

# **Best & Crompton Engg. Limited**



**90th Annual Report 2001 - 2002**

# Best & Crompton Engg. Limited

## DIRECTORS

M. ARUNACHALAM

RANI

K. RAMAKRISHNAN

SP. ANNAMALAI

Whole Time Director

A. NAGESWARAN

(Alternate to M. Arunachalam)

## AUDITORS

Fraser & Ross

Chartered Accountants, Chennai

## REGISTERED OFFICE :

39, Industrial Estate (North), Ambattur,

Chennai - 600 098.

Phone Nos. 26255391/26255173

Fax No. 26257693, 26257059.

## CORPORATE OFFICE:

41, II Floor, Venkatnarayana Road,

T. Nagar, Chennai - 600 017.

Phone Nos. 24351143, 24357722, 24355377

Fax No. 24347167

## REGIONAL OFFICE:

C 157,

Defence Colony,

New Delhi - 110 003

104, Trade Corner,

Andheri Kurla Road, Sakinaka,

Andheri, Mumbai - 400 072.

P3, Suharwady Avenue

2nd Floor, Kolkata - 700 017

## 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 Adjourned 90<sup>th</sup> Annual General Meeting**

NOTICE is hereby given that the Adjourned Ninetieth Annual General Meeting of the Members of the Company will be held on Thursday, July 31, 2003 at 3.00 P.M. at Anna Auditorium of the Association of Surgeons of India, No.18, Swamy Sivananda Salai, Chepauk, Chennai - 600 005 to transact the following business:-

**1. Consideration of Accounts**

To receive, consider and adopt the Audited Accounts of the Company for the year ended September 30, 2002 and the Report of the Directors and Auditors thereon.

**2. To appoint Auditors and fix their remuneration**

The retiring Auditors, M/s. Fraser & Ross, Chartered Accountants, Chennai, are not seeking reappointment as Auditors of the Company. M/s. CNGSN & Associates, Chartered Accountants, Chennai, have expressed their willingness to act as the Statutory Auditors of the Company. 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. CNGSN & Associates, Chartered Accountants, Chennai, be and are hereby 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, in place of the present Auditors of the Company, M/s. Fraser & Ross, Chartered Accountants, Chennai 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."

Chennai  
April 30, 2003

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. Approval of Accounts**

Members may recall that at the 90th Annual General Meeting held on March 31, 2003, the item relating to the consideration of Accounts was deferred and that the Members consented to consider the said item at the Adjourned 90th Annual General Meeting. Since the Accounts have been finalised, the Board of Directors has decided to place the Accounts for the consideration and approval of the Members at this Adjourned Meeting.

**3. Appointment of Auditors**

Members may recall that at the 90th Annual General Meeting held on March 31, 2003, the item relating to appointment of Auditors was

deferred and that the Members consented to consider the said item at the Adjourned 90th Annual General Meeting. The retiring Auditors, M/s. Fraser & Ross, Chartered Accountants, are not seeking reappointment as Auditors of the Company. M/s. CNGSN & Associates, Chartered Accountants, Chennai, have expressed their willingness to act as the Statutory Auditors of the Company. Therefore, it has become necessary to pass the resolution, proposed in the Notice dated February 28, 2003 convening the Annual General Meeting held on March 31, 2003, with the abovesaid modification.

- The 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 Members are requested to quote Register Folio Numbers or Client ID/ DP ID Numbers in all their correspondence.
- The Members holding shares of the Company in identical order of the 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.
- Pursuant to the directives of SEBI, requiring handling of all the work relating to Share Registry in terms of both physical and electronic by a common agency, i.e. either in - house by the Company or by a SEBI registered R & T Agent, M/s. Integrated Enterprises (India) Limited, Chennai, have been appointed as Registrar and Transfer Agent of the Company. All correspondence with respect to Share Transfers may please be addressed to:  
  
M/s. Integrated Enterprises (India) Limited  
II Floor, Kences Towers,  
No. 1, Ramakrishna Street,  
T. Nagar, Chennai - 600 017  
  
Phone : 2814 0801 - 2814 0803  
Fax : 2814 2479
- 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.
- The Members desiring any information are requested to write to the Company at an early date to enable the Management to keep the information ready.
- 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.

