

# **Best & Crompton Engg. Limited**



**94th Annual Report 2005 - 2006**

# Best & Crompton Engg. Limited

## DIRECTORS

M. ARUNACHALAM

RANI

A. MARIA JOSEPH  
Whole Time Director

GURDEEP SINGH MAMIK

V. NARAYAN SWAMI  
Whole Time Director

F. P. CARLOS

V. SRINIVASAN

A. NAGESWARAN  
(Alternate to M. Arunachalam)

S. V. VENKATESAN  
(Alternate to F.P. Carlos)

## 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

Building No:4  
Flat No: 8,  
Sona Udyog I Floor,  
Parsi Panchayat Road,  
Andheri (East)  
Mumbai - 400 069.

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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**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 Fourth Annual General Meeting of the Members of the Company will be held on Tuesday, September 26, 2006 at 2.00 P.M. at Rani Seethai Hall, No. 603, Anna Salai, Chennai – 600 006 to transact the following business:-

**1. Consideration of Accounts**

To receive, consider and adopt the Balance Sheet as at March 31, 2006, the Profit and Loss Account for the 6 months ended March 31, 2006 and the Report of the Directors and the Auditors thereon.

**2. Appointment of Directors**

- (i) Mr. Gurdeep Singh Mamik, who retires by rotation and being eligible, offers himself for re-appointment.
- (ii) Mr. F.P. Carlos, 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. To appoint Mr. V. Srinivasan as Director**

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

**5. Alteration of 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 in the existing Article 124 after the existing sub clause 3, a new sub clause be incorporated as Sub clause 4

124 (4) The Non Executive Director, nominated by the Investor, M/s. Karthik Shelters Private Limited, Chennai, shall not be liable to retire by rotation, in terms of the Agreement entered into between the Company and the Investor".

**Notes:**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. The 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 Company's Shares are listed with the Madras Stock Exchange Limited and Bombay Stock Exchange Ltd., Mumbai. The Company has paid the listing fees for the year 2006 – 2007 to both the aforesaid stock Exchanges.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 20<sup>th</sup> September 2006 to 26<sup>th</sup> September 2006 (both days inclusive).
5. 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
6. The Members are requested to quote Register Folio Numbers or DP ID/ Client ID Numbers in all their correspondence.
7. 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.
8. 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.
9. The Members attending the Annual General Meeting are requested to bring with them the following:-  
  - (i) Copy of the Annual Report and Notice, as no copies thereof would be distributed at the Meeting.
  - (ii) The attendance slip of a person actually attending the Meeting either as a Member or as a duly registered proxy.
10. 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.
11. Reappointment/Appointment of Directors

At the ensuing Annual General Meeting, Mr.Gurdeep Singh Mamik and Mr. F.P. Carlos retire by rotation and being eligible offer themselves for reappointment.

As per Clause 49 of the Listing Agreement entered into with the Stock Exchanges, a brief resume of the Directors proposed for Reappointment/ Appointment is furnished below along with details of other Companies in which they hold Directorship and Membership in Committees.

Chennai  
August 16, 2006

for Best & Crompton Engg. Limited  
By Order of the Board  
V.P. THIRUMOORTHY  
Company Secretary

*Best & Crompton Engg. Limited***Mr. Gurdeep Singh Mamik**

Mr. Gurdeep Singh Mamik was born on September 21, 1952 and was appointed as a Director on January 31, 2004. Mr. Mamik is an MBA from XLRI Jamshedpur.

He has extensive experience in Finance, Management and Marketing. He has successfully turned around sick companies and had set up new projects and handled company acquisitions.

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

Directorship	Membership in Committee
New World Synthetic Limited	NIL

**Mr. F.P. Carlos**

Mr. F.P. Carlos was born on October 27, 1956 and is an Argentine National. He was appointed as an Additional Director of the Company with effect from April 02, 2005. Mr. F.P. Carlos is an MBA (Finance) and has rich knowledge and vast experience in International Banking and Financial Management.

