



Annual Report 1997-98



BHARAT ELECTRONICS LIMITED

Corporate Mission and Objectives

Mission

*To be the market leader
in Defence Electronics
and in other
chosen fields and products.*

Objectives

- To become a customer-driven company supplying quality products at competitive prices at the expected time and providing excellent customer support.
- To achieve growth in the operations commensurate with the growth of professional electronics industry in the country.
- To generate internal resources for financing the investments required for modernisation, expansion and growth for ensuring a fair return to the investor.
- To strive for self-reliance by indigenisation of critical materials and components in order to meet the nation's strategic needs.
- To retain the technological leadership of the company in Defence and other chosen fields of professional electronics through in-house Research and Development as well as through Collaboration/Cooperation with Defence/National Research Laboratories, International Companies, Universities and Academic Institutions.
- To progressively increase overseas sales of its products and services.
- To create an organisational culture which encourages members of the organisation to realise their full potential through continuous learning on the job and through other HRD initiatives.

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NOTICE

Notice is hereby given that the 51st Annual General Meeting of Bharat Bijlee Limited will be held at Walchand Hirachand Hall, Indian Merchants' Chamber Building, Veer Nariman Road, Churchgate, Mumbai 400 020, on Tuesday, the 11th August, 1998 at 4.00 p.m. to transact the following business:

1. To receive and adopt the audited Profit and Loss Account for the year ended 31st March, 1998 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Jaisingh R. Danani who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. Bansi S. Mehta who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. Anand J. Danani who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration. Pursuant to Section 224A(1) of the Companies Act, 1956 special resolutions will be proposed for their re-appointment.

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass, with or without modifications, the following resolution, as a Special Resolution:

"RESOLVED that the accounts for the year ending 31st March, 1999 of the Company's branches at New Delhi, Calcutta, Madras and Bangalore be audited otherwise than by the Company's Auditors and that for the audit of the accounts of these branches the Company hereby authorises the Board of Directors to appoint as Branch Auditor or Branch Auditors in consultation with the Company's Auditors, a person or firm of persons for appointment as auditors of the Company under Section 226 of the Companies Act, 1956 and to fix the terms and conditions of appointment and remuneration of such Branch Auditors."

8. To consider and, if thought fit, to pass, with or without modifications, the following resolution, as a Special Resolution:

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act, the Company hereby approves the reappointment

of Mr. Nikhil J. Danani as Managing Director for a further period of 5 years with effect from 20th June, 1998, on the terms and conditions and remuneration as follows:

Salary: Rs. 50,000/- per month, subject to such annual increment as the Board or its Committee may approve upto Rs. 1,00,000/- per month.

Commission: Commission at the rate of 1% of net profit of the Company in addition to salary and perquisites, subject to the overall ceiling stipulated in Section 198 and 309 of Companies Act, 1956, the actual amount to be determined by the Board of Directors at the end of each financial year.

Perquisites: Accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof, reimbursement of expenditure or allowances in respect of maintenance, utilities such as gas, electricity, water, furnishing and repair of the house, medical reimbursement, medical insurance and leave travel concession for self and family, personal accident insurance, club expenses etc., in accordance with the rules of the Company or as may be agreed by the Board of Directors and the Managing Director. Such perquisites and allowances shall be restricted to a maximum of annual salary.

"Family" means the spouse, dependent children and dependent parents, of the individual or any of them, wholly or mainly dependent on the individual;

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such Rules, the perquisites shall be evaluated at actual costs.

Provision of car and telephone for use on the Company's business and telephone at the Managing Director's residence will not be considered as perquisites.

The Managing Director shall also be eligible to the following perquisites which shall not be included in computation of ceiling on the Managing Directors' remuneration as aforesaid:-

- (a) The Company's contributions to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income-tax Act, 1961.
- (b) Gratuity payable to the Managing Director as per the Rules of the Company.

- (c) Encashment of leave at the end of the Managing Director's tenure.

Minimum Remuneration: In the event of absence or inadequacy of profits during the aforesaid period, the salary and perquisites payable to the Managing Director shall not be reduced, but at all times shall be subject to the provisions as regards minimum remuneration notified by the Central Government and any amendments thereto.

The Managing Director, so long as he functions as such shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.

The Managing Director, shall not be subject to retirement by rotation during his tenure as Managing Director of the Company."

