

# **Best & Crompton Engg. Limited**

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**92nd Annual Report 2003 - 2004**

# Best & Crompton Engg. Limited

## DIRECTORS

M. ARUNACHALAM  
RANI  
Dr. S. RAVICHANDRAN  
GURDEEP SINGH MAMIK  
A. MARIA JOSEPH  
Whole Time Director  
A. NAGESWARAN  
(Alternate to M. Arunachalam)

## AUDITORS

CNGSN & ASSOCIATES,  
Chartered Accountants,  
Chennai

## REGISTERED OFFICE :

39, Industrial Estate (North), Ambattur,  
Chennai - 600 098.  
Phone Nos. 26255391/26255173  
Fax No. 26257059.

## CORPORATE OFFICE:

41, II Floor, Venkatnarayana Road,  
T. Nagar, Chennai - 600 017.  
Phone Nos. 24351143, 24357722, 24355377  
Fax No. 24347167

## REGIONAL OFFICE:

S-6, Green Park, I Floor,  
Uphar Market Complex,  
New Delhi - 110 016  
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,  
Yedyur, Bangalore - 560 082.

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## CONTENTS

	Page No.
Notice of Annual General Meeting	3
Directors' Report	5
Report on Corporate Governance	8
Management Discussion and Analysis Report	11
Auditors' Report	12
Accounts	14
Consolidated Financial Statements	31

**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 Ninety Second Annual General Meeting of the Members of the Company will be held on Monday, June 20, 2005, at 2.30 P.M. at Bala Mandir German Hall, 17 Prakasam Street, T.Nagar, Chennai - 600 017, 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, 2004 and the Report of the Directors and the Auditors thereon.

**2. Appointment of Directors**

- (i) Mr. A.Maria Joseph, who retires by rotation and being eligible, offers himself for re-appointment.
- (ii) Mr. Gurdeep Singh Mamik, 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. CNGSN & Associates, 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. CNGSN & Associates, Chartered Accountants, Chennai, 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."

**SPECIAL BUSINESS****4. Increase in the Authorised Share Capital**

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

**SPECIAL RESOLUTION**

"RESOLVED that the Authorised Share Capital of the Company be increased from Rs.110,00,00,000 ( Rupees One Hundred and Ten Crores only) to Rs.111,00,00,000 (Rupees One Hundred and Eleven Crores only) by the creation of 1,00,000 (One Lakh only) Redeemable Cumulative Preference Shares of Rs.100 each."

**5. Alteration in the Memorandum of Association**

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

**SPECIAL RESOLUTION**

"RESOLVED that the existing Clause 5 relating to Share Capital in the Memorandum of Association of the Company be altered by substituting the following in place of the existing Clause:-

- 5. The Share Capital of the Company is Rs.1,11,00,00,000 ( Rupees One Hundred and Eleven Crores only) divided into 10,55,00,000 (Ten Crores Fifty Five Lakhs only) Equity Shares of Rs.10 each and 5,50,000 (Five Lakhs Fifty Thousand only) Redeemable Cumulative Preference Shares of Rs.100 each and there shall be attached to the said Shares the several rights, privileges and conditions, if any, in that behalf specified for each class of Shares in the Articles of Association of the Company."

**6. Alteration in the Articles of Association**

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

**SPECIAL RESOLUTION**

"RESOLVED that the existing Article 4 in the Articles of Association of the Company be altered by substituting the following in place of the existing Clause:-

- 4. The Share Capital of the Company is Rs.1,11,00,00,000 ( Rupees One Hundred and Eleven Crores only) divided into 10,55,00,000 (Ten Crores Fifty Five Lakhs only) Equity Shares of Rs.10 each and 5,50,000 (Five Lakhs Fifty Thousand only) Redeemable Cumulative Preference Shares of Rs.100 each."

