

Directors' Report

The Directors have pleasure in presenting the 45th Annual Report and Audited Accounts for the year ended 31.03.2009.

Financial Results

(Rs. in lakhs)

	2008-09	2007-08
Sales (Gross)	3,01,347	2,71,334
Value of Production	3,29,419	2,82,695
Profit (before Depreciation Interest and Tax)	45,403	38,880
Interest	3,925	2,309
Depreciation	2,731	1,770
Profit Before Tax	38,747	34,801
Provision for Taxation	11,863	12,236
Profit After Tax	26,884	22,565
Profit available for appropriations	33,126	27,089
APPROPRIATIONS :		
Proposed Dividend	4,997	2,707
Dividend tax	849	460
Interim dividend & tax thereon	—	2,680
General Reserve	17,500	15,000
Profit & Loss Account	9,780	6,242
Net Worth	1,90,708	1,69,176

TURNOVER AND PROFITABILITY

Your company has achieved an all time high turnover of Rs.3013.47 crores during the financial year 2008-09, an increase of Rs.300.13 crores registering a growth of 11% over the previous year. The value of production was Rs.3294.19 crores recording an increase of Rs.467.24 crores compared to previous year. The company's Profit Before Tax stood at Rs.387.47 crores registering a growth of 11% over the previous year. The Profit After Tax stood at Rs.268.84 crores. This is the highest ever profit earned by the company which was possible through steps such as re-casting of product-mix of equipments, increase in spares manufactured and sold and cost control measures implemented.

DIVIDEND

The Directors recommend a dividend of 120% on the Paid-up Equity Share Capital of the company for the year 2008-09 meeting the aspirations of the stakeholders and foreseeing similar performance during the current year.

EXPORTS

The International Business Division achieved a turnover of Rs.304.34 crore (including Trading), recording a growth of 52% over 2007-08. The international presence of the company has increased to more than 55 countries including Angola, Honduras, Malawi and Uganda to which entry was made during the year.

QUALITY

To realize the company's vision of globalizing its presence and becoming market leader, efforts are on for continuous improvement towards assuring quality and to foster quality in all its activities. Initiatives taken in this regard are –

- ◆ Consultant expertise have been sought for guidance and training of personnel to assure quality in critical areas like welding, fabrication and painting.
- ◆ Implementation of “Lean Kaizen” concepts and “Six Sigma” drive in the company has resulted in enhancement of quality level of the process thus ensuring product quality.
- ◆ “Quality Circle” movement is on throughout the company to carry out small group activities to bring in continual improvements in product and process quality. To motivate the activity, company-wide competitions are being conducted and the teams are deputed for regional / national / international level competitions. Our QC teams have brought laurels by winning the competitions at National level and also have bagged “Gold Medal” in the



international competition, ICQCC 2008 held at Dhaka, Bangladesh, which demonstrates the competency of our QC teams.

- ◆ All manufacturing divisions continue to hold ISO 9001-2000 Quality Management certifications. Laboratories at R&D, KGF and Engine division, Mysore hold NABL accreditations. EM Division, KGF Complex has been accredited with ISO 14001-2004 Environment Management system certification.
- ◆ Vendor development activity is a continuous process, wherein, necessary inputs and expertise are given to the vendors to improve their technology, skills and quality systems. Guidance is being given to the vendors with regard to “Self-certification” and deserving vendors are upgraded and accorded “Self-certification” status. “Cluster vendors” concept has been introduced wherein hand holding of few identified vendors is taken up to transform the vendors as zero defect suppliers.
- ◆ Customer satisfaction is guaranteed through Cross functional teams / Quality improvement teams which is active throughout the company to address customer complaints and to enhance product quality.

RESEARCH & DEVELOPMENT

The company's Research & Development Centre continues to play a vital role in the design & development of products, critical aggregates, indigenization activity etc. During the year, R&D has developed BE300 with Rexroth Hydraulics, BL200 Re-engineered version, WS70 High Capacity Water Sprinkler, BA28 Air Craft Towing Tractor, Transmission and Torque Converter for BH35-2.

The information on R&D, Technology Absorption, Adaptation and Innovation is at Annexure-I.

FINANCE

The working capital requirement was met from the

internal resources and credit facilities from banks. There was no overdue installment of principal and interest.

The company's contribution to exchequer was of the order of Rs.580.34 crores during the year by way of Excise Duty, Customs Duty, Sales Tax, Income Tax, Wealth Tax, Service Tax and Cess.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, the Company's export earning stood at Rs.282.79 crores. The total foreign exchange utilized during the year was Rs.772.89 crores.

A sum of Rs.1.84 crores was incurred towards deputation of personnel abroad for business / export promotion, after-sales-services and training.

FIXED DEPOSITS

The company did not accept / renew any fixed deposits during the year. Unclaimed fixed deposit of Rs.12,263/- lying for over seven years has been transferred to the Investor Education and Protection Fund during the year 2008-09.

VIGILANCE

- ◆ Augmentation of transparency, fairness and equity in the operations of the Company by adopting well laid out systems and procedures is the main object of the Vigilance Department.
- ◆ The Vigilance Department endeavors to ensure that the Company adheres to the guidelines issued by CVC in various aspects of its activities such as, materials management, quality control, construction, maintenance, recruitment, etc.
- ◆ In order to ascertain that the systems are followed properly the Vigilance Department carries out CTE type of inspections of civil works each with contract value more than Rs 1 Crore. The Department also examines POs each valued more than Rs 2 Crores. In addition, the Department scrutinized, selecting at random, POs of different values released by the