9. To consider and, if thought fit, to pass, with or without modifications, the following resolution, as a Special Resolution:

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act, the Company hereby approves the reappointment of Mr. Nakul P. Mehta as Managing Director for a further period of 5 years with effect from 20th June, 1998, on the terms and conditions and remuneration as follows:

Salary: Rs. 50,000/- per month, subject to such annual increment as the Board or its Committee may approve upto Rs.1,00,000/- per month.

Commission: Commission at the rate of 1% of net profit of the Company in addition to salary and perquisites, subject to the overall ceiling stipulated in Sections 198 and 309 of Companies Act, 1956, the actual amount to be determined by the Board of Directors at the end of each financial year.

Perquisites: Accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof, reimbursement of expenditure or allowances in respect of maintenance, utilities such as gas, electricity, water, furnishing and repair of the house, medical reimbursement, medical insurance and leave travel concession for self and family, personal accident insurance, club expenses etc., in accordance with the rules of the Company or as may be agreed by the Board of Directors and the Managing Director. Such perquisites and allowances shall be restricted to a maximum of annual salary.

"Family" means the spouse, dependent children and dependent parents, of the individual or any of them, wholly or mainly dependent on the individual;

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such Rules, the perquisites shall be evaluated at actual costs.

Provision of car and telephone for use on the Company's business and telephone at the Managing Director's residence will not be considered as perquisites.

The Managing Director shall also be eligible to the following perquisites which shall not be included in computation of ceiling on the Managing Directors' remuneration as aforesaid:-

- (a) The Company's contributions to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income-tax Act, 1961.
- (b) Gratuity payable to the Managing Director as per the Rules of the Company.
- (c) Encashment of leave at the end of the Managing Director's tenure

Minimum Remuneration: In the event of absence or inadequacy of profits during the aforesaid period, the salary and perquisites payable to the Managing Director shall not be reduced, but at all times shall be subject to the provisions as regards minimum remuneration notified by the Central Government and any amendments thereto.

The Managing Director, so long as he functions as such shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.

The Managing Director, shall not be subject to retirement by rotation during his tenure as Managing Director of the Company."

10. To consider and if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution:

"RESOLVED that the existing Authorised Share Capital of the Company of Rs.10,00,00,000/- (Rupees ten crores) comprising of and divided into 30,000 (thirty thousand) 15% Redeemable Cumulative Preference Shares of Rs.100 each and 9,70,000 (Nine lakhs seventy thousand)

Bharat Bijlee Limited

NOTICE

NOTICE is hereby given that the 50th Annual General Meeting of Bharat Bijlee Limited which was adjourned *sine die* in so far as it relates to items bearing Nos. 8 to 11 of the Notice dated 4th July, 1997 is directed to be abandoned on the recommendation of the Committee constituted by the Board for the purpose.

By the Order of the Chairman
of Bharat Bijlee Limited

J. T. Shah
Deputy General Manager: Finance
& Company Secretary

Registered Office:
Electric Mansion, 6th Floor,
Appasaheb Marathe Marg,
Prabhadevi, Mumbai 400 025

Place : Mumbai.

Dated : 15th July 1998.

EXPLANATORY STATEMENT:

At the 50th Annual General Meeting held on 26th August, 1997, Items 8, 9, 10 and 11 of the Notice dated 4th July, 1997 relating to issue of 12% Convertible Cumulative Preference Shares were deferred for consideration in view of the representations received from UTI and LIC seeking certain amendments to the resolutions. Since the purpose of having low cost funds would not have been significantly achieved due to the substantial decline in the market quotations of the Company's equity shares if the new share capital were to be Convertible Preference one, the Board of Directors in their meeting held on 15th June, 1998 thought it appropriate to accept the alternative as suggested by the major Financial Institutions of issuing 12% Non-Convertible Redeemable Cumulative Preference Shares. In the circumstances, the Chairman considers it appropriate not to continue with the adjourned 50th Annual General Meeting.

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Equity Shares of Rs. 100 each be re-classified and divided into 2,00,000, 12% Non-Convertible Redeemable Cumulative Preference Shares of Rs.100 each and 8,00,000, Equity Shares of Rs.100 each."

11. To consider and, if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution:

"RESOLVED that pursuant to Section 16 and 94 and other applicable provisions, if any, of the Companies Act, 1956, the Memorandum of Association of the Company be altered in the following manner.

