



BEMCO HYDRAULICS LIMITED

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Annual Report & Accounts
2004-2005

BEMCO HYDRAULICS LIMITED



Annual Report 2004-2005

BEMCO HYDRAULICS LIMITED

DIRECTORS :

- | | |
|--------------------------|----------------------------------|
| M. M. MOHTA | - Chairman and Managing Director |
| ANIRUDH MOHTA | - Joint Managing Director |
| URMILA DEVI MOHTA | - Director |
| R. M. SHAH | - Director |
| N. K. DAGA | - Director |
| DILIP CHANDAK | - Director |

BANKERS:

BANK OF MAHARASHTRA, Main Branch, Kirloskar 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)

COMPLIANCE OFFICER :

R. B. PATIL - Sr. Manager Finance

BEMCO HYDRAULICS LIMITED**Annual Report 2004-2005****NOTICE**

Notice is hereby given that 47th Annual General Meeting of the Company will be held on Friday, September 30, 2005 at the Registered office of the Company at 3.30 PM to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2005, 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 appoint a Director in place of Shri Dilip Chandak who retires by rotation and being eligible offers himself for re-election.
4. To re-appoint Auditors and fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit to pass with or without modification, the following as an special resolution

"RESOLVED THAT:

- a) Pursuant to section 94 (e), 16 and 31 and other applicable provisions, if any, of the Companies Act, 1956 the consent of the Company in this forty seventh Annual General Meeting through this special resolution be and is hereby accorded to the cancellation of 1,00,000(One lakh) equity shares of Rs. 10 (ten) each aggregating to a sum of Rs. 10,00,000/-(Rupees Ten lakhs only) from out of the un-issued and unsubscribed authorised share capital of the company,
- b) 10,000 (Ten Thousand) preference shares of Rs. 100 (Rupees Hundred) each aggregating to a sum of Rs. 10,00,000/-(Rupees Ten lakhs only) ranking for dividend and all other purposes pari passu with the existing Preference Shares of the Company, be and are hereby created in lieu of the equity shares referred to in (a) above,
- c) Clause V of the Memorandum of Association of the company be and is hereby altered to read as follows:

The Authorised share capital of the company is Rs. 1,50,00,000/-(Rupees one crore fifty lakhs only) divided into 9,00,000 (Nine lakhs) equity shares of Rs. 10 (Rupees Ten) each and 60,000 (sixty thousand) Preference shares of Rs. 100 (Rupee Hundred) each.

- e) The Board of Directors be and is hereby authorised to do and perform all such other acts, deeds and things as may be necessary or desirable to give effect to this special Resolution."

6. To consider and if thought fit to pass with or without modification, the following as a special resolution:

"RESOLVED that pursuant to the provisions of section 81(1A) of the Companies Act, 1956 and other applicable provisions if any, of the said Act and in accordance with the Memorandum and Articles of Association of the Company and also subject to such terms and conditions as may be determined by the Board of Directors of the Company or any committee thereof and also further subject to such approvals, consents, permissions or sanctions of appropriate authorities and also of the financial institutions, Banks with whom the company has borrowing arrangements and under which such approvals, consents, permissions, sanctions may be necessary, the consent of the company through this special resolution passed in this 47th Annual General Meeting be and is hereby accorded to the Board of Directors offering, issuing and allotting on private placement basis from out of the authorised capital of the company, an appropriate number of Cumulative Redeemable Preference shares of an aggregate face value not exceeding Rs. 20,26,800/- (Rupees Twenty Lakhs Twenty Six Thousand Eight Hundred only) consisting of 20,268 (twenty thousand two hundred sixty eight) Cumulative Redeemable Preference Shares of Rs. 100/- each for cash at par exclusively to promoters or such other person(s)/ companies as the Board of Directors may deem it fit on the following terms and conditions :

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1. The said shares rank for dividend in priority to the equity shares for the time being of the Company,
2. The said shares are not convertible in to equity,
3. The said shares rank pari passu with the existing 11% 14,732 and 11% 18,000 Cumulative Preference Shares of Rs. 100 each issued in March 2003 and September 2004 respectively except premium i.e. at face value of Rs. 100/- each,
4. The said shares shall in winding up be entitled to rank as regards repayment of capital and arrears of dividend whether declared or not up to the commencement of the winding up, in priority to equity shares but shall not be entitled to any further participation in profit or current assets.
5. The voting rights of the persons holding the said shares shall be in accordance with the provisions of section 87 of the Companies Act, 1956."

