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# Bemco Hydraulics Limited

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*Annual Report & Accounts*
*1999 - 2000*

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# BEMCO HYDRAULICS LIMITED

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## DIRECTORS

M. M. MOHTA, *Chairman & Managing Director*
URMILA DEVI MOHTA
R. M. SHAH
ANIRUDH MOHTA, *Joint Managing Director*
N. K. DAGA

## 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)

## COMPLIANCE OFFICER (SEBI)

V. ARUNACHALAM
*Corporate Controller (Finance)*

S. RAMESH
*Company Secretary*
Khanapur Road, Udyambag
BELGAUM [illegible]

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# BEMCO HYDRAULICS LIMITED

## NOTICE

NOTICE is hereby given that the 42nd Annual General Meeting of BEMCO HYDRAULICS LIMITED, Belgaum will be held on 26th September, 2000 at 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, 2000 and the Audited Profit & Loss Accounts for the year ended as on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Smt. Urmila Devi Mohta retires by rotation and being eligible offer herself for re-appointment.
3. To appoint a Director in place of Shri N. K. Daga retires by rotation and being eligible offer himself for re-appointment.
4. To appoint the Auditors of the Company and fix their remuneration.

**Special Business:**

To consider and if thought fit, to pass, with or without modification the following resolution as ordinary resolution

5. Resolved that, to increase the remuneration of Shri M. M. Mohta, Chairman & Managing Director with effect from 01-08-2000 to 31-03-2004, Salary from Rs. 30,000 per month to Rs. 50,000 per month.
6. Resolved that, to increase the remuneration of Shri Anirudh Mohta, Joint Managing Director with effect from 01-08-2000 to 31-03-2004, Salary from Rs. 10,000 per month to Rs. 25,000 per month.
7. Resolved that, to increase the remuneration of Mrs. Suma Mohta, Executive Assistant from Rs. 2,000 to Rs. 5,000 per month.

**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 Register of Members and share transfer books of the Company will be remain closed from 11th September, 2000 to 25th September, 2000 (both the days inclusive).
4. Members are requested to intimate the Company about the change of Address, if any.

For **BEMCO HYDRAULICS LTD.**

Place : Belgaum
Date : 16-8-2000

**M. M. Mohta**
Chairman & Managing Director



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**EXPLANATORY STATEMENT:**
***Pursuant Sec. 173 of the Companies Act, 1956.***

***Refer AGM: Agenda No. 5 regarding increase in remuneration to Shri M. M. Mohta Chairman/Managing Director***

Shri M. M. Mohta was appointed as Managing Director with effect from 01-04-1991 to the terms and conditions approved by the Shareholders at the 33rd Annual General Meeting of the Company held on 27-09-1991 and also pursuant Central Government Department of Companies Affairs vide consent letter No. 1/194/CL VII/91 dt: 29-07-1991 and subsequently renewed his appointment and payment of remuneration from 01-04-1994 to 31-03-1997 on the terms and conditions approved in the Annual General Meeting held on 28th Sept., 1994. The said revised remuneration terms of Shri M. M. Mohta/Managing Director effective from 01-04-1997 and upto 31-03-2002 has been confirmed vide Annual General Meeting dated: 26-09-1999 and further increase in the managerial remuneration has been recommended by the Board of Directors in the Board Meeting held on 31-07-1999 and subject to the approval by the shareholders under the provisions of Companies Act, 1956 and followed by Government of India Approval No. 1/150/97/ CL.VII dated: 29-08-1997. No approval of Central Govt. is required separately for reappointment & 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: 02-02-1994 & Notification No. 2/94 dated: 10-02-1994 read with guidelines under Schedule XIII of Companies Act, issued by the Ministry of Law, Justice & Company Affair, 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 31-07-2000 reviewed the terms of remuneration of Shri M. M. Mohta, Chairman & Managing Director and revised the same as indicated in the resolution at item 5 of the accompanying notice, subject to the consent of the Shareholders of the Company.

The Company has already taken permission, Govt. of India, Ministry of Law Justice and Company Affairs, New Delhi Vide letter No. 2/49/99 – CL. VII dated 01-07-1999 for the increased managerial remuneration.

An abstract of the revised terms of remuneration of Shri M. M. Mohta, Chairman & Managing Director has already been sent to the shareholders as required Under Section 302 of the Companies Act, 1956. The agreement dated: 01-08-2000 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 Shri M. M. Mohta, Chairman & 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, Director & Shri Anirudh Mohta, Joint Managing Director, also to give effect to the provision 314 (1 – B) of the Companies Act and Section 297 (1).

