



BEMCO HYDRAULICS LIMITED

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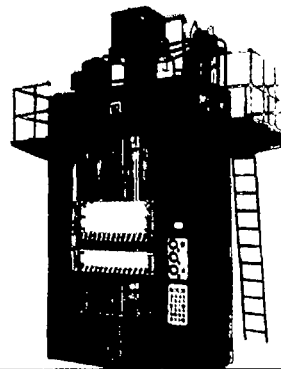
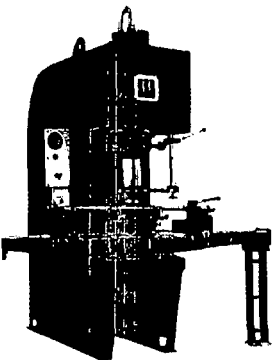
TRUE COPY

For BEMCO HYDRAULICS LTD.

R.B. PATIL
(Compliance Officer)

ANNUAL REPORT &

ACCOUNTS 2007-2008



BEMCO HYDRAULICS LIMITED

*** SHRI ***

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, Kirlskar 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 - General Manager Finance



BEMCO HYDRAULICS LIMITED

Udyambag, Belgaum - 590 008

NOTICE

Notice is hereby given that, 50th Annual General Meeting of the Company will be held on **Friday, August 29, 2008** 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 2008, 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 Smt. U. D. Mohta who retires by rotation and being eligible offers herself for re- election.
3. To appoint a Director in place of Shri N. K. Daga who retires by rotation and being eligible offers himself for re- election.
4. DECLARATION OF DIVIDEND ON PREFERENCE SHARES

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

"RESOLVED THAT, the Members of the Company, as recommended by the Board of Directors of the Company, hereby declare dividend on 52,732 preference shares of Rs. 100 each @ 11 per cent amounting to Rs.5,82,052/- (Rupees Five Lakhs Eighty Two Thousand Fifty Two Only) due for the year ended on 31st March 2008, in accordance with the terms of the allotment

RESOLVED FURTHER THAT, the Board of Directors be and is hereby authorised to distribute such dividend to the Preference Share Holders and to remit the taxes thereon."

5. To re-appoint Auditors and fix their remuneration

SPECIAL BUSINESS:

6. TO RE-APPOINT PRACTICING COMPANY SECRETARY

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

"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 2008-09."

Place: Belgaum
Date: 16.06.2008

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 **August 16, 2008 to August 29, 2008 (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, General Manager-Finance and Compliance Officer, Bemco Hydraulics Ltd. Udyambag, Belgaum at least one week before the date of the meeting 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. 6 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 2008-09. Hence, the Board commends the re-appointment.

The Re-appointment of practicing company secretary for certification of compliance not being an item of ordinary business as defined in section 173 (1)(a) of the Companies Act, 1956, the same is being transacted as a special business and this explanation is offered.

MEMORANDUM OF INTEREST

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

Place: Belgaum
Date: 16.06.2008

for BEMCO HYDRAULICS LTD

M. M. MOHTA
Chairman and Managing Director

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BEMCO HYDRAULICS LIMITED

Udyambag, Belgaum - 590 008

DIRECTORS' REPORT

To

Dear Shareholders,

Your Directors have pleasure in presenting the **FIFTIETH ANNUAL REPORT** together with the Audited Accounts of the Company for the year-ended 31st March 2008.

FINANCIAL RESULTS:

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

	2007-2008 Rs.	2006-2007 Rs.
1 Gross Profit for the year after meeting all operating expenses but before interest and depreciation amounts to:	238,81,544	185,62,778
2 Deduction there from: Interest	77,53,750	68,69,006
3 Profit before depreciation	161,27,793	116,93,772
4 Depreciation for the year	104,04,352	30,62,053
5 Profit After Depreciation - (PBIT)	57,23,441	86,31,719
6 Provision for Taxation	(27,76,000)	(10,63,000)
7 Provision for FBT	(6,31,600)	(5,50,000)
8 Deferred Tax	2,88,000	(18,29,000)
9 Profit / (Loss) - (PAT)	26,03,841	51,89,719
10 Income tax Earlier Years	-	-
11 Transitional Provision for employees benefit	(7,53,236)	-
12 Net Profit/Loss	18,50,605	51,89,719
13 Surplus brought forward	33,32,709	3,23,733
14 Total Profit Available for Appropriation	51,83,314	55,13,452
15 Transferred to general Reserve	10,00,000	5,00,000
16 Provision of Dividend on Preference Shares	5,80,052	14,55,819
17 Provision for Income Tax on Dividend	98,580	2,24,924
18 Total Profit / (Loss) Carried forward	35,04,682	33,32,709

DIVIDEND:

On Equity:

Taking in to account the huge fund requirement for the large number of orders on hand, and to conserve the resources, the Directors do not recommend any dividend on Equity Shares.

On Preference Shares:

Company proposed to pay dividend on Preference Shares @11% for the year-end 31st March 2008.

