

Best & Crompton Engg. Limited



88th Annual Report 1999-2000

Best & Crompton Engg. Limited

DIRECTORS

M. ARUNACHALAM
RANI
K. RAMAKRISHNAN
SP. ANNAMALAI
Whole time Director
A. NAGESWARAN
(Alternate to M. Arunachalam)

REGIONAL OFFICE:

A-184, Kotla Mubarakpur,
Bhishm Pitamah Marg,
(Opp. Defence Colony),
New Delhi - 110 003.
G-4, Advent,
12/A, Genl. Jagannath Bhosle Marg,
Mumbai - 400 021.
12G, Everest Building,
48C, Chowringee Road,
Calcutta - 700 071.

WORKS:

39, Industrial Estate (North),
Ambattur, Chennai - 600 098.
28A, Industrial Estate (North),
Ambattur, Chennai - 600 098.
11th Km, Kanakapura Road,
Bangalore - 560 002.
MM Industrial Estate,
Yediyur, Bangalore - 560 082.

BANKERS

In India:

Global Trust Bank Limited
The Catholic Syrian Bank Ltd.

Overseas:

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

AUDITORS

In India:

Fraser & Ross
Chartered Accountants, Chennai

Overseas:

KPMG
Chartered Accountants, Ghana

REGISTERED OFFICE:

39, Industrial Estate (North), Ambattur,
Chennai - 600 098.
Phone Nos. 6255391/6255173
Fax No. 6257693, 6257059.

CORPORATE OFFICE:

41, II Floor, Venkatnarayana Road,
T. Nagar, Chennai - 600 017.
Phone Nos. 4357722, 4355377, 4356112
Fax No. 4347167

CONTENTS

	Page No.
Notice of Annual General Meeting	2
ANNUAL REPORT OF:	
Best & Crompton Engg. Limited	5
ANNUAL REPORT OF SUBSIDIARIES :	
Beacon Carbons & Electricals (India) Limited	23
Beacon Neyrpic Limited	25
Beacon Pumps (India) Limited	31
Beacon Tileman Limited	36
Beacon Weir Limited	40
Best & Crompton Engineering Projects Limited	46
Crombes Holdings Limited	48
Crombes Properties Limited	51
Esquire Engineers & Consultants Limited	53
Three C Systems Limited	57

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 Eighth Annual General Meeting of the Company will be held on Thursday, December 21, 2000 at 10.30 A.M. at No.18, Anna Auditorium of the Association of Surgeons of India, Swamy Sivananda Salai, Chempauk, Chennai-600005 to transact the following business :-

1. Consideration of Accounts.

To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2000 and the Report of the Directors and Auditors thereon.

2. Appointment of Directors.

- (i) Mr. M. Arunachalam, who retires by rotation and being eligible, offers himself for re-appointment.
- (ii) Mr. K. Ramakrishnan, who retires by rotation and being eligible, offers himself for re-appointment.

3. To appoint Auditors and fix their remuneration.

The retiring Auditors M/s. Fraser & Ross, Chartered Accountants, Chennai, are eligible for re-appointment. In this connection, 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. 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, 2001 or any other date as may be decided by the Board and that the Board of Directors of the Company be and is hereby authorised to fix the remuneration of the Auditors and the terms and conditions subject to which they will hold the 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. In this connection, 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, Chartered Accountants, be and are hereby re-appointed 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 ending March 31, 2001 or any other date as may be decided by the Board and that the Board of Directors of the Company be and is hereby authorised to fix the remuneration of the Auditors and the terms and conditions subject to which they will hold the appointment."

SPECIAL BUSINESS**5. To appoint Mr. SP. Annamalai as Director.**

Mr. SP. Annamalai was appointed to the Board as Additional Director of the Company with effect from April 29, 2000 and holds office upto the date of the 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 has been received from a Shareholder alongwith a deposit of Rs. 500/- under section 257 of the Companies Act, 1956.

ORDINARY RESOLUTION

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

6. To appoint Ms. Rani as Director

Ms. Rani was appointed to the Board as Additional Director of the Company with effect from April 29, 2000 and holds office upto the date of the 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 has been received from a Shareholder alongwith a deposit of Rs. 500/- under section 257 of the Companies Act, 1956.

