

**BestCrompton**  
*Engineering Excellence. Worldwide.*

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	NA
TRA	NA		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

**ANNUAL REPORT FOR THE PERIOD FROM  
OCTOBER 1, 1995 TO MARCH 31, 1997**

# Best & Crompton

Engineering Excellence. Worldwide.

## Best & Crompton Engineering Limited

Registered Office : 39, Industrial Estate (North), Ambattur, Chennai 600 098

### Directors, Bankers and Auditors

#### Board of Directors

S. VENKITARAMANAN I.A.S. (Retd.)  
Chairman

C. HARIKRISHNAN

V. SRINIVASAN

K.V.R. BALAKRISHNAN

#### Bankers

ANZ Grindlays Bank  
The Hongkong & Shanghai  
Banking Corporation Ltd.  
Standard Chartered Bank  
UCO  
Corporation Bank  
Bank of Madura Ltd.  
Indian Overseas Bank  
Syndicate Bank  
Canara Bank  
Allahabad Bank  
State Bank of India

#### Auditors

Fraser & Ross,  
Chartered Accountants  
Chennai

#### Overseas

KPMG Peat Marwick Okoh & Co.,  
Chartered Accountants  
(Member Firm of Klynveld  
Peat Marwick Goerdeler)  
Ghana

#### Overseas

The Hongkong & Shanghai  
Banking Corporation,  
Malaysia  
The British Bank of  
The Middle East, Qatar  
Standard Chartered Bank, London  
Standard Chartered Bank, Accra, Ghana

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**BEST & CROMPTON ENGINEERING LIMITED**

Registered Office:  
39, Industrial Estate (North), Ambattur, Chennai-600 098.

**Notice of Adjourned Annual General Meeting**

NOTICE is hereby given that the Eightyfourth Annual General Meeting of the Shareholders of the Company held on Wednesday, the 27th March, 1996 at 10.30 A. M. at "Raghavendra Mandapam", 29-B, Vishwanathapuram Main Road, Kodambakkam, Chennai - 600 024 and adjourned sine die, and subsequently held on Wednesday, October 22, 1997, at 10.30 A.M. at Anna Auditorium of the Association of Surgeons of India, No.18, Swamy Sivananda Salai, Chepauk, Chennai — 600 005, and adjourned sine die will now be held on Tuesday, December 23, 1997, at 10.30 A.M. at Anna Auditorium of the Association of Surgeons of India, No. 18, Swamy Sivananda Salai, Chepauk, Chennai - 600 005 to transact the following business:-

1. To receive, consider and adopt the Balance Sheet as at September 30, 1995 and the Profit and Loss Account for the financial period from April 1, 1994 to September 30, 1995 and the Report of the Directors and Auditors thereon.
2. To approve the remuneration of the Auditors, M/s. Fraser & Ross, Chartered Accountants, for the extended financial period from April 1, 1995 to September 30, 1995. In this connection, to consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:—

**SPECIAL RESOLUTION**

"RESOLVED to approve the pro-rata remuneration of Rs. 75,000/- to M/s. Fraser & Ross, Chartered Accountants, for the extended financial period from April 1, 1995 to September 30, 1995."

By order of the Board

Chennai  
October 28, 1997.

V.P. THIRUMOORTHY  
Company Secretary

**NOTES:**

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. The proxies in order to be effective must be

received by the Company not less than 48 hours before the commencement of the meeting.

2. Members are requested to notify immediately any change in their address to the Company's Secretarial Department, 39, Industrial Estate (North), Ambattur, Chennai — 600 098.
3. Members are requested to quote Register Folio Numbers in all their correspondence.
4. Members holding Shares of the Company under more than one Register Folio are requested to send the details of all such Folios together with the Share Certificates for consolidating the Folios into one. The Share Certificates will be returned to the members after making the requisite endorsement thereon.
5. Members attending the Adjourned Annual General Meeting are requested to bring with them the following:
  - (a) Copy of the Annual Report as no copies thereof would be distributed at the Meeting.
  - (b) The Attendance Slip of a person actually attending the Meeting either as a Member or as a duly registered proxy will be accepted.
6. A more realistic picture of the Company's financial position would be available once the Auditor's Report along with the Accounts for the period from October 1, 1995, to March 31, 1997, is placed.

