





BEMCO HYDRAULICS LIMITED

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DIRECTORS

M. M. MOHTA, *Managing Director*
H. K. MOHTA
URMILA DEVI MOHTA
R. M. SHAH
ANIRUDH MOHTA, *Wholetime Director*

BANKERS

BANK OF MAHARASHTRA
STATE BANK OF INDIA

AUDITORS

M/s P. G. BHAGWAT
Chartered Accountants
BELGAUM - 590 006

REGISTERED OFFICE

Khanapur Road
Udyambag
BELGAUM - 590 008
(Karnataka)

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NOTICE

Notice is hereby given that the 39th ANNUAL GENERAL MEETING of BEMCO HYDRAULICS LIMITED, Belgaum will be held on at 26-9-1997 (Friday), 11.30 a.m. at the Registered Office of the Company, at Udyambag, Belgaum - 590 008 to transact the

Ordinary Business :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1997 and the Audited Profit and Loss Accounts, for the year ended as on that date and the Reports of the Directors and of the Auditors thereon.
2. To declare dividend to the Preference Shareholders at the rate of 14% (Payment of arrears for the period 14-1-1991 to 31-3-1991) subject to dividend tax at 10%.
3. To appoint a Director in place of Smt. Urmila Devi Mohta who retires by rotation and being eligible offer herself for reappointment.
4. To appoint a Director in place of Sri R. M. Shah who retires by rotation and being eligible offer himself for reappointment.
5. To appoint Auditors of the Company and fix their remuneration M/s P. G. Bhagwat, Chartered Accountants, the retiring Auditors of the Company are eligible for reappointment.

Special Business :

Item No. 1: RENEWAL OF APPOINTMENT AND REMUNERATION TO SRI M. M. MOHTA/MANAGING DIRECTOR WITH EFFECT FROM 1-4-1997 to 31-3-2002.

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

Resolved that pursuant to the Provisions of Section 269, 309 of the Companies Act, and other applicable provisions (if any) of Companies Act, 1956, sanction and consent be and is accorded to the reappointment of Sri M. M. Mohta, Managing Director for a period of 5 years (1-4-1997 to 31-3-2002).

Resolved further that consent of the Members of the Company be, it is hereby, accorded, pursuant of the provision of Section 198, 309 and other applicable provisions, if any, of the Companies Act, 1956, to the revision/enhancement in case of the terms of remuneration of Sri M. M. Mohta/Managing Director as under, with effect from 1-4-1997 to 31-3-2002.

- A) A salary of Rs. 20,000/- (Rupees Twenty Thousand only) per month.
- B) A Commission @ 1% (One percent) of the net profit of the Company computed in the manner laid down U/S 349, 350 read with Section 198 and Section 309 of the Companies Act, 1956.
- C) Perquisites, as detailed hereinafter, restricted to an amount equal to the annual salary or Rs. 2,40,000/- (Rs. Two Lacs Forty Thousand only) per annum, whichever is less. Unless the context otherwise requires, the perquisites are classified in three categories 'A', 'B' and 'C' as follows :

BEMCO HYDRAULICS LIMITED**CATEGORY 'A'**

- i) **Housing:** The expenditure incurred by the Company on providing furnished residential accommodation for the Managing Director shall be subject to a ceiling of 60% (Sixty percent) of the Managing Director's salary over and above 10% (Ten percent) payable by the appointee himself. In case no accommodation is provided by the Company, the appointee shall be entitled to House Rent Allowance, subject to a ceiling of 50% (Fifty percent) of the salary payable to the Managing Director.
- ii) **Medical Reimbursement:** Expenses incurred for the appointee and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- iii) **Leave Travel Concession:** For the appointee and his family, once in a year incurred in accordance with any rules specified by the Company.
- iv) **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 encashed leave shall not be included in computation of the ceiling on perquisites referred in Category 'C'.
- v) **Club Fees:** Fees of Clubs subject to a maximum of two Clubs. This will not include admission and life membership fees.
- vi) **Personal Accident Insurance:** Premium not to exceed Rs. 4,000/- per annum.

Explanation: The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to a ceiling of ten percent of the salary of the appointee.

CATEGORY 'B'

- i) **Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund:** These 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 put together, are not taxable under the Income Tax Act, 1961, as amended from time to time.
- ii) **Gratuity:** In accordance with the rules and regulations applicable to Senior Executives of the Company from time to time but not exceeding half a month's salary for each completed year of his service.

