

Best & Crompton Engg. Limited



87th Annual Report 1998-99

Best & Crompton Engg. 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

M. ARUNACHALAM
Director

B. VISWANATHAN
Director - Finance

V. SUBRAMANIAM
Director - Operations

K. RAMAKRISHNAN
Director

SP. ANNAMALAI
(Alternate to M. Arunachalam)

Bankers

Global Trust Bank Limited
ABN Amro Bank
Bharat Overseas Bank Ltd.
Bank of Baroda

Overseas

Standard Chartered Bank, Accra, Ghana
Barclays Bank, Accra, Ghana

Auditors

Fraser & Ross,
Chartered Accountants
Chennai

Overseas

KPMG
Chartered Accountants
Ghana

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BEST & CROMPTON ENGG. LIMITED

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

Notice of Annual General Meeting

NOTICE is hereby given that the Eighty seventh Annual General Meeting of the Shareholders of the Company will be held on Tuesday, September 28, 1999 at 11.00 A.M. at No.18, Anna Auditorium of the Association of Surgeons of India, Swamy Sivananda Salai, Chepauk, Chennai-600 005 to transact the following business:-

1. Consideration of Accounts.

To receive, consider and adopt the Balance sheet as at March 31, 1999 and the Profit and Loss Account for the year ended on that date and the Report of the Directors and Auditors thereon.

2. To elect Directors.

- (a) Mr. B. Viswanathan retires by rotation under Article 124 of the Articles of Association of the Company and being eligible, offers himself for re-election
- (b) Mr. V. Subramaniam retires by rotation under Article 124 of the Articles of Association of the Company and being eligible, offers himself for re-election

3. To appoint Auditors and fix their remuneration.

The retiring Auditors, M/s Fraser & Ross, Chartered Accountants, Chennai, are eligible for re-appointment.

4. 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.

The retiring Auditors M/s. KPMG, Chartered Accountants are eligible for re-appointment.

SPECIAL BUSINESS**5. To appoint Mr. K. Ramakrishnan as Director**

Mr. K. Ramakrishnan was appointed to the Board as Additional Director with effect from July 19, 1999 and holds office upto the date of the forthcoming Annual General Meeting and is eligible for election.

To consider and if, thought fit, to pass with or without modification, the following as an Ordinary Resolution; a Notice of intention to move the same having been received from a Shareholder alongwith a deposit of Rs. 500/- under section 257 of the Companies Act, 1956.

ORDINARY RESOLUTION

"RESOLVED that Mr. K. Ramakrishnan be and is hereby appointed as a Director of the Company, subject to retirement by rotation."

6. Proposed Investment in "Best & Crompton Engineering Projects Limited"- Company under incorporation

To consider and if, thought fit, to pass with or without modification, the following as Special Resolution:-

SPECIAL RESOLUTION

"RESOLVED that pursuant to the requirements of section 372 A and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Financial Institutions, wherever necessary, and subject to other approvals, if any, that may be considered necessary, consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company for the investment of the Company's funds of Rs. 1 Crore in the Equity Shares of the Share Capital of the Company, under incorporation under the name 'Best & Crompton Engineering Projects

Limited', notwithstanding that the said investment is beyond the network of the Company".

"RESOLVED further that the Board of Directors be and is hereby authorised to take such steps, as may be considered necessary, for obtaining approvals, if necessary, in relation to such investment and to sign and execute all deeds, applications, documents and writings that may be required on behalf of the Company in connection with such investment and generally to do all acts, deeds and things that may be considered necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid Resolution".

7. Investment in "Crombes Holdings Limited", Chennai,

To consider and if, thought fit, to pass with or without modification, the following as a Special Resolution:-

SPECIAL RESOLUTION

"RESOLVED that pursuant to the requirement of Section 372 A and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Financial Institutions, wherever necessary, and subject to other approvals, if any, that may be considered necessary, consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company for the investment of the Company's funds of Rs. 5 Crores in the Equity shares of the Share Capital of Crombes Holdings Limited, Chennai, a Subsidiary Company, notwithstanding that the said investment is beyond the network of the Company".

"Resolved further that the Board of Directors be and is hereby authorised to take such steps, as may be considered necessary, for obtaining approvals, statutory, contractual or otherwise in relation to such investment, to settle all matters arising out of and incidental thereto and to sign and execute all deeds, applications, documents and writings that may be required on behalf of the Company in connection with such investment and generally to do all acts, deeds and things that may be considered necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid Resolution".