Directorship	Membership in Committee
NIL	NIL

**Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956****For Item No. 4 - 5**

Mr. V. Srinivasan was born on May 15, 1957 and he was appointed as an Additional Director of the Company with effect from May 19, 2006 and holds office upto the date of this Annual General Meeting of the Company. Notice under Section 257 of the Companies Act, 1956 proposing his name as a Director of the Company, along with a deposit of Rs. 500 has been received from a Shareholder. Mr. V. Srinivasan has been associated with Dishnet Wireless Limited since inception and was the Chief Operations Officer of the Company and was appointed as Chief Executive Officer effective November 2002. He previously held senior positions in several large corporations in India, including Bharat Earth Movers Limited and Bombay Dyeing & Manufacturing Co. Ltd., and served as the Chief Financial Officer of the Essar-Swisscom Telecommunications, a joint venture, before joining Dishnet Wireless Limited. Mr. V. Srinivasan is a Bachelor of Mechanical Engineering (with Honors) from Madras University, and is a qualified Cost Accountant. Mr. V. Srinivasan is also a Chartered Financial Analyst (Gold Medallist).

The Company was scouting for parties capable of investing in the company and identified M/s. Karthik Shelters Private Limited, Chennai as a suitable investor. The consent of the Members was sought for issue and allotment of Equity shares to M/s. Karthik Shelters Private Limited. In terms of the

Agreement entered into with the Investor, he shall be entitled to nominate a Director on the Board of the Company and that such Director shall not be liable for Retirement by Rotation.

It is in the long term interest of the Company to accept this condition. Further, the expertise of the said Nominee Director would be available to the Company on a continuing basis.

None of the Directors, except Mr. V. Srinivasan, is interested in the Resolution.

The Directors commend the Resolution for approval.

**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.

for Best & Crompton Engg. Limited

By Order of the Board

Chennai  
August 16, 2006

V.P. THIRUMOORTHY  
Company Secretary

## Directors' Report

Dear Members,

Your Directors present the 94<sup>th</sup> Annual Report and the Audited Statement of Accounts of the Company for the six months ended March 31, 2006.

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

### 1. Financial Highlights

Particulars	(Rs. in Lakhs)	
	2005-06 (October 1, 2005 to March 31, 2006) (6 months)	2004-05 (October 1, 2004 to September 30, 2005) (12 months)
Total Income	642	1622
Operating Expenses	977	1887
<b>Operating Profit/(Loss)</b>	<b>(335)</b>	<b>(265)</b>
Interest	(14)	(4)
Depreciation	11	23
Prior Period Adjustment and Extraordinary items/Diminution in value of Investments (Exp/Income)	-	27
<b>Profit/(Loss) before Tax</b>	<b>(332)</b>	<b>(311)</b>
Provision for Tax	3	1
<b>Profit/(Loss) after Tax</b>	<b>(335)</b>	<b>(312)</b>
Transfer from Capital Reserve	-	21
Profit transferred/(Loss carried) to Reserve	<b>(335)</b>	<b>(291)</b>

### 2. Operations

- 2.1 The plans for achieving profitable Operations and Development are under continuous review and in various stages of implementation. The identification of new product lines for manufacture would be formulated during the current financial year. The resultant benefits of these efforts by your Company are expected to be reflected over the next two or three years.
- 2.2 The Company has during the period under review sold the non industrial land situated at Cenotaph Road, Chennai in order to meet its financial commitments as well as working capital requirements for the Company and its Subsidiaries.
- 2.3 The measures being contemplated and carried out will enable your Company to become viable and profitable.

### 3. Finance

- 3.1 During the period under review the total Income and Loss of the Company was Rs.6.42 Crores and Rs.3.35 Crores respectively.
- 3.2 As approved by the Members in the Extra Ordinary General Meeting held on April 21, 2006, the Board of Directors of your Company have allotted 1,85,14,157 Equity shares on preferential basis to M/s. Karthik Shelters Private Limited, Chennai, resulting in the increase of the Paid up capital of the Company.
- 3.3 This infusion has helped, to a large extent, to resolve the problem of lack of working capital and lack of banking support, which had resulted in the units not being able to perform at their optimum levels.

