



ALFRED HERBERT (INDIA) LTD.

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ANNUAL REPORT
1998 - 99



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BOARD OF DIRECTORS

- R. S. LODHA — Chairman
- G. P. GOENKA
- P. L. AGARWAL
- P. R. NEELAKANTAN
- R. C. TAPURIAH
- V. K. BHANDARI
- A. V. LODHA
- M. K. RAMACHANDRA
- H. V. LODHA

PRESIDENT

R. SUBRAMANIAN

COMPANY SECRETARY

A. K. AGARWAL

BANKERS

ANZ Grindlays Bank
The Hongkong and Shanghai Banking Corporation Ltd.
Indian Overseas Bank
The Bank of Rajasthan Limited

AUDITORS

Clark, Gardner, Wolf & Company

REGISTERED OFFICE

Herbert House
13/3 Strand Road, Calcutta - 700 001

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ALFRED HERBERT (INDIA) LTD.

NOTICE OF MEETING

Notice is hereby given that the Seventy-ninth Annual General Meeting of the Members of **Alfred Herbert (India) Limited** will be held at Kala Kunj Auditorium, 48 Shakespeare Sarani, Calcutta 700 017, on Saturday, 31st July, 1999, at 10 a.m. to transact the following business:

1. To consider and adopt the audited Accounts of the Company for the year ended 31st March, 1999 together with the Reports of the Directors and Auditors thereon.
2. To declare Dividend.
3. To appoint a Director in place of Mr. R. S. Lodha who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. P. R. Neelakantan who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a Director in place of Mr. V. K. Bhandari who retires by rotation and being eligible offers himself for reappointment.
6. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit to pass with or without modification the following Resolutions :

7. As a Special Resolution :

"RESOLVED that pursuant to the Provisions of Section 17 and other applicable Provisions, if any, of the Companies Act, 1956, the Objects Clause 3 of the Memorandum of Association of the Company be altered in the manner and to the extent mentioned hereunder:

- a. After the existing Clause 3(d)(2)(ii) insert the following Clause as Clause 3(d)(2)(iii):
"Automotive Vehicles, Equipments and Components, Industrial Instruments and Appliances."
- b. After the existing Clause 3(d)(1)(iv) insert the following Clauses as Clause 3(d)(1)(v) to 3(d)(1)(x):

3(d)(1)(v) - To render financial, engineering, technical, management and other types of skilled and other services to all types of industry or organisation in India or abroad including for office, advertising, accounting, computer, secretarial and taxation matters and without limiting the generality of the above to act as consultants.

3(d)(1)(vi) - To give advice and/or to offer, give, take circulate or otherwise organise, accept or implement any takeover bid, buy out deals, mergers, amalgamations, acquisitions, diversification, rehabilitation or restructuring of any business, partnership firm or any other association or persons, whether incorporated or not by acquisition of shares or assets and liabilities and whether as a going concern or as a part of the concern or otherwise as may be required having regard to business exigencies and to promote, procure incorporation, formation or setting up of concerns and undertakings whether as company, body corporate, partnerships or any other association of persons for engaging in any industrial, commercial or business activities.

3(d)(1)(vii) - To set up, incorporate, manage, provide and/or participate in providing venture capital, technology fund, underwriting fund, or any other fund for seed capital, risk capital foundation, including giving guarantee or such other financial assistance as may be conducive for development of new enterprises, innovative methods of production and development of

existing and new technology, to identify projects, projections, to prepare project profiles, project reports, market research, feasibility studies and reports, pre-investment studies and investigation of industries on micro and macro level, to undertake appropriate service to identify scope or potential for economic and industrial development in any particular geographical area of location whether in India or abroad, to act as Lead Managers in respect of project assignments by undertakings follow-up, supervision, and co-ordination work at the instance, behest or on behalf of banks, financial institutions, companies, bodies corporate and to monitor the same to the satisfaction of the management, to act as advisor in the management of undertakings, business enterprises, offices, trade occupations and professionals by introducing modern techniques and systems and render all assistance as may be considered necessary including with regard to foreign collaboration, economic size, sources of plant and machinery and other utilities for business entrepreneurs, to undertake the services of project monitoring, project counseling and all allied activities