ORDINARY RESOLUTION

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

7. Proposed Investment in Beacon Weir Limited, a subsidiary and Joint Venture of the Company.

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 requirements of Section of 372A 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, as 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 Rs.18,261,000 in Beacon Weir Limited by subscribing to the Rights Issue of the Equity Share Capital of that Company, notwithstanding that the said investment is beyond the net worth of the Company and in excess of the limits prescribed under Section 372A of the Companies Act, 1956".

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

8. Authorisation for giving Loans/ Guarantees/ Providing Securities.

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

SPECIAL RESOLUTION

"RESOLVED that pursuant to Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Financial Institutions, if required, the Board of Directors of the Company be and is hereby authorised :-

- A. To give Loans to the following Bodies Corporate, not exceeding the amounts, including the loans already given, as shown against each Body Corporate :-

Sl. No.	Name of the Body Corporate	Loan Amount (Rs. in Crores)
1.	Best & Crompton Engineering Projects Limited	35
2.	Beacon Weir Limited	10
3.	Beacon Software Systems Limited	5
4.	Beacon Pumps (India) Limited	2
5.	Bearna Manufacturers Private Limited	2
6.	Crombes Holdings Limited	15
7.	Crombes Properties Limited	25
8.	Esquire Engineers & Consultants Limited	5
9.	Shibsha Instruments (India) Private Limited	2

and

- B. To give Corporate Guarantees/ Letters of Comfort in respect of borrowings by the abovesaid companies from Banks/ Financial Institutions/any other Agency for an aggregate sum, including the amount outstanding, so that the overall amount of Loans and Guarantees/ Letters of Comfort to be given to the said companies does not at any point of time exceed the amounts indicated against their names, notwithstanding that the aggregate investments made and Loans and Guarantees/ Letters of Comfort given would be beyond the net worth of the Company and in excess of the limits prescribed under Section 372A of the Companies Act, 1956".

9. To sell or otherwise dispose off the assets of the Pump Factory (Division) at Bangalore.

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

"RESOLVED that pursuant to the provisions of Section 293 (1) (a) and other applicable provisions of the Companies Act, 1956 and subject to such other approvals as required, the Board of Directors of the Company be and is hereby authorised to dispose off the whole or any part of the Company's Pump Factory (Division) at Bangalore and/or all or any part of its assets for such consideration and, on such terms, conditions and stipulations, as the Board of Directors may in its absolute discretion deem fit and consider beneficial to the Company."

"RESOLVED further that the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Director or Director(s) or any other officers of the Company to give effect to the aforesaid Resolution."

"RESOLVED further that consent of the Company be and is hereby accorded to the Board of Director(s) / Officer(s) of the Company to execute agreements, deeds and other instruments and to take such steps and to do all such things in the name and on behalf of the Company and to obtain such approvals, as considered necessary, to implement these Resolutions".

Chennai
November 13, 2000

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

NOTES:

- 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.**
- Members, who hold Shares in dematerialised form, are requested to bring their client ID and DP ID numbers for easy identification at the Meeting.
- 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.
- The Company's Shares are listed with the Madras Stock Exchange Limited, Chennai and The Stock Exchange, Mumbai. The Company has paid the listing fees for the year 2000 - 2001 to both the aforesaid Stock Exchanges.
- The Register of Members and the Share Transfer Books of the Company will remain closed from December 5, 2000 to December 21, 2000 (both days inclusive).
- 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.
- Members are requested to quote Register Folio Numbers in all their correspondence.
- 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 necessary endorsements thereon.
- The Companies (Amendment) Act, 1999 has introduced the facility of Nomination to Shareholders. The prescribed format, in this regard, can be obtained from the Company.
- Members attending the Annual General Meeting are requested to bring with them the following :-
 - Copy of the Annual Report and Notice, as no copies thereof would be distributed at the Meeting.
 - The attendance slip of a person actually attending the Meeting either as a Member or as a duly registered Proxy will be accepted.
- Shareholders desiring any information are requested to write to the Company at an early date 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. SP. Annamalai, who was appointed as Additional Director effective April 29, 2000 pursuant to section 260 of the Companies Act, 1956, holds office upto the date of the ensuing Annual General Meeting of the Company and is eligible for election. His appointment, as Whole Time Director, designated as Director - Finance, effective from June 01, 2000 for a period of Five years, by the Board on May 17, 2000, was approved at the Extra Ordinary General Meeting of the Company held on June 28, 2000. Notice under section 257 of the Companies Act, 1956 proposing his name as a Director of the Company, alongwith a deposit of Rs. 500/-, has been received from a Shareholder.