### 4. Performance

#### 4.1 Chennai Foundry Unit

Chennai Foundry is executing repeat orders for major customers like, Automotive Axles India, NEPC Limited, Greaves and FL Smith Limited. With the infusion of additional working capital and installation of new machineries for Moulding and Fetting, it is expected that this Division would be generating increased revenue in the next financial year.

#### 4.2 Plug & Socket Unit

Plug & Socket Division has been performing well, executing orders for customers like BHEL, Bajaj Electricals, L&T, ThyssenKrupp Industries India Pvt. Ltd. and McNally Bharat Engineering Company Limited. With the power sector growing rapidly this Division is expected to post a good growth in turnover and margins.

#### 4.3 Power Line Accessories Division

Power Line Accessories Division, closed few years back, is reopened at Chennai Foundry Complex and is geared up to execute its maiden order from L&T, valued Rs. 41 Lakhs. As there is a good potential market for Power Connectors, this Division is poised for growth.

#### 4.4 The other Divisions are presently operating at substantial lower capacities but improvement is foreseen given the improved Working Capital position and planned scaling up of operations.

### 5. Dividend

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

### 6. Fixed Deposits

No fixed deposits have been accepted by the Company.

### 7. Subsidiary Companies and Joint Ventures

Your Company has applied for necessary exemption under sub-section 8 of Section 212 of the Companies Act, 1956 from attaching the accounts of the Subsidiary Companies. Hence a detailed statement showing the particulars about the performance of the subsidiary Companies forms part of this Annual Report.

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.

In regard to 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:-

#### 7.1 Beacon Weir Ltd. (BWL)

The Company having successfully implemented the Sanctioned Rehabilitation Scheme of the Board for Industrial and Financial Reconstruction (BIFR), the Board has discharged the Company from the purview of its supervision. The Company has achieved the turn around within the period stipulated by BIFR.

The total Income and Profit after Tax for the period from April 2005 to March 2006 was Rs.24.98 Crores and Rs.2.94 Crores respectively. This Company enjoys a healthy order book position.

#### 7.2 Best & Crompton Engineering Projects Ltd. (BCEPL)

The total Income and Profit after Tax for the period from April 2005 to March 2006 was Rs.26.70 Crores and Rs.0.24 Crores (after amortisation) respectively. The Company has, during the year under review, been able to secure major orders independently as well as jointly from the Power Grid Corporation of India Ltd and Indian Railways.

The market for Power Transmission infrastructure is poised for strong growth and your company is well-positioned to benefit from this growth.

The orders on hand and in the pipeline are to the value of Rs.200 Crores as on 31.07.2006.

#### 7.3 Crombes Holdings Ltd. (CHL)

The total Revenue and Profit/(Loss) after Tax of the Company for the period from April 2005 to March 2006 was Rs.0.01 Crore and (Rs.0.76 Crores) Respectively.

*Best & Crompton Engg. Limited***7.4 Esquire Engineers & Consultants Ltd. (EECL)**

The total Turnover and Profit/(loss) after Tax of the Company for the period from April 2005 to March 2006 was Rs.0.56 Crores and (Rs.0.07 Crores) respectively.

**7.5 Esquire Engineering Solutions Ltd. (EESL)**

The total Revenue and Profit after Tax of the Company for the period from April 2005 to March 2006 was Rs.1.81 Crores and Rs.0.07 Crores respectively. The business has registered a substantial growth over the previous year. This company specializes in the provision of Engineering Design Services, the market for which is expanding appreciably. The company has developed a programme of scaling up its operations and range of services to obtain a significant share of this growth.

**7.6 AMBC Transmission Ltd. Malaysia – Joint Venture**

The joint venture company in Malaysia is now trying to enter new markets in the Middle East and Vietnam. The Company expects to secure orders in these countries in the next financial year.