**7. Issue of 1,52,509 Redeemable Cumulative Preference Shares of Rs.100 each.**

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

**SPECIAL RESOLUTION**

"RESOLVED that pursuant to Sections 80, 81 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and the relevant provisions of the Memorandum and Articles of Association of the Company and subject to necessary approval, permission and consent of any other appropriate authorities/bodies and subject to any modifications as may be prescribed by any one of them while granting any such approval/consent, permission and/or sanction, the Board of Directors (hereinafter referred as "the Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution) be and is hereby authorised, on behalf of the Company to offer, issue, and allot upto an aggregate of Rs. 1,52,50,900 (Rupees One Crore Fifty Two Lakhs Fifty Thousand and Nine Hundred only) with the rights attached thereto under the Articles of Association of the Company, Redeemable Cumulative Preference shares of Rs.100 each to be by way of private placement with Foreign Institutional Investors/Non-Resident Bodies and/or individuals or otherwise and whether or not such investors are Members of the Company such preference share participation in the Company by Non-Resident Indians including Overseas Corporate Bodies (NRI-OCB), Foreign Institutional Investor(s) (FIIs), Foreign Companies and other Non-Residents shall be subject to the guidelines issued by the Government of India/Reserve Bank of India and/or any other statutory body and the Board be and is hereby authorised to make an application and/or to provide such information as may be required or called for by any or all of the statutory bodies for the said purpose or otherwise through an offer letter of circular and allotment to be made at such time in one or more tranche or tranches in such manner as the Board may in its absolute discretion deems appropriate".

"RESOLVED FURTHER that without prejudice to the generality of the above, the Board be and is hereby authorised to determine as to when the said preference shares are to be issued, the type or types of the preference shares to be offered, the number and value of the preference shares to be issued in each tranche, the terms or combination of terms subject to which the preference share to be issued (including combination of terms for preference shares to be issued at various points of time), including but not limited to terms relating to rate of dividend, period of redemption, manner of redemption, premium on redemption or premature or early redemption at the option of the Company and/or the investor, terms for cumulation or otherwise of dividends and all such terms as are provided in offering of the like nature".

"RESOLVED FURTHER that the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in regard to the offer, issue, allotment or redemption of the preference shares and utilisation of the issue proceeds as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the members or otherwise to the end and intent and that the members shall be deemed to have given their approval thereto expressly by the authority of this Resolution".

"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 officer or officers of the Company to give effect to the aforesaid Resolution".

"RESOLVED FURTHER that the Board and/or the Committee thereto constituted to deal with issue and allotment of shares be and are hereby authorised to do all such acts, deeds, matters and things as may be necessary, usual, proper or expedient to give effect to this Resolution including offer, issue and allotment of the said Redeemable Cumulative Preference Shares".

Chennai  
March 24, 2005

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.**
- The Company has obtained permission from the Registrar of Companies, pursuant to Section 166 (1) of the Companies Act, 1956, extending the time for holding the Annual General Meeting for the year 2005 till June 28, 2005.
- 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 Company's Shares are listed with the Madras Stock Exchange Limited and The Stock Exchange, Mumbai. The Company has paid the listing fees to both the aforesaid Stock Exchanges.
- The Register of Members and the Share Transfer Books of the Company will remain closed from June 14, 2005, to June 20, 2005 (both days inclusive)
- The Members are requested to notify immediately any change in their addresses to the Registrar and Transfer Agent at the following Address:-  
M/s. Integrated Enterprises (India) Limited  
II Floor, Kences Towers,  
No.1, Ramakrishna Street,  
T.Nagar, Chennai – 600 017
- The Members are requested to quote Register Folio numbers or DP ID/ Client 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.
- 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 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.

11. 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.

#### 12. Reappointment/Appointment of Directors

##### Mr.A.Maria Joseph

Mr.A.Maria Joseph was born on September 06, 1948 and was appointed as Whole Time Director on January 31, 2004 and his appointment was approved by the Members at the 91<sup>st</sup> Annual General Meeting held on March 29, 2004. Mr.A.Maria Joseph is an Electrical Engineer.

He has rich and varied experience in the Engineering field in the organisation. He has handled many prestigious jobs of your Company, which involved Design and Engineering, Testing and Commissioning of Projects in India and abroad.

Prior to his appointment as Whole Time Director, Mr.A.Maria Joseph was the Vice President of your Company and was in charge of the Manufacturing Divisions of the Company.

Directorship	Membership in Committee
NIL	NIL

##### Mr.Gurdeep Singh Mamik

Mr.Gurdeep Singh Mamik was born on September 21, 1952 and was appointed as a Director on January 31, 2004 and his appointment was approved by the Members at the 91<sup>st</sup> Annual General Meeting held on March 29, 2004. Mr.Gurdeep Singh Mamik is an MBA from XLRI, Jamshedpur.