It is in this background, on October 22, 1997, the members present Resolved unanimously to defer consideration of the Accounts for the period from April 1, 1994 to September 30, 1995 and to adjourn the meeting sine die and reconvene the adjourned meeting on the same day when the Accounts for the period from October 1, 1995 to March 31, 1997 will be placed for consideration.

7. Shareholders desiring any information are requested to write to the Company at an early date so as to enable the Management to keep the information ready.

**BEST & CROMPTON ENGINEERING LIMITED**

Registered Office:

39, Industrial Estate (North), Ambattur, Chennai - 600 098.

**Notice of Annual General Meeting**

NOTICE is hereby given that the Eighty-fifth Annual General Meeting of the Shareholders of the Company will be held on Tuesday, December 23, 1997 at 11.30 A. M. or soon thereafter upon conclusion of the adjourned 84th Annual General Meeting of the Company (which is convened at the same venue at 10.30 A.M. on the same day), at Anna Auditorium of the Association of Surgeons of India, No. 18, Swamy Sivananda Salai, Chepauk, Chennai - 600 005 to transact the following business :-

1. To receive, consider and adopt the Balance Sheet as at March 31, 1997, and the Profit and Loss Account for the financial period from October 1, 1995 to March 31, 1997 and the Report of the Directors and the Auditors thereon.

2. To appoint Auditors.

The retiring Auditors M/s Fraser & Ross, Chartered Accountants, Chennai are eligible for reappointment. In this connection, to consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:-

**SPECIAL RESOLUTION**

"RESOLVED that M/s Fraser & Ross, Chartered Accountants, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company for the financial year ending March 31, 1998 at a remuneration of Rs. 1,50,000 (Rupees One Lakh Fifty Thousand Only) exclusive of travelling and out-of-pocket expenses plus fees as agreed upon for any other professional services rendered".

3. To appoint Auditors for the Overseas Branch.

To appoint Auditors under Section 228 of the Companies Act, 1956 for the Company's Branch office in Ghana for the financial year from April 1, 1997 to March 31, 1998 or any other date as may be decided by the Board; for this purpose, to consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:-

**ORDINARY RESOLUTION**

"RESOLVED that M/s KPMG Peat Marwick Okoh & Co., Chartered Accountants, be and are hereby reappointed under Section 228 of the Companies Act, 1956 as Auditors of the Company's Branch office in Ghana to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company for the financial year from April 1, 1997 to March 31, 1998 or any other date as may be decided by the Board at a remuneration of 5,000,000 Cedis exclusive of travelling and out-of-pocket expenses plus fees as agreed upon for any other professional services rendered."

Chennai  
28th October, 1997.

By order of the Board  
V.P. THIRUMOORTHY  
Company Secretary

**NOTES:**

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. The proxies in order to be effective must be received by the Company not less than 48 hours before the commencement of the Meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from December 10, 1997, to December 23, 1997, (both days inclusive).
3. Members are requested to notify immediately any change in their address to the Company's Secretarial Department, 39, Industrial Estate (North), Ambattur, Chennai-600 098.
4. Members are requested to quote Register Folio Numbers in all their correspondence.
5. Members holding Shares of the Company under more than one Register Folio are requested to send the details of all such holding with the Share Certificates for consolidating the Folios into one. The Share Certificates will be returned to the members after making the requisite endorsement thereon.
6. Members attending the Annual General Meeting are requested to bring with them the following:-
  - (a) Copy of the Annual Report and Notice, as no copies thereof would be distributed at the Meeting.
  - (b) The Attendance Slip of a person actually attending the Meeting either as a Member or as a duly registered proxy will be accepted.
7. Shareholders desiring any information are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
8. In a batch of company petitions filed in the Hon'ble High Court of Madras, the Hon'ble Court, on December 23, 1996, appointed the Official Liquidator as Provisional Liquidator and also appointed an Administrator to take charge of the affairs of the Company, which resulted in the status of the Board of Directors of the Company being kept in abeyance till further orders of the Hon'ble Court.

These petitions were heard and on July 30, 1997, the Hon'ble High Court directed that the resignations of all the Directors, who were on the Board at the time the Provisional Liquidator was appointed, be obtained and be placed before the Hon'ble Court on the next date of hearing i.e., August 8, 1997. Pursuant to this order, the Directors had tendered their resignations from the Board, which was accepted by the Hon'ble Court on August 8, 1997; consequently, the Hon'ble Court has constituted an Interim Board of Directors under the Chairmanship of Mr. S Venkataramanan I.A.S (Retd.) with Mr. C. Harikrishnan, Mr. V. Srinivasan and Mr. K. V. R. Balakrishnan as Directors; the said Directors will continue in office till discharged by the Court from the office and responsibilities.