8. Investment in "Crombes Properties Limited", Chennai.

To consider and if, thought fit, to pass with or without modification, the following as a Special Resolution:-

SPECIAL RESOLUTION

"RESOLVED that pursuant to the requirement of section 372 A and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Financial Institutions, wherever necessary, and subject to other approvals, if any, that may be considered necessary, consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company for the investment of the Company's funds of Rs. 1 Crore in the Equity Shares of the Share Capital of Crombes Properties Limited, Chennai, a Subsidiary Company, notwithstanding that the said investment is beyond the net worth of the Company".

"RESOLVED further that the Board of Directors be and is hereby authorised to take such steps, as may be considered necessary, for obtaining approvals, statutory, contractual or otherwise in relation to such investment, to settle all matters arising out of and incidental thereto and to sign and execute all deeds, applications, documents and writings that may be required on behalf of the Company in connection with such investment and generally to do all acts, deeds and things that may be considered necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid Resolution".

Chennai,
July 19, 1999

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 relevant Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of the business as set out above is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from September 21 to September 28, 1999 (both days inclusive).
4. Members are requested to notify immediately any change in their addresses to the Company's Secretarial Department, 39, Industrial Estate (North), Ambattur, Chennai - 600 098.
5. Members are requested to quote Register Folio Numbers in all their correspondence.

6. 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.
7. 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.
8. 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.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.**Resolution No. 5**

Mr. K. Ramakrishnan, who has been appointed as Additional Director effective July 19, 1999 pursuant to Section 260 of the Companies Act, 1956, holds office only upto the date of the ensuing Annual General Meeting of the Company and is eligible for election. Notice under Section 257 of the Companies Act, 1956 proposing his name as a Director of the Company, alongwith the requisite deposit of Rs. 500/-, has been received from a Shareholder signifying his intention to propose the candidature of Mr. K. Ramakrishnan for the office of Director.

Mr. K. Ramakrishnan is an Engineer with a proven track record in the Engineering field. He has held senior level positions in the Engineering Industry. He has a rich managerial expertise.

The Board of Directors, considering his experience and abilities, recommend the appointment of Mr. K. Ramakrishnan on the Board.

None of the Directors, except Mr. K. Ramakrishnan, is in any way concerned or interested in this Resolution.

The Directors commend the Resolution for adoption.

Resolution No. 6

The Company proposes to invest Rs. 1 Crore in the Equity Shares of the Equity Share Capital of "Best & Crompton Engineering Projects Limited", a Company under incorporation.

The Projects division of the Company at present is executing projects in the following areas viz. Railway Electrification, High Voltage Substation etc., both Government, Quasi Governmental Authorities/bodies like Corporations, Municipal Authorities and Foreign bodies.

It may be necessary to enter into suitable tie-ups / Joint ventures for expanding its activities and / or diversifying into allied areas both in India and Overseas.

As it has been found that such Associates would prefer dealing with Companies, focusing exclusively on projects, this investment has been proposed.

The new Company would identify and evaluate various proposals for growth in the Projects business.

Some among the Directors of your Company may also be inducted as Directors of the proposed Company and subject to the same, none of the Directors of the Company is concerned or interested in the said Resolution as on date.

The Directors commend the Resolution for adoption.

Resolution No. 7

Members may recall that at the Annual General Meeting held on September 24, 1998 an enabling Ordinary Resolution was passed for investment of the Companies funds of Rs. 5 Crores in the Equity Share Capital of a Company under incorporation under the name "Beacon Holding & Investments Limited". The Company was registered under the name "Crombes Holdings Limited". An amendment was made in Section 372 of the Companies Act, 1956, wherein Companies are required to pass Special Resolution for investment of the Companies funds over and above the prescribed limit. Accordingly, it has become necessary to pass a Special Resolution for making investment in the Equity Share of the Equity Share Capital of Crombes Holdings Limited.

Some among the Directors namely, Mr. B. Viswanathan and Mr. V. Subramaniam of your Company are also Directors of Crombes Holdings Ltd., and subject to the same, none of the other Directors of the Company is concerned or interested in the said Resolution as on date.

The Directors commend the Resolution for adoption.

