

Best & Crompton Engg. Limited

89th Annual Report 2000 - 2001

Best & Crompton Engg. Limited

DIRECTORS

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

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

REGIONAL OFFICE:

12F, Vandhana Building,
No. 1, Tolstoy Marg,
New Delhi - 110 001.

104, Trade Corner,
Andheri Kurla Road,
Sakinaka, Andheri,
Mumbai - 400 072.

12G, Everest House,
46-C, Chowringee Road,
Kolkata - 700 071.

WORKS:

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

28A, Industrial Estate (North),
Ambattur, Chennai - 600 098.

MM Industrial Estate,
Yediyur, Bangalore - 560 082.

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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 Ninth Annual General Meeting of the Members of the Company will be held on Thursday, December 27, 2001 at 3.00 P.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 Audited Accounts of the Company for the year ended June 30, 2001 and the Report of the Directors and Auditors thereon.

2. Appointment of Directors.

- (i) Mr. K.Ramakrishnan, who retires by rotation and being eligible, offers himself for re-appointment.
- (ii) Ms. Rani, who retires by rotation and being eligible, offers herself 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 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 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. Proposed Investment in Best & Crompton Engineering (Nigeria) limited, Nigeria, a Joint Venture 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 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 70,00,000 Naira (Seventy Lakhs Naira Only) - approximate Rupee equivalent being 32 Lakhs (Rupees Thirty two Lakhs only based on the current Exchange rate) in the Equity Share Capital of Best & Crompton Engineering (Nigeria) Limited, Nigeria, a Joint Venture

Company, by subscribing to the Rights Issue of that Company, which includes subscription to the Rights Shares renounced in favour of the Company, resulting in the enhancement of the Company's shareholding from the present 40% to 60% of the Share Capital of the Joint Venture Company, notwithstanding that the said investment is beyond the networth of the Company and in excess of the limits prescribed under Section 372 A 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".

Chennai

20.11.2001

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. Members, who hold Shares in dematerialised form, are requested to bring their client ID and DP ID numbers for easy identification at the Meeting.
3. 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.
4. The Company's Shares are listed with the Madras Stock Exchange Limited and The Stock Exchange, Mumbai. The Company has paid the listing fees for the year 2001 - 2002 to both the aforesaid Stock Exchanges.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from December 18, 2001 to December 27, 2001 (both days inclusive).
6. 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.
7. Members are requested to quote Register Folio Numbers or DP ID / Client ID Nos. in all their correspondence.
8. Members holding Shares of the Company in identical order of names in more than one 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.
9. 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.
10. 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.
11. 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**

Best & Crompton Engineering (Nigeria) Limited, Nigeria (BCN) is a Joint Venture (JV) of your Company in association with Nigerian partners. Your Company's shareholding in BCN is 40%. Energy Sector development is a priority area for the Nigerian Government and it is expected that many Electrification projects will be undertaken in the near future. In view of the increased business opportunities in the Power & Energy Sector, and in order to make best use of the said opportunities, it is advisable that your Company's shareholding in the JV is increased from the present 40% to 60% to ensure effective control and management of the JV. To augment its resources, BCN has come out with a Rights Issue aggregating to 100,00,000 Naira (One hundred Lakhs Naira only), in the ratio of two Shares for each Share held. Your Company proposes to subscribe to the Rights Issue amounting to 70,00,000 Naira (Seventy Lakhs Naira only), which includes subscription to the Rights Shares renounced in favour of the Company, resulting in the enhancement of the Company's shareholding from the present 40% to 60% of the Share Capital of the JV. This will entail a cash outflow of approximately Rs.32 Lakhs (Rupees Thirty two Lakhs only); Rupee equivalent is based on the current Exchange rate). The actual rupee equivalent amount is ascertainable only at the time of remittance by the Company, based on the ruling rate of Exchange. As the proposed investment is beyond the networth of the Company and in excess of the limits prescribed under Section 372 A 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 BCN, none of the other Directors of the Company is concerned or interested in the said Resolution.

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 all working days of the Company till the day before the date of the Annual General Meeting.

Chennai,
20.11.2001

By order of the Board

V.P. THIRUMOORTHY
Company Secretary

Directors' Report

Dear Members,

Your Directors are pleased to present the 89th Annual Report and the Audited Statement of Accounts of the Company for the year ended June 30, 2001.

