retention as most of the projects to which the Company had supplied were inordinately delayed. All these factors had a severe impact on the profitability of the Company.

The Company also suffered a serious set back in its Power Transmission Division. This division was executing contracts received from major transmission companies of India, mainly on sub contract basis, for installation and commissioning of power transmission lines. In certain contracts there were very heavy cost overruns at the project sites which resulted in huge losses. These losses severely affected the overall profitability of the Company in the year under review.

Steps for recovery

The Company has taken several steps for improving its overall performance. These steps include :

- Focussing on the core business of process control and fire protection
- Reduction of fixed overheads and other costs
- Rationalisation of manpower
- Greater thrust on exports
- Better receivables and inventory management
- Strengthening internal controls and procedures

It is expected that the measures taken by the Company will have a favourable impact on the results of the current year.

Exports

In view of the extremely depressed Indian market, the Company laid special emphasis on increasing its exports. The Company was already exporting Convertors to The Foxboro Company, USA. In the year under review the Company received orders from Foxboro, USA, for export of micro-processor based Controllers. The Company also received orders from Foxboro Singapore for Control Panels and Marshalling Racks valued at about Sin \$1 million. It also received repeat orders from Foxboro, USA for Convertors valued at US \$ 1.2 million and orders for forgings and castings and pneumatic instruments. The execution of these export orders has now commenced and the Company is expecting a significant improvement in its

Directors' Report



export performance in the future years. The Company has now become a major resource base for Foxboro, USA which is now sourcing its global requirement for various product ranges from the Company.

Erection and Commissioning

The Company continues to perform consistently well in the field of erection and commissioning of instrumentation systems. In spite of recessionary conditions, the erection and commissioning division was successful in booking and executing several prestigious orders from major industries like refineries, petro-chemicals, chemicals, fertilisers etc.

Power Transmission

There were considerable cost overruns in certain major sites in this division which resulted in huge losses in the year under review. The losses were mainly on account of various factors like inadequate control on site expenses, excessive deployment of manpower, adverse climatic conditions, project delays due to unfavourable terrain and soil conditions, high cost of stringing etc. which were not adequately provided for at the time of quoting for these orders. The Company has taken several steps to check the losses in the division. It has considerably reduced the manpower and has closed almost all the existing contracts.

Fire Protection & Security Systems

The performance of this division was also affected due to the severe recessionary conditions prevailing in the Indian economy. With very few new projects forthcoming, the order book position and consequently sales and profitability of the division were severely eroded. The collaborations with Cerberus of Switzerland and Reliable of USA have enabled the division to offer state-of-the-art fire detection and protection systems and with the economy showing signs of revival the Company sees good potential for growth in this business in the coming years.

ISO CERTIFICATION

Quality continues to be an important area of focus for the Company and the Directors are pleased to report that the ISO 9002 accreditation granted to the Company's Calcutta Factory earlier was upgraded to ISO 9001 during the year under review. The Company's Mysore Factory had received this accreditation some time ago.

AUDITORS' REPORT

The observations of the Auditors in the Auditors' Report are suitably explained in the relevant notes on the Accounts.

TECHNOLOGY ABSORPTION etc.

The information required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure 'A' forming part of this Report.

PERSONNEL

Industrial relations remained harmonious throughout the Company during the year under review.

The particulars of employees required under the Companies (Particulars of Employees) Rules, 1975 are given in Annexure 'B' forming part of this Report.

DIRECTORS

Mr. Milan Sen, Mr. Rajive Kaul and Mr. S.M.Datta retire by rotation and, being eligible, offer themselves for re-appointment.

AUDITORS

Messrs. Lodha & Co., the Auditors of the Company, retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENTS

The Directors place on record their sincere appreciation of the continued support and co-operation extended to the Company by its bankers, foreign collaborators, valued customers and employees at all levels.

Calcutta,
29th June, 1999

For and on behalf of the Board
SUDHIR JALAN
Chairman & Managing Director