The total Turnover and Profit/(Loss) after Tax of the Company for the period from April 2005 to March 2006 was Rs.54.69 Crores and (Rs.2.06 Crores) respectively.

**7.7 Best & Crompton Engineering. Africa Limited, Nigeria – Joint Venture**

The total Turnover and Profit after Tax of the Company for the period from January 2005 to December 2005 was Rs 8.30 Crores and Rs.0.32 Crores respectively.

**8. Directors**

8.1 Mr. A. Maria Joseph resigned from the Board with effect from 30.04.2006

8.2 Mr. V. Srinivasan has been appointed as Additional Director with effect from May 19, 2006

8.3 Mr.Gurdeep Singh Mamik and Mr F. P. Carlos retire by rotation and being eligible offer themselves for re-election.

**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 preparation of the Accounts for the financial period from October 1, 2005 to March 31, 2006 the applicable Accounting Standards have been followed along with proper explanations relating to material departures;
- ii) that the Directors have 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 financial period and of the Profit or Loss of the Company for the financial period under review;
- iii) that the Directors have 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 fraud and other irregularities and
- iv) that the Directors have prepared the Accounts for the financial period from October 1, 2005 to March 31, 2006 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 reconstituted with effect from April 2, 2005. The Audit Committee comprises of the following Directors as members:-

- |                           |                            |
|---------------------------|----------------------------|
| 1. Mr A Maria Joseph      | Chairman (till 30.04.2006) |
| 2. Mr.A.Nageswaran        |                            |
| 3. Mr Gurdeep Singh Mamik | Member                     |
| 4. Mr S V Venkatesan      | Member                     |

The Committee acts in accordance with the terms of reference stipulated 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 the Annual Report for the financial period from October 1, 2005 to March 31, 2006. The Management Discussion and Analysis Report is also enclosed.

**Chief Financial Officer (CFO) Certification**

Mr. V. Narayan Swami, Whole Time Director and Chief Financial Officer has given a certificate to the Board as contemplated in sub-clause v of clause 49 of the Listing Agreement.

**12. Auditors**

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

**13. Personnel**

Consequent upon the Award of the Labour Court in respect of 13 Ex-Management staff holding them to be workmen under the Act, the Company has preferred Writ Petitions challenging the Award in the Hon'ble High Court of Madras.

The Company has no employee drawing remuneration attracting the provisions of Section 217 (2A) of the Companies Act, 1956.

**14. Conservation of Energy, Research & Development, Technology Absorption, Foreign Exchange Earnings and outgo**

There is no information to report relating to conservation of Energy, Research & Development 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.9 and 10 of Schedule 14 of the Notes on Accounts.

**15. Acknowledgments**

Your Directors place on record their deep sense of gratitude to the shareholders of the Company, who are extending their support for the restructuring and development of the Company. Your Directors also place on record their appreciation for the continued cooperation and assistance extended to the Company by the employees in all circumstances. The Board is also thankful to the Bankers to the Company and its Subsidiaries for the continued support. The Board acknowledges gratefully the confidence reposed in the company by its various customers and business partners.

The Directors express their appreciation of the co-operation and assistance extended by the Central Government and State Governments and the various Governmental Agencies.

For and on behalf of the Board of Directors

V. NARAYAN SWAMI	A.NAGESWARAN
Whole Time Director	Director

Chennai  
August 16, 2006



## 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,
- ensure probity, transparency and accountability in all its transactions and
- enhance Shareholder value

#### 1. Board of Directors

The strength of the Board is Six Directors and comprises two Executive Directors 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. Mr.Gurdeep Singh Mamik | Independent Non Executive Director     |
| 5. Mr.F.P. Carlos         | Independent Non Executive Director     |
| 6. Mr.V.Narayan Swami     | Whole Time Director                    |

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

Mr. S.V.Venkatesan is an Alternate Director to Mr.F.P.Carlos.

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 2005 – 2006 (October 01, 2005 to March 31, 2006) and at the last Annual General Meeting and details of other Directorships.

