

**BIRLA YAMAHA**

14TH ANNUAL REPORT 1998 - 99

Report



Junction

**BIRLA YAMAHA**

**BIRLA YAMAHA LTD.****BOARD OF DIRECTORS**

Shri Yashovardhan Birla  
 Shri F.D. Neterwalla  
 Shri C.P. Shah  
 Shri S. Kato  
 Shri A. Endo  
 Shri K. Suzuki  
 Shri T. Nakamura  
 Shri R.S. Sharma

Chairman

Alternate Shri Darius E. Udwadia  
 Alternate Smt. Ryna Zaiwalla Karani  
 Alternate Shri Dilip D. Udeshi  
 Alternate Shri Nimesh Kampani  
 Managing Director

**AUDITORS**

Lodha & Company

**BANKERS**

Canara Bank  
 Punjab & Sind Bank  
 Punjab National Bank

**REGISTERED OFFICE**

Dalamal House, 1st Floor,  
 Nariman Point,  
 Mumbai - 400 021

**HEAD OFFICE**

A-7, Ring Road,  
 South Extension, Part-I,  
 New Delhi - 110 049

**FACTORY**

Lal Tappar,  
 P.O. Resham Mazri  
 Dehradun,  
 Uttar Pradesh - 248 140

**STOCK EXCHANGES**

1. Mumbai Stock Exchange Association Limited  
 Phiroze Jeejeebhoy Towers  
 Dalal Street, Mumbai - 400 023
2. Delhi Stock Exchange Association Limited  
 3 & 4/4 B, Asaf Ali Road,  
 New Delhi - 110 002
3. Calcutta Stock Exchange Association Limited,  
 7, Lyons Range,  
 Calcutta - 700 001

(Listing fees for the above Stock Exchanges has been paid till Fin. Yr. 1999-2000)

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**BIRLA YAMAHA LTD.****NOTICE**

Notice is hereby given that the Fourteenth Annual General Meeting of the Members of BIRLA YAMAHA LIMITED will be held on Monday, 27th September, 1999 at 4.00 P.M. at Jai Hind College Auditorium, 23-24, Church Gate, 'A' Road, Sitaram Devram Marg, Mumbai-400 020 to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 1999 and the Profit & Loss Account for the year ended on that date and the Report of Directors and Auditors thereon.
2. To declare dividend for the year ended 31st March, 1999.
3. To appoint a Director in place of Mr. K Suzuki, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

**SPECIAL BUSINESS**

5. To appoint a Director in place of Mr. F.D. Neterwalla who holds office up to the date of this Annual General Meeting by reason of Section 262 of the Companies Act, 1956 read with Article 135 of the Articles of Association of the Company, but, being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose Mr. F.D. Neterwalla as a candidate for the office of Director.
6. To consider and, if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution:  
 "RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, the consent of the members be and is hereby granted to the re-appointment of Mr. R.S. Sharma, Managing Director for a further period of 5 years with effect from 27th June, 2000 on the terms and conditions as set out in the draft Agreement to be entered into between the Company and Mr. Sharma placed before this Meeting and initialed by the Chairman for the purpose of identification."  
 "RESOLVED FURTHER that an Agreement be entered into between the Company with Mr. R.S. Sharma in terms of the aforesaid draft."

for BIRLA YAMAHA LIMITED,

Place : Mumbai  
Date : 8th July, 1999

R.S. SHARMA  
Managing Director

**NOTES**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND ON POLL, TO VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE, MUST REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 13th September, 1999 to 27th September, 1999 (both days inclusive).
3. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.
4. Members are requested to bring their copy of Annual Report at the meeting.
5. Members desiring any information as regards the accounts, are requested to write to the Company at least 7 days before the date of the Meeting, so as to enable the Company to keep the information ready.
6. All documents referred in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days between 10.00 A.M. to 1.00 P.M. up to the date of Annual General Meeting except on Sundays and other holidays.
7. Members are requested to notify immediately change in their address, if any, to the Company at its Registered Office by quoting their folio numbers.
8. Members are requested to intimate their Bank Account details, so that the same can be printed on the dividend warrant, to avoid the incidence of fraudulent encashment of the dividend warrant.

**ANNEXURE TO THE NOTICE**

(Explanatory Statement under Section 173(2) of the Companies Act, 1956).

**Item No. 5**

Mr. F.D. Neterwalla has been appointed as a Director of the Company at the meeting of the Board of Directors held on 8th July, 1999 to fill the casual vacancy caused by the resignation of Mr. N.P. Ghuwalewala. Mr. N.P. Ghuwalewala, in whose place Mr. F.D. Neterwalla was appointed as Director would have held office up to the date of this Annual General Meeting, had he not been resigned. Pursuant to Section 262 of the Companies Act, 1956 read with Article 135 of the Articles of Association of the Company, Mr. F.D. Neterwalla holds office up to the date of this Annual General Meeting.