3(d)(1)(viii) - To act as administrators or managers or advisors of any investment trusts or funds including any growth funds, income or capital funds, taxable or tax-exempt funds, provident funds, pension funds, gratuity funds, superannuation funds, charitable funds and unit trust or consortia, to act as trustees for bondholders, debentureholders, and other purpose herein mentioned, to carry on the business of portfolio management and advice and manage investments of clients, to act as investment advisors, managers and custodians, etc.

3(d)(1)(ix) - To take part in management, supervision or control of the business or operations of any Company or undertaking and for that purpose to appoint and remunerate any directors, accountants or other experts, agents, officers or employees.

3(d)(1)(x) - To run boarding and lodging houses and Alithshala, and to carry on the business of hoteliers, hotel and motel proprietors, managers and operators, operate business centres, refreshment contractors and caterers, and restaurant keepers.

8. As a Special Resolution :

"Resolved that as required by the provisions of Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956, approval of the Company be and is hereby accorded for commencing and undertaking all or any of the business included in Clause 3 of the Memorandum of Association of the Company, pursuant to the Resolution at item No. 7 above, as and when deemed fit by the Board of Directors on the alterations in Clause 3 becoming effective."

9. As an Ordinary Resolution :

"Resolved that pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendments to and re-enactments thereof) and subject to other permissions and approvals as may be required, consent of the Members be and is hereby accorded to the Board of Directors of the Company to sell, lease, transfer, dispose or enter into any other arrangements with regard to the whole or substantially the whole of the Sales and Marketing Division and/or the Manufacturing Division of the Company, including movable and immovable assets, with or without liabilities including land, building, plant and machinery, personnel, etc. on such terms and conditions and in such form and manner as may be decided by the Board of Directors.



RESOLVED FURTHER that the Board of Directors be and is hereby also authorised to finalise and execute necessary documents including Agreements, Deeds of Assignments, Conveyance Deeds, matters and things as may be considered necessary, desirable and expedient in their discretion for implementing this resolution or completion of such sale/transfer or otherwise."

Registered Office :
Herbert House, 13/3 Strand Road
Calcutta 700 001
31st May, 1999

By Order of the Board
A. K. AGARWAL
Company Secretary

NOTES

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and such proxy need not be a member of the Company. The proxy, in order to be effective, shall be deposited with the Company at its Registered Office not less than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer books of the Company will be closed from 28th July, 1999 to 31st July, 1999. Payment of the dividend as recommended by the Directors, if approved at the meeting, will be made to those Members whose names are on the Company's Register of Members on 31st July, 1999.
3. Members are requested to notify immediately any change in their address to the Company.
4. Shareholders desiring any information as regards the Accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
5. Members are requested to bring with them the printed Annual Report being sent to them, to avoid inconvenience.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956, IN RESPECT OF SPECIAL ITEMS OF BUSINESS MENTIONED IN THE FOREGOING NOTICE OF THE ANNUAL GENERAL MEETING

Resolution at item 7 and 8

In the light of Liberalised Industrial Policy and recent changes in economic policies, the Directors have been examining various schemes of diversification of business activities of the Company. It is considered desirable to amplify the objects clause in the Memorandum of Association of the Company as stated in the

Resolution to enable the Company to take up any one or more of these activities as and when opportunity arises. The Directors of the Company are of the view that there is good potential for the aforesaid activities and the said activities will be advantageous to the Company. The Company has the infrastructure to carry out the said activities economically and efficiently and it is felt that the intended activities could be conveniently and advantageously combined with the existing business of the Company. The Company is financially sound and is capable of raising necessary finance for the aforesaid activities.