Seven Board Meetings were held during the year 2005 – 2006 (October 01, 2005 to March 31, 2006). The dates on which the Meetings of the Board were held are October 31, 2005, November 30, 2005, January 09, 2006, January 31, 2006, February 23, 2006, March 10, 2006, March 24, 2006.

The attendance records of all Directors are as under:-

Name of the Director	No. of Board Meetings Attended	Last AGM Attended	Directorship in other Companies (excluding Foreign Companies and Private Limited Companies)		Committee Membership in other Companies	
			Director	Chairman	Member	Chairman
Mr.M.Arunachalam	-	-	1	-	1	-
Ms.Rani	-	-	-	-	-	-
Mr.A.Maria Joseph	7	Yes	-	-	-	-
Mr.Gurdeep Singh Mamik	-	-	2	-	-	-
Mr.A.Nageswaran (Alternate Director to Mr M Arunachalam)	7	Yes	4	-	2	-
Mr.F.P.Carlos	-	-	-	-	-	-
Mr.S.V.Venkatesan (Alternate Director to Mr F.P. Carlos)	7	-	-	-	-	-
Mr. V. Narayan Swami	4	Yes	-	-	-	-

#### 4. Remuneration to Directors

In view of the 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 and to Mr. V. Narayan Swami - Whole Time Directors, are as detailed hereunder:-

Salary	Rs. 7,91,000/-
Perquisites	Rs. 60,000/-

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

At the ensuing Annual General Meeting, Mr. Gurdeep Singh Mamik and Mr F. P. Carlos retire by rotation and being eligible offer themselves for reappointment. Brief background information on the Directors proposed for reappointment is furnished below:-

##### Mr. Gurdeep Singh Mamik

Mr. Gurdeep Singh Mamik was born on September 21, 1952 and was appointed as a Director on January 31, 2004. Mr. Mamik is an MBA from XLRI Jamshedpur.

He was extensive experience in Finance, Management and Marketing. He has successfully turned around sick companies and had set up new projects and handled company acquisitions.

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

Directorship	Membership in Committee
New World Synthetic Limited	NIL

##### Mr. F.P. Carlos

Mr. F.P. Carlos was born on October 27, 1956 and is an Argentine National. He was appointed as a Director of the Company with effect from April 02, 2005. Mr. F.P. Carlos is an MBA (Finance) and has rich knowledge and vast experience in International Banking and Financial Management.

Directorship	Membership in Committee
NIL	NIL

#### 5. Audit Committee

The Committee comprises of the following Directors:-

- |                            |                           |
|----------------------------|---------------------------|
| 1. Mr.A.Maria Joseph       | Chairman of the Committee |
| 2. Mr.S.V. Vekatesan       | 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 statements are correct, sufficient and credible.
2. Recommending the appointment and removal of external auditor and 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.

#### 3. Remuneration Committee

The Remuneration Committee comprises of the following Directors:-

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

The Remuneration Committee has been constituted to recommend/review the remuneration package of the Whole Time Directors.



- (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 on 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 commencement of the audit about nature and scope of audit as well as post audit discussions to ascertain any areas 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 period from 01.10.2005 to 31.03.2006, the Audit Committee met Four 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.A.Maria Joseph	4
2.	Mr.S.V.Venkatesan	4
3.	Mr.G.S.Mamik	Nil

#### 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. Mr.A.Maria Joseph - Chairman of the Committee
2. Mr.S.V.Venkatesan - Member
3. Mr.Gurdeep SinghMamik - 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 March 31, 2006.

#### 7. Disclosures

##### 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.

#### 8. Annual General Meetings

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

Financial Year	Date of Meeting & Time	Venue
2004 - 2005	29.03.2006, 2.30 P.M.	Bala Mandir German Hall 17, Prakasam Street, T.Nagar, Chennai - 600 017.
2003 - 2004	20.06.2005, 2.30 P.M.	Bala Mandir German Hall 17, Prakasam Street, T.Nagar, Chennai - 600 017.
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.