A notice in writing from a member signifying his intention to propose the name of Mr. F.D. Neterwalla as a candidate for the office of Director has been received by the company alongwith a deposit of Rs. 500/- pursuant to Section 257 of the Companies Act, 1956.



**BIRLA YAMAHA LTD.**

The appointment of Mr. F.D. Neterwalla as Director would be in the best interest of the Company, and your Board recommends his re-appointment.

Mr. F.D. Neterwalla is interested in the Resolution since it relates to his re-appointment.

**Item No. 6**

Mr. R.S. Sharma was appointed as Managing Director of the Company in the meeting of the Board of Directors held on 27th June, 1995 for a period of 5 years i.e. up to 26th June, 2000. This was approved by the Members of the Company at a meeting held on 25th September, 1995. Further at a Meeting of the Board of Directors held on 17th June, 1998 the Board of Directors increased the remuneration and perquisites payable to Mr. R.S. Sharma. The increase was approved by the Members at the Annual General Meeting of the Company held on 15th September, 1998. Mr. Sharma's term of office as Managing Director shall expire on 26th June, 2000. Keeping in view the valuable contribution made by Mr. Sharma in the revival of the Company, the Board recommends his re-appointment for a further period of 5 years.

Consent of the Members is being sought to re-appointment of Mr. R.S. Sharma, Managing Director for a further period of 5 years w.e.f. 27th June, 2000 on the terms & conditions as set out in the draft Agreement.

The Material provisions of the draft Agreement are as under;

- A. 1. Basic Salary : Rs. 37,500/- per month in the scale of Rs. 35000-2,500-50000/-. With such increments within the above Scale as may be determined from time to time by the Board.
2. Commission : @ 1% of the net profit of the Company, for each financial year or part thereof, computed in the manner laid down under Section 309 of the Companies Act, 1956 and in any case, shall not exceed 50% of the aforesaid salary.
- B. Perquisites :
  - i) Housing -
    - a) The expenditure by the Company on hiring unfurnished accommodation will be subject to a ceiling of 60 per cent of the basic salary.
    - b) Free furnished accommodation in case the accommodation is owned by the Company.
    - c) In case no accommodation is provided by the Company, entitlement to house rent allowance subject to the ceiling laid down in (a) above.

The expenditure incurred by the Company on gas, electricity, water & furnishing will be valued as per the Income-Tax Rules, 1962 subject to a ceiling of 10% of the basic salary.

- ii) Medical Reimbursement - Expenses incurred by the Managing Director and his family, subject to the ceiling of one month's basic salary in a year or three months' basic salary over a period of three years.

- iii) Leave Travel Assistance/Reimbursement - For the Managing Director and his family once in a year in accordance with the Rules specified by the Company, subject to a ceiling of one month's basic salary in a year or three months' basic salary over a period of three years.
- iv) Club Fees - Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- v) Personal Accident Insurance - Premium not to exceed Rs. 4000/- per annum.
- vi) Provident Fund & Superannuation Fund - Contribution to Provident fund, Superannuation Fund or Annuity Fund under the Company's Rules to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961.
- vii) Gratuity - Gratuity in respect of the period of appointment not exceeding half month's basic salary for each completed year of service subject to a ceiling of Rs. 2,50,000/- (Rupees Two Lacs fifty thousand only)
- viii) Leave Encashment - In accordance with the rules specified by the Company. However, encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.
- ix) Car and Telephone - Provision of one car with driver for use on Company's business and telephone at the residence will not be considered as perquisite. Personal long distance calls and use of car for private purpose shall however be billed by the Company to the Managing Director.

In case of absence or inadequacy of profit in any financial year, Mr. R.S. Sharma, as such "Managing Director" of the Company will be entitled to receive such remuneration as specified in Part II of Schedule XIII to the Companies Act, 1956.

The approval of the Shareholders is being sought pursuant to section 309 of the Companies Act, 1956. The remuneration payable to Mr. R.S. Sharma being in conformity with the provisions of Schedule XIII to the Companies Act, 1956, the approval of the Central Government to the payment of such remuneration, is not required.

The terms of re-appointment of Mr. R.S. Sharma and the remuneration payable to him as set out above in relation to Item No 6 of the Notice may be treated as an abstract of the terms of the draft agreement for the purpose of Section 302 of the Companies Act, 1956.

Mr. R.S. Sharma is interested in the Resolution at Item No 6 since it relates to his re-appointment.