In view of these developments, consideration of the subject "Retirement of Directors by Rotation" does not arise.

9. Appointment of Auditors for the Overseas Branch:-

Remuneration of 5,000,000 Cedis has been proposed in the resolution; Approximate Rupee equivalent is Rs. 99,000/-, based on the conversion rate as on the date of issue of the notice.

## Report of the Directors

Your Directors present the Audited Accounts of the Company for the 18 months period ending on March 31, 1997. While presenting the same, it is essential to bring to your notice that the High Court of Madras has by its order dated August 8, 1997, revoked the order of appointment of Provisional Liquidator made earlier and has reconstituted the Board with the following:-

1. Mr. S. Venkitaramanan
2. Mr. C. Harikrishnan
3. Mr. V. Srinivasan
4. Mr. K. V. R. Balakrishnan

We give below the relevant extracts from the said order-

"In view of the fact that considerable progress has been achieved in securing the consent of all those interested to render the scheme workable, I consider it just to discharge the Provisional Liquidator and to appoint the Interim Board pending further consideration of these petitions.

The Interim Board shall be responsible for the proper management of the affairs of the company, of convening the Annual General Meeting as also Extraordinary General Meeting. They shall monitor the Investments to be made by the new promoter and the further steps to be taken by the new promoter to effectuate the scheme. Leave is given to the Chairman of the Interim Board and to its members to apply to this Court for further directions wherever circumstances so require. The Interim Board shall make periodical reports to this Court about the progress made in the implementation of the scheme proposed by the Promoter".

The newly constituted Board is enjoined to implement and supervise the 'Revival Scheme' for the company proposed by M/s Fulltech Investments Limited, a member of the Polysindo Group of Indonesia, who will ultimately take over management control, when your present Directors will be discharged from their office by the Hon'ble High Court of Madras.

As directed therein, your Board also has to comply with statutory requirements under the Companies Act relating to preparation, Audit of Accounts and convening of meetings as prescribed under the Act and also complete other unfinished business relating to the 84th Annual General Meeting.

We now proceed to place the accounts before you.

### ACCOUNTS

Accounts are prepared recognising all known liabilities and consequent losses as of March 31, 1997.

The results are as follows:	(18 Months)	
	<b>1995-97</b>	<b>1994-95</b>
	<b>(Rs.'000)</b>	<b>(Rs.'000)</b>
Profit /Loss before interest and Depreciation	<b>(915,350)</b>	(31,359)
Add: Profit/Loss on sale of Assets and Investments	<b>(1,487)</b>	73,795
Add: Profit on Appreciation of Land as current Assets	<b>—</b>	157,361
	<b>(916,837)</b>	199,797
Add: Depreciation	<b>21,465</b>	18,863
Interest	<b>249,156</b>	231,050
Taxation (Foreign)	<b>75,409</b>	1,816
	<b>(1,262,867)</b>	(51,932)
Less: Accrued reliefs on One Time Settlement made in October 1997 with Financial Institutions, Bankers, Debentureholders and others.	<b>495,534</b>	—
Less: Transfer from Investment Allowance Reserve	<b>—</b>	4,575
	<b>(767,333)</b>	(47,357)

### DIVIDEND

No dividend is proposed, in view of the status of the Company and Loss for the period. Networth stands totally eroded and the Company would fall under the definition of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985. In normal circumstances your Directors would have to recommend a reference to BIFR under Section 15. However, no reference is to be made as the Company is under the jurisdiction of the Hon'ble High Court of Madras, and in view of the Directives of the Hon'ble Judge vide his order dated August 8, 1997, referred above regarding implementation of revival scheme for the Company by M/s Fulltech Investments Limited.