CATEGORY 'C'

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 filled by the Company to him.

Minimum Remuneration: Resolved further that in the event of any loss, or inadequacy of profits in any financial year of the Company during the Managing Director's tenure of office, the above



remuneration shall, nevertheless, be paid and allowed as the minimum remuneration for such year and no commission will be paid in the event of loss or inadequacy of profit.

The total remuneration would, however, be subject to the overall ceilings laid down under Sections 198 and 309 of the Companies Act, 1956.

Except as stated above, all other terms and conditions of the agreement dated 1st April, 1991 entered into by the Company with Sri M. M. Mohta shall remain unaltered.

"Resolved further consent be and it is hereby accorded under Section 314 (1-B) and other applicable provisions, if any, of the Companies Act, 1956, to Sri M. M. Mohta, Managing Director, to hold office and to draw remuneration as above, subject to such modification, if any, as Central Govt. may suggest or require which Board of Directors are hereby authorised to accept on behalf of the Company.

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER.
2. 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 forty-eight hours before the commencement of the meeting.
3. The Registered of Members and Share Transfer Books of the Company will remain closed from 15th September, 1997 to 26th September, 1997 both days inclusive.
4. Members are requested to intimate the Company about the Change of Address, if any.

EXPLANATORY STATEMENT

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

Item No. 5 Ordinary Resolution.

Part Payment of Arrears Liability of Dividend of Cumulative Preference Shares :

Out of total arrears on 14% Cumulative Preference Shares dividend amount of Rs. 13,80,998/- as on 31-3-1997, a sum of Rs. 43,510/- has been recommended by the Board, out of distributable profit, being the dividend for the period 1-4-1991 to 31-3-1991, subject to dividend tax 10% to be paid by the Company.

Item No. 1 Special Bussines : Sri M. M. Mohta was appointed as Managing Director with effect from 1-4-1991 to the terms and conditons approved by the Shareholders at the 33rd Annual General Meeting of the Company held on 27-9-1991 and also pursuant Central Government Department of Companies Affairs vide consent letter No. 1/194/CL VII/91 dated 29-7-1991 and subsequently renewed his appointment and payment of remuneration from 1-4-1994 to 31-3-1997 on the terms and conditions approved in the Annual General Meeting held on 28th September, 1994. No approval of Central Govt. is required separately for reappointment and payment of remuneration to Managing Director if it is made within the preview of the revised guidelines under Schedule XIII of the Companies Act. Now, the rules regarding payment of Managerial Remuneration were revised by the Central Government vide Notification 1/94 dated 2-2-1994 and Notification No. 2/94 dated

BEMCO HYDRAULICS LIMITED

10-2-1994 read with guidelines under Schedule XIII of Companies Act, issued by the Ministry of Law, Justice and Company Affairs, Department of Company Affairs, New Delhi, under the provisions of the Companies Act, 1956. In the light of this development, the Board of Directors, at their Meeting held on 28-4-1997 reviewed the terms of remuneration of Sri M. M. Mohta/Managing Director and revised the same as indicated in the resolution at item 6 of the accompanying notice, subject to the consent of the Shareholders of the Company. The said revised remuneration terms of Sri M. M. Mohta/Managing Director effective from 1-4-1997 and upto 31-3-2002 need to be confirmed and approved by the Shareholders under the provisions of Companies Act, 1956.

An abstract of the revised terms of remuneration of Sri M. M. Mohta, Managing Director has already been sent to the Shareholders as required Under Section 302 of the Companies Act, 1956. The agreement dated 31-7-1997 are available for inspection at the Registered Office of the Company on any working day except Saturday and Sunday, during business hours.

Save and except the interest of Sri M. M. Mohta, Managing Director in varying their respective terms of remuneration, as aforesaid no other Director of the Company is concerned or interested in these terms of business, except Smt. Urmila Devi Mohta and Sri Anirudh Mohta, Directors, also to give effect to the provision 314 (1 - B) of the Companies Act and Section 297 (1).

MEMORANDUM OF INTEREST

- 1) Sri M. M. Mohta/Managing Director may be deemed to be interested or concerned in the above matter, since it relates to the terms of his own remuneration and appointment.
- 2) Smt. Urmila Devi Mohta, Director, Mr. Anirudh Mohta, Director may be deemed to be interested as concerned in the above matter, since they are relatives of Sri M. M. Mohta/Managing Director.