Mr. SP. Annamalai is a Chartered Accountant. He has held senior positions in large industrial houses both in Public and Private Sectors and has rich and varied experience, aggregating to 27 Years, in Financial, Corporate, Information Technology and other related functions.

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

The Directors commend the Resolution for adoption.

Resolution No. 6

Ms. Rani, who has been appointed as Additional Director effective April 29, 2000 pursuant to section 260 of the Companies Act, 1956, holds office 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 her name as a Director of the Company, alongwith a deposit of Rs. 500/-, has been received from a Shareholder.

Ms. Rani has rich managerial expertise and her appointment would benefit the Company.

None of the Directors, except Ms. Rani, is in any way concerned or interested in this Resolution.

The Directors commend the Resolution for adoption.

Resolution No. 7

Beacon Weir Limited (BWL), a subsidiary of the Company in Joint Venture with Weir Group (Overseas Holdings) Limited of UK has come under the purview of BIFR Restructuring Scheme, in view of erosion of its net worth. To augment its resources, as part of the restructuring scheme proposed to BIFR, BWL has come out with a Rights Issue aggregating to Rs.30,435,000 in the ratio of 2.34 Shares for each Share held. In order to keep its shareholding pattern and also to improve the viability of BWL's operations, the Company proposes to subscribe to its portion of Rights Issue amounting to Rs. 18,261,000 without any cash outflow by converting part of the loan already given. As the proposed investment is beyond the networth of the Company and in excess of the limits prescribed under Section 372A of the Companies Act, 1956 the approval of the Shareholders of the Company by a Special Resolution is required.

Except Mr. SP. Annamalai, who is also a Director of BWL, none of the other Directors of the Company is concerned or interested in the said resolution.

The Directors commend the Resolutions for adoption.

Resolution No. 8

The various Companies, as enumerated in the Resolution, are facing financial constraints due to non availability of adequate banking facilities, fund and non - fund based, in time. Due to this, their operations are affected to a large extent which in turn results in poor profitability. Hence, with a view to help the said Companies to tide over their short term liquidity problems, the company proposes to make short term refundable loans indicated against the respective Company's names. The Company will charge interest at the applicable Bank Rates. In addition to this, the Company will also extend Corporate Guarantee, if and when required to these Companies to help them procure certain Bank facilities.

Since the aggregate amount of the proposed Loans and Guarantees together with those as of June 30, 2000 would exceed the prescribed limit, consent of the Shareholders as required under Section 372 A of the Companies Act, 1956 by means of a Special Resolution becomes necessary.

None of the Directors, except Mr. SP. Annamalai and Mr. K. Ramakrishnan, who are Directors of the Companies, is in any way concerned or interested in this Resolution.

The Directors commend the Resolutions for adoption.

Resolution No. 9

With the continuing escalation in input costs, the business relating to the Pump Factory (Division) at Bangalore has become unviable.

The Board of Directors of the Company, as part of the ongoing exercise of revamping and restructuring of the operations of the Company, after careful consideration of the above factors, has proposed to dispose off the assets of the Pump Factory (Division) at Bangalore.

The proposal requires the approval of the Shareholders under Section 293(1)(a) of the Companies Act, 1956.

None of the Directors of the Company is in any way concerned or interested in these Resolutions.

The Directors commend the Resolutions 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 all working days of the Company till the day before the date of the Annual General Meeting.

Chennai,
November 13, 2000

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

Directors' Report

Dear Members,

The Directors are pleased to present the 88th Annual Report and the Audited Statement of Accounts for the 15 month period ended June 30, 2000. The highlights of the financial performance for the period under review are as below:

1. Financial Highlights :

	(Rs. in Lakhs)	
	1999 - 2000 (15 months)	1998 - 1999 (12 months)
Total Income	8316.52	6273.27
Operating Expenses	7703.45	6147.97
Operating Profit	613.07	125.30
Interest	274.19	347.16
Depreciation	134.48	109.22
Prior period adjustment and extraordinary items	335.76	(48.01)
Profit/(Loss) before Tax	(131.36)	(283.07)
Provision for Tax	28.59	8.43
Profit (Loss) after Tax	(159.95)	(291.50)

2. Finance:

During the period under review, the Company raised additional resources by privately placing 10% Cumulative Redeemable Preference Shares for Rs. 389 Lakhs and the Shares will qualify for dividend from July 1, 2000.