The highlights of the financial performance for the year under review are as below:-

1. Financial Highlights :

(Rs. in Lakhs)

	2000 - 2001 (12 months)	1999 - 2000 (15 months)
Total Income	7136.18	8316.52
Operating Expenses	7759.37	7838.73
Operating Profit / (Loss)	(623.19)	477.79
Interest	223.80	274.19
Depreciation	108.45	134.48
Prior period adjustment and Extraordinary items	2150.42	200.48
Profit/(Loss) before Tax	1194.98	(131.36)
Provision for Tax	1.53	28.59
Profit/(Loss) after Tax	1193.45	(159.95)
Transfer to Capital Reserve	554.00	—
Profit transferred to Reserve	639.45	—

2. Finance:

The Company, during the year, repaid the public portion of the second installment of the 14% Non-convertible Secured Debentures amounting to Rs.12.89 lakhs.

Your Directors are pleased to inform you that the Company's request to the Financial Institutions, for the roll over of the three installments of the 14% Non-convertible Secured Debentures, from 2000-2002 to 2003-2005 has been accepted.

During the year under review, the Company obtained a non-funded facility limit of Rs.800 lakhs from Catholic Syrian Bank, which has been effectively and gainfully used to get new businesses both for Projects and Manufacturing Divisions.

3. Revival Scheme:

The revival proposal contemplated by the Company is still continuing and is in various stages of implementation

Your Company has, during the year under review, taken steps to implement the Scheme by carrying out feasibility studies for manufacture of certain new products.

During the year under review, most of the sales tax assessments have been completed. The remaining assessments and appeals are expected to be finalised in the current year. The Company has requested Government of Tamil Nadu for waiver of penalty if any and payment of any tax due in arrears. The impact of the concessions can be reckoned only after completion of all assessments and disposal of pending appeals and the same will be recognized in the accounts at that point of time.

As the members are aware, hiving-off the Projects Division of the Company into a Wholly Owned Subsidiary (WOS) Company is part of the revival scheme. As already approved by the Members in the EGM held on June 28, 2000, the hiving-off could not be made effective from July 1, 2000, due to the delay in receipt of the necessary approvals for the same. Your

Directors are happy to inform that the approvals were received during the year under review and effective from the close of business on June 30, 2001, the Projects Division has been hived-off to the WOS.

4. Performance:

Members will be glad to know that despite continuing industrial recession in the country, the Manufacturing Division of the Company has performed well during the year under review.

During the year under review, the turn over of the Company has gone up by 7% on an annualized basis, from Rs.8317 lakhs in 1999-2000 (15 months) to Rs.7137 lakhs in 2000-2001 (12 months).

Despite the increased turnover and all around improvement in the production of the manufacturing division, the operations resulted in loss, mainly due to heavy overheads and lower capacity utilization in the manufacturing division as a result of paucity of orders with reasonable margin.

Your Directors regret to inform you that inspite of the best efforts of the management of your Company, the operations of the Foundry Division at Bangalore could not be resumed. After examining the various options available, to insulate the other divisions of the Company from the continuing heavy losses of this unit, the Company had to take the inevitable decision of closing down the operations of the Foundry effective from April 1, 2001. Consequent to this, the services of all the employees attached to this unit have been terminated.

We are pleased to inform that the Electro Mechanical Division of your Company has been awarded the ISO Certification. Steps are being initiated for obtaining ISO Certification for the Busducts and Auto Ancillary Divisions of the Company.

5. Dividend:

In view of the loss incurred during the year, your Directors are not able to recommend any dividend.

6. Overview and Outlook of Business Operations:

6.1 Projects Division:

During the year under review this division secured orders for Rs. 5768 Lakhs. This division, under the name of the recently hived-off WOS is poised to secure orders for Rs. 6102 Lakhs from various agencies during the current year.

This Division could not bid for many of the tenders in its line of activities, due to non-availability of further banking facilities.

6.2 Manufacturing Division:

a) Busducts Unit:

As already informed to the Members, during the year under review the Company bagged an order for manufacture of Busducts valued about Rs.1400 lakhs, in association with ABB, from NTPC.

The overall increase in production, in terms of physical quantities was higher by 161% (Annualised), during the year under review.

b) Chennai Foundry Unit:

This unit, whose operation was resumed in the previous year, performed very well during the year under review and produced 964 tonnes of castings, against 248 tonnes in the previous period, an increase by 191% (Annualised).

