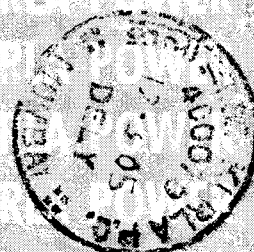


# 19<sup>th</sup> Annual Report



**BIRLA POWER**  
SOLUTIONS LTD.

An ISO 9002 & ISO 14001 Company

**BIRLA POWER SOLUTIONS LTD.****BOARD OF DIRECTORS**

Shri Yashovardhan Birla	Chairman
Shri Y. P. Trivedi	
Shri G. L. Lath	
Shri S. C. Agarwal	
Shri Manish Malani	
Shri Sanjay Khazanchi	Whole Time Director & President

**COMPANY SECRETARY** Mrs. Anju Mehta

**BANKERS** Canara Bank  
Punjab & Sind Bank  
Punjab National Bank

**REGISTRARS** Alankit Assignments Limited  
205-208, Anarkali Complex,  
Jhandewalan Extension,  
New Delhi - 110 055

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

**HEAD OFFICE** 257, Okhla Industrial Estate  
Phase-III, New Delhi-110020

**STOCK EXCHANGES**

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

**FACTORY**

1. Lal Tappar,  
P.O. Resham Mazri,  
Dehradun,  
Uttanchal
2. Bata Mandi  
Poanta Sahib  
Distt. Sirmour  
Himachal Pradesh
3. Varekwadi, Tal Patan  
Distt. Satara  
Maharashtra

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**NOTICE**

Notice is hereby given that the Nineteenth Annual General Meeting of members of **BIRLA POWER SOLUTIONS LIMITED** will be held on Tuesday, 22nd March, 2005 at 3.30 P.M. at Ashoka Hall, Arcadia NCPA Marg, Near New Oberoi, Nariman Point, Mumbai-400021 to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 30th September 2004 and Profit & Loss Account of the Company for the period of 18 months ended on that date and report of directors and auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a director in place of Mr. G.L. Lath, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Mr. Manish Malani, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint auditors to hold office till the conclusion of the next Annual General Meeting and to authorise Board of Directors to fix their remuneration.

A "Special Notice" pursuant to Section 225(1) read with Section 190 of the Companies Act, 1956, has been received from two members of the Company, holding requisite voting rights signifying their intention to move the following resolution as an ordinary resolution:

"RESOLVED that M/s Lodha & Co., Chartered Accountants, retiring auditors of the Company shall not be re-appointed and resolved further that M/s Dalal & Shah, Chartered Accountants, be and are hereby appointed as Auditors of the Company to hold office till the conclusion of the next annual general meeting at such remuneration as may be decided between M/s Dalal & Shah, Chartered Accountants and the Board of Directors of the Company."

**SPECIAL BUSINESS**

6. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:  
"RESOLVED that Mr. Y.P. Trivedi, who was appointed as an additional director of the Company by the Board of Directors and who ceases to hold office under Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing proposing his candidature for the office of director, be and is hereby appointed as Director of the Company liable to retire by rotation."
7. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:  
"RESOLVED that Mr. Sanjay Khazanchi, who was appointed as an additional director of the Company by the Board of Directors and who ceases to hold office under Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing proposing his candidature for the office of director, be and is hereby appointed as Director of the Company liable to retire by rotation."

8. To consider and if thought fit, to pass, with or without modification(s) the following resolution as Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 311 and all other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the said Act, the consent of the members be and is hereby granted to the appointment of Mr. Sanjay Khazanchi as Whole Time Director & President of the Company for a period of 3 years with effect from 3rd May, 2004 on the remuneration and the terms and conditions as under:-

- A. Basic salary : Rs 100,000/- per month and increments shall be subject to the approval of the Board of Directors.
- B. Perquisites  
House Rent Allowance 60 per cent of the basic salary.
- C. Other Perquisites
 

Component	Amount per annum
Medical Reimbursement	Rs. 15,000/-
Soft Furnishing Allowance	Rs. 1,56,000/-

In addition to the above, House Maintenance expenses and gas/electricity charges at actual subject to a limit of Rs. 1,50,000/- (Rupees One lac fifty thousand only) per annum will be payable against submission of original receipts and subject to tax.