The Company repaid during the period, 14% Non-convertible Secured Debentures for Rs. 10 lakhs to the public.

The First instalment of Rs. 629 lakhs, out of Rs. 1906 lakhs 14% Non-Convertible Debentures, which fell due for repayment in March, 2000 could not be repaid to the Financial Institutions, in view of the Company's liquidity problems. The Company has requested the financial institutions for a roll over of the three instalments from 2000-2002 to 2003-2005.

During the period under review, the Company divested its entire 49% Equity Holding in Arab-Malaysian Development Berhad, Malaysia to Crombes Holdings Limited, a Wholly Owned Subsidiary and also its entire investment in Alireza Best & Crompton Co. Ltd., Saudi Arabia to the J.V. Partner.

3. Revival Scheme:

As the members are aware, the revival proposal envisaged by the Company is still being pursued. Sales Tax Assessments for the earlier years are in the process of being completed. Once the Assessment for all the years are over, the Company proposes to request the State Government for waiver of penalty and payment of arrears, if any, in instalments. The impact of this can be reckoned only after completion of all Assessments and the same will be recognised at that point of time.

As part of the revival proposal and in continuation to the approval granted by the Members in the EGM held on June 28, 2000, the Projects Division of the Company is being hived off as a Wholly Owned Subsidiary (WOS) effective from July 1, 2000. The objective of this hiving off is to

- reap the benefit of return on its investment by way of dividends, since operations of the new WOS is expected to be highly profitable; and
- realise better price on its investment as and when divestment of its shareholding in the WOS takes place in favour of a strategic partner.

4. Performance:

Your Company is in the process of turning around and despite general trend of recession in the industrial scenario of the country, it has put up a good performance during the period under review.

The Company achieved an operating profit of Rs. 613.07 lakhs due to a reduction in employee cost by 17% (on pro rata basis), due to the introduction of a Voluntary Retirement Scheme (VRS) during the period under review. There was also a significant reduction in the financing cost by about 37% (on pro-rata basis), consequent to redemption of Debentures of Rs. 2000 Lakhs issued to HSBC, out of an, interest free, External Commercial Borrowing in the previous year and better management of Working Capital.

The operating results could have been still better but for the provision of Rs. 156.84 lakhs towards Gratuity for the earlier years, amortisation of VRS to the extent of Rs. 135.28 lakhs and accounting of Rs. 43.31 lakhs for diminution in the value of investments.

As a result of these, the Loss before Tax for the 15 month's period under review has significantly come down by 54%, from Rs. 283.07 lakhs for the 12 month period, to Rs. 131.36 lakhs.

5. Dividend:

In view of the loss incurred during the period, the Directors are unable to recommend dividend.

6. Business Operations Overview and Outlook:

6.1 Projects Division:

Your Directors are pleased to inform you that during the period under review the Company secured Orders to the extent of Rs. 100 crores in the Projects Division.

The Projects Division has also recently secured, together with ABB, an Order from Delhi Metro Rail Corporation, for Rs. 18 crores.

6.2 Manufacturing Division:

The Company secured orders for Rs. 4 crores in the Manufacturing Division (Bus Ducts) during the year. In the subsequent year, the Bus Ducts Manufacturing Division is poised to get a prestigious Order together with ABB valued at Rs. 14 crores and another big Order for Rs. 25 crores.

During the period under review the foundry operations at Chennai was suspended for about seven months from February '99 to September '99, on account of inadequate Orders. Subsequent to resumption of operations, its production has gradually picked up and is expected to reach optimum level before end of the subsequent financial year.

The Electrical Machinery Manufacturing Division also secured a regular major Order valued at about Rs. 1.5 crores from Railways, after a lapse of nearly five years.

The Electrical Manufacturing Division is exploring the prospects for manufacture of certain other equipment for Railways and Elevator

Best & Crompton Engg. Limited

manufacturers, which are in its current line of business and the chances of procuring Orders for these items are quite encouraging.

