

# ANNUAL REPORT 1998

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## MOTOR INDUSTRIES CO. LTD



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The logo for Report Junction, featuring the word "Report" in a bold, sans-serif font, followed by a yellow diamond shape containing a black arrow pointing upwards and to the right, and then the word "Junction" in a smaller, sans-serif font.

## Motor Industries Company Limited

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### **Directors**

Hubert Zimmerer, *Chairman*  
(Alternate : Dr. Guenter Krueger)  
Dr. Hermann Eisele  
Y.H. Malegam  
Dr. J.J. Irani  
Dr. H. Bertling, *Managing Director*  
J.L. Pasricha, *Joint Managing Director*  
D. Schalomon, *Joint Managing Director*

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### **Company Secretary**

B.S. Iyer

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### **Auditors**

A.F. Ferguson & Co.

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### **Bankers**

State Bank of India  
Canara Bank  
Citibank, N.A.  
Deutsche Bank AG  
The Hongkong and Shanghai Banking  
Corporation Limited

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### **Registered Office**

Hosur Road  
Adugodi, Bangalore-560 030

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### **Stock Exchanges (where the shares of the Company are listed)**

Bangalore Stock Exchange Limited  
Stock Exchange Towers,  
51, 1st Cross, J.C. Road,  
Bangalore-560 027

The Stock Exchange  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai-400 001

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## Report of the Directors

The Directors present their FORTY-SEVENTH Annual Report together with the Audited Statements of Accounts for the year ended 31st December 1998.

### Financial Results

The following are the working results :

	(Rs. Million)	
	1998	1997
Sales	12,981.7	13,732.2
Of which Export Sales	1,921.2	1,905.9
Profit before taxation	1,008.7	1,275.0
Provision for tax on income	- 480.0	- 600.0
Add : Other adjustments	169.9	127.5
Profit after taxation	698.6	802.5
Appropriations :		
Capital Reserve	30.2	0.4
Dividend :		
Recommended at Rs. 22 per share, previous year		
Rs. 26 per share	83.7	98.9
Tax on dividend	8.4	9.9
General Reserve	576.3	693.3
Total	698.6	802.5

### Business Situation

Sales turnover for the year decreased by 5.5% over the previous year. Profit before taxation also declined from 9.3% of the turnover in 1996 and 1997 to 7.8% of turnover in 1998. Profit after tax declined by 13% over 1997.

With most of our customers suffering badly, the Company faced a tough business situation and sluggish market conditions during the year. Turnover in the after-market segment was below plan but satisfactory.

The Company reached the production milestone of the 20 millionth PF Pump in 1998.

Sealed alternators launched specifically for the tractor segment have been well received.

After-market network was extended with the total number of outlets going up to 2258 from 1419 during the year.

The Company has become a market leader for Electrical Power Tools and accessories. In August 1998 the first Bosch Service Center was started in New Delhi. A beginning was made in the area of Bolting technology with supplies to automobile manufacturers.

It is proposed to take up manufacture of Blaupunkt range of Car Stereos at the Naganathapura works. In terms of Section 149 (2A) of the Companies Act, 1956, requisite approval for the commencement of this business is proposed to be obtained at the Annual General Meeting of the Company to be held in June 1999.

Over 170 workshops in the Continuous Improvement Process were held in the areas of Production, Cost Reduction, Quality and Procedures, covering approximately 46% of the workforce, resulting in total savings of Rs. 22 million.

### Bangalore

The Bangalore plant concentrated on quality and 'TOP' - Team Oriented Production. Significant improvement in process capability was achieved by installing the latest high technology machines.

In January 1999 a fire in the Bangalore plant resulted in damage to the Diesel Fuel Injection Equipment manufacturing facility. The loss both on account of physical damage and the loss of profits are covered by Insurance. Efforts are on hand to maximise production volumes.

### Nashik

New types of Nozzle (DSL) manufactured at Nashik received Bosch release, opening opportunities for exports.

Nashik plant received an eligibility certificate under the incentive scheme of the Government of

Report of the Directors

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Maharashtra for the investment made for expansion.

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***Naganathapura***

To meet increased market share higher production was achieved in Spark Plugs, PF Pumps, Alternators and Starter Motors.

The plant also commenced production of Geared Starter Motors, an advanced product, which is both lighter and smaller than existing starters. These will be exported to Germany, in addition to meeting the rising expectations of the Indian market.

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***Jaipur***

Trial production commenced at the Pilot plant at Jaipur.

Our fourth plant at Sitapura, Jaipur was inaugurated on 24.03.1999.

The plant has been set up to meet the expected growth in Rotary Diesel Injection Pump business in India from the year 2000 and to expand our exports.

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***Research and Development***

An Application Development Center is under construction and will be operational by mid 2000. The Center will serve our customers with a comprehensive application capability for Electronic Diesel Control, Auto Electricals and support application of Petrol Injection Systems.