He has extensive experience in Finance, Management and Marketing. He had successfully turned around sick Companies and had set up new projects from Greenfield and handled Company acquisition.

He has over 28 Years of experience in leading Companies such as WIMCO Limited, Shalimar Tar Products Limited, Norfil Limited, United Kingdom. He has been at the CEO level since the last 12 years in Norfil Limited, United Kingdom and New World Synthetic Limited.

Directorship	Membership in Committee
New World Synthetic Limited	NIL
Beacon Weir Limited	NIL

#### Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956 for Item Nos. 4,5,6 & 7

In order to augment the resources of the Company for meeting the working capital requirements, the Company was looking forward to investors who would be able to invest in your Company. Plymouth Investments Pte. Limited, Republic of Mauritius, has evinced interest in investing in your Company. Therefore, it has become necessary to pass the enabling Resolutions to issue, offer and allot 1,52,509 Redeemable Cumulative Preference Shares of Rs.100 each to Plymouth Investments Pte. Limited.

None of the Directors of your Company is interested in the Resolutions.

The Directors commend the Resolution for adoption.

#### Inspection of Documents / Resolutions.

The Memorandum and Articles of Association of the Company and copies of Documents referred to in the items hereinabove will be available for inspection by the 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 and will also be available for inspection at the Meeting.

Chennai  
March 24, 2005

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

## Directors' Report

Dear Members,

Your Directors are pleased to present the 92nd Annual Report and the Audited Statement of Accounts of the Company for the year ended September 30, 2004.

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

### 1. Financial Highlights :

Particulars	(Rs. in Lakhs)	
	2003 - 2004	2002 - 2003
Total Income	1,963	2,995
Operating Expenses	2,206	2,437
<b>Operating Profit / (Loss)</b>	<b>(243)</b>	558
Interest	(7)	192
Depreciation	25	29
Prior period adjustment and Extraordinary items / Diminution in value of Investments (Exp./Income)	-	4
<b>Profit/(Loss) before Tax</b>	<b>(261)</b>	333
Provision for Tax	-	126
<b>Profit/(Loss) after Tax</b>	<b>(261)</b>	207
<b>Profit transferred / (Loss carried) to Reserve</b>	<b>(261)</b>	207

### 2. Revival Scheme

- 2.1 The Revival Scheme contemplated by the company is still continuing and is in various stages of implementation. The Company has identified the unviable Division, namely, Busducts Division and has closed the same. The Company is taking effective steps to rationalise the manpower and reduce the fixed overheads.
- 2.2 In order to focus on the survival, the Company requires resources. Therefore, the Company is taking effective steps to disinvest its Shareholding in Best & Crompton Engineering Projects Limited, a Wholly Owned Subsidiary and Esquire Engineers and Consultants Limited, a Subsidiary, to garner the resources. Further, the Company has entered into an Agreement to sell with a prospective buyer for disposing of the vacant land at Patravakkam.

### 3. Finance

- 3.1 During the year under review, the total Income and Loss of the Company was Rs. 1963 Lakhs and Rs. 261 Lakhs respectively.
- 3.2 Due to lack of sufficient orders, continuing working capital problems and non-availability of bank facilities, all the Divisions of the Company operated at lower capacities.
- 3.3 The Company, on July 27, 2004, entered into a Loan Agreement with New World Synthetic Limited, New Delhi for an unsecured Loan of Rs. 9,16,50,668. The said Loan was utilised to prepay the III Installment of the 14% Secured Redeemable Non Convertible Debentures held by the Institutional Debentureholders amounting to Rs.6,26,34,290 and the balance amount was utilised for the Working Capital for the various Divisions/Subsidiaries of the Company.
- 3.4 Consequent to the approval of the Members by means of Postal Ballot for Mortgaging the immovable Properties of the Company situated at 28A, 39 and 40, Industrial Estate (North), Ambattur, Chennai - 600 098, the abovesaid unsecured Loan was converted into a Secured Loan by way of Deposit of Title Deeds.
- 3.5 The Company disinvested its Shareholding in Shibsha Instruments (India) Private Limited.

### 4. Performance

#### 4.1 Chennai Foundry Unit

During the year under review, the Unit received an Order from NEPC Ltd. for a value of Rs.1.20 Crores which would be executed in a time span of three months. The Unit also expects to get further Orders in future.