Para 1 (one) of Clause 5 of the Memorandum of Association be deleted and replaced as —

5. The Authorised Capital of the Company is Rupees Ten Crores divided into 2,00,000, 12% Non-Convertible Redeemable Cumulative Preference Shares of Rs. 100 each, and 8,00,000 Equity Shares of Rs.100 each as hereinafter provided and in accordance with the regulations of the Company and the legislative provisions for the time being in force. Subject to the provisions of the said Act, the shares in the capital of the Company for the time being, whether original or increased or reduced may be divided into classes, with any preferential, deferred, qualified, or other rights, privileges, conditions or restrictions attached hereto, whether in regard to dividend, voting, return of capital or otherwise."

12. To consider and, if thought fit, to pass, with or without modifications, the following resolution, as a Special Resolution:

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner.

Para 1 (one) of Clause 4 of the Articles of Association be deleted and replaced as —

4. The Authorised Capital of the Company is Rupees Ten Crores divided into 2,00,000, 12% Non-Convertible Redeemable Cumulative Preference Shares of Rs. 100 each, 8,00,000 Equity Shares of Rs. 100 each as hereinafter provided and in accordance with the regulations of the Company and the legislative provisions for the time being in force. Subject to the provisions of the said Act, the shares in the capital of the Company for the time being, whether

original or increased or reduced may be divided into classes, with any preferential, deferred, qualified, or other rights, privileges, conditions or restrictions attached hereto, whether in regard to dividend, voting, return of capital or otherwise."

13. To consider and, if thought fit, to pass, with or without modifications, the following resolution, as a Special Resolution:

"RESOLVED that subject to and in accordance with the provisions of Section 80, 80A and 81 and all other applicable provisions of the Companies Act, 1956 and the enabling provisions in the Memorandum and Articles of Association of the Company and the listing agreements entered into by the Company with the Stock Exchanges, where the shares of the Company are listed, and subject to the provisions and Guidelines of the Securities and Exchange Board of India and all other concerned authorities, Financial Institutions and bodies (hereinafter referred to as the Authorities) if any and to the extent necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them in granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the Board) and/or duly authorised Committee thereof, for the time being exercising the powers conferred by the Board, the consent of the Company be and is hereby accorded to the Board, to issue and allot 12% Non-Convertible Redeemable Cumulative Preference Shares (hereinafter referred to as Preference Shares) of the nominal value not exceeding Rs. 2 Crores otherwise than on Rights Basis to Financial Institutions, Non-Banking Financial Companies, Other Bodies Corporate, Charitable Trusts and Mutual Funds through private placement at such time/s as the Board or Committee thereof may in its absolute discretion thinks fit inter-alia on the following terms and conditions:

- (i) The Preference Shares to be allotted shall be subject to the Memorandum and Articles of Association of the Company.
- (ii) The Preference Shares shall be of the face value of Rs. 100 to be issued at par carrying preferential dividend at the rate of 12% per annum from the date of allotment until redemption thereof on the amount of the capital for the time being paid thereon.
- (iii) The Preference Shares allotted as aforesaid shall be on the usual terms and conditions contained in the Letter of Offer, application

each and 8,00,000 Equity Shares of Rs. 100 each. The alteration proposed in the Memorandum and Articles of Association of the Company are consequential to and reflect the proposed reclassification in the existing Authorised Share Capital of the Company. Since the proposed 12% Non-Convertible Redeemable Cumulative Preference Shares are being offered on Private Placement basis u/s 81(1A) of the Companies Act, 1956, approval of members is sought.

A copy of the Company's Memorandum and Articles of Association is open for inspection to the shareholders at the Registered Office of the Company on any working day except Saturday and Sunday between 10.00 a.m. and 12.00 noon.

None of the Directors are concerned or interested in the Resolution except to the extent of their shareholding.

(i) Having regard to the present state of market and liquidity crunch faced by the segments of the industry which form the core customer base of your Company relating to two of its products viz. transformers and elevators, the Company needs funds for a medium term for increasing working capital requirements. The Company proposes to raise funds by way of issue of 12% Non-Convertible Redeemable Cumulative Preference Shares as set out in the resolution placed before the meeting.

(ii) Section 81 of the Companies Act, 1956 provides inter-alia that whenever the Company proposes to increase the issued share capital of the company by allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in proportion to the capital paid up unless the shareholders in the General Meeting decide otherwise.