"RESOLVED FURTHER that the Board of Directors or a Committee thereof be and is hereby authorised to approve, agree and accept such modification to the terms and conditions of the Cumulative Redeemable Preference shares proposed to be issued as may be suggested by the financial Institutions, banks and to do all such acts, deeds, matters and things and to take all such steps as may be necessary and expedient and to settle any matter that may arise in connection therewith."

"RESOLVED FURTHER that the Company shall not create and or issue in future preference shares ranking in priority to the said shares and in the event of the company creating and or issuing cumulative redeemable preference shares in future ranking pari passu with the existing cumulative preference shares, it would do so only with the consent in writing of the holders of not less than three fourth of the said shares then outstanding or with the sanction of the special resolution passed at a separate meeting of the holders of the said shares then outstanding."

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

"RESOLVED THAT, the consent is hereby accorded pursuant to the provisions of section 293(4)(d) of the Companies Act, 1956 to the board of directors of the Company to borrow money by way of loans or otherwise from time to time for purposes of the Company even though the moneys to be borrowed by them on behalf of the Company together with the moneys already borrowed will exceed the aggregate of the paid up capital of the Company and its free reserves not set apart for any specific purpose provided the amount at any time remaining un discharged or the moneys borrowed or raised by the board of directors for the purpose of the Company shall not exceed the sum of Rs. 8,00,00,000/- (Rupees Eight Crores Only).

FURTHER RESOLVED THAT, the Company doth hereby approve, confirm and ratify all borrowings made by the board of directors of the Company up to date for the purpose of the Company."

8. To consider and if thought fit to pass with or without modification, the following as a ordinary solution:

" RESOLVED that Mr. S. R. Deshpande, Practicing Company Secretary be and is hereby re-appointed to carry out certification of compliance for the financial year 2005-06."

Place : Belgaum
Date : 29.07.2005

for **BEMCO HYDRAULICS LTD**

M. M. MOHTA
Chairman and Managing Director

BEMCO HYDRAULICS LIMITED



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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, 2005 to September 29, 2005 (both the days inclusive).
6. Members interested in seeking any clarification on the annual accounts are requested to address their queries to Mr. R.B. Patil, Senior Manager-Finance and Compliance Officer, Bemco Hydraulics Ltd. Udyambag, Belgaum at least one week before the dated of the meeting so as to enable the compilation of data.

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

Refer Agenda No. 5 regarding alteration of Capital clauses in Memorandum and Articles of Association of the Company.

The company needs to augment its working capital on a fairly long-term basis. The company presently relies on unsecured loans i.e. inter corporate Deposits (ICDs) for this purpose. However, the banks and financial institutions are insisting for the infusion of long-term capital. The ideal situation is to go in for rights issue of equity shares. However, the financial position of the company till last year was such that the Directors are diffident about the success of rights issue. Therefore, the Directors have decided to make issue of 20,268 11% Redeemable Preference shares of Rs. 100 each for cash at par. Although the company has sufficient cushion in authorised share capital but it consists of equity shares as the preference share capital is of Rs. 50 lakhs: out of which 32,73,200 is paid up and there is insufficient balance in Authorised Preference Capital.

The Board has therefore decided to cancel 1,00,000 (One Lakh) un-issued and un-subscribed equity shares of Rs. 10 (Rupees Ten) each and to convert them in to 10,000 cumulative redeemable preference shares of Rs. 100 each. The combined special resolution seeks to cancel the (a) un-issued equity shares (b) create redeemable preference shares and (c) to carry out consequential alteration to the capital clauses in the Memorandum of Association. The Board commends the combined special resolution for consideration by the members.

MEMORANDUM OF INTEREST

None of the Directors of the Company is interested in this special resolution, except in his capacity as a shareholder.

Refer Agenda No. 6 regarding preferential allotment of Redeemable Preference Shares to promoters and others

As stated above, the Board intends to allot 20,268 (Twenty Thousand Two hundred Sixty Eight) 11% redeemable cumulative preference shares of Rs. 100 (Rupees Hundred) each to promoters and others on preferential basis; it needs the consent of the shareholders through a special resolution. Hence, this item of special business is included in the agenda. The Board seeks to emphasis that the preferential allotment to promoters and others is proposed because the management is diffident about the success of rights issue, keeping in view the past adverse financial position of the company. Therefore, the preferential issue in no way amounts to enrichment of the promoters at the cost of the public investor.