#### 4.2 Electrical Machines Unit

During the year under review, this Unit has obtained Orders from Railways for supply of Train Lighting Alternators and also expects to receive more orders from the Coach Manufacturing Factories. The Unit also received a development order for Beacon Weir Limited, a Subsidiary and Joint Venture Company for DC Motors for naval application.

The Unit would shortly receive the Final Certificate for ISO 9000 - 2000

#### 4.3 Busducts Unit

During the Year under review, the Busducts Unit completed all its Orders on hand and the Order Book Position was nil. Since there was no Order forthcoming and the Unit was not viable, the Board of Directors of your Company decided to close the Unit.

#### 4.4 Plug and Socket Unit

In addition to the regular Order booking from Customers like NTPC, L & T, BHEL and processing Industries like Reliance Industries, Bajaj Electricals, the Unit is negotiating a major order for a value of Rs.1.30 Crores from NPC, Koodankulam Project for supply of Industrial Plug and Socket.

The other Divisions are still operating at substantial lower capacities.

### 5. Dividend

In view of the accumulated losses, your Directors are not able to recommend any dividend.

### 6. Fixed Deposits

No fresh deposits have been accepted.

### 7. Subsidiary Companies and Joint Ventures

Your Company has obtained permission from the Government of India, Ministry of Company Affairs by its letter No.47/201/2004-CL-III dated November 24, 2004, exempting the Company from attaching the Audited Accounts of the Subsidiary Companies as envisaged under sub - Section 8 of Section 212 of the Companies Act, 1956.

Your Company undertakes that the Annual Accounts of the Subsidiary Companies and the related detailed information will be made available to the investors of the Company and the Subsidiaries, if such request is made by them at any point of time with prior Notice. The Annual Accounts of the Subsidiary Companies are also available for inspection at the Registered Office of the Company.

Out of the operations of the various Subsidiaries and Joint Venture Companies, highlights in relation to certain major events in respect of the following Companies are given below:-

#### 7.1 Beacon Neyrpic Limited

There has been no activity in this Subsidiary and Joint Venture Company for the past several years. A meeting was held with the Joint Venture Partner wherein the modalities for winding up the Company have been discussed and steps are being taken for the Winding Up of the Company.

#### 7.2 Beacon Weir Limited

The Turnover and Profit after Tax for the year ended March 31, 2004 was Rs.16.01 Crores and Rs. 0.48 Crores respectively. The Company enjoys a healthy order book position.

**7.3 Best & Crompton Engineering Projects Limited**

The total Income and Profit after Tax of the Company for the year ended September 30, 2004 was Rs. 29.52 Crores and Rs. 3.13 Crores respectively. As on September 30, 2004, the total value of orders on hand, including the orders in the pipeline, is Rs. 33.43 Crores.

**7.4 Crombes Holdings Limited (CHL)**

During the year under review, the Company acquired 50,000 Equity Shares of Rs.10 each in Esquire Engineering Solutions Limited (EESL) and consequently EESL has become a Wholly Owned Subsidiary of CHL.

**7.5 Crombes properties Limited**

As reported earlier, the Company filed an Application with the Registrar of Companies, Tamil Nadu, Chennai under the Simplified Exit Scheme for deleting the name from the records of the Registrar of Companies. The Registrar of Companies has informed by its letter No.42049/560(5)/2004 dated July 30, 2004, that the name of the Company has been struck off from the Register of Companies.

**7.6 Esquire Engineers & Consultants Limited**

There has been no significant activity in this Company.

**7.7 Esquire Engineering Solutions Limited**

The Company has achieved a significant growth in the year under review and is poised to make an impact in its line of activities in the coming years.

**7.8 AMBC Transmission Sdn. Bhd., Malaysia – Joint Venture Company**

During the year under review, this Joint Venture Company changed its name from Arab Malaysian Best & Crompton Sdn. Bhd. to AMBC Transmission Sdn. Bhd.

**7.9 Best & Crompton Engineering Africa Limited, Nigeria (BCA) – Joint Venture Company (JV).**

During the year under review, this Joint Venture Company changed its name from Best & Crompton Engineering (Nigeria) Limited to Best & Crompton Engineering Africa Limited. Your Company was allotted Shares of Naira 6.00 Million under the Rights Issue and a further 20,98,751 Shares, being the unsubscribed Rights Shares, were allotted thereby increasing your Company's holding from 40% to 47%.