### CURRENT STATUS OF IMPLEMENTATION

1. M/s Fulltech Investments Limited have agreed to subscribe to Equity of the Company to the extent of Rs. 5,00,000 thousands and have since remitted the funds after getting the necessary approvals from Government of India and Reserve Bank of India.
2. An amount of Rs. 4,59,645 thousands have since been disbursed to various secured creditors on October 22, 1997, which has reduced the total Loans/Borrowings by Rs. 9,55,179 thousands.
3. The clearance from State Government of Tamil Nadu relating to approval under the provisions of Urban Land Ceiling Act for disposal of property and sanctioning Reliefs sought for against Sales Tax assessments are awaited.
4. It is understood that the new promoter is independently processing their programme for acquisition of shares from Financial Institution/ the erstwhile promoter.
5. The new promoter is taking necessary steps to bring in the balance amount required towards the Scheme as funds to be generated from sale of property is likely to be delayed.

It will be the endeavour of your Board and the new promoter to report total implementation when the members meet to discuss the affairs of the Company on December 23, 1997.

### OPERATIONS

Of the total turnover of Rs. 9,89,174 thousands reported, Contracts Division of the Company accounted for Rs. 6,88,309 thousands and reported an operating profit after interest of Rs. 11,800 thousands. Of this, Turnover the International Contracts Operations accounted for Rs. 1,26,769 thousands. As in the previous period due to lack of Bankers support Contracts Division missed out on many business opportunities, as it could not tender for the jobs.

Due to lack of working capital the operation of Manufacturing Divisions continued to decline and manufacturing operations were even suspended for a short period during the year. Though manufacturing operations have been restarted they are at a very low level, hardly capable of generating revenues to even meet Fixed Costs.

Your Board is confident that the new promoter will have Business Plans to restore back operations to profitability in the near future.

### FIXED DEPOSITS

Total Deposits as at March 31, 1997, with the Company were Rs. 23,082 thousands and the Company has since paid an amount of Rs. 298 Thousands.

No fresh Deposits have been accepted. The "One Time Settlement" scheme provides for full settlement.

### PERSONNEL

Even in the most trying Circumstances like temporary closure, delayed disbursement of salaries, relations between Company and the union have been very cordial and continue to be the same. Particulars of employees required under Section 217(2A) of the Companies Act, 1956 are Nil.

### STATUTORY DEFAULTS

Defaults continue, however, the revival scheme addresses the problem in its entirety and will be settled.



*Best & Crompton Engineering Limited***SUBSIDIARY COMPANIES**

All the Subsidiary Companies have reported unsatisfactory results. Most of the units were affected by status of the Parent Company and Working Capital could not be made available to sustain operations. The status is as follows:-

- i. **Beacon Carbons and Electricals (India) Limited, Beacon Tileman Limited and Three 'C' Systems Limited** have ceased operations.
- ii. **Air Control and Chemical Engineering Limited and Beacon Weir Limited** are under reference to BIFR.
- iii. **Beacon Process Pumps Limited, Beacon Neyrpic Limited and Esquire Engineers & Consultants Limited** have reported Losses.

Necessary provisions have been made in the Accounts for the Losses viz-aviz Investments and Advances to such Subsidiaries, excepting Beacon Neyrpic Limited and Esquire Engineers & Consultants Limited, whose Networth is positive.

**DIRECTORS**

All the erstwhile Directors have submitted their resignations from the Board as per the directive of Hon'ble Judge of the High Court of Madras vide order dated July 30, 1997 and accepted by Hon'ble Court on August 8, 1997. The present Directors have been appointed by the Hon'ble Court and will continue in office till discharged by the Hon'ble Court from such office and responsibilities.

**AUDITORS**

The Auditors, M/s Fraser & Ross, Chartered Accountants, retire and are eligible for re-appointment for the Current Financial Period / year as the case may be. Resolution to appoint them will be proposed in the forthcoming Annual General Meeting.

In respect of the Company's overseas office in Ghana, the retiring Auditors, M/s KPMG Peat Marwick Okoh & Company, Chartered Accountants are eligible for re-appointment.

**REPLY TO AUDITORS REPORT**

Note: 3(a) The Board has already explained the rationale for preparation of Accounts which is solely based on judicial recognition of the proposal for take over and revival of the Company by M/s Fulltech Investments Limited. Based on the directive of the Hon'ble High Court of Madras, no reference to BIFR is recommended.

4(b) Out of the settlements made on 22.10.97, reliefs to the extent of Rs. 495,534 thousands have already materialised and have a bearing on the liabilities of the Company. The Directors should take cognizance of any significant development or events occurring after the Balance Sheet date and their consequential impact on the accounts before placing the same before the members. Consequently Reliefs have been taken credit for in the Profit & Loss account and liabilities are stated suitably reduced to the extent of Reliefs.