- i) Mediclaim- Reimbursement of expenses incurred for the premium of mediclaim to self/spouse/two children to the extent of Rs. 12,000/- p.a. subject to the submission of original receipts.
- ii) Provident Fund- Contribution to Provident Fund under the Company's Rules to the extent it is not taxable under the Income Tax Act, 1961.
- iii) Gratuity - Gratuity in respect of the period of appointment not exceeding half a months' basic salary for each completed year of service subject to his putting in qualifying period of service under the provisions of Gratuity Act, 1972.
- iv) Leave Travel Assistance/Reimbursement - For the Whole Time Director & President and his family once in a year in accordance with the Rules specified by the Company, subject to the ceiling of equivalent to one month's basic salary in a year or three months' basic salary over a period of three years.
- v) 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.
- vi) Car and Telephone - Provision of one car with driver for use on Company's business with annual limit of Rs. 2,50,000/- against submission of original receipts and subject to tax. Provision of car on Company's business and telephone facility at 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 Mr. Sanjay Khazanchi.
- vii) Performance Linked Incentive - On the net profit of the Company, for each financial year computed in the manner laid down under Section 309 of



# BIRLA POWER SOLUTIONS LTD.

the Companies Act, 1956 at a rate to be determined by the Board of Directors from time to time but in any case shall not exceed 2% of the net profits of the Company as computed above.

- viii) Club Fees: Annual membership fees of clubs subject to a maximum of two clubs.

In case of absence or inadequacy of profit in any financial year, Mr. Sanjay Khazanchi, Director, as such "Whole Time Director & President" of the Company will be entitled to receive the remuneration as specified in Part II of the Schedule XIII of the Companies Act, 1956 as minimum remuneration.

## Termination Clause :

Either party may terminate the agreement by giving the other party a notice of six months of such termination or on payment of six months salary in lieu thereof.

For all other terms & conditions not specifically spelt out above, the rules and order of the Company shall apply.

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution:

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956, and the rules framed thereunder, listing agreement, SEBI (Delisting of Securities) Guidelines, 2003, and such other applicable laws, rules, regulations and guidelines, and subject to such approvals, permission and sanctions, as may be necessary, the Board of directors of the Company be and is hereby authorised to seek voluntarily delisting of its securities from the Delhi Stock Exchange Association Limited (DSE) and Calcutta Stock Exchange Association Limited (CSE)."

"RESOLVED FURTHER THAT the securities of the Company shall continue to be listed on the Mumbai Stock Exchange having nation wide trading terminals and therefore as per the said guidelines issued by the Securities and Exchange Board of India, no exit opportunity need to be given to the shareholders of the Company."

"RESOLVED FURTHER THAT the Board of directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable and to execute all such deeds and documents as may be considered necessary and expedient to give effect to the above said resolution."

10. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956, Articles of Association of the Company be and is hereby altered to the extent and in the manner as set out hereunder:-  
After Article 45, a new article 45A read as under be inserted.

## "45A DEMATERIALISATION OF SECURITIES

Notwithstanding anything contrary contained in these articles, the Company shall be entitled to dematerialise/rematerialise its securities and to offer securities in a dematerialised form pursuant to the

Depositories Act, 1996, any amendments thereof and the rules framed thereunder.

Rights, liabilities, duties and relationship of the Company, depository, members, beneficial owner and transfer of securities shall be subject to and in accordance with the provisions of the Depositories Act, 1996 and the Companies Act, 1956 and rules made thereunder as amended from time to time.

For the purpose of this clause, the words securities, depository, member and beneficial owner will have the same meaning as assigned to them in the Depositories Act, 1996 and the rules made thereunder as amended from time to time."

11. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special Resolution:

RESOLVED THAT the Articles of Association of the Company be and are hereby amended in the manner set out below:

- (a) Article 2 (e) be substituted by the following:  
'The Company or 'this Company' means **BIRLA POWER SOLUTIONS LIMITED.**
- (b) Article 2 (y) be deleted.
- (c) Article 2 (z) be deleted.
- (d) Article 130 be deleted.
- (e) Article 162 be deleted.
- (f) Article 164 be deleted.

By Order of the Board

**SANJAY KHAZANCHI**  
Whole Time Director  
& President

Place : New Delhi

Dated : 18th February, 2005

## 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/HERSELF. A PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE, MUST REACH REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR COMMENCEMENT OF THE MEETING.
2. The Register of Members and the Share Transfer books of the Company will remain closed from 18.03.2005 to 22.03.2005 (both days inclusive).
3. Statement pursuant to Section 188(1)(b) :  
Under section 225(1) of the Companies Act, 1956, a special notice is required to place a resolution to appoint some other person/firm as auditors in place of retiring auditors. On receipt of such notice, the Company is required to circulate the notice of resolution in the manner provided u/s 190 and 188 of the Act. Having received the notice pursuant to section 225(1) of the Act, the resolution is being placed before the members for their consideration and approval. The copy of special notice is being sent to M/s. Lodha & Co., retiring auditors.
4. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.
5. Members are requested to bring their copy of Annual Report at the meeting.
6. Members desiring any information as regards the accounts are requested to write to the Company at

**BIRLA POWER SOLUTIONS LTD.**

least 7 days before the date of the Meeting, so as to enable the Company to keep the information ready.

7. All documents referred in Notice and Explanatory Statement are open for inspection at Registered Office of the Company on all working days during business hours up to the date of Annual General Meeting.
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.
9. Consequent upon amendment in Section 205A of the Companies Act, 1956 and introduction of Section 205C, by the Companies (Amendment) Act, 1999, now the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund (IEP Fund). Members who have not encashed their dividend warrants, for the financial year ended 31st March, 1998 and onwards may approach the Company for revalidating the warrants or for obtaining duplicate warrants. It may also be noted that once the unclaimed dividend is transferred to the Investor Education and Protection Fund as above, no claim can be made by the respective shareholders for the same.

**ANNEXURE TO THE NOTICE**

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

**Item No. 6**

Mr. Y.P. Trivedi was appointed as an additional director of the Company on 30/10/2003 by the Board of Directors of the Company. According to the provisions of section 260 of the Companies Act, 1956, he holds office as Director only up to the date of the ensuing Annual General Meeting. As required by Section 257 of the Act, a notice has been received from a member signifying his intention to propose appointment of Mr. Y.P. Trivedi as a Director along with a deposit of Rs. 500/-.

No other director except the proposed appointee, Mr. Y.P. Trivedi may be deemed to be interested in the aforesaid resolution.

**Item No. 7**

Mr. Sanjay Khazanchi was appointed as an additional director of the Company on 28/04/2004 by the Board of Directors of the Company. According to the provisions of section 260 of the Companies Act, 1956, he holds office as Director only up to the date of the ensuing Annual General Meeting. As required by section 257 of the Act, a notice has been received from a member signifying his intention to propose appointment of Mr. Sanjay Khazanchi as a Director along with a deposit of Rs. 500/-.

No other director except the proposed appointee, Mr. Sanjay Khazanchi may be deemed to be interested in the aforesaid resolution.

**Item No. 8**

The Board of Directors in its meeting held on 28/04/2004 has appointed Mr. Sanjay Khazanchi as a Whole Time Director & President w.e.f. 3rd May, 2004 for a period of 3 years subject to the approval of the members, in accordance with sections 198, 269, 309, 310, 311 read with Schedule XIII of the Companies Act, 1956. The details of remuneration and terms and conditions of the appointment are included in the resolution.

No other director except the proposed appointee, Mr. Sanjay Khazanchi may be deemed to be interested in the aforesaid resolution.

The terms of appointment to Mr. Sanjay Khazanchi and the remuneration payable to him as set out above in relation to Item No. 8 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.