Development in Diesel products was focused on applications for the new Indian emission legislation, to be introduced by April 2000. We also supported customers to meet more stringent requirements for exports, i.e. Euro II for vehicular and US Tier I for tractor applications.

To increase the Company's development exports and to support Bosch units worldwide, we are taking up the development responsibility for mechanically governed Distributor Pumps for Diesel Injection (VE Pumps) within the Bosch Group.

Apart from training our engineers in Electronic Diesel Control (EDC) to meet more stringent

future emission legislation, we have acquired experience in Anti Lock Braking Systems, which we are offering to customers in Passenger Car and Commercial Vehicle Applications.

In Auto Electricals, we have completed a large number of new developments which have been successfully introduced in the Indian market, covering the segments of Passenger Cars, Tractors and 3-wheelers.

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***Training***

For the eighth year in succession the Vocational Center at Bangalore was adjudged the best establishment in the All India Skills Competition. With this the tally for All India Best Apprentices goes to 73 and that of Best Establishment Award to 21.

The Vocational Training Center at Nashik was adjudged the best training establishment in Western Region for the second consecutive year. In 1997 and 1998, three apprentices trained at the Nashik plant won silver medals at the Regional Skills competition.

The MICO Vocational Training Centers play an important role in preparing apprentices with the skills required in today's fast changing technological environment.

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***Redemption of Debentures***

In September 1998, the Company fully redeemed 14% Secured Redeemable Non-convertible debentures aggregating to Rs. 100 Million issued in September 1990 to Financial Institutions on private placement basis.

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***Dematerialisation of Shares***

The Company has admitted its Equity Shares in the Depository System of National Securities Depository Limited and has offered investors the facility to hold shares in electronic form and also scripless trading of these shares.

As per Securities and Exchange Board of India Press Release dated 30.10.98, effective 15.02.1999, trading in the equity shares of the Company have been made compulsory in dematerialised form for

## Report of the Directors

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all Institutional Investors. As on 15.03.1999, 261,527 equity shares of Rs. 100 each (6.9%) have been dematerialised.

Registrar and Transfer activity for shares held in physical form continue to be carried out in-house. In respect of shares held in electronic form, the Company has appointed Alpha Systems Private Ltd., Bangalore, as Registrar.

### *Dividend*

In view of the reduced turnover and profitability your Directors recommend a dividend of Rs. 22 (previous year Rs. 26) per share for the year.

### *Industrial Relations*

Industrial relations continued to be co-operative at all locations of the Company.

After protracted negotiations, fresh settlements have been signed with the Unions at Bangalore, Nashik, Naganathapura and the Sales Houses. The settlements are valid for four years from January 1, 1997.

The Directors take this opportunity to express their appreciation of the dedicated and hard work done by employees throughout the Company.

### *Subsidiary Companies*

As required under Section 212 of the Companies Act, 1956, annexed hereto are the Audited Statements of Accounts, the Report of the Board of Directors and Auditors' Report for the year ended 31st December 1998 of Motor Industries Software Services Ltd. and Motor Industries Trading Ltd.

### *Directors*

Mr. J.K. Setna retired from the Board with effect from 15.12.1998. The Board of Directors acknowledges the valuable contribution made by Mr. Setna to the deliberations of the Board during his tenure as Director.

In the place of Mr. Setna and with effect from 15.12.1998, Dr. J.J. Irani joined the Board. The directors welcome Dr. Irani to the Board.

Dr. H. Eisele and Mr. Y.H. Malegam retire by rotation at the Annual General Meeting to be held in June 1999.

### *Particulars of Employees*

Information in accordance with Section 217(2A) of the Companies Act, 1956, and the rules thereunder, is given in a separate statement.

### *Energy, Technology, Foreign Exchange etc.*

Report in respect of conservation of energy, technology absorption, foreign exchange earnings and outgo, as required under Section 217 (1)(e) read with Company's (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is set out in the annexure to the Directors Report.

### *Auditors*

Messrs. A.F. Ferguson & Co., Chartered Accountants, the retiring auditors are eligible for re-appointment. Their re-appointment attracts Section 224A of the Companies Act, 1956.

### *Acknowledgements*

The Directors express their gratitude to the Central Government and the State Governments of Karnataka, Maharashtra and Rajasthan for the support given to the Company.

We also thank all our customers, dealers, suppliers, the financial institutions, bankers, shareholders and others connected with our business for their co-operation.