(iii) Further the Listing Agreement entered into by the Company with the Mumbai and Delhi Stock Exchanges also provides inter-alia that the Company in the first instance should offer all the shares to be issued by the Company for subscription prorata to the existing shareholders unless the shareholders decide otherwise in General Meeting.

(iv) Since the proposal before the shareholders is for the issue of 12% Non-Convertible Redeemable Cumulative Preference Shares otherwise than on Rights basis through Private Placement, it is necessary for the members to pass a resolution under Section 81(1A) of the Companies Act, 1956 as proposed.

(v) The issue of 12% Non-Convertible Redeemable Cumulative Preference Shares will achieve the objective of the Company to raise medium term finance at a reasonable cost to the Company. By virtue of the recent amendments to the Income-tax Act, 1961 dividend payable by companies to its shareholders subject to 10% tax payable by the Company, is free from any tax payable by the recipient of the dividend. The financial consultants and bankers of the Company have advised that such Preference Shares would be an attractive instrument for financial institution and other bodies corporate. As a result of such issue the Company will be able to obtain funds at a very reasonable cost.

(vi) The Board of Directors consider the proposal beneficial to the Company and the Shareholders of the Company.

(vii) As is evident, the intention is to offer the Preference Shares otherwise than on Rights basis through Private Placement and in the event that any person to whom such offer is made is a company or any other entity in which any director of the company may be a director or have any financial interest, he may be regarded as concerned or interested in the resolution.

By Order of the Board

J.T. Shah

Deputy General Manager: Finance
& Company Secretary

Regd. Office:
Electric Mansion, 6th Flr.
Appasaheb Marathe Marg
Prabhadevi
Mumbai 400 025

Dated: 15th June, 1998.

General Meeting. Members are requested to bring the copy of the Annual Report to the Meeting.

By Order of the Board
J. T. Shah
Deputy General Manager: Finance
& Company Secretary

Registered Office:
Electric Mansion, 6th Floor,
Appasaheb Marathe Marg,
Prabhadevi, Mumbai 400 025

Dated: 15th June, 1998.

Special resolutions in terms as set out in item Nos.8 and 9 of the accompanying notice are now being placed before the members at the Annual General Meeting for their approval.

Mr. Nikhil J. Danani, Mr. Jaishigh R. Danani and Mr. Anand J. Danani are concerned or interested in the Resolution No. 8 and Mr. Nakul P. Mehta is concerned or interested in Resolution No. 9.

None of the other Directors are concerned or interested in the Resolutions.

The explanatory statement together with the Notice should be treated as an abstract under Section 302 of the Companies Act., 1956.

A copy of the resolution passed by the Board at its meeting held on 15th June, 1998 in this regard may be inspected at the Registered Office of your Company on any working day of your Company between 10.30 a.m. to 12.30 p.m.

EXPLANATORY STATEMENT

Item No. 7:

It is obligatory on the part of the Company to have all its branches audited by the statutory auditors of the Company unless the Company in general meeting decides to have any branches audited by persons qualified to be appointed as auditors of the Company under Section 226 of the Companies Act, 1956. The Company has branches at Delhi, Calcutta, Madras and Bangalore. The necessary authorisation of the members is sought, in accordance with the provision of Section 226 of the Companies Act, 1956, to enable the Board of Directors to appoint branch auditors in consultation with the Company's auditors, to audit the accounts of the aforesaid branches and to fix terms, conditions and remuneration, as the Board may deem fit.

None of the Directors are concerned or interested in the Resolution.

Item Nos. 8 & 9

Mr. Nikhil J. Danani and Mr. Nakul P. Mehta were reappointed as Managing Directors for a period of 5 years w.e.f. 20th June, 1993 and hence their term of office expires on 19th June, 1998. The Board of Directors at their meeting held on 15th June, 1998 has reappointed them as Managing Directors for a further period of 5 years with effect from 20th June, 1998 subject to obtaining requisite approval of the members of the Company at the ensuing Annual General Meeting. Their reappointments and remuneration have been made in terms of Section 269 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII thereof.