The total cash outflow because of Dividend and Tax thereon amounts to Rs.6.79 Lacs

REVIEW OF OPERATION:

The year 2007-08 has witnessed strong economic growth for most of Engineering industry & other Auto Component industry as well as growing demands from Indian Railways, Aviation and Defence. 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 status in this respect is as under:

- + The net Revenue Income during year under review increased by 10.84%
- + Gross profit during the year under review is Rs. 238.82 Lakhs as against the Gross profit of Rs. 185.63 lakhs during the previous year which is 28.65% higher than the previous year
- + Profit after tax (PAT) reduced by 49.83% from Rs. 51.89 Lakhs in 2006-2007 to Rs. 26.04 Lakhs in 2007-2008.

This reduction is mainly because of Additional Depreciation amounting to Rs. 59.26 Lacs availed on Intangible Assets (i.e. Technical Know how) during the year or otherwise the PAT would have been of Rs. 85.30 lacs which would be the net increase in PAT by 64.36%.

- + Company could discharge the liability of Dividend on Preference shares & tax thereon to the tune of Rs. 6.79 Lacs for the year under report i.e. for the year ended on 31st March 2008.

It was encouraging to see the Indian economy sustain its robust growth during the year under report, which gave boost to the investment activity and continued to create demand for domestic capital goods sector. This positive environment augured well for the Company being a predominant supplier of capital goods as can be seen from the impressive growth in the order intake during the year under review.

FUTURE PROSPECTS:

2007-08 was a good year for your company as compared with 2006-07 and there is every indication that 2008-09 will be even better.

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

Besides the above your Company has orders worth Rs. 2,031.77 Lakhs to be executed in the current year. In addition, orders worth Rs. 782.36 lacs are in pipeline which are to be executed in the year 2008-09 and further healthy enquiries are being received regularly, most of which will be converted into orders.

To sum up, the outlook for the next few years looks bright.

COLLABORATION FOR TECHNICAL KNOW-HOW:

We are pleased to inform you that, in addition to the Technology Licence Agreement with PINETTE EMIDCAU INDUSTRIES, FRANCE that has already been signed on 10th April 2006, the Company is now under the process of Finalizing one more Technology Licence Agreement with DUNKES, GERMANY for THE TECHNOLOGY REQUIRED FOR WHEEL FITTING PRESS, for which the Company is expecting good amount of WHEEL FITTING PRESSES from Indian Railways.

ALTERATION IN AUTHORISED CAPITAL STRUCTURE:

During the year under Report, there is no change in Authorised Capital Structure of the Company.

ADDITION TO THE PAID-UP CAPITAL:

During the year under Report, as approved by the members of the company in the Extra-Ordinary General Meeting held on 19th March 2007 and subsequent in-principal approval received from Bombay Stock Exchange Ltd on 18th June 2007, Board of Directors in the Meeting held on 29th June 2007 issued and allotted 8,00,000 equity shares of Rs.10/- each for Rs.15.25 per shares on Preferential Basis, aggregating to a total of Rs.1,22,00,000/-.

The BSE has already approved the listing of these additional Equity Shares vide its Approval Letter bearing No. DCS/PREF/DMN/TRD/1828/07-08 dated 12th October 2007.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures from the same.
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company as at March 31, 2008.
- (iii) The Directors have taken proper and sufficient care 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; and
- (iv) The Directors have prepared annual accounts of the Company on a 'Going Concern' basis.

SECRETARIAL REPORT:

Pursuant to Section 383A (1) of the Companies Act, 1956 secretarial compliance Certificate from a practicing Company Secretary is attached hereto.

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

CONNECTIVITY WITH NSDL:

Your directors are pleased to inform you that your Company has established connectivity with NSDL to enable them to DEMAT their securities with NSDL also.

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

There is no Fixed Deposit liability as on 31.03.2008 further, the Board declares that during the financial year 2007-08, the Company has not accepted any public deposits or unsecured loans falling within the purview of section 58A of the Companies Act, 1956.

RETIRING DIRECTORS BY ROTATION:

Smt. Urmila Devi Mohta and Shri N. K. Daga retire by rotation and are eligible for re-appointment.

AUDITOR & AUDIT REPORT:

M/S A. C. Bhuteria & Co., Chartered Accountants, Kolkata statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

The Company has received letters from them to the effect that their reappointment, if made, would be within the prescribed limits under section 224(1B) of the Companies Act, 1956 and they are not disqualified for such reappointment within the meaning of Section 226 of the said Act.