For and on behalf of the Board of Directors

Jaipur  
24th March 1999

Hubert Zimmerer  
Chairman

## Annexure to the Report of the Directors

[Particulars required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988]

### A. Conservation of energy

#### (a) Measures taken during the year

- All street lights and neon sign automatically controlled using ambient light sensing device
- Energy efficient lights introduced in Bangalore Plant
- Change over to metal halide lamps
- Separate high-pressure airline for UVA Machine
- Thyristor controllers were installed in the furnaces to reduce consumption of power
- Modification made to machines to reduce the cycle time thereby reduce consumption of power

#### (b) Additional investments and proposals being implemented

- Intermediate controller for compressed air
- Use of voltage regulator for light load
- Use of FRP fans for cooling towers
- Use of plate type heat exchanger in place of refrigeration unit
- Rationalizing of lighting arrangement in office

#### (c) Impact of the above measures

The measures taken during the year are estimated to save annually

Electricity 729,675 kWh

### B. Technology absorption

#### Research and Development

##### 1. Specific areas in which R&D is carried out

- Development of new fuel injection systems to meet customer requirements with specific reference to fuel economy and environmental regulations in India and abroad

- Re-optimisation of fuel injection systems for existing engines for reducing fuel consumption and exhaust emissions
- Design & development of spark plugs for local and export markets
- Small, light weight starter motors for passenger cars and commercial vehicles
- Compact alternators for passenger cars and commercial vehicles
- Compact sealed alternators for tractors
- Quick start glow plugs and electronic glow control units for diesel engines
- Indigenisation of components and materials
- Global development center for small single cylinder pumps
- Global development center for inline A type pumps
- Global development center for VE (Mech.) pumps
- Development of electronically controlled single cylinder pumps
- Development of mini PF pump for single cylinder diesel engine
- Global development center for Mechanical Governors
- Development center for spark plugs for 2-wheelers and small engines

##### 2. Benefits derived

- Reduction in fuel consumption and emission of diesel engines
- Improved driveability and comfort
- Development and application of products for local and export markets
- Foreign exchange savings through indigenisation

##### 3. Future plan of action

- Design and develop electronic, diesel and petrol fuel injection systems with the



## Annexure to the Report of the Directors

objective of reduction in both emission and fuel consumption as also for better driveability, comfort and safety

- Design and develop cost effective fuel injection systems for export markets
- Widen range of products for exports as well as local markets
- Modern Application Center (equipped with sophisticated testing instruments like Chassis dynamometer, CVS sampling system) for Electronic Diesel and Petrol Injection Systems

4. *Expenditure on R&D*

	Rs. Million
a) Capital	33
b) Revenue	169
c) Total	202
d) Total R&D expenditure as a percentage of total turnover	1.6

Technology absorption, adaptation and innovation

1. *Efforts made*

There is a continuous flow of information between the Company and the other members of the Bosch Group which helps the Company to keep abreast with the latest developments in product technology, manufacturing process and methods, quality assurance, marketing, management systems and benefit out of mutual experience.

The Company's R&D Center is recognised by the Ministry of Science & Technology, Government of India. We have, over the years, built the requisite infrastructure and technically competent engineers to translate the latest technical know-how into

products that meet our customers' requirements.

2. *Benefits derived*

The benefits have been enumerated in B(2) above.

3. *Technology imported during the last 5 years*

In addition to our ongoing technical collaborations for the manufacture of fuel injection equipment, spark plugs, auto electricals, etc., we have entered into technical collaborations for the following products :

Belt Draw-Off Type Bag Form, Fill & Sealing Machine and Auger Fillers	(1995)
Diesel Inline Injection Pumps and Governors	(1996)
Car Audio Systems (car-radios or devices like car-speakers, car-CD-changers)	(1998)

4. *Technology absorption*

The Company's membership in the Bosch Group gives it access to fast changing international technology. We are, as a result, able to offer state-of-the-art technology to meet the requirements of our national and international customers.

C. *Foreign exchange earnings and outgo*a) *Export activities*

The Company maintained its exports at Rs.1,921 million.

b) *Total foreign exchange used and earned*

	Rs. Million
Foreign exchange used (including for capital assets)	2,351
Foreign exchange earned	1,986

## Report of the Auditors to the Members

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We have audited the attached Balance Sheet of Motor Industries Company Limited as at 31st December 1998 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph (1) above, we report that :
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit ;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books ;
  - (c) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account ;
  - (d) in our opinion, the Profit and Loss Account and the Balance Sheet dealt with by this report complied with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ;
  - (e) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December 1998 and
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

For A.F. Ferguson & Co.,  
Chartered Accountants  
H.L. Shah  
Partner

Jaipur  
24th March 1999

### *Annexure to Auditors' Report*

Statement referred to in paragraph 1 of our report of even date to the members of Motor Industries Company Limited on the accounts for the year ended 31st December 1998.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As per the programme of physical verification of assets, the management has physically verified certain assets and no material discrepancies were noticed on such verification. In our opinion, the frequency of physical verification of fixed assets is reasonable.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management during the year. In respect of stocks lying with third parties, confirmations have been obtained from most of the parties for stocks held by them. In our opinion, the frequency of verification is reasonable.
4. In our opinion, the procedures of physical verification of stocks, followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. In our opinion, the discrepancies noticed on physical verification of stocks, as compared to book records, were not material in relation to the operations of the Company and have been properly dealt with in the books of account.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of the aforesaid stocks is fair and proper in accordance with the normally accepted accounting principles, and is on the same basis as in the preceding year.
7. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 or from companies under the same management as defined under Section 370(1B) of the Companies Act, 1956.