**MEMORANDUM OF INTEREST**

1. Shri M. M. Mohta, Chairman & 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, Joint Managing Director may be deemed to be interested as concerned in the above matter, since they are relatives of Sri M. M. Mohta, Chairman & Managing Director.



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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, Chairman & Managing Director, is relative of Shri Anirudh Mohta, Joint Managing Director, with in 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. (The company has already taken permission vide reference No. 2/49/99 – CL – VII dated 01-07-1999 from Govt. of India, Ministry of Company Affairs, New Delhi.)

Shri M. M. Mohta, is holding the post of Chairman/Managing Director with effect from 01-04-1997 for a period of 5 years as per Goverment of India renewal appointment approval No. 1/150/97/CL. VII dated: 29-08-1997 and further approval vide letter No. 2/49/99 – CL. VII dated 01-07-1999.

**Refer AGM: Agenda No. 6 regarding increase in remuneration to Shri Anirudh Mohta, Joint Managing Director**

Shri Anirudh Mohta was appointment as Whole Time Director with effect from 03-10-1994 to the terms and conditions approved by the Shareholders at the Extraordinary General Meeting of the Company held on 07-11-1994 and also pursuant Central Government Department of Companies Affairs vide consent letter No. 1/28/CL VII/95 dated: 29-06-1995 which is valid upto 31-08-1999 and no approval of Central Govt. is required separately for reappointment & payment of remuneration to Joint 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: 02-02-1994 & Notification No. 2/94 dated: 10-02-1994 read with guide lines under Schedule XIII of Companies Act, issued by the Ministry of Law, Justice & Company Affair, 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 16-04-1999 reviewed the terms of remuneration of Shri Anirudh Mohta, Joint Managing Director and revised his 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 Shri Anirudh Mohta, Joint Managing Director effective from 01-04-1999 and upto 31-03-2004 has to been confirmed vide Extraordinary General Meeting held on dated: 25-05-1999 and approved by the shareholders under the provisions of Companies Act, 1956 and further Board of Directors have approved for the increased remuneration from Rs. 10,000 to Rs. 15,000 p.m. followed by Government of India Ministry of Company Affairs approval reference No. 2/49/1999 – CL.VII dated: 01-07-1999 consenting for the payment of increased managerial remuneration.

An abstract of the revised terms of remuneration of Shri Anirudh Mohta, Joint Managing Director has already been sent to the shareholders as required Under Section 302 of the Companies Act, 1956. The agreement dated: 01-08-2000 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 Shri Anirudh Mohta, Joint 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 & Shri M. M. Mohta, Chairman/Managing Directors, also to give effect to the provision 314 (1 – B) of the Companies Act and Section 297 (1).



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**MEMORANDUM OF INTEREST**

1. Shri Anirudh Mohta, Joint 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. M. M. Mohta, Chairman/Managing Director & Smt. Suma Mohta Executive Assistant may be deemed to be interested as concerned in the above matter, since they are relatives of Shri Anirudh Mohta, Joint Managing Director.

**EFFECT OF SECTION 314 (1 – B) AND SECTION 297 (1) PROVISO**

Though as per Sub-section (1 – B), only appointments carrying remuneration of Rs. 12,000/- 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. (The company has already taken approval vide reference No. 2/49/99 – CL. VII dated: 01-07-1999).

Shri Anirudh Mohta, Joint Managing Director, is relative of Shri M. M. Mohta, Chairman/Managing Director & Smt. Urmila Devi Mohta, Director as well as Smt. Suma Mohta, Executive Assistant, with in 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.

**EXPLANATORY STATEMENT:**

**Pursuant Sec. 173 of the Companies Act, 1956.**

**Refer AGM: Agenda No. 6 regarding increase in remuneration to Smt. Suma Mohta, Executive Assistant.**

Board of Directors have noted that without obtaining consent of the company by Special Resolution at the Annual General Meeting after the appointment of a relative (except as Director) or his relative etc. to hold any office or place of profit which carries a total monthly remuneration of Rs. 5,000 per month or more, the incumbent shall be deemed to vacate his office or its Office as such. Smt. Suma Mohta was appointed as Executive Assistant with effect from 14-01-1999 with a salary of Rs. 2,000 per month which was approved by the Directors in the Board Meeting held on 16-04-1999 and was further approved by shareholder in the Extraordinary General Meeting held on 25-05-1999.