Resolution No. 8

The Company has incorporated a new Company under the name "Crombes Properties Limited". This Company would focus on identifying and evaluating opportunities available for productive utilisation of the properties owned by the Company. To make investment in the new Company beyond its network, the approval of the Shareholders by a Special Resolution is required under Section 372 A of the Companies Act, 1956.

Some among the Directors namely, Mr. B. Viswanathan and Mr. V. Subramaniam of your Company are also Directors of Crombes Properties Limited, and subject to the same, none of the other Directors of the Company is concerned or interested in the said Resolution as on date.

The Directors commend the Resolution for adoption.

Inspection of Documents/Resolutions

The Memorandum and Articles of Association of the Company and copies of Documents/Resolutions referred to in the items hereinabove will be available for inspection by members at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day of the Company till the day before the date of Annual General Meeting.

Chennai,
July 19, 1999

By order of the Board

V.P. THIRUMOORTHY
Company Secretary

Report of the Directors

Your Directors present the Accounts of the Company for the year ended March 31, 1999.

ACCOUNTS:

The Results are as follows:

	1998-99 Rs.lakhs	1997-98 Rs.lakhs
Profit/(Loss) before Interest & Depreciation	111	—
Add: Profit on sale of Investments and Assets	62	7
	173	7
Less: Depreciation	109	151
Interest	347	297
Taxation	8	39
	(291)	(480)
Less: Relief on one time settlement with Financial Institutions, Bankers, Debenture holders and others	—	529
Less: Transfer from Investment Allowance Reserve (utilised)	91	—
Profit/(Loss) carried to Balance Sheet	(200)	49

The Company has informed the Board for Industrial & Financial Reconstruction (BIFR) about the implementation of a Revival Scheme under the supervision of the Hon'ble High Court of Madras and on the infusion of additional capital to achieve positive network.

DIVIDEND

In view of the losses, no dividend is proposed.

REHABILITATION SCHEME:

In view of the repeal of the Urban Land (Ceiling & Regulation) Act (ULCRA) by the State Government of Tamilnadu, clearance under the provisions of the said Act for disposal of property is no longer necessary.

Proceedings in respect of Sales Tax assessments for the previous years are progressing satisfactorily. On completion of these, the Company would approach the State Government for a formal order on waiver of penalty and an instalment scheme for payment of arrears. The Company is also pursuing with its request for waiver of interest.

OPERATIONS:

During the year under review, the turnover of the Projects Division was Rs.4961 lakhs and the Manufacturing Divisions contributed Rs.1023 lakhs.

The performance of the Projects Division suffered for want of Bank Guarantee limits, which are essential for the growth of this Division. Steps taken towards arranging for the required facilities have been partly successful and your Directors are hopeful of getting further limits sanctioned by Banks during the current year.

The Manufacturing Divisions turnover was low in view of poor order inflow and the operations resulted in a loss of Rs.484 lakhs before interest and depreciation.

The various units in Manufacturing Divisions are operating with surplus manpower and efforts are on to rationalise the same. A Voluntary Retirement Scheme has been announced in all the units and the same has received good response.

In the current year, emphasis has been on improving the order position. A separate Marketing and Sales Division has been created to spearhead efforts in this direction.

Further, a separate department for Product Engineering and Manufacturing Systems has been created with a view to provide impetus to Product development efforts and implementation of ISO certification/TQM. Your

Directors are hopeful that with these efforts all the Manufacturing Units will turn viable in the next two years.

FIXED DEPOSITS:

No fresh deposits are being accepted. Deposits aggregating to Rs.18.01 lakhs remain to be settled, as the deposit holders are yet to surrender the deposit receipts.

PERSONNEL:

The relations between the Company and the Unions have been satisfactory. Particulars of employees required under Section 217(2A) of the Companies Act 1956 are annexed.

SUBSIDIARY COMPANIES:

Legal opinion has been sought in respect of winding up three subsidiary Companies, which have ceased operations, viz. Beacon Carbons and Electricals (India) Ltd., Beacon Tileman Limited and Three 'C' Systems Ltd. Suitable action will be initiated based on the legal advice.

Necessary provisions have been made towards the Company's exposure in these Companies.

In respect of Beacon Weir Ltd., a Company registered with BIFR, the Operating Agency viz. Industrial Development Bank of India is expected to finalise the Revival Scheme shortly.

The response from the Joint Venture Partner, Weir Pumps Ltd., U.K. is also quite encouraging and with the expected turnaround in business, the unit should achieve break-even levels during the current year.