4 (c) No appreciation in the market value since September 30, 1995, is considered in Accounts. It must be mentioned that the present revival scheme also identifies this property as a source of funds and both cash wise and profit wise, this will have a significant impact on the revival of the Company.

4(d) Of the Tesa Fees of Rs. 61,165 thousands recognised as Income on accrual basis, the Company has received as of date Rs. 49,830 thousands. Relating to share of surplus arising out of joint venture operations Rs. 79,076 thousands, which are recognised on the basis of periodical Accounting Statements and returns received from joint venture partner, income is recognised consistent with the principle of recognising revenue on stages of progress (Refer 14(1) F significant Accounting policies and Notes on Accounts).

5(a) The Company has been consistently following a policy of accounting 'Gratuity' as and when paid.

5(b) Interest on loans used for acquiring Capital Asset was capitalised when such practice was permitted. The practice was discontinued. All such loans have long since been repaid. Consequently, over the last few years the charge to the Profit and Loss Account by way of Depreciation is higher than what the charge would have been in normal circumstances.

Further the overstatement of Reserves and Surplus as of date is only Rs. 1,765 thousands, as against Rs. 9,742 thousands at the inception (Refer Note. 9 - Notes on Accounts).

5(c) Taxation matters are all on appeal. As the liabilities are contingent only, we have shown them as contingent liabilities not acknowledged as debts.

5(e) The liability devolving on the Company consequent to invocation of a Guarantee issued by Allahabad Bank in favour of Lombard Bank of Malta on behalf of the Company, has been stayed by the Court in India on the basis of a suit filed by the Company disputing the demand. As the stay has been made absolute, no provision is considered necessary until the suit is disposed of.

5(f) Cost Accounting records are maintained for Pumps and Electrical Machine Units but the records are not updated on a monthly basis. Efforts are being made to ensure compliance.

6(i)(ii) Substantial payments have been made towards debentures/ interests thereon on the basis of "One Time Settlement" made on October 22, 1997 and balance payments are likely to be completed by end November, 1997.

Regarding the various comments in the Annexure to the Auditors Report we give below our comments and follow up plan.

1. All the defaults relating to statutory liabilities like Provident Fund, undisputed Sales Tax liability, ESI are all covered under the scheme proposed by M/s Fulltech Investments Limited which is under implementation.
2. Dues to Fixed Deposit Holders are also fully covered under the revival scheme.

Steps have been taken to file the Returns which was delayed consequent to the supervening order of the Court and suspension of the Board of Directors. Now that the Court has restored the Board, the Board is seized of the problems of Statutory compliances.

3. Loan and Advances of Rs. 4, 908 thousands is towards acquisition of control over two business units which subserves the Hydraulics and Control Panel business of Best & Crompton Engineering Limited. The advances will shortly be regularised by conversion into Investments. The Company is deriving substantial benefit by way of Royalty.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:-**

Information pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to the foregoing matter is of no significance as there has been no activity in the related spheres. Report is enclosed.

Company continues to earn Foreign Exchange. While the inflow is approx. Rs. 1,66,143 thousands outflow is approx. Rs. 135 thousands.

To conclude on behalf of the Board and myself I thank the Financial Institutions, Bankers, Creditors, Fixed Deposit Holders for their constructive support towards the revival plan for the Company and we also thank the employees who have shown commendable restraint and patience during the difficult and trying times.

By Order of the Board

Chennai  
28th October, 1997.

S. VENKITARAMANAN  
Chairman

**Annexure to the Directors' Report****FORM - B**

Disclosure of Particulars with respect to Technology Absorption.