New customers and products are being added in the current year. However, to arrest continuously falling margins and to remain price

competitive, immediate investment is required to refurbish/replace the machineries.

c) Bangalore Pump Unit:

The operations at this unit also improved by 84% (Annualised) in the year under review.

In the current year, this unit has taken up manufacture of new range of pumps, consequent to which the capacity utilization level is slated to improve tremendously.

d) EMF Unit:

Even though the operation of this unit has gone up by 126% in the year under review, the capacity utilisation level continues to be low. The various actions taken to bring in new product lines are yet to yield results. The dwindling order book level and inability to take up new products, pose a very bleak future for this unit.

e) Other Units:

The performance of the Auto Ancillary, Plug & Sockets and Power Line Accessories Units were better in the year under review.

However, due to very competitive market conditions, the operation of the Power Line Accessories unit has been wound up in the current year.

6.3. Overseas:

The business prospects at Ghana appears to be bleak and therefore the establishment thereat has been cut down, by reducing manpower and also by disposing unusable and unwanted machinery and equipment.

However, the business prospects at Malaysia and Nigeria, wherein your Company operates through joint ventures, are expected to be very good.

7. Fixed Deposits:

No fresh deposits have been accepted. Deposits aggregating to Rs.15.58 Lakhs remain unclaimed, as the Deposit Holders are yet to surrender the deposit receipts.

8. Subsidiary Companies:

Audited Statement of Account, 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 and Joint Venture companies, highlights in relation to certain major events in respect of the following companies are given below:-

8.1 Beacon Carbons & Electricals (India) Limited

During the year under review, a Petition for winding up of the Company was filed and the Honourable High Court of Madras has ordered the Winding up of the Company. The affairs of the Company are now under the control of the Official Liquidator of the Honourable High Court of Madras.

8.2 Beacon Neyrpic Limited

Even though the JV partners of this company have decided to wind up the operations, the modalities for the same are yet to be finalized. Pending that no activity is taking place.

8.3 Beacon Weir Limited

As already informed to the Members, the Rehabilitation Scheme proposed by IDBI, has since been approved by BIFR and the same is being implemented.

The operations of this Company has substantially improved in the year ended March 31, 2001 and after taking into account the concessions and waivers arising out of BIFR's Rehabilitation Package, the financial results show a profit of Rs. 82 lakhs. With the increasing order book and better productivity levels, the operations of this Company is likely to become more profitable in the coming years.

The Quality Management System of the Company has been approved by Lloyd's Register Quality Assurance to BSEN ISO9002:1994.

8.4 Best & Crompton Engineering Projects Limited

The transfer of the Projects Division business of your company to the Wholly Owned Subsidiary Company, Best & Crompton Engineering Projects Limited, has been completed on and from the close of business hours on June 30, 2001 for a purchase consideration of Rs.3485 Lakhs. The WOS Company has started its operations from July 1, 2001.

8.5 Esquire Engineers & Consultants Ltd.

This Company is in the process of obtaining ISO 9001 certification. The business of CAD/CAM division is being transferred, in the current year, to a Wholly Owned Subsidiary known as "Esquire Engineering Solutions Limited".

8.6 Three C Systems Limited

During the Year under review, a Petition has been filed before the Hon'ble High Court of Madras praying for the winding up of this Company.

8.7 Best & Crompton Engineering (Nigeria) Limited, Nigeria (BCN)

This company has come out with a Rights Issue, in order to augment its resources for meeting the growing business opportunities in the areas of infrastructure and development, which is a priority area for the local Government. Your Company proposes to subscribe to the said Rights Issue, amounting to 70,00,000 Naira, which includes subscription to Rights Shares renounced in favour of the Company, resulting in the enhancement of your Company's shareholding from the present 40% to 60% of the Share Capital of BCN. Necessary approval from the Members is proposed to be obtained in the ensuing Annual General Meeting.

9. Directors:

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

10. Directors' Responsibility Statement:

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

- i) that in the preparation of the Annual Accounts for the year ended June 30, 2001 the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year and of the Profit or Loss of the Company for the year under review;
- iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

Best & Crompton Engg. Limited

iv) that the Directors had prepared the Accounts for the year ended June 30, 2001 on a "going concern" basis.