Out of the expected funds to be mobilised from the hiving off of the Projects Division, manufacturing of new products will be taken up in the near future. This is expected to contribute to a sizeable extent to the turnover and profitability of your Company. The necessary steps in this direction have already been initiated.

6.3. Overseas:

The business prospects in Overseas Operations, at Ghana and through the Joint Ventures in Malaysia and Nigeria continue to be good and rewarding.

7. Y2K Compliance:

You will be glad to know that consequent to the various measures taken by the Company for Y2K compliance, no problem was encountered in transition to the year 2000.

8. Dematerialisation of Shares:

As members are aware, the Company's shares are in the compulsory demat mode, facilitated through arrangement with M/s. National Securities Depository Ltd. To provide investors with the option and convenience of dealing with more than one depository and as an investor friendly measure, during the year. The company signed up with M/s. Central Depository Services (India) Limited also, for the depository services. This would enable the investors to avail the benefits of multi depository systems.

9. Fixed Deposits:

No fresh deposits are being accepted. Other than the deposits aggregating to Rs. 16.10 lakhs which remains unclaimed, no other deposits is outstanding.

10. Subsidiary Companies:

Audited Statement of Accounts, Directors Report and Auditors Report of the Subsidiary Companies are attached to the Balance Sheet of the Company as required under Section 212 of the Companies Act, 1956.

Out of the operations of the various Subsidiary Companies, highlights in relation to certain major events in respect of five Companies are given below:

10.1 Beacon Carbons & Electricals (India) Limited

Based on the legal opinion received, a petition for winding up has been filed with the Hon'ble High Court of Madras.

10.2 Beacon Tileman Limited

The Company has been ordered to be wound up by the Orders of the Hon'ble High Court of Madras dated August 18, 2000 and the Official Liquidator attached to the said Court, has taken charge of the Assets and Liabilities of the Company.

10.3 Beacon Neyrpic Limited

During the year under review, consequent to the changes in their corporate structure, the JV partner ABB Alstom Power, had expressed their intention to pull out of the Company. Due to non-availability of further business, it has been agreed between the Company and ABB to wind up the Company.

Discussions are being held between the JV Partners on the modalities for the winding up.

10.4 Beacon Weir Limited

IDBI, the Operating Agency, appointed by BIFR for Beacon Weir Limited, has submitted a Revival Scheme and BIFR is expected to give its approval for the same shortly.

Consequent to labour problem, the Company was under lock out for about 5 months. The operations were resumed by end of June 2000 and with the orders already on hand and fresh orders being

received, it is operating at full capacity. It is expected that with the reliefs and concessions likely to be available to the Company under the BIFR scheme, the Company will be able to operate profitably.

10.5 Best & Crompton Engineering Projects Ltd.,

The transfer of Projects Division business from the Holding Company is in progress and the same is expected to be complete and this company is likely to be fully operative before the close of the subsequent financial year.

11. Directors:

Mr. M. Arunachalam and Mr. K. Ramakrishnan retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Mr. S. Venkitaramanan, who was the Chairman of the Board, resigned in February 2000. The Directors placed on record his valuable services, inspiration and guidance to the Board and the Company, during his tenure.

Mr. B. Viswanathan and Mr. V. Subramaniam resigned as wholetime Directors in May 2000 and August 2000 respectively. The Board places on record its appreciation of the services rendered by them during their tenure.

12. Auditors:

The Auditors M/s. Fraser & Ross, Chartered Accountants, retire and are eligible for re-appointment for the current year.

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

13. Auditors' Report:

Replies of the Directors to the comments in the Auditors Report are given in Annexure A.

14. Personnel:

As part of the revival scheme, with a view to rationalise and optimise manpower deployment, to achieve better efficiency, improved productivity and cost reduction, VRS was introduced in April 1999. The scheme evoked good response and 311 employees opted for the same.

The industrial relations for the Company continued to be very conducive and cordial throughout the period under review.

Particulars of employees required under Section 217(2A) of the Companies Act, 1956, is as per Annexure B.

15. Conservation of Energy, Technology, Absorption, Foreign Exchange Earnings and Outgo:

There is no information to report relating to Conservation of Energy and Technology Absorption as required under Sec. 217(1)(e) of the Companies Act, 1956, in view of the insignificant activity in these areas. Information pertaining to Foreign Exchange outgo and earnings is as contained in Item No.2.19 and 2.20 of Schedule 15 of the Accounts, respectively.