## Directors' Report

Dear Members,

Your Directors present the 90<sup>th</sup> Annual Report and the Audited Statement of Accounts of the Company for the period ended September 30, 2002.

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

### 1. Financial Highlights :

(Rs. in Lakhs)		
Particulars	2001 - 2002 (15 months)	2000 - 2001* (12 months)
Total Income	1,643	6,982
Operating Expenses	2,724	7,605
<b>Operating Profit / (Loss)</b>	<b>(1,081)</b>	<b>(623)</b>
Interest	281	224
Depreciation	39	108
Prior period adjustment and Extraordinary items / Diminution in value of Investments (Exp./Income)	73	(2,150)
<b>Profit/(Loss) before Tax</b>	<b>(1,474)</b>	<b>1,195</b>
Provision for Tax	—	2
<b>Profit/(Loss) after Tax</b>	<b>(1,474)</b>	<b>1,193</b>
Transfer from / (to) Capital Reserve	554	(554)
<b>Profit transferred / (Loss carried) to Reserve</b>	<b>(920)</b>	<b>639</b>

\* Includes operations of Project Division

### 2. Revival Scheme:

- 2.1 The revival proposal contemplated by the Company is still continuing and is in various stages of implementation
- 2.2 Effective July 01, 2001, the Projects Division has been hived off into a Wholly Owned Subsidiary. The efforts of the Company to induct a Strategic Partner, to bring in the much needed working capital, has not been successful so far.
- 2.3 During the period under review, Sales Tax Assessments and Appeals in almost all the States have been completed. Most of the Appeals have been remanded back to the Assessment Officers with directions to do reassessment. These Appeals and the remaining Assessments are expected to be finalised in the current year. The Company's request to the Government of Tamil Nadu for waiver of penalty is still pending and a favourable response is expected in the current year. The effect of the concession and reassessments can be reckoned only after the completion of pending Assessments and Appeals and the same will be considered in the Accounts at that point of time.
- 2.4 As part of the Revival Scheme, the Company has in the current year, entered into an Agreement for sale of the land at Bangalore and the proceeds realised from the sale is proposed to be utilised to repay 66% of the Debentures outstanding to the Financial Institutions and service the interest upto date. This will result in saving about Rs. 180 lakhs per annum in interest cost and will also enable the Company to explore the possibility of raising bank facilities for the manufacturing division.
- 2.5 In the period under review, as part of the ongoing revival scheme, the Power Line Accessories Division has been closed due to its unviable operations. Further, due to low volume and uneconomical operations, the business of manufacturing Chemical Pumps by one of the subsidiary companies (Beacon Pumps (India) Limited) has been transferred to another subsidiary (Beacon Weir Limited)

### 3. Finance

- 3.1 Your Company has, during the period under review, repaid the public portion of the third and final installment of the 14% Secured Redeemable Non Convertible Debentures amounting to Rs. 21,73,178, to such of those Debenture holders, who have surrendered the Debenture Certificates.

The Company has, during the period under review, credited the following amounts, that remained unclaimed and unpaid for a period of seven years from the date they became payable, to the Investor Education and Protection Fund, as required under Section 205C of the Companies Act, 1956:-

- i) Matured Debenture amount with Premium and Interest in respect of 15% Secured Redeemable Non Convertible Debentures (Series II) Rs. 78,118.
- ii) Matured Fixed / Cumulative Deposits with interest accrued - Rs. 15,52,585.
- iii) Matured Debentures amount with interest accrued in respect of 15% Secured Redeemable Non Convertible Debentures (Series IV) - Rs. 1,40,44,850.

- 3.2 During the period under review, the Company has entered into an Memorandum of Understanding with an Investment Company in the Group for sale of its investments in Beacon Weir Limited, Esquire Engineers & Consultants Limited and Best & Crompton Engineering (Nigeria) Limited and has received an advance of Rs. 582 Lakhs.

- 3.3 The advance received from sale of investments and the balance of sale consideration received from Best & Crompton Engineering Projects Ltd., towards sale of Projects Division was partly utilised by the Company to repay the entire outstanding in the Cash Credit Account of Global Trust Bank Limited and the amounts due towards unclaimed Debentures and Fixed Deposits as indicated above. The balance was utilised to pay certain long overdues to the employees, term loan instalments to Allahabad Bank and the Statutory dues.