**8. Directors**

- 8.1 Mr. K.Ramakrishnan resigned from the Board with effect from April 06, 2004 as Director of the Company.
- 8.2 Mr.A.Maria Joseph and Mr.Gurdeep Singh Mamik 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, 2004 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, 2004 on a "going concern" basis.

**10. Audit Committee**

Pursuant to the requirements of Section 292A of the Companies Act, 1956, and the Listing Agreement entered into with the Stock Exchanges, the Audit Committee was re-constituted on July 30, 2004. The Audit Committee comprises of the following Directors as Members:-

- |                           |                           |
|---------------------------|---------------------------|
| 1. Dr.S.Ravichandran      | Chairman of the Committee |
| 2. Mr.M.Arunachalam       | Member                    |
| 3. Mr.Gurdeep Singh Mamik | Member                    |

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

**11. Corporate Governance**

A separate section on Corporate Governance and a Certificate from the Auditors of the Company regarding Compliance of conditions of Corporate Governance, as stipulated by the Listing Agreement with the Stock Exchanges, form part of this Annual Report.

The Management Discussion and Analysis Report is also included.

**12. Auditors**

The Auditors M/s. CNGSN & Associates, 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**

Consequent to Closure of the Busducts Unit resulting in the termination of the Service of 90 employees with effect from November 13, 2004, the Unions have raised an Industrial Dispute, which is under conciliation by the Assistant Commissioner of Labour (Conciliation II), Kuralagam. The Workmen are agitating in front of the Factory consequent to the closure of the Busducts Unit.

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, Research & Development and Foreign Exchange Earnings and outgo**

There is no information to report relating to conservation of Energy, Technology Absorption and Research & Development 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. 14 and 15 of the Schedule 14 of the Notes on Accounts respectively.

**16. 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 in spite of the Closure of the Busducts Unit. 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

<b>A.MARIA JOSEPH</b> Whole Time Director	<b>A. NAGESWARAN</b> Director
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Chennai  
March 24, 2005

## ANNEXURE 'A' TO DIRECTORS' REPORT

### REPLIES TO THE AUDITORS' COMMENTS

#### Auditors' Report

Reference	Comments of the Auditors	Reply
5(a)	Note No. 4 in Schedule 14 regarding non provisioning of the diminution in the value of investments in the Subsidiary Esquire Engineers & Consultants Limited, amounting to Rs.17,959 thousands, based on the Audited Accounts for the year ended 30th September 2004.	Since the Company is a going concern and has good business potential and is expected to register a turn around in the ensuing year, the Directors are of the opinion that the diminution in the value of investment is only temporary in nature and, therefore, requires no provision.
5 (b)	Note No. 5 in Schedule 14 regarding non consideration of any provision for debts aggregating to Rs.3,122 thousands from companies whose net worth have been eroded.	Action has been initiated to collect the debts.
5 (c) &	Sales in respect of the erstwhile "Projects Division" was booked in the accounts of Wholly Owned Subsidiary "Best & Crompton Engineering Projects Limited". The contracts which were consequently assigned earlier are awaiting "Third Party/Client" acceptance.	Steps have been initiated to obtain "Third Party / Client" acceptance, wherever necessary
5 (d)	Sales Tax paid on behalf of Best & Crompton Engineering Projects Limited (Wholly Owned Subsidiary) has been since reimbursed.	

For and on behalf of the Board of Directors

Chennai  
March 24, 2005

**Report Junction**  
A. MARIA JOSEPH  
Whole Time Director

**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 Five. The Board comprises of an Executive Director and Four Non Executive Directors. The Board of Directors of the Company are as follows:-

- |                           |  |
|---------------------------|--|
| 1. Mr.M.Arunachalam       | Non Independent Non Executive Director |
| 2. Ms. Rani               | Non Independent Non Executive Director |
| 3. Mr.A.Maria Joseph      | Whole Time Director                    |
| 4. Dr.S.Ravichandran      | Independent Non Executive Director     |
| 5. Mr.Gurdeep Singh Mamik | Independent Non Executive Director     |

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

Mr.K.Ramakrishnan has resigned from the Board of Directors with effect from April 06, 2004

Chairman of the Board is elected at each Meeting of the Directors since no Chairman is appointed by the Board.