The management explanation on auditor's qualification is as under:-

QUALIFICATION	EXPLANATION
Default in payment of interest on cash credit to Banks	The management would like to state that the interest on cash credit amount was overdrawn for short period which got automatically adjusted subsequently as the bills are recovered during the course of regulars business

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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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	We are pleased to inform you that, in addition to the Technology Licence Agreement with PINETTE EMIDCAU INDUSTRIES, FRANCE that has already been signed on 10 th April 2006, the Company is now under the process of Finalizing one more Technology Licence Agreement with DUNKES, GERMANY for THE TECHNOLOGY REQUIRED FOR WHEEL FITTING PRESS , for which the Company is expecting good amount of WHEEL FITTING PRESSES from Indian Railways.
2.	Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.	The results would be known in the years to come.
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	SMC Moulding presses 2006 Yes Not Applicable

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.net 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	2007-2008 Rs.	2006-2007 Rs.
i). Out flow C.I.F. Value of Imports: Raw Materials And Components	36,00,075	1,76,909
ii). Expenditure in Foreign Currency: Travelling	1,70,675	1,49,116
Technical Know How Paid/Payable	28,18,000	3,92,28,488
iii). Earning in Foreign Exchange: FOB value of Exports	NIL	1,95,65,088

CORPORATE GOVERNANCE:

Your Company is committed to maintain the highest standards of Corporate Governance. Your Directors adhere to the stipulations set out in the Listing Agreement with the Stock Exchanges.

A report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges forms part of the Annual Report.

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.

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 mode, 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 now only on **The Bombay Stock Exchange**,

Pursuant to the special resolution passed in last annual general meeting, the Securities of the Company i.e. Equity Shares have been De-listed from BANGALORE STOCK EXCHANGE w. e. f. 18th December 2007 and also Delisted from The Calcutta Stock Exchange Association Limited, Kolkata w. e. f. 8th April 2008. During the year and as on the date of the report, none of the Stock Exchanges have suspended trading in the shares of this company.

In addition, the company has paid the listing fees for the year 2008-2009.

ACKNOWLEDGEMENT:

Your Directors wish to place on record their appreciation of the services rendered by the employees during the year.

Your Directors also place on record their sincere appreciation for the assistance and co-operation received from Financial Institutions, Bankers and other Institutions, Government Authorities, vendors, customers and members during the year under review. Your Directors wish to place on record their appreciation for the committed services of the executives, staff and workers of the Company.

For and on behalf of the Board of Directors

M.M. MOHTA
Chairman & Managing Director

Place : BELGAUM
Date : 16.06.2008

ANIRUDH MOHTA
Joint Managing Director

REPORT ON CORPORATE GOVERNANCE

Corporate Governance is the set of policies and practices governing the affairs of the Company in pursuance of its business goals. Corporate Governance is based on the principals of integrity, fairness, equity, transparency, accountability and commitment to values. As stockholders across the country evince keen interest in the practices and performance of Companies, Corporate Governance has emerged on the centre stage. Good Governance practices stem from the culture and mindset of the organisation.

Bemco Hydraulics Limited endeavors to adopt best practices of Corporate Governance.

Over the years, governance processes and systems have been strengthened and institutionalised at BEMCO. Effective implementation of these policies underpins the commitment of the Company to uphold the highest principles of Corporate Governance consistent with the Company's goal to enhance shareholders value.

Keeping in the view the Company's size, complexity, operations and corporate traditions, the Company's Governance framework is based on the following main principles:

- + Constitution of Board of Directors of appropriate composition, size, varied expertise and commitment to discharge their responsibilities and duties.
- + Ensuring timely flow of Information to the Board and its committees to enable them to discharge their functions effectively.
- + A sound system of risk management and internal control.
- + Independent verification and safeguarding integrity of the Company's financial reporting.
- + Timely and balanced disclosure of material Information concerning the Company to all stakeholders.
- + Transparency and accountability.
- + Fair equitable treatment of all stakeholders including employees, customers, shareholders and investors.
- + Compliance with all the rules and regulations.

The Company recognised that good Corporate Governance is a continuing exercise and committed to follow the best practices in the overall interest of stakeholders.

In accordance with Clause 49 of Listing Agreement with the Stock Exchanges in India (Clause 49) and the best practices followed internationally on corporate governance, the details of governance systems and processes are as under:

1. Company's Philosophy on Code of Governance

Your Company believes that for its sustained success, it must maintain global standards of corporate conduct towards its shareholders, customers, employees, all other stakeholders and society in general. The Company has always focused on good corporate governance, which is a key driver of sustainable corporate growth and long-term value creation for its shareholders. The Company believes that corporate governance is not just limited to creating checks and balances. It is more about creating organization excellence leading to increasing employee and customer satisfaction and shareholder value. The primary objective of corporate governance is to create and adhere to a corporate culture of conscience & consciousness, transparency & openness, to develop capabilities and identify opportunities that best serve the goal of value creation. The Company believes, it must leverage its human and capital resources to translate opportunities into reality, create awareness of corporate vision and spark dynamism and entrepreneurship at all levels.

Above all, corporate governance must balance individual interest with corporate goals and operate within accepted norms of propriety, equity, fair play and a sense of justice. Accountable and transparency are key drivers to improve decision-making and the rationale behind such decisions, which in turn creates stakeholder confidence.

2. Board of Directors and particulars of Directors

Board Composition

The Board of Directors consists of six directors including one Chairman and Managing Director, one Joint Managing Director and Four non-executive directors, out of which three are independent directors.