- 3.4 Consequent to the hiving off of the Projects Division, to a Wholly Owned Subsidiary, namely, Best & Crompton Engineering Projects Limited (BCEPL), the entire Funded and Non-funded facilities enjoyed by your Company with Global Trust Bank Limited and Catholic Syrian Bank Limited has been transferred to BCEPL and the Company is not having any bank facility at present.

### 4. Performance and outlook of Business Operations

- 4.1 During the period under review, the turn over of the Company was Rs. 1,481 lakhs (excluding Projects Division) and the turnover for the period in 2000-2001 (12 months) was Rs. 6,650 lakhs (including Projects Division).
- 4.2 Due to lack of sufficient orders, continuing working capital problems and non-availability of bank facilities, all the divisions of the Company operated, at substantially lower capacities. This and the heavy overhead costs has resulted in operating loss.
- 4.3 Except the Chennai Foundry unit, the business prospects for all the other divisions appear to be bleak, due to acute competition and unremunerative prices.
- 4.4 The operations of the Chennai Foundry unit can be made viable provided investment, for refurbishing the machineries and to augment the working capital, is made.
- 4.5 With the hiving off of the Projects Division to BCEPL, the overseas business of Ghana branch has also been transferred to it.

**5. Dividend:**

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

**6. Fixed Deposits**

No fresh deposits have been accepted. During the period under review, deposits with Interest accrued thereon aggregating to Rs. 15,52,585, that were remaining unclaimed and unpaid for a period of more than seven years have been credited to the Investor Education and Protection Fund, pursuant to the provisions of Section 205C of the Companies Act, 1956.

**7. Subsidiary Companies:**

7.1 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 Subsidiaries and Joint Venture companies, highlights in relation to certain major events in respect of certain companies are given below:-

**7.2 Beacon Carbons & Electricals (India) Limited**

During the year under review, the Hon'ble High Court of Madras has ordered the winding up of the Company. The Official Liquidator has taken charge of the Company.

**7.3 Beacon Neyrpic Limited**

Action will be initiated to Wind up the Company, since no activity is taking place.

**7.4 Beacon Weir Limited**

The turnover and profit after tax for the year ended March 31, 2002 was Rs. 1,267 Lakhs and Rs. 82 Lakhs respectively. Improved collections and better management of funds has resulted in tiding over the liquidity problem to a great extent during the year and the Company was able to sustain its operations out of its own cash flow generation.

**7.5 Best & Crompton Engineering Projects Limited**

After the hiving off of the Projects Division into this new Company, the first year of its operations shows a turnover of Rs. 5,702 Lakhs only. Despite an additional banking facility of Rs. 200 Lakhs from Catholic Syrian Bank, the business volume and profitability margin could not be improved, due to inadequate working capital.

**7.6 Esquire Engineers & Consultants Limited**

The business relating to the CAD/CAM Division of the Company has been hived off to its Wholly Owned Subsidiary Company viz., Esquire Engineering Solutions Limited, effective from April 01, 2002.

The other divisions of the company are operating at low levels due to absence of many green field projects and also because of competition.

**7.7 Esquire Engineering Solutions Limited**

The operations of the Company has started with a promising note. The Company has become the Certified Training Centre for the whole of Tamil Nadu and Pondicherry for Parametric Technology Corporation Limited of USA, the globally renowned CAD/CAM system supplier of Pro-E.

This Company has also been appointed as the Value Added Reseller of Parametric Technology Corporation Limited's Products for Tamil Nadu and Pondicherry.

All the divisions of the Company, namely Training, Product selling and Engineering Services are performing very well and number of new customers are being added every month.

**7.8 Best & Crompton Engineering (Nigeria) Limited, Nigeria (BCN)**

The company has subscribed to the Rights Issue of BCN. BCN is yet to allot Shares in favour of the Company. Despite the political and economical problems in Nigeria, this company is executing small value orders and the operations for the year ended December 31, 2002, has resulted in a turnover of US \$ 917,647 and profit after tax of US \$ 70,212.

**7.9 Three "C" Systems Limited**

During the period under review, the Hon'ble High Court of Madras has ordered the Winding up of the Company. The Official Liquidator has taken charge of the Company.