Item Nos. 10, 11, 12 & 13

At the 50th Annual General Meeting held on 26th August, 1997, items 8, 9, 10, and 11 of the Notice dated 4th July, 1997 relating to issue of 12% Convertible Cumulative Preference Shares were deferred for consideration in view of the representations received from UTI and LIC seeking certain amendments to the resolutions. Since the purpose of having low cost funds would not have been significantly achieved due to the substantial decline in the market quotations of the company's equity shares if the new share capital were to be Convertible Preference one, the Board of Directors in their meeting held on 15th June, 1998 thought it appropriate to accept the alternative as suggested by the major Financial Institutions of issuing 12% Non-Convertible Redeemable Cumulative Preference Shares.

The Authorised Share Capital of the Company at present is Rs. 10,00,00,000 divided into 9,70,000 Equity Shares of Rs. 100 each and 30,000, 15% Redeemable Cumulative Preference Shares of Rs.100 each. The Company proposes to issue 12% Non-Convertible Redeemable Cumulative Preference Shares otherwise than on Rights basis to Financial Institutions, Charitable Trusts, Non Banking Finance Companies, Other Bodies Corporate and Mutual Funds to augment its medium term working capital requirements. The Board of Directors consider it appropriate to re-classify the existing Authorised Capital of the Company from 30,000 15% Redeemable Cumulative Preference Shares of Rs. 100 each and 9,70,000 Equity Shares of Rs. 100 each to 2,00,000, 12% Non-Convertible Redeemable Cumulative Preference Shares of Rs. 100

form and Preference Share Certificate and Consent Orders and permissions of Authorities.

- (iv) The Preference Shares shall be redeemed by the Company at the end of 5 years from the date of allotment.
- (v) The Board shall be entitled to vary, modify or alter any of the terms and conditions as aforesaid including the basis of the offer as they may deem expedient.

FURTHER RESOLVED that the Board be and is hereby authorised at its discretion to modify the conditions of the issue and to accept such modifications, variations and alterations as Authorities may prescribe while according their sanction or consent to the proposed issue of Preference Shares including variation in the number of Preference Shares in such manner as may be considered by the Board beneficial to the Company in the event of such variation being considered expedient as a result of any modification prescribed by Authorities.

FURTHER RESOLVED that for the purpose of giving effect to this Resolution, the Board be and is hereby authorised:

- (a) To settle any question or difficulty that may arise in regard to the issue and allotment of Preference Shares
- (b) To make requisite arrangements in regard to the issue and allotment of Preference Shares
- (c) To prescribe forms of Applications, to determine the amount payable on application, on allotment and by way of further calls, if any, and provide for and other terms and conditions thereof in consultation with Authorities.
- (d) To issue Letter of Offer/Statement in lieu of Prospectus.
- (e) To appoint Advisors, Consultants and Managers to the issue, Registrars to the issue, Bankers to the issue, Underwriters and/or Brokers to the issue and pay fees, charges, commission, underwriting commission and/or brokerage as may be lawful and reasonable.
- (f) To do all such acts, deeds, matters and things of whatever nature and to give such directions as may be considered necessary, expedient or desirable.

FURTHER RESOLVED that the Board be and is hereby authorised to delegate all or any of its

powers and authorities hereby granted to the Committee of Directors or any one of the Directors as may be permissible under the law."

NOTES:

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. INSTRUMENTS APPOINTING PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- (b) The Register of Members and the Share Transfer Books of the Company will remain closed from 29th July, 1998 to 11th August, 1998 (both days inclusive).
- (c) The Dividend on Equity Shares, if declared, will be payable on or before 21st September, 1998, to those shareholders whose names stand on the Company's Register of Members as holders of Equity Shares on 11th August, 1998.
- (d) The Explanatory Statement is annexed to this notice as regards items 7 to 13 of the business as required under Section 173 and other Sections of the Companies Act, 1956.
- (e) It is notified for the information of shareholders concerned that the unclaimed dividends on equity and preference shares for the year ended 31-3-1994 had been transferred by the Company to the General Revenue Account of the Central Government and the same can be claimed by such shareholders from the Registrar of Companies, Maharashtra, Everest, 100, Marine Drive, Mumbai 400 002 by submitting an application in the prescribed form No.11 under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978.
- (f) If the shareholders wish to incorporate the names and address of their Bank and Account No. on the Dividend Warrants to prevent fraudulent encashment they are requested to intimate the Company of the same.

REQUEST TO THE MEMBERS

1. Members desiring any information on the Accounts at the Annual General Meeting are requested to write to the Company at least seven days in advance, so as to enable the Company to keep the information ready.
2. As a measure of economy, copies of the Annual Report will not be distributed at the Annual