Your Directors recommend the Resolution for your approval.

for BIRLA YAMAHA LIMITED

Place : Mumbai  
Date : 8th July, 1999

R.S. SHARMA  
Managing Director

**BIRLA YAMAHA LTD.****DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the Fourteenth Annual Report on the operation of the Company together with the Audited statement of Accounts for the financial year ended on 31st March, 1999.

**FINANCIAL RESULTS**

	(Rs. in lacs)	
	For the year ended 31.03.99	For the year ended 31.03.98
Sales & other income	6939.03	7155.14
Profit before interest and depreciation	1255.10	1383.77
Interest (Net)	106.25	65.73
Profit before depreciation	1148.85	1318.04
Depreciation	245.59	202.27
Profit after depreciation	903.26	1115.77
Add/(Less) : Prior Period Adjustments	(2.32)	4.35
Profit before tax	900.94	1120.12
Add Excess provision for tax written back	111.23	—
Provision for taxation	280.00	399.00
Profit after tax	732.17	721.12

A sum of Rs. 500 lacs has been transferred to General Reserve during the year.

**OPERATIONS**

During the year under review, the Company produced 35082 Nos. of gensets/engines and sold 35126 Nos. of gensets/engines. Sales & Other Income during the year was Rs. 69.39 Crores as against Rs. 71.55 Crores during the last year. Sales suffered due to overall recession in the economy and the tight money market conditions. Another factor that added to this was the major decline in exports because of the continued South East Asian Currency crisis. The Company has earned a net profit of Rs. 7.32 Crores after making provision for taxation of Rs. 2.80 Crores.

During the year the Company successfully launched 4 stroke 600 watts LG 700 K model which received favourable response in the domestic market.

Your Company conducted total energy audit through Tata Energy Research Institute and implemented its suggestions to achieve savings in the utilisation of energy.

**DIVIDEND**

Your Directors are pleased to recommend, a dividend of 11% on the Equity Shares of the Company for the year ended 31st March, 1999. The proposed dividend, if approved at the forthcoming Annual General Meeting of the Company, shall be paid to those members whose names appear in the Register of Members as on 27th September, 1999.

**FUTURE PROSPECTS**

Your Company is on the verge of implementing state of art ERP System from Baan Info Systems India Pvt. Ltd. After implementation, the total operations of the Company from order to despatch will be on line on computers. The Company is expected to gain substantially in terms of systems optimisation.

Your Company is also starting a new unit at Paonta Sahib (H.P.). Civil work has already been completed and the trial production is under process. All the new products henceforth will be produced at this plant. This unit is expected to help the Company in product mix optimisation and will increase the profitability of the Company.

**DIRECTORS**

Mr. A. Endo has been appointed as a Director of the Company to fill the casual vacancy caused due to the resignation of Mr. F. Tamura, Director liable to retire by rotation. Mr. A Endo holds the office only till the date up to which Mr. F. Tamura would have held the office.

Mr. F.D. Neterwalla has been appointed as a Director of the Company to fill the casual vacancy caused due to the resignation of Mr. N.P. Ghuwalewala, Director liable to retire by rotation. Mr. F.D. Neterwalla holds the office only till the date up to which Mr. N.P. Ghuwalewala would have held the office. Mr. F.D. Neterwalla, retires by rotation and being eligible, offers himself for re-appointment. The Board recommends his re-appointment.

The Directors wish to place on record their appreciation for the valuable guidance rendered by Mr. F Tamura & Mr. N P Ghuwalewala during their tenure as Directors of the Company.

Mr. K Suzuki retires by rotation and being eligible, offers himself for re-appointment. The Board recommends his re-appointment.

The term of Mr. R.S. Sharma as Managing Director of the Company will expire on 26th June, 2000. In view of his excellent contribution to the Company, the Board of Directors have re-appointed him as Managing Director for a further period of 5 years w.e.f. 27.6.2000 in the Board Meeting held on 8th July, 1999, subject to your approval.

**PUBLIC DEPOSITS**

Company has not accepted any deposit from public.

**BIRLA YAMAHA LTD.****AUDITORS**

M/s Lodha & Co., Chartered Accountants, Auditors of the Company holds office until the conclusion of the forthcoming Annual General Meeting and is recommended for re-appointment. The observations of the Auditors in their Report and Notes attached to the Accounts are self-explanatory and/or are suitably explained in the Notes to the accounts.

**Y2K COMPLIANCE**

The Company has taken effective steps to achieve Y2K Compliance. The Company expects to achieve compliance by the end of July '99. The cost to the Company on account of this is estimated at Rs. 80.00 lacs.

**INDUSTRIAL RELATIONS**

The Company enjoyed harmonious relation with its employees through out the year.

**PARTICULARS OF EMPLOYEES**

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, regarding employees is given in Annexure to the Directors' Report.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO**

The particulars of energy conservation as prescribed have not been provided as the Company's industry is

not specified in the Schedule.