11. Audit Committee:

The Audit Committee comprises of the following Directors as Members:-

1. Mr. K. Ramakrishnan
2. Mr. A. Nageswaran
3. Mr. SP. Annamalai

The Committee acts in accordance with the terms of reference specified by the Board from time to time.

12. Corporate Governance:

As per the amended Listing Agreement with the Stock Exchanges, your Company will be complying with the provisions of the Corporate Governance by March 31, 2002.

13. Auditors:

The Auditors M/s. Fraser & Ross, Chartered Accountants, retire and are eligible for reappointment 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.

14. Auditors' Report:

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

15. Personnel:

The Industrial Relations for the Company continued to be satisfactory.

Particulars of employees required under Section 217(2A) of the Companies Act, 1956 are furnished in Annexure 'B'.

16. 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 Section 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 Nos. 20 and 21 of the Schedule 15 of the Accounts respectively.

17. Acknowledgements:

Your Directors place on record their deep sense of gratitude to the Shareholders of the Company, who are extending their support for the revival of the Company. Your Directors also place on record their appreciation for the overwhelming cooperation and assistance extended to the Company by the employees. The Board is thankful to the Bankers of the Company and the Financial Institutions for the continued support. The Board acknowledges gratefully the confidence reposed on the Company by its various customers and business partners. The Directors gratefully appreciate the cooperation and assistance extended by the Central and State Governments and the various Governmental Agencies.

For and on behalf of the Board of Directors

Chennai
20.11.2001

A. Nageswaran
Director

SP. Annamalai
Director - Finance

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ANNEXURE A TO DIRECTORS REPORT

REPLIES TO THE AUDITORS' COMMENTS

AUDITORS' REPORT

Reference	Comments of the Auditors	Reply
3(a)	Notional enhancement of 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. Further, the estimated market Value as on 30th June, 2001 is although lower than the book value by Rs. 35,038 thousands, no adjustment has been made in the accounts since the fall in the market value is considered temporary. (Note No.1 in Schedule 15)	Since the shortfall in the estimated market value as on 30th June, 2001 is considered to be of temporary nature due to general recession, no adjustment has been made in the accounts.
3(b)	Non Provision of interest on amounts due to Small Scale Industries, if any (Note no. 7 in Schedule 15)	Since the dues to Small Scale Industries could not be identified, no provision towards interest on these dues, if any, has been made in the accounts.
3(c)	Non transfer of Debentures and Fixed Deposit amounts remaining unclaimed for a period of seven years to the Investor Education and Protection Fund. (Note no. 9 in Schedule 15)	It is proposed to transfer the necessary amounts to the Investor Education and Protection Fund, during the current year.
3(d)	Not taking note of the diminution in the value of Investments in the subsidiaries Esquire Engineers & Consultants Limited and Beacon Weir Limited (Note no. 13 in Schedule 15)	Since the Companies are going concerns and have good business opportunities, the Management is of the view that the diminution in the value of Investments is temporary in nature and therefore requires no provision.
3(e)	Recognition of Profit on sale of an Investment in a Joint Venture Company abroad, pending sanction of such transfer by RBI (Note no. 16 in Schedule 15)	RBI approval has been obtained; on which certain clarifications have been sought by the Company.

Reference	Comments of the Auditors	Reply
3(f)	Non consideration of any provision in respect of Interest Free advance to a Subsidiary whose balance was considered doubtful of recovery. (Note no. 14 in Schedule 15)	Since the companies are going concerns and have good business prospects, the Management considers no provision towards the advance is necessary.
3(g)	Non consideration of any provision for advances made to companies whose net worth have been eroded. (Note no. 15 in Schedule 15)	