The commencement of the new business by the Company will be subject to the proposed alteration of the objects clause in the Memorandum of Association of the Company. Section 149(2A) of the Companies Act, 1956 requires the approval of the shareholders by a Special Resolution passed on that behalf in General Meeting before the Company commences any new business in relation to any of the objects stated in its Memorandum of Association. The Board of Directors recommend to the shareholders to adopt the proposed resolutions as special resolutions.

None of the Directors of the Company is interested in the above resolutions.

Resolution at item 9

Since the liberalisation of industry in India and the growing integration into the global markets the environment for two of your company's divisions, the Sales and Marketing Division and the Manufacturing Division has become far more competitive. Your company is increasingly benchmarking itself against international costs and competitiveness and accordingly your Directors are in the process of reviewing and formalising strategies which hopefully would not only sustain but enhance the long term competitiveness of these different businesses of your company. Accordingly, your company may also have to take decisions to sell, lease, transfer or enter into any other arrangements with regard to the whole or substantially the whole of any undertaking keeping in view the technological, marketing, financial and other requirements to achieve the above objectives. Accordingly, consent of the shareholders under Section 293(1)(a) is sought to authorise the Board of Directors to sell, lease, transfer or otherwise dispose of the whole or substantially the whole of any such undertakings and on such terms and conditions as the Board of Directors may decide keeping the company's interest in view.

Your Directors therefore, recommend the above resolution for your approval.

None of the Directors is interested in the passing of the above resolution.

ALFRED HERBERT (INDIA) LTD.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Seventy eighth Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 1999.

FINANCIAL RESULTS

The Financial Results are as under :

	31st March 1999	31st March 1998
	Rs.	Rs.
Profit before Tax	19,809,240	19,227,511
Provision for Tax	9,750,000	10,000,000
Profit after Tax	10,059,240	9,227,511
Surplus from earlier years brought forward	4,121,090	6,075,721
Amount available for appropriation	14,180,330	15,303,232
Appropriations		
Proposed Dividend	2,892,857	2,892,857
Corporate Dividend Tax	318,214	289,285
General Reserve	5,000,000	8,000,000
	8,211,071	11,182,142
Surplus carried to Balance Sheet	5,969,259	4,121,090
	14,180,330	15,303,232

DIVIDEND

Your Directors take pleasure in recommending for approval the payment of Dividend of 22.5% (Rs. 2.25 per share) for the year ended 31st March, 1999. The Company will bear the Corporate Tax and Surcharge on the proposed Dividend, besides direct outgo of dividend.

OPERATIONS

The slow down in the Indian economy continued through the year especially in the engineering and automobile sector. Accordingly, the significant capacity augmentation planned for the Tyre Industry, including those of multinational companies were either deferred or postponed as the Indian Tyre Industry had problems of utilising existing capacities fully. It was a difficult year to obtain significant orders for our Manufacturing Division. The Company however continued its activities in the areas of upgrading its products and further widening its product range. The order bookings for the current year are low. However, it is expected to improve with the improvement in the general business scenario. In addition your company is now following a strategic policy of targeting requirements of different industries and is manufacturing components or doing jobs and high precision work for very reputed organisations. To focus on this our Hydraulic and Project Division was established during the year which has commenced operations and is also developing various components for the automobile industry which are presently under trial. Barring unforeseen circumstances this division should give good results in the future to further augment and consolidate the performance of your Manufacturing Division.

Our Sales and Marketing Division continues to suffer due to the lack of capital expenditure by the engineering and automotive sector. Whilst your company had hoped that there would be an improvement in the economic scenario in the country no visible recovery is yet apparent and accordingly the division continues to perform below optimal levels. The Company has strengthened this division during the year by building a good team with the recruitment of high quality professionals.

Despite the above scenario, the company's Sales & Related Income increased to Rs. 151.227 million as compared to Rs. 130.365 million in the previous year.