**Item No. 9**

The Securities and Exchange Board of India (SEBI) notified guidelines for voluntary delisting of securities from the stock exchanges. As per clause 5.2 of SEBI (Delisting of Securities) Guidelines, 2003 an exit opportunity to the shareholders need not be given where the securities of the Company remain listed on the stock exchange having nation wide trading terminal, i.e., The Stock Exchange, Mumbai, the National Stock Exchange of India and any other Stock Exchange that may be specified by SEBI in this regard.

At present the equity shares of the Company are listed at Mumbai Stock Exchange (BSE), Delhi Stock Exchange (DSE) and Calcutta Stock Exchange (CSE).

Considering the negligible volume of and as a part of its cost reduction measure, the consent of members is sought for getting its securities de-listed from Delhi Stock Exchange and Calcutta Stock Exchange as proposed in the Special Resolution, the securities of the company shall continue to be listed on the Stock Exchange, Mumbai.

The Board recommends the Resolution for approval of members.

None of the directors is, in any way, concerned or interested in the said Resolution.

**Item No. 10**

The Securities & Exchange Board of India has made it mandatory for all the listed Companies to offer the facility of simultaneous transfer and dematerialization of securities to its shareholders. The Depositories Act, 1996 has amended some of the provisions of the Companies Act, 1956 pertaining to issue, holding, transmission and dealing in shares and other securities as also issue of relevant certificates there of, so as to facilitate the introduction and implementation of Depositories System.

It has therefore become desirable to alter the articles of association of the Company as proposed in the Resolution set out at item no. 10 of the accompanying notice.

The directors recommend the Resolution for approval of the members.

None of the Directors is interested in the resolution.

**Item No. 11**

Consequent upon the termination of joint venture agreement with Yamaha Motor Company Ltd., Japan and pursuant to the change of name of the Company from Birla Yamaha Limited to Birla Power Solutions Limited, certain clauses of the Articles of Association of the Company would become redundant and is therefore proposed to be deleted/substituted.

Accordingly, the same is being placed before the shareholders for their approval. None of the Directors is interested in the resolution.

The existing Articles of Association as also a copy of the proposed amendments to the articles are available for inspection at the Registered Office of the Company on any working day during business hours.

By Order of the Board

**SANJAY KHAZANCHI**  
Whole Time Director  
& President

Place : New Delhi  
Dated : 18th February, 2005

# BIRLA POWER SOLUTIONS LTD.

**Additional information relevant to the appointment of Whole Time Director and President as per Notification dated January 16, 2002 issued by the Department of Company Affairs and also under the Clause 49 of the Listing Agreement.**

## I. General Information:

- (i) Nature of Industry: The Company is a Manufacturing Company engaged in manufacturing and trading of portable gensets, multi purpose engines & inverters.
- (ii) Date of commencement of business:  
2nd May, 1984.
- (iii) Financial performance based on given indicators as per audited financial results for the 18 months period ended on 30th September, 2004:

Particulars	(Rupees in lacs)
Sales & Other Income	10851.25
Profit before depreciation	644.49
Depreciation	467.83
Profit after dep. but before Tax	176.66
Provision for taxation	10.35
Adjustment of provision for earlier years	9.17
Net Profit	175.48

### Export performance and net foreign exchange earnings

During the 18 months period ended on 30th September, 2004, FOB value of export was Rs. 667.52 lacs & net foreign exchange earnings were Rs. 49.55 lacs.

### Foreign Investment or Collaborators, if any.

Presently there is no foreign collaboration.

## II. Information about the Whole Time Director and President:

### (i) Background details:

Mr. Sanjay Khazanchi, aged 43 years, having over 19 years of experience in diverse industries and companies, joined Birla Power Solutions Limited as President on 11.02.2004. Before joining the company Mr. Sanjay Khazanchi was holding the position of Regional Director for South Asia and Middle East Region of Corning International.

Mr. Khazanchi has also worked with Flender India Ltd., world leader in Power Transmission Equipment and with FAG Kugelfischer, a world-renowned manufacturer of Ball and Roller bearings.