16. Acknowledgements:

Your directors place on record their appreciation for the over whelming co-operation and assistance extended to the Company by the employees. The Board is also thankful to the Bankers of the Company and the Financial Institutions for their continued support. The Board also acknowledges gratefully the confidence reposed on the Company by its various customers and business partners. The Directors gratefully appreciate the co-operation and assistance extended by the Central and State Governments and the various Governmental Agencies.

For and on behalf of the Board of Directors

Chennai
13.11.2000

M. Arunachalam
Director

SP. Annamalai
Director - Finance

REPLIES TO THE AUDITORS COMMENTS

ANNEXURE A
TO DIRECTORS REPORT

AUDITORS' REPORT

Reference	Comments of the Auditors	Reply
3(a)	Notional enhancement in the value of certain immovable properties converted into Stock in trade and taking credit for this notional appreciation in the Profit & Loss A/c. on 31st March 1995 and 30th September 1995 (Note No.1 Schedule 15)	Subsequent to this earlier valuation, no revaluation has been done during the year and therefore the current year profit and loss account does not have any impact out of this.
3(b)	Not taking note of the diminution in the value of investments in the subsidiary Esquire Engineers & Consultants Limited (Note No.12 in Schedule 15)	Since the Company is still operating and has got good business even during the year, the Management is of the view that on a going concern basis, the diminution in the value of investment is the only temporary in nature and therefore requires no provision.
3(c)	Recognition of profit on sale of an investment in a Joint Venture company abroad, pending sanction for such transfer by RBI and pending realisation of entire sales consideration.	The investment in a joint venture company abroad, has been divested in favour of a wholly owned subsidiary. Necessary approvals from RBI has already been sought and the same is under process. Against a total sale consideration, about 43% has already been realised and the balance is also expected to be received before the close of the subsequent financial year.
3(d)	Non provision for interest free advances made to certain subsidiaries during the year since there is no significant improvement in the working results of such subsidiaries.	Necessary steps have already been initiated to rationalise and revamp the operations of these subsidiaries and the same is expected to yield results in the coming years. Since the businesses are all ongoing, the Company is of the view that no provision towards these advances is necessary.

Reference	Comments of the Auditors	Reply
3(e)	Non provision of interest on amounts due to Small Scale Industries, if any (Note No.14 Schedule 15)	Steps are being initiated to identify registered Small Scale Industries so as to make the necessary provisions in the coming years.

ANNEXURE TO AUDITORS' REPORT

Reference	Comments of the Auditors	Reply
15	Scope and coverage of Internal Audit to be enlarged to commensurate with the size of the Company.	In the subsequent financial year, steps have already been taken to strengthen the Internal Audit department, so as to enlarge its scope and coverage.
16	Maintenance of cost accounting records on monthly or quarterly basis.	The cost accounting records are maintained. However, in view of the volume of business, the records are not updated on a monthly or quarterly basis. In the subsequent year, action is being taken to maintain the records in the manner required.
17	Provident Fund dues have not generally been regularly deposited, though the delays in deposit have not been serious.	There had been delays in the deposit of Provident Fund due to acute funding problems faced by the Company. However the dues have been subsequently deposited along with additional interest.

ANNEXURE B
TO DIRECTORS REPORT

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

Sl. No.	Name	Designation	Age	Date of Commencement of Employment	Gross Remuneration Rs.	Qualification	Experience (Years)	Previous Employment
Employed throughout the period								
	Mr. V. Subramaniam	Director-Operations	41	August 24, 1998	841,252	B.Tech. (Chemical) PGDM (IIM B)	15	Executive Assistant to Chairman, U.B. Group
Part of the Period								
1.	Mr. M. Anantha Padmanathan	Chief Executive Officer	50	February 29, 2000	481,786	B.E. (Electrical)	25	Vice President Texmaco, Indonesia First Employment
2.	Mr. T.R. Vasudevan #	Vice President - Manufacturing	58	May 8, 1963	776,983	B.E. (Electrical)	37	
3.	Mr. B. Viswanathan	Director-Finance	45	April 24, 1998	917,980	B.Tech. (Chemical) PGDM (IIM C)	18	Financial Consultant

NOTES:

- All Appointments are contractual and other items & conditions are as per the rules of the Company.
 - Gross Remuneration includes Salary, House Rent Allowance, Medical Expenses, Leave Travel Assistance, Gratuity, Company's contributions to Provident Fund, Pension, Leave Encashment and taxable value of perquisites.
 - None of the Employees is related to any Director of the Company.
- # Remuneration includes retirement benefits.