The Details regarding Technology Absorption as per Form 'B' are enclosed.

Your Company was a net foreign exchange earner in the year 1998-99 as the outgo was Rs. 530.40 lacs through imports, royalty and dividend etc. and inflow was Rs. 547.58 lacs through exports.

**ACKNOWLEDGEMENT**

Your Directors acknowledge with gratitude the continuing co-operation and assistance rendered by the Central Government, Government Agencies, Government of Uttar Pradesh, Government of Himachal Pradesh, Financial Institutions, Banks, suppliers, dealers and other organizations in the working of the Company.

Your Directors wish to express their thanks to the Collaborator, M/s Yamaha Motor Company Ltd., Japan for the co-operation and assistance extended by it at all times

The Directors also wish to place on record their deep sense of appreciation for the dedicated services rendered by the officers, staff and workers of the Company.

The Board takes this opportunity to express its deep gratitude for the continuous support received from the shareholders.

for and on behalf of the  
**BOARD OF DIRECTORS**

Place : Mumbai  
Date : 8th July, 1999

Yashovardhan Birla  
Chairman

**ANNEXURE TO DIRECTORS' REPORT**

Additional information in respect of the employees who were employed throughout the year and drawing remuneration of Rs. 600,000 or more and also for those who were employed for part of the year and drawing monthly remuneration of Rs. 50,000 or more, as required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31.3.99.

Name	Qualification	Age (Years)	Designation	Experi- ence (Years)	Date of Commencement of employment	Remuner- ation drawn (In Rs.)	Last employment held/Name of the Employer/ Designation
SHARMA R.S.	B.Sc. (Engg.) Hons.	48	Managing Director	25	10.04.95	Rs. 11,12,378/-	Escorts Ltd., Associate Vice President

**Notes:-**

- The Remuneration as shown above includes Salary, Company's Contribution to Provident Fund & Superannuation Scheme, Commission on net profits, Expenditure by the Company on Accommodation, Leave Travel Assistance, Medical and other facilities.
- The appointment of Mr. R.S. Sharma is contractual.
- None of the employee is a relative of any Director of the Company.

**BIRLA YAMAHA LTD.****FORM - B****DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION IN 1998-99.  
RESEARCH AND DEVELOPMENT (R&D).****1. SPECIFIC AREAS IN WHICH R & D CARRIED OUT BY THE COMPANY**

- 4 Stroke smaller capacity genset successfully introduced in the market
- Development of MPE Applications.
- Indigenisation of critical engine components
- Intensive experiments on pollution - noise & emission
- Development of alternative business (Inverter)
- Development of ISI Test Procedures for Alternator
- Critical failure analysis

**2. BENEFITS DERIVED AS A RESULT OF THE ABOVE R & D**

- Captured wider range of customers (LG700K has become a premium product)
- Company geared up to face stringent pollution norms
- Saving & Earning of foreign exchange
- Resource conservation

**3. FUTURE PLAN OF ACTION**

- To increase product range (Auto Start)
- MPE Applications (Agricultural)
- To diversify (UPS, Solar Inverter)
- Indigenisation to continue
- Diesel Gensets 5KVA-30KVA

**4. EXPENDITURE ON R & D**

	(Rs. in lacs)
a. Capital	NIL
b. Recurring	29.25
c. Total	29.25
d. Total - R & D expenditure as a percentage of total turnover.	0.42%

**B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION.**

1. Efforts in brief, made towards technology absorption, adaptation and innovation. : The Company has successfully absorbed the technology in optimising the designs of its existing product range. The Company is continuously getting the specialists from the collaborator to help indigenisation and to adapt the product for different customer needs for its export market. During the year the Company has launched small size 4 stroke kerosene model namely LG 700 K.
2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc. : Besides import substitution resulting in significant cost reduction, the above developments have helped the Company in overall improvement of quality and efficiency. The new model launched during the year has created new class of customers.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information is furnished:
  - a. Technology imported : Manufacture of Portable Gensets and Multi Purpose Engines.
  - b. Year of import : Technical Assistance Agreement dated 31.08.84 and New Technical Assistance Agreement dated 02.09.94.  
Technical Assistance Agreement dated 25.01.98 for a new four stroke model.
  - c. Whether Technology has been fully absorbed : No. It is in the process of being absorbed.
  - d. If not fully absorbed, areas where not taken place, reasons thereof and future plans of action. : **Agreement dated 02.09.94** : - The technology is almost fully absorbed for some of the smaller size models, efforts are on to do the same for the full product range.  
: **Agreement dated 25.01.98** : - Product under this agreement has been launched and most of the technology has been absorbed.