**8. Directors:**

Mr. M. Arunachalam and Mr. SP. Annamalai retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

**9. 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 September 30, 2002 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 judgements 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
- iv) that the Directors had prepared the Accounts for the year ended September 30, 2002 on a "going concern" basis.

**10. Audit Committee:**

Pursuant to the requirements of Section 292A of the Companies Act, 1956, the Audit Committee was constituted. 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.

**11. Corporate Governance:**

- 11.1 In spite of the best efforts the individuals whom the Company has been requesting have not given their consent to accept the assignment of an Independent Director on the Board of Directors of the Company.
- 11.2 However, a separate section on Corporate Governance is included in this Annual Report.
- 11.3 The Management Discussion and Analysis Report is also included in this Report.
- 11.4 A Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as required by Clause 49 of the Listing Agreement is attached to this report.



**Best & Crompton Engg. Limited****12. Auditors:**

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

**13. Auditors' Report:**

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

**14. Personnel:**

The industrial relations for the Company continued to be satisfactory. The Company has no employee drawing remuneration attracting the provisions of Section 217 (2A) of the Companies Act, 1956.

**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 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 Notes on Accounts respectively.

**16. Acknowledgments:**

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 co operation 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 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  
27.03.2003

SP. Annamalai  
Director - Finance

A. Nageswaran  
Director

**ANNEXURE 'A' TO DIRECTORS' REPORT****REPLIES TO THE AUDITORS' COMMENTS**

Reference	Comments of the Auditors	Reply	Reference	Comments of the Auditors	Reply
1	The Accounts have been prepared on the basis that the Company is a going concern in spite of substantial operating losses, substantial negative cashflow from operations and the inability to pay creditors as on due dates and the Company having become potentially sick Company under Section 23 of Sick Industrial Companies (Special Provisions) Act, 1985. In the absence of any specific plan to overcome these issues, substantial doubt has been arisen as to whether the Company will be able to continue as a going concern.	During the period from 1.10.1995 to 31.3.1997, the net worth of the Company was totally eroded and the Company faced several winding up petitions and was under the supervision of the High Court of Madras. Subsequently, the present promoters infused Rs. 79.58 crores, which resulted in the positive networth. The networth of the Company was declared positive by the Hon'ble High Court of Madras by its Order dated April 03, 1998. The erosion of the net worth has always been more than 50% during the period 1998-2002.  The infusion of funds was made with a view to restructure the operations of the Company. The restructuring process of the Company involved closure of unviable operating divisions, sale of unproductive assets and investments, reduction of loan outstandings, rationalization of manpower and various other measures. The Company has been in the process of implementing the on going restructuring operations and has been able to substantially achieve the aforementioned objectives. The proposed settlement of the dues to the Institutional Debentureholders would result in the reduction in the Debt and the eventual Interest burden (see Note 4 - Notes on Accounts). The Company has further plans of improving the operations by introduction of new technology and new lines of business. All these activities are expected to be completed in the next three years. The Directors, are, therefore, of the opinion that the current operations have to be treated as a going concern basis.  In view of the implementation of the ongoing restructuring process, the Directors are of the opinion that the erosion in net worth could be arrested and it is expected that it would turn positive in the next three years. In view of this, the Directors consider it not necessary to report the potential sickness under Section 23 of SICA.			
3(a)(i)	Statement of account or certificate of confirmation of the balances in certain bank accounts aggregating Rs. 31 thousands and fixed deposits under lien to Bankers aggregating to Rs. 4359 thousands.	Rs. 31 thousands held in certain Banks, as deposits is very old and non-operative accounts, and therefore obtaining of Certificates is delayed. Efforts are being made to obtain the same.	3(a)(ii)	Confirmation of outstanding Debtors, Creditors, Loans and advances and deposits.	As far as the Fixed Deposits under lien to the Bankers aggregating to Rs. 4359 thousands are concerned, the Certificates obtained and produced are without a reference to the lien being exercised by the bank. The banks are of the view that there is no necessity to mention about the lien arrangement, since the Company does not enjoy any permanent facility with them in this regard.  Efforts will be made to obtain the confirmation of outstanding for the future period.
			3(a)(iii)	Details of Sales Tax Assessments completed and pending as per the returns, orders and pending appeals as on 30th September 2002 to confirm the correctness of the provision carried forward and the Contingent liability disclosed.	All the necessary information, to the extent available, has been produced to the auditors. However, in view of the large number of assessments pending in various states and for periods dating back as early as 1980s, the detailed information could not be made available. The situation has been further compounded due to non availability of people and closure of various site offices. However, action has been already initiated to collect all the required information, which could be made available to the auditors for the next year.
			3(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 (Para 16 of the annexure).	Proper cost Accounting records as required under clause (d) of Sub Section (1) of Section 209 of the Companies Act, 1956 have been kept by the Company.
			3(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 and reassessment of liability under Superannuation Defined Benefit Scheme, as required by Accounting Standard 15.	Since the Companies are going concerns, have good business opportunities and are expected to register a turnaround in the ensuing year, the Directors are of the opinion that the diminution in the value of the investments is only temporary in nature and therefore requires no provision.
			4(f)	Note no. 9 in Schedule 15 on non ascertainment of liability for superannuation under defined benefit scheme and funding the same.	Since the Company is still to take a final view of the continuation and implementation of the Superannuation Scheme, either in the existing or in the modified form, no reassessment of