#### 2. Attendance of each Director at the Board Meetings held during the year 2003 – 2004 and at the last Annual General Meeting and details of other Directorships.

Sixteen Board Meetings were held during the year 2003 – 2004. The dates on which the Meetings of the Board were held are October 31, 2003, November 28, 2003, January 31, 2004, February 18, 2004, February 28, 2004, March 23, 2004, April 06, 2004, April 30, 2004, May 05, 2004, May 31, 2004, June 05, 2004, July 01, 2004, July 07, 2004, July 23, 2004, July 30, 2004 and August 30, 2004.

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)		Committee Membership in other Companies	
			Director	Chairman	Member	Chairman
Mr.M.Arunachalam	-	No	1	NIL	1	NIL
Ms.Rani	15	No	NIL	NIL	NIL	NIL
Mr.K.Ramakrishnan	7	Yes	1	NIL	NIL	NIL
Mr.A.Maria Joseph	13	Yes	NIL	NIL	NIL	NIL
Mr.Gurdeep Singh Mamik	4	No	2	NIL	NIL	NIL
Dr. S.Ravichandran	13	Yes	1	NIL	NIL	NIL
Mr.A.Nageswaran	16	Yes	4	NIL	2	NIL

#### 3. Remuneration Committee

The Remuneration Committee comprises of the following Directors:-

- |                           |                           |
|---------------------------|---------------------------|
| 1. Dr.S.Ravichandran      | Chairman of the Committee |
| 2. Mr.A.Maria Joseph      | Member                    |
| 3. Mr.Gurdeep Singh Mamik | Member                    |

The Remuneration Committee has been constituted to recommend/review the remuneration package of the Whole Time Director, based on performance.

#### 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.

Remuneration paid to Mr. A.Maria Joseph - Whole Time Director for part of the year is as detailed hereunder:-

Salary	Rs. 3,14,974
Perquisites	Rs. 2,01,951

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

At the ensuing Annual General Meeting Mr.A.Maria Joseph and Mr Gurdeep Singh Mamik retire by rotation and being eligible offer themselves for reappointment. A brief background of the Directors proposed for reappointment is furnished below.

#### Mr.A.Maria Joseph

Mr.A.Maria Joseph was born on September 06, 1948 and was appointed as Whole Time Director on January 31, 2004 and his appointment was approved by the Members at the 91<sup>st</sup> Annual General Meeting held on March 29, 2004. Mr.A.Maria Joseph is an Electrical Engineer.

He has rich and varied experience in the Engineering field in the organisation. He has handled many prestigious jobs of your Company, which involved Design and Engineering, Testing and Commissioning of Projects in India and abroad.

Prior to his appointment as Whole Time Director, Mr.A.Maria Joseph was the Vice President of your Company and was in charge of the Manufacturing Divisions of the Company.

Directorship	Membership in Committee
NIL	NIL

#### Mr.Gurdeep Singh Mamik

Mr.Gurdeep Singh Mamik was born on September 21, 1952 and was appointed as a Director on January 31, 2004 and his appointment was approved by the Members at the 91<sup>st</sup> Annual General Meeting held on March 29, 2004. Mr.Gurdeep Singh Mamik is an MBA from XLRI, Jamshedpur.

He has extensive experience in Finance, Management and Marketing. He had successfully turned around sick Companies and had set up new projects from Greenfield and handled Company acquisition.

He has over 28 Years of experience in leading Companies such as WIMCO Limited, Shalimar Tar Products Limited, Norfil Limited, United Kingdom. He has been at the CEO level since the last 12 years in Norfil Limited, United Kingdom and New World Synthetic Limited.

Directorship	Membership in Committee
New World Synthetic Limited	NIL
Beacon Weir Limited	NIL

#### 5. Audit Committee

In compliance with the Listing Agreement entered into with the Stock Exchanges, the Board of Directors of the Company has reconstituted the Audit Committee with effect from July 30, 2004 comprising of the following Directors:-

- |                           |                             |
|---------------------------|-----------------------------|
| 1. Dr.S.Ravichandran      | - Chairman of the Committee |
| 2. Mr.M.Arunachalam       | - Member                    |
| 3. Mr.Gurdeep Singh Mamik | - Member                    |

The constitution of the Audit Committee is in accordance with the provisions of the Companies Act, 1956.