Statutory Approvals

The Board is advised that the issue of cumulative preference shares is outside the purview of SEBI Take Over Code 1997 and therefore, no exemption or permission from SEBI is required for the proposed preferential issue on private placement. Further, as the preferential allotment is of preference shares, which are not convertible in to equity or other instrument carrying voting rights, SEBI Guidelines on pricing for preferential allotment are not applicable.

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Lastly, the Directors wish to state that, as envisaged by the special resolution passed in the Extra Ordinary General Meeting held on 5th February 2003, the holders of 14,732 11% cumulative redeemable preference shares of Rs. 100 each and as envisaged by the special resolution passed in the 46th Annual General Meeting held on 30th September 2004, the holders of 18,000 11% Cumulative redeemable preference shares of Rs. 100 each, given their consent in writing for the issue and allotment of 20,268 (Twenty Thousand Two Hundred Sixty Eight) fresh 11% cumulative redeemable preference shares on pari passu basis

The Board commends the special resolution for consideration by the members.

MEMORANDUM OF INTEREST

None of the Directors of the Company is interested in this special resolution, except in his capacity as a shareholder.

Refer Agenda No. 7 regarding increase in the borrowing power of the board of directors of the Company.

In view of the incremental Sales Turn over of the Company, the requirement of working capital has also increased. So it is necessary to increase the borrowing power of the board of directors from Rs. 5,00,00,000/- (Rupees Five Crores Only) (for which the members accorded their consent in the Extra-Ordinary General Meeting held on 21st January 1991) to Rs. 8,00,00,000/- (Rupees Eight Crores Only).

The Board commends the special resolution for consideration by the members.

MEMORANDUM OF INTEREST

None of the Directors of the Company is interested in this ordinary resolution.

Refer Agenda No. 8 regarding re-appointment of Mr. S. R. Deshpande - Practicing Company Secretary.

Company Secretary appointed in the last Annual General Meeting for certification of compliance pursuant to the proviso to section 383A(1) of the Companies Act, 1956 retires at the conclusion of the forthcoming Annual General Meeting. The Board has decided to re-appoint him for the financial year 2005-06. Hence the Board commends the re-appointment.

MEMORANDUM OF INTEREST

None of the Directors of the Company is interested in the appointment of practicing Company secretary.

Place : Belgaum
Date : 29.07.2005

for **BEMCO HYDRAULICS LTD**

M. M. MOHTA
Chairman and Managing Director

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DIRECTORS' REPORT

To
Dear Shareholders,

Your Directors have pleasure in presenting the Forty Seventh Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2005.

FINANCIAL RESULTS :

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

		2004-2005 Rs.	2003-2004 Rs.
01	Gross Profit for the year after meeting all operating expenses but before interest, and depreciation amounts to:	9,593,995	8,763,960
02	Deduction there from: Interest	5,078,375	4,521,328
03	Profit before depreciation	4,515,620	4,242,632
04	Depreciation for the year	889,099	1,337,618
05	Profit After Depreciation - (PBIT)	3,626,521	2,905,014
06	Provision for taxation	(413,000)	(110,000)
07	Deferred Tax	(1,023,000)	(923,000)
08	Profit amounts to - (PAT)	2,190,521	1,872,014
09	Income Tax for earlier years	(28,522)	331,640
10	Net Profit	2,161,999	2,203,654
11	Deficit brought forward	(6,613,015)	(8,816,669)
12	Total Loss carried forward	(4,451,016)	(6,613,015)

DIVIDEND :

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

REVIEW OF OPERATION :

The year 2004-05 has witnessed strong economic growth for most of Engineering industry & other Auto Component industry as well as growing demands from India Railways, Aviation and Defense. Improved growth of the global economy translated into higher demand for Engineering & Auto Component Industry in India, which improved the performance of your company. The company's success in these areas is reflected in the strong growth in sale, as well as in profits during 2004-05. The highlights of financial performance, as a stand-alone entity are :

- Net Sales increased by 31.90 per cent from Rs.889.78 Lakhs in 2003-04 to Rs.1173.59 Lakhs in 2004-2005.
- Profit before depreciation, interest and tax (PBDIT) increased by 9.47 per cent from Rs.87.64 Lakhs in 2003-2004 to Rs.95.94 Lakhs in 2004-2005.
- Profit after tax (PAT) increased by 17.01 per cent from Rs. 18.72 Lakhs in 2003-04 to Rs. 21.91 Lakhs in 2004-2005.