Reference	Comments of the Auditors	Reply	ANNEXURE TO AUDITORS' REPORT	
		liability has been done during this year. The Directors opine that once a policy decision is taken in this regard, in the next year necessary reassessment of liability will be done and provision required, if any, will be made accordingly in that accounting year.		maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, with respect to the Pumps Division is yet to be prepared.
4(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 September 2002 is although lower than the book value by Rs. 16,110 thousands, no adjustment has been made in the accounts since the fall in the market value is considered temporary.	Since the shortfall in the estimated market value as on 30th September 2002, is considered to be temporary in nature, no adjustment has been made in the accounts.	17	According to the records of the Company, provident fund and Employees State Insurance dues have been deposited with the appropriate authorities with serious delays in certain months. Provident fund dues relating to the period April to August 2002 aggregating to Rs. 2785 thousands and Employee State Insurance dues relating to the period July and August 2002 aggregating to Rs. 467 thousands (including Rs. 160 thousands for which no details available) which has fallen due for deposit with appropriate authorities, had not been so deposited as at 30th September 2002.
4(b)	Note no. 5 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. 31,435 thousands, based on the audited accounts for the year ended 31st March 2002, considering the same as temporary in nature.	Since the Companies are going concerns, have good business opportunities and are expected to register a turnaround in the ensuing year, the Directors are of the opinion that the diminution in the value of the investments is only temporary in nature and therefore requires no provision.	18	According to the information and explanations given to us and books and records examined by us no undisputed amounts payable in respect of income tax, wealth tax, customs duty, and sales tax were outstanding as at 30th September 2002 excepting Rs. 8,819 thousands in respect of Sales Tax and tax deducted at source on contractors and interest.
4(c)	Note no. 6 (a) and 6 (b) in schedule 15 regarding non consideration of any provision for debts aggregating to Rs. 5,728 thousands from customers of inoperative divisions and Rs. 6,790 thousands from companies whose net worth have been eroded.	Action is being initiated to obtain the necessary details and collect the debts.	20	The Company is not sick industrial company within the meaning of clause (i) of sub section (1) of section 3 of Sick Industrial Companies (Special Provisions) Act, 1985. However due to erosion of fifty percent of the peak networth during the immediately preceding four years, the Company has become potentially sick under section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985.
4(e)	Note no. 8 in schedule 15 regarding non consideration of any provision for advances aggregating Rs. 14,134 thousands made to Companies whose networth have been eroded.	The Directors are of the opinion that the Companies are going concern, have good business opportunities and are expected to register a turnaround in the ensuing year. Hence, no provision towards the advance is necessary.		Because of continuing liquidity problems, Sales Tax of Rs. 8643 thousands and Income Tax of Rs. 176 thousands were not paid before Balance Sheet Date. However, Income Tax Deduction at Source is being deposited shortly. Action is also being taken to pay the outstanding Sales Tax liability.
4(g)	Note no. 11 in schedule 15 regarding non-provision of interest on amounts due to Small Scale Industries if any, not determinable.	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.		During the period from 1.10.1995 to 31.3.1997, the net worth of the Company was totally eroded and the Company faced several winding up petitions and was under the supervision of the High Court of Madras. Subsequently, the present promoters infused Rs. 79.58 crores, which resulted in the positive networth. The networth of the Company was declared positive by the Hon'ble High Court of Madras by its Order dated April 03, 1998. The erosion of the net worth has always been more than 50% during the period 1998-2002.
ANNEXURE TO AUDITORS' REPORT				
1	The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets other than for furniture acquired from Beacon Software Systems Limited during the period for Rs. 1510 thousands. The fixed assets have not been physically verified during the period by the management.	Due to non availability of personnel, the physical verification could not be carried out. However, efforts will be made to do the verification in the ensuing year.		The infusion of funds was made with a view to restructure the operations of the Company. The restructuring process of the Company involved closure of unviable operating divisions, sale of unproductive assets and investments, reduction of loan outstandings, rationalization of manpower and various other measures. The Company has been in the process of implementing the on going restructuring operations and has been able to substantially achieve the aforementioned objectives. The proposed settlement of the dues to the Institutional Debentureholders would result in the reduction in the Debt and the eventual interest burden (see Note 4 - Notes on Accounts). The Company has further plans of improving the operations by introduction of new technology and new lines of business. All these activities are expected to be completed in the next three years. The Directors are, therefore, of the opinion that the current operations have to be treated as a going concern basis.
3.	The stocks of finished goods, spare parts and raw materials have not been physically verified by the management in certain divisions and stocks with the sub-contractors. In our opinion, the frequency of such verification needs to be enlarged to cover all the items of stock at least once in a year.	Due to non availability of personnel, the physical verification could not be carried out. However, efforts will be made to do the verification in the ensuing year.		In view of the implementation of the ongoing restructuring process, the Directors are of the opinion that the erosion in net worth could be arrested and it is expected that it would turn positive in the next three years. In view of this, the Directors consider it not necessary to report the potential sickness under Section 23 of SICA.
16	We have been informed that the books of accounts to be maintained by the Company pursuant to the order made by the Central Government for the	Proper cost Accounting records as required under clause (d) of Sub-Section (1) of Section 209 of the Companies Act, 1956 have been kept by the Company.		
			Chennai, 27.03.2003	For and on behalf of the Board of Directors
			SP. ANNAMALAI Director - Finance	A. NAGESWARAN Director