The terms of reference stipulated by the Board of Directors to the Audit Committee are, as contained in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, as follows:-

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment and removal of external auditor, fixation of audit fee.
3. Reviewing with management the annual financial statements before submission to the Board, focussing primarily on:
  - (i) any changes in accounting policies and practices.
  - (ii) major accounting entries based on exercise of judgement by management.
  - (iii) qualifications in draft Audit Report.
  - (iv) significant adjustments arising out of audit.
  - (v) the going concern assumption.
  - (vi) compliance with accounting standards
  - (vii) compliance with stock exchange and legal requirements concerning financial statements.
  - (viii) any related party transactions.
4. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
5. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
6. Discussion with internal auditors any significant findings and follow up thereon.
7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
8. Discussion with external auditors before the audit commences about nature and scope of audit as well as post audit discussion to ascertain any area of concern.
9. Reviewing the Company's financial and risk management policies.
10. To look into the reasons for substantial defaults in the payment to depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

During the year, the Audit Committee met 10 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.M.Arunachalam	-
2.	Ms.Rani	3
3.	Mr.K.Ramakrishnan	3
4.	Mr.A.Nageswaran	4
5.	Dr.S.Ravichandran	7
6.	Mr.A.Maria Joseph	6
7.	Mr.Gurdeep Singh Mamik	3

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

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

The Board has authorised Mr.M.Anantha Padmanathan, Chief Executive Officer of the Company, to approve the formalities relating to the Share Transfer Process.

The Shareholders' / Investors' Grievance Committee comprises of the following Directors:-

- |                           |                           |
|---------------------------|---------------------------|
| 1. Dr.S.Ravichandran      | Chairman of the Committee |
| 2. Mr.A.Maria Joseph      | Member                    |
| 3. Mr.Gurdeep Singh Mamik | Member                    |

The Shareholders' / Investors' Grievance Committee has been constituted to monitor the redressal of the Grievances of the Shareholders / Investors.

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

No Share Transfer is pending as on September 30, 2004.

During the year, the Company received 15 complaints, out of these, 10 complaints relate to Transfer of Shares, 1 complaint relates to Demat of Shares and 4 others. All the grievances were redressed to the satisfaction of the investors.

#### 7. Disclosures

##### a) Related party Transactions

During the year, 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

1. The Securities and Exchange Board of India had by its letter dated November 16, 2004 stated that the Company had violated the provisions of Regulation 8(3) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 for the Years 1998, 1999, 2001 and 2002 and thereby has requested the Company to give a consent order and pay a sum of Rs.1,00,000 as penalty.

The Company has replied that it has been complying with the provisions of Regulation 8(3) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, ever since the Regulations came into force.

2. The Company has not registered itself under Electronic Data Information Filing and Retrieval System (EDIFAR) as required under Clause 51 of the Listing Agreement. The Company has received Show Cause Notices from The Stock Exchange, Mumbai dated April 02, 2004 and September 20, 2004 for non-complying with Clause 51 of the Listing Agreement.

The Company by its letters dated May 12, 2004 and October 25, 2004 has replied that the Company is envisaging certain plans for restructuring and reorganising its businesses and it would register under EDIFAR on completion of its plans.

However, The Stock Exchange, Mumbai, has suspended the Trading in the Securities of the Company with effect from December 21, 2004. The Company is taking steps to register itself under EDIFAR and is following up with The Stock Exchange, Mumbai for revoking the suspension.

#### 8. Annual General Meetings

##### Last three Annual General Meetings were held as under:-

Financial Year	Date of Meeting & Time	Venue
2002 - 2003	29.03.2004, 3.00 P.M.	Anna Auditorium of the Association of Surgeons of India, No.18, Swamy Sivananda Salai, Chepauk, Chennai - 600 005.
2001 - 2002	31.03.2003, 3.00 P.M.	Anna Auditorium of the Association of Surgeons of India, No.18, Swamy Sivananda Salai, Chepauk, Chennai - 600 005

The above AGM was adjourned 'sine die' and the Adjourned AGM was held on July 31, 2003 at 3.00 p.m. at the same venue.