ANNEXURE TO AUDITORS' REPORT

15	Scope and coverage of Internal Audit to be enlarged to commensurate with the size of the Company.	The Internal Audit Team has already been strengthened and the scope and coverage has been enlarged during the current year.
16	Maintenance of cost accounting records on monthly or quarterly basis.	In view of the volume of business, the records are not updated on a monthly or quarterly basis. However, 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.	Due to severe liquidity crunch, there had been delay in the deposit of Provident Fund dues. 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 year								
1.	Mr. M. Anantha Padmanathan	Chief Executive Officer	51	February 29, 2000	1,749,362	B.E. (Electrical)	26	Vice President, Texmaco, Indonesia
2.	Mr. SP. Annamalai	Director - Finance	54	April 29, 2000	1,259,819	C.A.	29	Executive Director Beacon Software Systems Ltd.,
Part of the year								
1.	Mr. V. Subramaniam	Director-Operations	42	August 24, 1998	198,669	B.Tech. (Chemical) PGDM (IIMB)	16	Executive Assistant to Chairman, U.B. Group
2.	Mr. K. Thiagarajan @	Vice President - Projects	58	December 3, 1963	1,992,503	L.C.E.	38	First Employment
3.	Mr. P.R. Aroor @	Vice President - Manufacturing	58	October 10, 1973	2,045,980	B.E. (Mechanical)	28	Vice President Beacon Weir Ltd.

NOTES:

- All Appointments are contractual and other terms and 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 and Pension, Leave Encashment and taxable value of perquisites.
- None of the Employees is related to any Director of the Company.
- @ Remuneration includes retirement benefits.

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

We have audited the attached Balance Sheet of Best & Crompton Engg. Limited, as at 30th June 2001 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 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 paragraph 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.**

e. On the basis of the written representations received from the Directors as on 30th June 2001, and taken on record by the Board of Directors, We report that none of the Directors are disqualified as on 30th June 2001 from being appointed as a Director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.

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. Further, the estimated market value as on 30th June 2001 is although lower than the book value by Rs.35,038 thousands, no adjustment has been made in the accounts since the fall in the market value is considered temporary.**

b) **Note no. 7 in schedule 15 regarding non-provision of interest on amounts due to Small Scale Industries if any, not determinable.**

c) **Note no. 9 in schedule 15 regarding the non transfer of unclaimed debentures of Rs.7,021 thousands and fixed deposits of Rs.1,558 thousands for a period of seven years to the Investor Education and Protection Fund, in accordance with the provisions of Section 205C of the Companies Act, 1956**

d) **Note no. 13 in schedule 15 regarding not taking note of the diminution in the value of investments in the subsidiaries Esquire Engineers & Consultants Limited and Beacon Weir Limited aggregating to Rs.31,434 thousands, based on the audited accounts for the year ended 31st March 2001, considering the same as temporary in nature.**

e) **Note no. 16 in schedule 15 regarding recognition of profit of Rs. 55,325 thousands during the period 1999 – 2000 on sale of an investment in a joint venture company abroad, pending sanction for such transfer by the Reserve Bank of India.**

f) **Note no.14 in schedule 15 regarding non consideration of any provision in respect of further interest free advance to a subsidiary amounting to Rs.8,830 thousands whose balance as at 31st March 1999 was considered doubtful of recovery and provided for.**

g) **Note no. 15 in schedule 15 regarding non consideration of any provision for advances aggregating Rs.21,330 thousands made to companies whose net worth have been eroded.**

4. Without considering item mentioned in 3(b) above, the effect of which could not be determined, had the observations made by us in 3(a), 3(d) to 3(g) above been considered, the profit for the year would have been Rs.22,713 thousands as against the reported profit of Rs.119,345 thousands, carry forward loss would have been Rs.1,352,546 thousands as against Rs.1,078,266 thousands, investments would have been Rs.253,842 thousands as against Rs.316,507 thousands and current assets would have been Rs.416,179 thousands as against Rs.627,794 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. 7, 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 2001, and

(ii) The Profit and Loss Account shows a true and fair view of the profit for the year ended on that date.

Chennai
20.11.2001

For FRASER & ROSS
Chartered Accountants

K.N. RAMASUBRAMANIAN
Partner

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. The confirmation from the Financial Institutions and Banks for their holding the title deeds of the properties of the Company as security cover has not been obtained.
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 certain stocks with the sub-contractors. In our opinion, the frequency of such verification is reasonable.
4. The procedure 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 our 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, 1956. The Company has certified that there are no companies under the same Management within the meaning of Section 370(1B) 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, 1956. The Company has certified that there are no companies under the same Management within the meaning of Section 370(1B) 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.164,192 thousands, of which Rs.130,948 thousands has been considered doubtful of recovery and provided for.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures 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. 50,000 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.1,558 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 accounts maintained by the Company pursuant to the order made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, 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 30.06.2001 for a period of more than six months from the date they became payable.
19. According to the information and explanation 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
20.11.2001

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