**Research and Development**

1. Specific areas in which R & D carried out by the Company:
  - (i) Electrical Rotating Machines-Special Machines for Industries, Defence and Railways.
  - (ii) Motors of Monobloc Pumps.
  - (iii) Development of Pumps for Ash Handling operations, pumps for High Head Applications.
2. Benefits derived as a result of the above R & D.
  - (i) Introduction of new products in the market: Developed 1/1.5 HP Jet Pumps.
  - (ii) Improvement to existing products range: Introduced 22.75 KW optimised brushless Train Lighting Generators.
  - (iii) Cost Reduction: Developed 4.5 KW Light Weight Alternator for Train Lighting System.
3. Future Plan of Action:
  - (i) Product Development.
  - (ii) Import Substitution of electrical products and pumps.
4. Expenditure on R & D: (Rs. in '000)
  - (i) Capital —
  - (ii) Recurring —
  - (iii) Total R & D expenditure as a percentage of total turnover —

**Technology absorption, adaptation and Innovation**

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:
  - (a) Deputed Engineers for training at Collaborators Works.
  - (b) Indigenisation of materials and components.
2. Benefits derived as a result of the above efforts:
  - (a) Savings in Foreign Exchange due to import substitution.
  - (b) Improved quality for local market.
  - (c) Reduction in cost.
  - (d) Improved design engineering.
3. Imported Technology:
 

(a) Technology Imported :	Year of Import
Turbines and Governing Control System for Small Hydel Projects	1990

  - (b) Has that technology been fully absorbed:
 

The technology is being absorbed and wherever required adopted to our customers' requirements.
  - (c) If not fully absorbed, areas where this has not taken place, reasons therefor and future plan of action:
 

Efforts are being made to assimilate the technology at the earliest.

*Best & Crompton Engineering Limited*

## Report of the Auditors to the Members of Best & Crompton Engineering Limited

We have audited the attached Balance Sheet of Best & Crompton Engineering Limited as at 31st March, 1997 and the Profit & Loss Account for the period ended on that date annexed thereto and report that:

1. As required by the Manufacturing and other Companies (Auditor's Report) order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the annexure referred to in paragraph 1 above, we state that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of such books. The Accounts of the overseas branch at Ghana ended 31st March 1997 has been audited by the overseas branch Auditors and their report has been considered by us.
  - (c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account and returns.
  - (d) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit & Loss Account read together with the Accounting Policies and Notes give the information required by the Companies Act, 1956 in the manner so required.
3. (a) The accounts have been prepared on principles applicable to a "Going Concern" despite total erosion in net worth in view of the developments referred to in Note. 2. 1. on the accounts.
- (b) The audited accounts for the previous period ended 30th September 1995 have not been considered by the shareholders of the Company either at the Annual General Meeting held on March 27, 1996 or at the adjourned Annual General Meeting held on October 22, 1997. The corresponding figures relating to the previous financial period both in the Balance Sheet and Profit and Loss Account are therefore to be regarded as provisional.
4. Attention is invited to the following
  - (a) Note No. 7 listing out various adjustments based on earlier audit objections on the accounts.
  - (b) Note No.22 regarding taking credit for an amount of Rs. 495,534 thousands in the Profit and Loss account for the period by way of Reliefs, arising out of one time settlement with Bankers, Financial Institutions and others in October 1997.
  - (c) Note 2(2) in Schedule 14 to the accounts regarding the notional enhancement in the value of certain immovable properties converted into stock-in-trade as at 31st March 1995 and further notional enhancement in their estimated market value between 1st April 1995 and 30th September 1995 and taking credit for this notional appreciation during the period amounting to Rs. 157,361 thousands to the Profit and Loss account resulting in corresponding reduction in the loss of that period.
  - (d) Taking credit for unremitted income accruing overseas based on statement of account of National Contracting Company, Saudi Arabia, not independently verified. (Refer Note No. 21).
5. Non-provision / consideration / absorption of the following known and disputed liabilities / losses are not in accordance with the accrual system of accounting under Section 209 of the Companies Act / generally accepted accounting principles:
  - (a) Accrued liability for gratuity to employees Rs. 35,691 thousands (Note 6).
  - (b) Non-decapitalisation of interest on loans for acquisition of fixed assets relating to period beyond the commencement of production capitalised in earlier year Rs. 9,742 thousands (Note 9).
  - (c) Disputed Income-tax, Sales-tax, Excise Duty etc., Rs. 354, 033 thousands (Note 5).
  - (d) Non-provision of interest on amounts due to Small Scale Industries if any (Note 12).
  - (e) Potential liability on account of an overseas bank guarantee stayed by court pending disposal of the suit and not determinable. (Note 4a (ii)).
  - (f) Non-Maintenance of cost accounting records on regular basis (para 16 of the annexure)
6. The non-compliance of the following are violative of the respective covenants, obligations including provisions of the Companies Act:
  - (i) Debentures (including premium) of Rs. 177,308 thousands matured but not paid (Note 14): (since partly settled)
  - (ii) Debenture Interest of Rs. 226,906 thousands not paid (Note. 16) (since partly settled)
  - (iii) Dividend of Rs. 677 thousands declared in an earlier year neither funded nor paid (Note 15).
  - (iv) Non-refund of Public Deposits of Rs. 26,289 thousands (Note 17).
  - (v) Non-payment of fee including penalty of Rs. 2287 thousands for increase in authorised capital (Note 20).
  - (vi) Non-payment of ESI dues Rs. 1,029 thousands (Note 13 (a)).
7. Read with para 6. above and subject to our remarks in Paragraphs 3, 4(b), (c), (d) and 5 above and consequential understatement of the losses for the period, and understatement of Loans and Liabilities, and carry forward losses and overstatement of Fixed Assets and Current Assets the accounts give a true and fair view.
  - (i) in so far as it relates to the Balance Sheet of the state of affairs of the Company as at 31st March, 1997 and
  - (ii) In so far as it relates to the Profit and Loss Account, of the loss of the Company for the period ended on that date.

