



BEMCO HYDRAULICS LIMITED

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ANNUAL REPORT & ACCOUNTS
2002-2003

BEMCO HYDRAULICS LIMITED



Annual Report 2002-2003

BEMCO HYDRAULICS LIMITED

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DIRECTORS :

M. M. Mohta, Chairman and Managing Director
Urmila Devi Mohta
R. M. Shah
Anirudh Mohta, Joint Managing Director
N. K. Daga

BANKERS :

Bank of Maharashtra, Main Branch, Kirtoskar 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

REGISTERED OFFICE :

Khanapur Road,
Udyambag,
BELGAUM-590 008
(Karnataka)

NOTICE

Notice is hereby given that 45th Annual General Meeting of the Company will be held on Monday, September 29, 2003 at the Registered office of the Company at 3.30 p.m. to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2003 and the Profit and Loss Account for the year ended as on that date and the Reports of the Directors' and Auditor's thereon.
2. To appoint a Director in place of Shri R. M Shah who retires by rotation and being eligible offers himself for re- election.
3. To re-appoint Auditors and fix their remuneration.

SPECIAL BUSINESS :

4. To re-appoint Mr. S. R. Deshpande - Company secretary to carry out the Certification of Compliance for the financial year 2003-2004.

Place : Belgaum
Date : 28th July 2003

for **BEMCO HYDRAULICS LTD**

M M MOHTA
Chairman and Managing Director

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 September 15, 2003 to September 29, 2003 (both the days inclusive).

AN EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT 1956 IN RESPECT OF SPECIAL BUSINESS:

Company Secretary appointed in the last Annual General Meeting for certification of Compliance retires at the conclusion of the forthcoming Annual General Meeting. The Board has decided to re-appoint him. Hence the Board commends the re-appointment. None of the Directors' of the Company is interested in this Special Business.

Place : Belgaum
Date : 28th July 2003

for **BEMCO HYDRAULICS LTD**

M M Mohta
Chairman and Managing Director

DIRECTORS' REPORT

To
The Shareholders.

Your Directors' submit their Forty Fifth Annual Report together with the Accounts for the year ended 31st March 2003.

FINANCIAL RESULTS :

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

	2002-2003 Rs.	2001-2002 Rs.
Gross Loss for the year after meeting all operating expenses but before interest, and depreciation amounts to:	(1,623,618)	2,982,243
Deduction there from: Interest	4,825,962	4,576,768
Loss before depreciation	(6,449,580)	(1,594,525)
Depreciation for the year	1,347,378	1,366,189
Loss After Depreciation - (PBIT)	(7,796,958)	(2,960,714)
Provision for Taxation	Nil	Nil
Deferred Tax Assets	2,858,000	933,000
Loss amounts to - (PAT)	(4,938,958)	(2,027,714)
Income Tax for earlier years	(1,567,227)	Nil
Net Loss	(6,506,185)	(2,027,714)
Deferred Tax Liability	Nil	(584,000)
Deficit brought forward	(2,310,484)	301,230
Total Loss carried forward	(8,816,669)	(2,310,484)

DIVIDEND :

Your Directors express their inability to recommend any dividend on account of loss sustained.

REVIEW OF OPERATION :

You are well aware that there is a worldwide recession particularly in Engineering Industry, which has affected the performance of your Company. Net Sales for the year amounted to Rs 567.83 Lacs as against Rs. 684.98 Lacs for the year ended 31st March 2002 showing a decrease of 17.10 %. The loss after tax for the year under review amounted to Rs. 65.06 Lacs as against loss after tax of Rs 20.28 Lacs for the previous year.

PREFERENCE SHARES :

During the year 14,732 Nos. 14% Redeemable Preference Shares of Rs. 100/- each have been redeemed at a premium of Rs. 25/- each by fresh Issue of 14,732 Nos. 11% Redeemable Preference Shares of Rs. 100/- each at a premium of Rs. 60/- per share. These new preference shares of Rs. 100/- each are redeemable at a premium of Rs. 60/- each on 31.03.2012.

FORFEITURE OF SHARES :

During the year under report Company has forfeited 13,300 number of partly paid equity shares of Rs.10/- each for non payment of calls in arrears.

FUTURE PROSPECTS :

Your Directors are glad to inform you that your company succeeded in achieving very good performance for the quarter ended on 30th June 2003 Sales Turnover of Rs. 177/- lacs as against Rs. 35/- lacs during the previous year for the same quarter.

Considering the orders position in hand as on date, the Company is likely to achieve the Sales target of Rs. 1100/- lacs during current financial year i.e. 2003-2004 and will be able to wipe off the loss significantly.

Further, the management is putting continuous efforts and taking several measures to curtail costs and improve the performance in coming years.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed.
- Appropriate accounting principles have been selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2003 and of the loss of the Company for the period ended 31st March, 2003.
- Proper and sufficient care has been taken 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.
- The annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE:

The company believes in good corporate practices to enable the Board to direct and control the affairs of the company in an efficient manner and to achieve its ultimate goal of maximizing shareholder value. Realizing this, the company has adopted many practices over the last few years, even when there are 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.

COMPLIANCE CERTIFICATE: - (Refer to Proviso to Section 383A (1) of the Companies Act 1956)

Pursuant to Section 383-A the Compliance certificate of the Practising Company Secretary is attached hereto.