FUTURE PROSPECTS :

2004-05 was a good year for your company as compared with 2003-04 and there is every indication that 2005-06 will be even better.

As a result of our efforts made during past few years' development of various items for above have been done.

Besides the above your Company has booked the confirmed orders worth Rs. 407/- Lacs in first quarter of current financial year i.e. 2005-06 for its regular product of Hydraulic Presses and Hydraulic Equipment.

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Directors are pleased to inform you that the Company has received a single Export Order worth USD \$ 4.45 Lacs equivalent to Indian Rs. 195/- Lacs.

To sum up the outlook for the next few years is very bright.

REFERENCE TO THE BIFR :

On account of the erosion of more than 50% of peak net worth as on 31st March 2003, due to losses, the Board was advised to make a reference to the BIFR, New Delhi under section 23 of the SICA 1985 as an incipient sick company. Accordingly, the Board made the reference to the BIFR in November 2003. Nonetheless, the Directors are happy to report that on account of the good performance during the year under report the company is now out of its status as an incipient sick company.

ALTERATION IN CAPITAL STRUCTURE :

As decided in the 46th AGM held on 30th September 2004 the Company has amended Authorised Share Capital structure as under:

PREVIOUS CAPITAL	AMMENDED IN 46TH AGM
12,00,000 Equity Shares of Rs. 10/- each Total Authorised Equity Share Capital of Rs. 1,20,00,000/- (One Crore Twenty Lacs Only)	10,00,000 Equity Shares of Rs. 10/- each Total Authorised Equity Share Capital of Rs. 1,00,00,000/- (One Crore Only)
30,000 Preference Shares of Rs. 100/- each. Total Preference Share Capital of Rs. 30,00,000/- (Thirty Lacs Only)	50,000 Preference Shares of Rs. 100/- each. Total Preference Share Capital of Rs. 50,00,000/- (Fifty Lacs Only)

Further as decided in the 46th AGM the Company has allotted the 18,000/- Nos. 11% Redeemable Cumulative Preference Shares, each of Rs. 100/- as a result the Issued Subscribed and Paid-up Capital of Rs. 98.67 Lacs divided in to - 6,47,700 Equity Share of Rs. 10/- each and 32,732 11% Cumulative Redeemable Preference Shares of Rs. 100/- each.

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, 2005 and of the profit of the Company for the period ended on that date.
- 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 a Practising Company Secretary is attached hereto.

BEMCO HYDRAULICS LIMITED*Annual Report 2004-2005***FIXED DEPOSITS: U/S 58A of the Companies Act, 1956 :**

There is no Fixed Deposit liability as on 31.03.2005. Further the Board declares that during the financial year 2004-05, the Company has not accepted any public deposits or unsecured loans falling within the purview of section 58A of the Companies Act, 1956.

DIRECTORS :

Shri R. M. Shah and Shri Dilip Chandak retire by rotation and are eligible for re-appointment.

AUDITOR & AUDIT REPORT :

M/S A. C. Bhutera & Co., Chartered Accountants, Kolkata retire at the ensuing Annual General Meeting. The retiring auditors have confirmed their willingness and eligibility to accept audit assignment, if re-appointed.

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

PERSONNEL :

The industrial relations during the year remained extremely harmonious. The Directors wish to place on record their appreciation of the hard work and continuous efforts as well as 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 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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BEMCO HYDRAULICS LIMITED**Annual Report 2004-2005****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

Technology absorption, adaptation and innovation

1.	Efforts, in brief, made towards technology adsorption,, 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 o b f imported technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished:	NIL
	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.	

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.bemcoworld.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	2004-2005 Rs.	2003-2004 Rs.
i) Out flow C.I.F. Value of Imports: Raw Materials And Components	5,57,404	Nil
ii) Expenditure in Foreign Currency: Travelling	1,37,583	17,625
iii) Earning in Foreign Exchange: FOB value of Exports	33,61,838	7,25,274