REALTY AND BUSINESS SERVICES DIVISION

During the year under review, the performance of the Company's Realty and Business Services Division was satisfactory and it continued to contribute towards the

profitability of the Company. In view of the good potential of this business in the current and future business environment, the Company plans to enhance its scope of activities in future including getting into consultancy and other business services and support functions.

DEVELOPMENT

Your Company is focused on increasing competitive strength and is benchmarking its costs with industry leaders internationally. We are cutting our costs at all levels and improving our efficiency. Herbert now offers an even wider range of Rubber machinery and continues to make improvements, to the existing range to ensure the sustenance of your company's competitive strength. Your company's products are today made to international standards. We are focussing at developing significant international customers in the coming years.

Your company has, during the year, also taken an important step of setting up an Application and Engineering Centre in Bangalore manned by experienced professionals with a view to assisting clients in finalising their requirements and receiving assistance on the operational front. Our Engineers have been trained with our Principals internationally and this has given additional comfort and confidence to our customers.

YEAR 2000 (Y2K) COMPLIANCE

Your Company has taken proactive steps for ensuring Y2K compliance in its systems and accordingly the company expects full implementation by 31st October, 1999. The management is of the opinion that resolution of Y2K problem will not have a material financial impact on the Company's performance.

DEPOSITS

Out of the deposits which became due for repayment during the year, deposits amounting to Rs. 150,000 of 17 depositors remained unclaimed as at 31st March, 1999.

PERSONNEL

The Company successfully implemented a Voluntary Retirement Scheme in the Manufacturing Division resulting in a reduction of 45 people. The industrial relations remained cordial and peaceful. The Directors wish to place on record their appreciation for the continuing efforts and valuable support rendered by the employees at all levels, ably led by our President, Mr. R. Subramanian.

PARTICULARS OF EMPLOYEES

There was no employee of the Company whose particulars were required to be included in the category under Section 217(2A) of the Companies Act, 1956, during the year.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to Conservation of Energy, Technology Absorption, Research and Development and Foreign Exchange Earnings and Outgo is given in the annexed statement forming part of this Report.

SUBSIDIARY COMPANIES

The Accounts of the two wholly-owned subsidiaries Herbert Holdings Limited and Herbert Electronics Limited, for the year ended 31st March, 1999, form part of the Annual Report.

DIRECTORS

Mr. R. S. Lodha, Mr. P. R. Neelakantan and Mr. V. K. Bhandari, retire by rotation under the Articles of Association of the Company and being eligible offer themselves for reappointment.

AUDITORS

Messrs Clark, Gardner, Wolf and Company will retire at the Annual General Meeting and they have given their consent to be reappointed for the current year.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the support received from the shareholders, bankers, overseas and Indian Principals. The Directors also thank the esteemed Customers for their continued patronage, co-operation and confidence reposed in the Company's products.

On behalf of the Board
R. S. LODHA
Chairman

Calcutta, 31st May, 1999

ALFRED HERBERT (INDIA) LTD.

ANNEXURE TO THE DIRECTORS' REPORT

Particulars as required under Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 1999.

A. CONSERVATION OF ENERGY

The Company has taken steps to replace the existing incandescent and mercury vapour lamps by sodium vapour lamps. Capacitors near load centre for improving power factor.

A detailed study about distribution net-work is undertaken to evaluate the transmission losses and subsequently to take steps to minimise the losses.

B. TECHNOLOGY ABSORPTION**RESEARCH & DEVELOPMENT (R&D)****1. Specific areas in which R&D was carried out :**

- a. Development of higher sizes Tyre Curing Presses.
- b. In-house development of hydraulic power packs for Intermixers.
- c. Improvement in designs of Components in Tyre Building Machines towards optimising maintenance costs.

2. Benefits derived as a result of the above R&D :

- a. to increase our market share.
- b. cost reduction.
- c. to improve customer satisfaction in Product reliability.