For FRASER & ROSS  
Chartered Accountants

Chennai  
28th October, 1997.

K.N. RAMASUBRAMANIAN  
Partner



## Annexure to the Auditors' Report

Re: BEST & CROMPTON ENGINEERING LIMITED

Referred to in paragraph 1 of our report of even date.

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The Company has a phased programme of verification of all the fixed assets over a period of few years which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to this programme, physical verification of fixed assets was carried out at certain contract sites only during the period and we are informed that there were no material discrepancies noticed on such verifications. Reconciliation between the physical balances and Fixed Assets inventories is in progress.
2. Fixed Assets have not been revalued during the period.
3. The stocks of finished goods, spare parts and raw materials have been physically verified during the period by the Management with the exception of those with sub-contractors, most of whom have confirmed existence thereof. In our opinion, the frequency of verification is reasonable.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies identified on verification by management between the physical stocks and the book records were not material in relation to the operation of the Company and have been properly dealt with in the books of accounts.
6. In our opinion and on the basis of examination of the stock record, the valuation of the stocks is fair and proper and in accordance with normally accepted accounting principles except that the MODVAT credits in respect of inputs not consumed have not been quantified and carried forward. The basis of valuation of stocks is on the same basis as in the previous financial period, with the exception of land held as stock in trade which was revalued at the end of the previous financial period at the then estimated market value (Note 2(2) and para 4 (c) of our Audit Report).
7. No loans have been taken from Companies, firms or other parties listed in the registers maintained under Section 301 of the Companies Act and from the Companies under the same Management.
8. No loans have been granted to Companies, firms or other parties listed in the registers maintained under Section 301 of the Companies Act and to the Companies under the same management.
9. In respect of loans and advances in the nature of loans given by the Company, parties have repaid the principal amounts as stipulated and have also been regular in the payment of interest where applicable; however, there is no stipulation as to the time of repayment of advances in the nature of Interest Free loans given to subsidiary/associate Companies of Rs. 6714 thousands. Adequate steps have not been taken for recovery of other loans and advances of Rs. 4908 thousands.
10. In our opinion and according to the information and explanations given to us, there are reasonable internal control procedure commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw-materials including components, plant and machinery, equipment and other assets and with regard to the sale of goods, but implementation thereof requires improvement.
11. There are no transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 of the Companies Act and aggregating during the period to Rs. 50 thousands or more in respect of each party.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials,

finished goods and trading stocks at the end of the period, and adequate provision has been made in the Accounts for the loss arising on the items so determined.