## Report on Corporate Governance

### Company's Philosophy on Code of Governance

The Company's philosophy on Corporate Governance is to -

- \* comply with the laws of the land,
- \* enhance the earnings per Share and
- \* ensure discipline, transparency and accountability.

#### 1. Board of Directors

The present strength of the Board is Four. The Board comprises of Non Executive Directors and a Whole Time Director. The Board of Directors of the Company are as follows:-

1. Mr. M.Arunachalam Non Executive Director
2. Ms. Rani Non Executive Director
3. Mr. SP.Annamalai Whole Time Director
4. Mr. K.Ramakrishnan Non Executive Director

Mr. A. Nageswaran is an Alternate Director to Mr. M. Arunachalam.

As mentioned in the Directors' Report, your Company, in spite of its best efforts is unable to get the consent of the individuals whom it has been requesting to accept the assignment of an Independent Director on the Board of Directors of the Company. Chairman of the Board is elected at each Meeting of the Directors since no Chairman is appointed by the Board so far.

#### 2. Attendance of each Director at the Board Meetings held during the period 2001-2002 and at the last Annual General Meeting and details of other Directorships.

Twelve Board Meetings were held during the period 2001 - 2002. The dates on which the Meetings of the Board were held are July 28, 2001, October 31, 2001, November 20, 2001, January 31, 2002, February 20, 2002, February 28, 2002, March 23, 2002, April 22, 2002, April 30, 2002, July 29, 2002, September 02, 2002 and September 30, 2002.