EFFECT OF SECTION 314 (1 - B) AND SECTION 297 (1) PROVISIO

Though as per Sub-section (1 - B), only appointments carrying remuneration of Rs. 20,000/-or more per month require Central Government approval, a close study of this Section along with the proviso to Sub-section (1) of Section 297, will show that in the case of Companies with paid-up capital of Rupees one crore or more, all contracts of appointment of a Director or any of his associates specified in this Section as well as in Section 297, will require Central Government's prior approval.

While a new appointment requires consent of the Company by a special resolution and approval of the Central Government, in the case of an already existing appointment, the consent of the Company by an ordinary resolution coupled with the consent of the Central Government will be sufficient.

Sri M. M. Mohta, Managing Director, is relative of Sri Anirudh Mohta, Wholetime Director, within the purview of Section 314 (1 - B) of the Companies Act, 1956 and authorised capital of the Company is Rs. 1.50 crores, hence it attracts the provision to Sub-section 1 of Section 297 of the Companies Act.



DIRECTORS' REPORT

To
The Shareholders

Your Directors' submit their THIRTY NINTH Annual Report together with the Accounts for the year ended 31st March, 1997.

FINANCIAL RESULTS :

The financial results for the year under review in comparison with the previous year is given below :

	<u>1996-97</u>	<u>1995-96</u>
	Rs.	Rs.
1) Gross Profit for the year after meeting all operating expenses but before interest and depreciation amounts to :	1,24,38,742	87,65,980
2) Deduction therefrom : Interest	57,00,106	44,06,318
3) Profit before depreciation	67,38,636	43,59,662
4) Depreciation for the year	12,24,987	11,32,481
5) Investment Allowance relating to previous year written back	0	47,000
6) Payment of Gratuity to LIC and Provision	9,76,398	7,15,448
7) Profit Amounts to	45,37,251	25,58,733
8) Provision for Taxation	4,53,000	0
9) Arrears of Cumulative Preference Shares Dividend	43,510	0
10) Dividend Tax at 10 %	4,351	0
11) Profit to be set off against brought debit balance	39,95,033	25,58,733
12) Balance Profit carried forward	41,357	0

BEMCO HYDRAULICS LIMITED**Review of Operation :**

Sales and other Income for the year ended 31-03-1997 is at Rs. 1,012.66/- lacs and has shown an increase of Rs. 37.92% over that of previous year, and profit after depreciation and Gratuity payment is at Rs. 45.37 lacs and has shown an increase of Rs. 19.79 lacs over previous year.

Part Payment of Arrears Liability of Dividend of Cumulative Preference Shares :

Out of total arrears on 14% Cumulative Preference Shares dividend amount of Rs. 13,80,998/- as on 31-03-1997, a sum of Rs. 43,510/- has been recommended by the Board, out of distributable profit, being the dividend for the period 14-01-1991 to 31-03-1991, subject to dividend tax 10% to be paid by the Company.

Dividend Equity Capital :

Your Directors express their inability to recommend any dividend, due to inadequacy of profits.

Future Prospects :

This has been year of contrasts. The first six months saw a buoyant economy with the demand for most goods and services being high. The second half of the year was, however, affected by a slow-down of industrial activity and the softening of consumer demands, partly arising from conflicting and sometime confusing policy signals from the Government, as also higher interest rates and restricted funds availability. The performance of several Companies in the manufacturing sectors was consequently adversely affected during the second half of the year. The new open market competitive economy which is emerging in India, will certainly be challenging.

Though it was hoped that after the last General Election the Government Machinery at the Centre and in States will get fast engaged in decision-making process of enlarging the scope of industrial growth and finance, it hardly made much progress. Despite the present political uncertainties and their effects on the immediate shape of industries in the country, it is expected that during the current year our products should make further progress in output.

Modernization and Technology Upgradation and Turnaround :

Company's first phase of modernisation programme has been implemented with financial assistance from Karnataka State Financial Corporation, during 1995.

The Board of Directors wish to place on record the **Success Story of Turnaround Programme** envisaged and implemented over a period of three years to wipe off the accumulated losses.

Fixed Deposits : U/S 58 A of the Companies Act, 1956 :

There is no F.D. liability as on 31-3-1997 and further Company has not accepted any fixed deposit.

Personnel :

The industrial relations during the year remained extremely harmonious. The Directors wish to place on record their appreciation for the hard work and continuing efforts and valuable support rendered by the employees at all levels under review.