Best & Crompton Engg. Limited

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 30th June 2000 and the Profit & Loss Account for the period 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 report 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, subject to the non maintenance of cost accounting records on regular basis (Para 16 of the annexure)
 - (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 complies with the Accounting standards referred to in Section 211 (3C) of the Companies Act, 1956, with the exception of recognition of diminution in value of the carrying costs of investments as required by Accounting Standard 13.
3. Attention is invited to the following
 - (a) Note no 1 in Schedule 15 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.
 - (b) Note no 12 in Schedule 15 regarding not taking note of the diminution in the value of investments in the subsidiary Esquire Engineers & Consultants Limited Rs. 15,876 thousands, based on the audited accounts for the year ended 31st March 2000, considering the same as temporary in nature.
- (c) Note no 16 in Schedule 15 regarding recognition of profit of Rs. 55,325 thousand on sale of an investment in a joint venture company abroad, pending sanction for such transfer by the Reserve Bank of India and pending realisation of entire sales consideration.
- (d) Further interest free advances aggregating to Rs. 11,539 thousands have been made during the year to certain subsidiaries whose balances as at 31st March 1999 were considered doubtful of recovery and provided for. No provision has been considered for these advances made during the year and there is no significant improvement in the working results of such subsidiaries.
- (e) Note no 4 in Schedule 15 regarding non-provisioning of interest on amounts due to Small Scale Industries if any, not determinable.
4. Without considering item mentioned in 3 (e) above, the effect of which could not be determined, had the observations made by us in 3 (a) to 3 (d) above been considered, the loss for the year would have been Rs. 98,375 thousands as against the reported loss of Rs. 15,995 thousands, carryforward loss would have been Rs. 1,382,312 thousands as against Rs. 1,142,211 thousands, investments would have been Rs. 56,999 thousands as against Rs. 72,875 thousands and current assets would have been Rs. 547,323 as against Rs. 771,548 thousands.
5. The said accounts, in our opinion and to the best of our information and according to the explanations given to us, subject to Para 4 above and read together with the accounting policies and notes appearing in Schedule 15 and subject to non disclosure of the amount due to the Small Scale Industries vide Note no. 4 give the information required by the Companies Act, 1956 in the manner so required and in our opinion
 - (i) The Balance Sheet shows a true and fair view of the state of affairs of the Company as at 30th June 2000, and
 - (ii) The Profit and Loss Account shows a true and fair view of the loss for the period ended on that date.

For FRASER & ROSS
Chartered Accountants

K.N. RAMASUBRAMANIAN
Partner

Chennai
13.11.2000

Annexure to the Auditor's Report

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 fixed assets have not been physically verified during the year by the management, with the exception of those located at Bangalore Pump Factory. The discrepancies noticed on such verification between the book and physical inventories were not material and have been properly dealt with in the books of Accounts.
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 by the management with the exception of those with the sub-contractors, most of whom have confirmed existence thereof. In our opinion, the frequency of such verification is reasonable.
4. The procedures of physical verification of stocks followed by the management is 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 accounts.
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 1 in Schedule 15) and para (3a) 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(1 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(1 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 also have been regular in the payment of interest where applicable; however, there is no stipulation as to the time of repayment of advances/ interest free loans given to the subsidiaries /associate companies of Rs. 170,302 thousands, of which Rs. 135,738 lakhs has been considered doubtful of recovery provided for.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedure commensurate with the size of the Company and nature of its business with regard to the purchase of stores, raw materials 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, 1956 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 to Rs.1,610 thousands, the Payments could not be made due to non surrender of Fixed Deposit / Cumulative Deposit certificates.
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 1 of the Pumps 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. According to the records of the Company Provident Fund and Employees State Insurance dues have not generally been regularly deposited with the appropriate authorities though the delays in deposit have not been serious.
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 30.06.2000 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
13.11.2000

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