Beacon Process Pumps Ltd. was renamed as Beacon Pumps (India) Ltd. The Company showed a poor performance during the year and steps are being taken to improve the operations. During the year, the net worth has been eroded and a decision on reference to BIFR will be taken after getting an opinion on the applicability of the relevant provisions.

Full provision is made towards investment/ advances to this subsidiary.

Pursuant to a scheme approved by BIFR, the management control of ACCEL has been handed over to Mr. B.R. Daga, the new promoter. As per the Scheme, the shares held by the holding Company have been transferred to the new promoter and ACCEL will no longer be a subsidiary of our Company.

Esquire Engineers & Consultants Ltd. has reported a small profit. It is hoped that the Company would start realising the immense potential available in its business and that significant returns would start accruing to the Company in the years to come.

DIRECTORS

Mr. B. Viswanathan and Mr. V. Subramaniam, retire by rotation from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

During the year under review Mr. S.K. Mahajan resigned from the Board. The Board placed on record its appreciation of the services rendered by Mr. S.K. Mahajan during his tenure.

Mr. K. Ramakrishnan was appointed as an Additional Director with effect from July 19, 1999 in accordance with Section 260 of the Companies Act, 1956 and Article 111 of the Articles of Association of the Company.

AUDITORS:

The Auditors M/s. Fraser & Ross, Chartered Accountants, retire and are eligible for reappointment for the current year. Resolution to appoint them will be proposed in the forthcoming Annual General Meeting.

In respect of the Company's overseas office in Ghana, the Auditors M/s. KPMG. Chartered Accountants, are eligible for reappointment.

REPLY TO AUDITOR'S REPORT:

Point wise reply to Auditors Report is as under:

- Further to September 30, 1995, no appreciation in market value is considered.

Best & Crompton Engg. Limited

The Company proposes to take up development of the property at an appropriate time, as such an exercise will improve the financial position of the Company. The real estate market is showing signs of recovery from its stagnation. Further, provisions of ULCRA are also no longer applicable, as the Act has been repealed.

2(d) and 4(a)

The Company has been consistently following a policy of accounting gratuity as and when paid. In the light of the various measures taken by the management to reduce strength of employees, after completion of schemes, efforts will be made to comply with this requirements over next 2 to 3 years.

4(b) Interest on loans used for acquiring capital asset was capitalised, when such practice was permitted. The practice is no longer in vogue. Further, the loans have all been repaid.

Over the last few years, the charge to Profit and Loss account by way of depreciation is higher than what would have been in normal circumstances. Further, as per note (6) (Notes on Accounts), Reserves and Surplus is only more by Rs.5.33 lakhs as on 31st March 1999 as against the gross capitalisation of Rs.97.42 lakhs.

4(c) Steps have been initiated to identify registered small scale units, so as to make the necessary provisions.

4(d) Potential liability on account of an overseas bank guarantee arising out of invocation has been stayed pending disposal of suit filed by the Company disputing the invocation.

4(e) Cost Accounting Records are maintained. However, as the unit remained closed for a long period of time, records are not updated on a monthly

basis. On improvement in the level of activities, we would ensure maintenance of records in the manner required.

ANNEXURE TO AUDITOR'S REPORT:

Note 9 Advances to subsidiaries represent discharge of an institutional loan under One Time Settlement Scheme in one case and incorporation expenses in the other. Advances to Associates, comprise of expenditure incurred in the formative stages of development of their business.

Note 15 The scope and coverage of the Internal Audit will be enlarged commensurate with improvement in operations by adequately strengthening the Internal Audit Department.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

There has been no activity in the related spheres. Report is enclosed.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, the inflow is Rs.884.54 lakhs as against an outflow of Rs.5.06 lakhs.

To conclude, on behalf of the Board and myself, I thank all those who have extended their support in the ongoing exercise of restructuring the Company.

Chennai
July 19, 1999

By Order of the Board
S. VENKITARAMAN
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 : Turbines and Governing Control System for Small Hydel Projects	Year of Import 1990
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 - (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.

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Particulars of Employees as per section 217(2A) of the Companies Act, 1956

Sl. No.	Name	Designation	Age	Date of Commencement of Employment	Remuneration Rs.	Qualification	Experience	Previous Employment
1.	Mr. S.K. Mahajan	President & Director	54	April 24, 1998	9,78,186	B.E. Chemical Engineering	33 years	Managing Director DSQ Biotech Limited, Chennai.