3. Future Plans

Development of OIR (off-the Road) Tyre Curing Presses. Radial Tyre Building Machines

4. Expenditure on R & D

Capital	:	NIL
Recurring	:	Rs. 2,50,000/-
Total	:	Rs. 2,50,000/-
Total R&D Expenditure as percentage of total turnover	:	0.16%

C. FOREIGN EXCHANGE USED

Rs. 7,49,722/-

D. FOREIGN EXCHANGE EARNED

Rs. 74,41,803/-

Calcutta
31st May, 1999

On behalf of the Board
R. S. LODHA
Chairman

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

Name of the Subsidiary Companies	HERBERT HOLDINGS LTD.	HERBERT ELECTRONICS LTD.
1. Financial year of the subsidiary Companies ended on	31.03.1999	31.03.1999
2. Equity Shares of the subsidiary Companies held by Alfred Herbert (India) Ltd. and its nominees on the above date :		
(a) Number and Face Value	220,000 Equity Shares of Rs. 10 each fully paid-up	7 Equity Shares of Rs. 10 each fully paid-up
(b) Extent of holding	100%	100%
3. Net aggregate amount of Profit/(Losses) of the Subsidiary Companies so far as they concern the members of Alfred Herbert (India) Limited :		
(a) not dealt with in the Accounts of Alfred Herbert (India) Ltd. for the year ended 31st March, 1999 :		
(i) for the financial year of the Subsidiary	Rs. 330,564	Rs. 4,723
(ii) for the previous financial years of the Subsidiary	Rs. 577,278	Rs. 13,731
(b) dealt with in the Accounts of Alfred Herbert (India) Ltd. for the year ended 31st March, 1999 :		
(i) for the financial year of the Subsidiary	Nil	Nil
(ii) for the previous financial years of the Subsidiary	Rs. 150,000	Nil

Calcutta, 31st May, 1999

A. K. AGARWAL
Company Secretary

On behalf of the Board
R. S. LODHA
Chairman
R. C. TAPURIAH
Director

ALFRED HERBERT (INDIA) LTD.

Balance Sheet

as at 31st March, 1999

	Schedules	1998-99 (Rs.)	1997-98 (Rs.)
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	12,857,140	12,857,140
Reserves and Surplus	2	156,069,165	150,875,916
		<u>168,926,305</u>	<u>163,733,056</u>
Loan Funds			
Secured Loans	3	29,095,764	24,941,227
Unsecured Loans	4	19,523,113	47,626,255
		<u>48,618,877</u>	<u>72,567,482</u>
		<u>217,545,182</u>	<u>211,359,311</u>
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		215,744,562	214,247,991
Less : Depreciation		128,724,169	111,018,241
Net Block		<u>87,020,393</u>	<u>103,229,750</u>
Investments	6	31,615,091	29,865,611
Current Assets, Loans and Advances :			
Inventories	7	41,745,203	57,254,818
Sundry Debtors	8	19,131,438	15,154,472
Cash & Bank Balances	9	2,593,551	6,335,185
Other Current Assets	10	1,594,839	1,603,619
Loans and Advances	11	115,596,556	74,320,789
		<u>180,661,587</u>	<u>154,668,883</u>
Less : Current Liabilities and Provisions :			
Liabilities	12	50,168,975	49,115,953
Provisions	13	37,067,909	27,288,980
		<u>87,236,884</u>	<u>76,404,933</u>
Net Current Assets		93,424,703	78,263,950
Miscellaneous Expenditure to the extent not written off or adjusted		5,484,995	—
		<u>217,545,182</u>	<u>211,359,311</u>
Accounting Policies and Notes to Accounts	18		

Note : The Schedules referred to above form
an integral part of the Balance Sheet.

As per our report of even date.

For CLARK, GARDNER, WOLF AND COMPANY
Chartered Accountants

P. L. SONI
Partner

A. K. AGARWAL
Company Secretary

On behalf of the Board

R. S. LODHA
Chairman

R. C. TAPURIAH
Director

Calcutta
31st May, 1999