The attendance records of all Directors are as under:-

Name of the Director	No. of Board Meetings Attended	Last AGM Attended	Directorships in other Companies (excluding Foreign Companies and Private Limited Companies)	
			Director	Member
Mr. M. Arunachalam	2	No	3	Nil
Ms. Rani	12	No	Nil	Nil
Mr. SP. Annamalai	11	Yes	5	1
Mr. K. Ramakrishnan	11	Yes	2	Nil
Mr. A. Nageswaran (Alternate to Mr. M. Arunachalam)	10	Yes	1*	1
* Alternate Director				

None of the Directors is Chairman in any of the Companies in which he is a Director / or Committee in which he is a Member, except Mr.M.Arunachalam, who is the Chairman of Best Electric Company Private Limited, Chennai.

#### 3. Remuneration Committee

Remuneration Committee, as contemplated under the Listing Agreement is presently non mandatory and hence not constituted.

#### 4. Remuneration to Directors

In view of the poor financial position of the Company, the Board has resolved that no sitting fees need be paid to the Directors for attending the Meetings of the Board of Directors and Meetings of the Committee for Transfer of Shares/ Debentures.

Remuneration paid to Mr. SP. Annamalai - Whole Time Director designated as Director - Finance is as detailed hereunder for the period from 1.07.2001 to 30.09.2002:-

Salary	Rs. 17,33,492
Perquisites	Rs. 99,709

#### Disclosure regarding re-appointment of Directors.

At the ensuing Annual General Meeting Mr. M. Arunachalam and Mr. SP. Annamalai retire by rotation and being eligible offer themselves for reappointment. A brief background of the Directors proposed for reappointment is furnished below along with details of Companies in which they hold Directorship and Membership in Committees.

#### Mr. M. Arunachalam

Mr. M. Arunachalam has a very sound background and experience in Corporate Financial Planning. He has the international exposure in the industrial scenario throughout the World. His keen insight into the Corporate affairs both in India and abroad will help in the revival of your Company.

#### Directorship

Polmaco (HK) Limited, Hong Kong  
A.R. International Limited, Hong Kong  
Best India Investments Limited, British Virgin Islands  
Fulltech Investments Limited, British Virgin Islands  
B & C Holdings Limited, British Virgin Islands  
TTI Mauritius Limited, Mauritius  
Lorik Investments Limited, Cyprus  
Best Electric Company Private Limited, Chennai - Chairman  
Beacon Software Systems Limited, Chennai  
Best & Crompton Engineering Projects Limited, Chennai  
New World Synthetic Limited, New Delhi

Mr. M. Arunachalam is not a Member in any Committee.

#### Mr. SP. Annamalai

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

#### Directorship

Beacon Software Systems Ltd.  
Beacon Weir Ltd.  
Crombes Holdings Ltd.  
Esquire Engineering Solutions Ltd.  
New World Synthetic Ltd.

Mr. SP. Annamalai is a Member of Audit Committee in Crombes Holdings Ltd.

#### 5. Audit Committee

Pursuant to the requirements of Section 292A of the Companies Act, 1956, the Audit Committee was constituted. The Audit Committee comprises of the following Directors as Members:-

- a. Mr. K. Ramakrishnan
- b. Mr. A. Nageswaran
- c. Mr. SP. Annamalai

The Members of Committee elect the Chairman of the Audit Committee at the Meeting.

The Committee acts in accordance with the terms of reference specified by the Board. Since the Company is yet to appoint Independent Directors on the Board, it is unable to constitute an Audit Committee as per the requirements of Clause 49 of the Listing Agreement. During the year, the Audit Committee met 3 times and the attendance of the Audit Committee Members at the said Meetings are as detailed below:-

Sl.No.	Names of Directors	Number of Meetings attended
1.	Mr. K. Ramakrishnan	3
2.	Mr. A. Nageswaran	3
3.	Mr. SP. Annamalai	3

#### 6. Shareholders'/ Investors' Grievance Committee

The Share/Debt Transfer Committee looks into the Shareholders'/ Investors' Grievances. Since the Company is yet to appoint Independent Directors on the Board, it is unable to constitute a Shareholders'/Investors' Grievance Committee as per the requirements of Clause 49 of the Listing Agreement.

Mr. V.P. Thirumoorthy, Company Secretary, is the Compliance Officer of the Company.

The Committee looks after the Share Transfers on a monthly basis. No Share Transfer is pending as on September 30, 2002.