NOTES:

1. The nature of employment is contractual.
2. Gross amount includes Salary, Allowances, Medical Benefits, Company's contributions to Provident/Superannuation Fund and other perquisites.
3. The above employee is not a relative of any Director of the Company.

Report of the Auditors to the Members of Best & Crompton Engg. Limited

We have audited the attached Balance Sheet of Best & Crompton Engg. Ltd. as at 31st March 1999 and the Profit & Loss Account for the year ended on that date annexed thereto in which are incorporated the accounts of the Overseas Branch at Ghana audited by Overseas Branch Auditors and their reports have been considered by us.

We 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 account as required by law have been kept by the Company so far as appears from our examination of such books.
 - (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 the Profit & Loss Account and Balance Sheet comply with the Accounting standards referred to in (sub section 3C) of Section 211 of the Companies Act 1956, except in respect of non provision of accrued liabilities towards gratuity as required under Accounting standard 15 issued by the Institute of Chartered Accountants of India.
 - (e) In our opinion and to the best of our information and according to the explanations given to us the said Balance Sheet and Profit & Loss Account read together with the accounting policies and notes subject to non disclosure of the amount due to the Small Scale Industries vide Note No. 8 give the information required by the Companies Act 1956 in the manner so required.

3. Attention is invited to the following

Note 2(1) in Schedule 13 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 & Loss Account resulting in corresponding reduction in the loss for that period.

4. 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.34,233 thousands (Note 5).
 - (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 6).
 - (c) Non-provision of interest on amounts due to Small Scale Industries if any (Note 8).
 - (d) Potential Liability on account of an overseas Bank guarantee stayed by Court pending disposal of the suit and not determinable. (Note 3 a)
 - (e) Non Maintenance of Cost Accounting Records on regular basis (Para 16 of the Annexure)
5. Subject to our remarks in para 3 & 4 above and the cumulative consequential effect thereof on the loss for the year, the loss carried forward, liabilities, 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 1999 and
 - (ii) In so far as it relates to the Profit & Loss Account, of the loss for the year ended on that date.

Chennai
19th July, 1999.

For FRASER & ROSS
Chartered Accountants

K.N. RAMASUBRAMANIAN
Partner

Annexure to the Auditor's Report

Re: BEST & CROMPTON ENGG. 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 Assets have been physically verified by the Management during the year. The discrepancies noticed on such verification between the books and physical inventories were not material and have been properly dealt with in the books of account.
2. Fixed Assets have not been revalued during the year.
3. The stocks of finished goods, spare parts and raw materials have been physically verified during the year 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 noticed 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 account.
6. In our opinion and on the basis of examination of the stock records, the valuation of the stocks is fair and proper and in accordance with normally accepted accounting principles. The basis of valuation of stocks is on the same basis as in the previous financial year with the exception of land held as stock in trade which was revalued at the end of the financial period ended 30.9.95 at the then estimated market value (Note (2.1) and para (3) 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. The Company has certified that there are no companies under the same Management within the meaning of Section 370(I B) of the Companies Act, 1956
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. The Company has certified that there are no companies under the same Management within the meaning of Section 370(I B) of the Companies Act, 1956
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 the nature of Interest Free loans given to subsidiary / associate Companies of Rs.28,490 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, rawmaterials including components, plant and machinery, equipment and other assets and with regard to the sale of goods.
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 year 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 year, and adequate provision has been made in the Accounts for the loss arising on the items so determined.
13. The Company has not accepted any deposits from public during the year. In respect of deposits accepted in the earlier years and matured for payment aggregating Rs.1,801 thousands, the payments could not be made due to non surrender of Fixed Deposit / Cumulative Deposit certificates. These matured deposits have been funded.
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. During the year, the Company has carried out an Internal Audit through its Internal Audit Department the scope and coverage of which in our opinion is to be enlarged to be fully commensurate with the size of the Company and the nature of its business.
16. We have broadly reviewed without carrying out a detailed audit of the Books of Account 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 Divisions 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. According to the records of the Company Provident Fund and Employees State Insurance dues have been regularly deposited with the appropriate authorities during the year.
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 31.03.1999 for a period of more than six months from the date they became payable.
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 not 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.
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
19th July, 1999.For FRASER & ROSS
Chartered Accountants
K.N. RAMASUBRAMANIAN
Partner