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

There is no Fixed Deposit liability as on 31.03.2003 and further Company has not accepted any fixed deposit from Public.

DIRECTORS :

Shri R. M. Shah retires from the Board by rotation and is eligible for re-appointment.

AUDITOR & AUDITORS REPORT:

M/S A. C. Bhuteria & Co., Chartered Accountants, Kolkata retire at the ensuing Annual General Meeting and being eligible have expressed their willingness for re-appointment. They have furnished a certificate under Section 224 (1B) of the Companies Act 1956 to the effect that their appointment, if made, will be within the prescribed limits.

Audit Report is self-explanatory and needs no further clarification.

Auditors have at Sr. No. XIII of Annexure to their Report observed that the Company has not filed return of deposit and statement in lieu of advertisement in respect of unsecured loan taken from directors. In this regard the directors state that they were under the impression that the loans from directors are exempted and once they realised the change in the deposit Rules, they have repaid all the unsecured loans from the directors.

PERSONNEL:

The industrial relations during the year remained extremely harmonious. The Directors wish to place on record their appreciation for the hard work and continuous 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.

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

BEMCO HYDRAULICS LIMITED**Technology absorption, adaptation and innovation**

1.	Efforts, in brief, made towards technology absorption, 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

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.com 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	2002-2003 Rs.	2001-2002 Rs.
i)	C.I.F.Value of Imports: Raw Materials And Components	1,87,365	19,77,083
ii)	Expenditure in Foreign Currency : Travelling	14,556	2,27,814
iii)	Earning Foreign Exchange: FOB value of Exports	39,18,462	3,13,855

PARTICULARS OF EMPLOYEES :

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

STATUS OF THE COMPANY :

Last two years the economy is passing through severe sluggish phase especially in Machine Tool Industry. This has resulted losses for your Company. In view of the accumulated losses and also

erosion in net worth as at the end of the financial year 2002-2003, the Company becomes incipient sick in accordance with the criteria laid down in the SICA 1985. However the Company has initiated various steps to remedy the situation by concentrated focus on over all operations of the Company.

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, 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 shares of the company are listed on:

- a. Bangalore Stock Exchange (Regional)
- b. Mumbai Stock Exchange
- c. Calcutta Stock Exchange

And the company has paid the listing fees for the year 2003-2004.

ACKNOWLEDGEMENT :

Your Directors wish to place on record their appreciation for the support of the employees during the year.

Your Directors also wish to place on record their sincere appreciation for the support by Financial Institutions, Bankers and other Institutions and customers.

For and on behalf of the Board of Directors

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M. M. MOHTA

Chairman & Managing Director

ANIRUDH MOHTA

Joint Managing Director

Place : BELGAUM

Date : 28th July 2003

CORPORATE GOVERNANCE

Issues involving Corporate Governance are taking on a high profile globally and have come to the fore recently in India. Corporate Governance has an important role to play as an instrument of investor protection. The importance of Corporate Governance lies in its contribution both to business prosperity and to accountability.

While complying with the various provisions of laws and regulations regarding Corporate Governance, it was observed that the Company has already been following good practices in major areas.

A Board of Directors, consisting of Executive and other two are independent Directors who are well known in their respective fields, manages the Company. These independent members of the Board of Directors have been associated with the Company for a very long time.

The profile of the Board of Directors as under.

Name	Date of Appointment	Qualification
Sri M M Mohta Chairman & Managing Director	23.03.1991 as Managing Director (Prior to that he was President of the Company)	B.Com.
Sri Anirudh Mohta Joint Managing Director	18.08.1994 as Technical Director (From 01.04.99 as a Joint Managing Director)	B.E. Industrial Production
Smt Urmila Devi Mohta Director	30.05.1992	Matriculate
Sri R M Shah Director	05.01.1988	Automobile Engineer
Sri N K Daga Director	17.04.1998 Local Businessman	B.Com
AGM- Regional Office, Bangalore Bank of Maharashtra, Regional Office, Bangalore		
Board Observer		

During the financial year 2002-2003, 10 Board Meetings were held and the attendance of the Directors was as follows:

Name of the Director	No. of Meetings Held	No. of Meetings Attended
Sri M M Mohta Chairman & Managing Director	10	10
Sri Anirudh Mohta Joint Managing Director	10	10
Smt Urmila Devi Mohta Director	10	10
Sri R M Shah Director	10	5
Sri N K Daga Director	10	5
Assistant General Manager Bank of Maharashtra, Regional Office, Bangalore		
Board Observer	10	—

The Certificate from the Chairman and Managing Director regarding due compliance of all statutory requirements under the various Acts were placed at every meetings of the Board of Directors.

The Company has a well-established system of internal audit, being followed for the last 10 years. From this year onwards this task has been entrusted to RAJENDRA SANJEEV & CO., Chartered Accountants, 1759, Kirlskar Road, Annapurna Complex, 2nd Floor, BELGAUM 590 002.

Apart from the above regular Minutes of Meeting as well as Quarterly Results have been sent regularly to the Board observer, Bank of Maharashtra, Regional Office, Bangalore.

The Share Transfer Committee of the Directors of the Company regularly approves the transfer and transmission of securities and other related matters.

The Board of Directors is committed to achieve the highest standards of Corporate Governance and will endeavor to make further improvements during the current year and in future.