During the year, the Company received 22 complaints, out of this, 2 complaints relate to Transfer of Shares, 4 complaints relate to Transmission of Shares, 5 complaints relate to Demat of Shares, 7 complaints relate to Redemption of Debentures and 4 other complaints. All the grievances were redressed to the satisfaction of the investors.

#### 7. Disclosures

##### a) Related party Transactions

During the period, there were no material transactions with the Promoters, Directors and their relatives, the management and the Company's Subsidiaries, that had potential conflict with the interest of the Company.

##### b) Compliance by the Company

Except for the appointment of Independent Directors on the Board of Directors of the Company, pursuant to Clause 49 of the Listing Agreement, there were no instances of non compliance of any requirements of the Stock Exchanges, Securities & Exchange Board of India and other Statutory Authorities on any matters relating to Capital markets during the last three years.

#### 8. Annual General Meetings

Last three Annual General Meetings were held as under:-

Financial Year	Date of Meeting & Time	Venue
2000-2001	27.12.2001, 3.00 P.M.	Anna Auditorium of the Association of Surgeons of India, No.18, Swamy Sivananda Salai, Chepauk, Chennai - 600 005.

1999-2000	21.12.2000, 10.30 A.M.	as above
1998 - 1999	28.09.1999, 11.00 A.M.	as above

Extraordinary General Meetings held in the preceding three years.

An Extraordinary General Meeting was held on June 28, 2000 to transact the following business:-

Issue of Redeemable Cumulative Preference Shares, Transfer of Assets and Liabilities of the Projects Division to Best & Crompton Engineering Projects Ltd., the Wholly Owned Subsidiary and the appointment of Mr.SP. Annamalai as Whole Time Director designated as Director - Finance.

Date of the Meeting	Time	Venue
June 28, 2000	2.00 p.m.	Anna Auditorium of the Association of Surgeons of India, No.18, Swamy Sivananda Salai, Chepauk, Chennai - 600 005.

#### 9. Postal Ballot

No Special Resolutions were required to be put through Postal Ballot last year.

#### 10. Means of Communication

##### Quarterly Results

The quarterly results are published in "Business Line" (English) and "Maalai Sudar" (Tamil). The Quarterly Results are not displayed on the Web - Site.

The Management Discussion and Analysis Report is enclosed.

#### 11. General Shareholder Information

##### Annual General Meeting

##### Date, Time and Venue :

March 31, 2003 at 3.00 p.m.

Anna Auditorium of the Association of Surgeons of India, No.18, Swamy Sivananda Salai, Chepauk, Chennai-600 005.

##### Financial calendar :

Quarterly results for the quarter ended December 31, 2002 have been published on February 01, 2003 and the quarterly results for the remaining quarters are proposed to be published in April 2003, July 2003 and October 2003.

Since it is not mandatory, the half yearly Results are not sent to the Shareholders.

##### Market Price in BSE

Month	High Rs.	Low Rs.	Sensex High	Sensex Low
July 2001	2.70	1.80	3513.79	3241.66
August 2001	2.20	1.20	3359.07	3241.12
September 2001	2.15	1.35	3267.93	2594.87
October 2001	1.90	1.10	3083.65	2718.41
November 2001	2.25	1.40	3377.81	3003.95
December 2001	2.50	1.85	3500.20	3100.57
January 2002	1.65	1.10	3466.73	3236.76
February 2002	2.20	1.00	3758.11	3290.00
March 2002	2.15	1.50	3758.27	3454.27
April 2002	1.95	1.50	3538.49	3296.88
May 2002	3.10	1.80	3478.02	3097.73
June 2002	5.30	2.15	3377.88	3148.57
July 2002	7.50	3.30	3366.74	2932.35
August 2002	5.25	2.75	3185.08	2931.78
September 2002	3.70	2.30	3227.62	2973.97

##### Shareholding Pattern as on September 30, 2002

Category	No. of Shares held	% to paid up Capital
Promoters	8,12,41,281	77.13
Mutual Funds & UTI	21,24,498	2.02
Banks, FIs, Insurance Companies	15,89,991	1.51
Private Bodies Corporate	3,18,779	0.30
Indian Public	44,21,713	4.20
NRIs/OCBs	4,30,349	0.41
Foreign Companies	1,51,99,747	14.43
Total	10,53,26,358	100.00