13. In our opinion and according to the information and explanations given to us, the Company has not fully complied with the provisions of Section 58A of the Companies Act, and the Companies (Acceptance of Deposits) Rules 1975 with regard to the deposits accepted from the Public of Rs. 26,289 thousands were accepted in earlier years in excess of the limit. Repayment of deposits on the due dates amounting to Rs. 26,289 thousands, had fallen into arrears. There is a delay in the filing of Returns of Deposits with the Reserve Bank of India.
14. In our opinion reasonable records have been maintained by the Company for the sale and disposal of production scrap. The Company has no by-products.
15. The Company's internal audit is being carried out by the UB Group Internal Audit Department, which in our opinion is commensurate with the size and nature of its business.
16. We have broadly reviewed without carrying out a detailed audit of the Books of Accounts maintained by the company pursuant to the order made by the Central Govt. for the maintenance of cost records under Sec.209 (1) (d) of the Companies Act, 1956 of the Pumps and Electrical Machines Division and are of the opinion that prima facie the prescribed accounts and records have been maintained on yearly basis and not on monthly or quarterly basis.
17. Provident Fund dues during the period have been deposited with the appropriate authorities after a delay of one to four months during the period. Estimated shortfall in income of Provident Fund to the extent of Rs. 5,420 thousands has not been reimbursed by the Company, but has been provided for. Employees State Insurance dues have been deposited after a delay of one to four months. ESI dues subsequent to October 1995 amounting to Rs. 1,029 thousands although considered in the accounts have not been remitted (Note 13) (since paid)
18. According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, wealth-tax, sales-tax, customs duty and excise duty were outstanding as at 31.03.1997 for a period of more than six months from the date they became payable, with the exception of the tax deducted at source and sales tax of Rs. 11,045 thousands has not been remitted.
19. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is a Sick Industrial Company within the meaning of Clause (o) of sub Section (1) of section 3 of Sick Industrial Companies (Special Provisions) Act 1985 on a reference under Section 15 of the said Act has not been made in view of the winding up proceedings pending before the Hon'ble High Court of Madras. (Note. 2. 1(a)).
21. In respect of service activities, the Company has commensurate with its size and nature of its business, a reasonable system of:
  - i) recording receipts, issues and consumption of materials and stores and allocating materials consumed to the relative jobs.
  - ii) allocating labour to relative jobs.
  - iii) authorisation at proper levels and an adequate system of internal control on issue of stores and allocation of stores and labour to jobs.

Chennai  
28th October, 1997.

For FRASER & ROSS  
Chartered Accountants  
K.N. RAMASUBRAMANIAN  
Partner

*Best & Crompton Engineering Limited***Balance Sheet as at 31st March, 1997**

	Schedule No	31.03.1997 Rs. '000	30.9.1995 Rs. '000
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds :</b>	1		
(a) Capital		257,501	257,501
(b) Reserves and Surplus		364,268	364,268
		<b>621,769</b>	<b>621,769</b>
<b>2. Loan Funds:</b>			
(a) Secured Loans	2	681,322	849,956
(b) Unsecured Loans		101,312	102,253
		<b>782,634</b>	<b>952,209</b>
<b>TOTAL</b>		<b>1,404,403</b>	<b>1,573,978</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets :</b>	3		
(a) Gross Block		332,090	268,870
(b) Less : Depreciation		158,308	107,520
(c) Net Block		173,782	161,350
(d) Capital Work-in-Progress		21,622	21,622
		<b>195,404</b>	<b>182,972</b>
<b>2. Investments</b>	4	<b>43,896</b>	<b>47,832</b>
<b>3. Current Assets, Loans and Advances :</b>	5		
(a) Stock in trade		384,902	384,902
(b) Inventories		25,667	367,796
(c) Sundry Debtors		368,855	482,649
(d) Cash and Bank Balances		51,616	41,029
(e) Loans and Advances		266,712	395,148
		<b>1,097,752</b>	<b>1,671,524</b>
Less : Current Liabilities and Provisions	6		
(a) Liabilities		948,976	727,821
(b) Provisions		94,775	17,754
		<b>1,043,751</b>	<b>745,575</b>
Net Current Assets		<b>54,001</b>	<b>925,949</b>
<b>4. Miscellaneous Expenditure</b>	7	<b>—</b>	<b>73,456</b>
<b>5. Profit and Loss Account</b>			
As per Last Balance Sheet		343,769	296,412
Add : Loss For The period		767,333	47,357
		<b>1,111,102</b>	<b>343,769</b>
<b>TOTAL</b>		<b>1,404,403</b>	<b>1,573,978</b>
NOTES ON ACCOUNTS	14		

This is the Balance Sheet referred to in our report of even date.

For FRASER & ROSS  
Chartered AccountantsK.N. RAMASUBRAMANIAN  
PartnerPlace : Chennai  
Date : 28th October, 1997V. P. THIRUMOORTHY  
Company SecretaryS. VENKITARAMANAN  
ChairmanC. HARIKRISHNAN  
Director