Taking into consideration the increased role of Smt. Suma Mohta, as Executive Assistant in the emerging competitive environment, especially the added responsibility with Board of Directors and other responsibilities the various Board Meeting and Management Committee Meetings, it is appropriate that Smt. Suma Mohta, Executive Assistant should be compensated suitably.

**MEMORANDUM OF INTEREST**

Smt. Urmila Devi Mohta, Director, Mr. M. M. Mohta, Chairman/Managing Director & as well as Shri Anirudh Mohta, Joint Managing Director may be deemed to be interested as concerned in the above matter, since they are relatives of Smt. Suma Mohta, Executive Assistant.



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## DIRECTORS' REPORT

To

The Shareholders

Your Directors' submit their Forty Second Annual Report together with the Accounts for the year ended 31st March, 2000.

**Financial Results:**

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

| | | 1999 - 2000 Rs. | 1998-99 Rs. |
|---|---|---|---|
| 1) | Gross Profit for the year after meeting all operating expenses but before interest, gratuity provision and depreciation & V.R.S. payment amounts to: | **69,83,077** | 83,02,704 |
| 2) | Deduction therefrom: Interest | **54,20,291** | 59,70,671 |
| 3) | Profit before Depreciation | **15,62,786** | 23,32,033 |
| 4) | Depreciation for the Year | **12,59,764** | 13,01,768 |
| 5) | Provision for Taxation | **77,000** | 1,00,000 |
| 6) | Investment Allowance relating to previous year written back | – | 80,000 |
| 7) | Profit Amounts to | **2,26,022** | 10,10,265 |
| 8) | Prior Period Adjustments Net | **(10,15,582)** | (8,43,867) |
| 9) | Net Profit/Loss | **(7,89,560)** | 1,66,399 |
| 10) | Surplus brought forward | **2,09,023** | 42,624 |
| 11) | Total Profit/Loss carried forward | **(5,80,537)** | 2,09,023 |

**Review of Operation:**

The year under review has witnessed various changes due to number of global factors.

There has been an increase of 20 percentage in the total turnover of the company from Rs. 859.54 lacs to Rs. 1,038.35 lacs. The profit after tax has come to Rs. 3.03 lacs from Rs. 10.30 lacs.

The year under review has also witnessed further VRS scheme and as a result a sum of Rs. 21.00 lacs has been paid towards VRS settlement in July, 1999 as a part of cost cutting exercise, as a result of prudent financial structuring and meticulous control resulting in reduced interest cost.

The Company is fully geared to meet the challenges in the emerging scenario. The Company is also looking into speciality products, which will give higher margin as compare to other products in our range.

**Dividend Equity Capital:**

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



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**Future Prospects:**

Market conditions improved after a long lean spell and it is expected that this strength will continue during the current year. With this exception the Company expects a better performance during 2000 – 2001.

The management of the Company has formulated and put into several strengthen measures to contain costs, several important and significant reduction in the manpower cost have been achieved which in-turn will give better net realisation in the coming years.

**Challenges in the Years Ahead :**

The future of the Indian Engineering Industry (especially capital goods industries) will be challenging. The domestic market will be open to goods and services from the global Companies with the low tariff. The protection for our type of industry will be a thing of the past. The company that will survive, will be of those which successfully restructure and modernise to achieve global competitiveness in terms of both quality and cost.

**Corporate Governance:**

The company believes good corporate practices enable the Board to direct and control the affairs of a Company in an efficient manner and to achieve its ultimate goal of maximising shareholder value. Realising this, the Company has adopted many practices over the last few years, even when there were 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. (Page No. 8)

**Modernization and Technology Upgradation, Cost Reduction Restructuring Scheme/Process :**

Company's first phase of modernisation programme has been implemented with financial assistance from Karnataka State Financial Corporation, during 1995 and further input labour cost reduction scheme has been implemented during 1999, to keep phase with Global restructuring process.

**Y2K Compliance:**

The company has successfully managed Y2K transition without any disruption. All criticall IT system software, packages and other areas are Y2K compliant. Details regarding Y2K complaint in accordance with the clause 32 of the listing agreement of stock exchanges shall be read with this report.

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

There is no F.D. liability as on 31- 03 -2000 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 hardwork and continuing efforts and 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 appointed a medical officer to have routine checkup on the health of the employees.

**Directors:**

Smt. Urmila Devi and Sri N. K. Daga retire from the Board by rotation and are eligible for re-appointment.

**Auditors Report:**

Auditors report is self explanatory.



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