An Extra Ordinary General Meeting was held on April 21, 2006 at 2.30 P.M. at Bala Mandir German hall, No.17, Prakasam Street, T.Nagar, Chennai-600 017 to seek the approval of the Members for increasing the Authorised Capital, Alteration in the Memorandum and Articles of Association and further issue of Equity Shares on Private Placement and/or Preferential basis.

#### 9. Postal Ballots

There is no Resolution which requires the approval of the Members by means of Postal Ballot to be passed in this Annual General Meeting.

#### 10. Means of Communication

##### Quarterly Results

The quarterly results are published in "Business Line" (English) and "Maalai Sudar" (Tamil).

The Management Discussion and Analysis Report is enclosed.

#### 11. General Shareholder Information

##### Annual General Meeting

Date : September 26, 2006

Time : 2.00 P.M.

Venue : Rani Seethai Hall, 603, Anna Salai, Chennai - 600 006.

##### Financial calendar :

Quarterly results are proposed to be published for the next year in July 2006, October 2006, January 2007 and April 2007.

Since it is not mandatory the half-Yearly Results are not sent to the Shareholders.

Date of Book Closure: 20.09.2006 to 26.09.2006

Listing: Madras Stock Exchange Limited and Bombay Stock Exchange Limited, Mumbai.

##### Stock Code :

In MSE  
BESTCROMPT

In BSE  
500046

##### Market Price in the Financial Year in BSE

Month	High Rs.	Low Rs.	Sensex High	Sensex Low
December 2005	8.67	7.23	9442.98	8769.56
January 2006	32.85	10.40	9945.19	9159.44
February 2006	37.95	17.05	10422.65	9713.51
March 2006	31.35	18.25	11356.95	10344.26

The Equity Shares of the Company were suspended from being traded on The Stock Exchange, Mumbai (BSE) with effect from December 21, 2004 and after a series of correspondence between the Company and the BSE, the BSE has revoked the suspension with effect from December 29, 2005.

## Shareholding Pattern as on March 31, 2006

Category	No. of Shares held	% to paid up Capital
Promoters	81241281	77.13
Mutual Funds & UTI	1790239	1.70
Banks, FIs, Insurance Companies	984051	0.93
Private Bodies Corporate	557659	0.53
Indian Public	5114665	4.86
NRIs / OCBs	438716	0.42
Foreign Companies	15199747	14.43
Total	105326358	100.00

## Distribution of Shareholding as on March 31, 2006

Category of Shares	No. of Share holders	% of Share holders	Shares	% of Shares
Upto 5000	15542	99.08	4330987	4.11
5001 - 10000	67	0.43	482474	0.46
10001 - 20000	34	0.22	489399	0.47
20001 - 30000	15	0.10	371688	0.35
30001 - 40000	3	0.02	109197	0.10
40001 - 50000	7	0.04	326605	0.31
50001 - 100000	8	0.05	657699	0.62
100001 & above	11	0.07	98558309	93.58
Total	15687	100.00	105326358	100.00

## Registrar and Transfer Agent

M/s. Integrated Enterprises (India) Limited, Chennai, are the Registrar and Transfer Agents 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

## Dematerialisation of shares

The Shares of the Company are in compulsory Demat segment. The Company's Shares are available for Demat with both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). International Securities Identification Number (ISIN) allotted to the Equity Shares of the Company is INE287A01015.

7.65 % of the Paid up Capital has been dematerialised as on March 31, 2006.

## Plant Location

**Busducts Factory, Electrical Machines Factory,  
Auto Ancillary Division and Plug & Socket Unit.**

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

## Foundry

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

## Pump Factory

MM Industrial Estate, Yediyur, Bangalore - 560 082

## Address for correspondence

Secretarial Department  
39, Industrial Estate (North),  
Ambattur, Chennai - 600 098  
Tel: 2625 5391  
Fax: 2625 7059  
E-mail: bcemfg@vsnl.com  
Web: www.bestcrompton.com

For and on behalf of the Board of Directors

V. NARAYAN SWAMI  
Whole Time Director

A. NAGESWARAN  
Director

Chennai  
16 August 2006