Mr. Sanjay Khazanchi holds an MBA degree in Marketing from FMS, Delhi & a Bachelor of Engineering from Regional Engineering College, Srinagar.

- (ii) Past Remuneration: Rs. 49,86,278/-
- (iii) Recognition or awards: President Sales Club award; USA
- (iv) Job Profile and suitability:

Initially Mr. Sanjay Khazanchi was appointed as President of the Company on 11.02.2004. In the Meeting of Board of Directors held on 28th April, 2004 he was appointed as Whole Time Director & President w.e.f. 03.05.2004 and is responsible for overall operations and management of the Company subject to the supervision and control

of the Board of Directors. Considering his qualifications and expertise in overall management, he is competent to carry out the responsibilities presently given to him by the Board of Directors.

### (v) Remuneration Proposed:

Basic salary : Rs 100,000/- per month and increments shall be subject to the approval of the Board of Directors.

#### Perquisites

House Rent Allowance	60% of basic salary
Medical Reimbursement	Rs. 15,000/- per annum
Soft Furnishing Allowance	Rs.1,56,000/- per annum
Mediclaim	Up to Rs. 12,000/- p.a. (for the premium of mediclaim to self/ spouse/two children)
Car and Telephone	Upto Rs. 2,50,000 p.a. (against submission of original receipts)
House Maintenance expenses and gas/ electricity charges	Upto Rs.1,50,000 p.a. (against submission of original receipts)

Club Fees: Annual membership fees of clubs subject to a maximum of two clubs.

Contribution to Provident Fund, Leave encashment and gratuity shall be payable under the Company's rules and subject to the applicable provisions of Law.

Performance Linked Incentive - On the net profit of the Company, for each financial year computed in the manner laid down under Section 309 of the Companies Act, 1956 at a rate to be determined by the Board of Directors from time to time but in any case shall not exceed 2% of the net profits of the Company as computed above.

In case of absence or inadequacy of profit in any financial year, Mr. Sanjay Khazanchi, Director, as such "Whole Time Director & President" of the Company will be entitled to receive the remuneration as specified in Part II of the Schedule XIII of the Companies Act, 1956 as minimum remuneration.

### (vi) Comparative remuneration profile with respect to Industry, size of the Company, profile of the position and person :

Taking into consideration the size of Company, profile of appointee, responsibility shouldered by him and industry benchmarks, the remuneration proposed to be paid is reasonable and commensurate with the remuneration packages paid to similar senior level appointees in other companies.

### (vii) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any :

Besides the remuneration proposed, the Whole Time Director & President does not have any other pecuniary relationship with the Company and its managerial personnel.

**BIRLA POWER SOLUTIONS LTD.****OTHER DISCLOSURES**

Other disclosures as required in the Notification is given in the report of corporate governance annexed.

**OTHER INFORMATION****(i) Reasons for inadequate profits:**

The market for portable gensets is shrinking due to shift in consumer's preference towards inverters, stringent noise & air pollution norms and competition in international markets from cheaper Chinese products leading to lower sales and declining profits.

Increase in manufacturing costs to meet the noise and air pollution norms has also put tremendous pressure on margins as all the costs could not be passed on to the consumer.

**(ii) Steps taken or proposed to be taken for improvement:**

Renewed focus on export sales with addition of some new products has already been initiated to increase turnover as well as profits of the Company.

The Company is also taking steps to grow business of multi purpose engine and water pumps by diversifying its customer network and increasing product range by designing & developing various multi purpose engine applications, as the Company has untapped potential in the field of multi purpose engines and its applications.

**(iii) Expected increase in productivity and profits in measurable terms.**

Expected increase in productivity and profit is around 20% and 60% respectively.

**Details of Directors seeking appointment/re-appointment in ensuing Annual General Meeting**

<b>Name of Director</b>	Shri G. L. Lath	
<b>Date of Birth</b>	21.06.1949	
<b>Date of Appointment</b>	26.11.2004	
<b>Expertise in specific functional areas</b>	Qualified Chartered Accountant having expertise in handling finance & secretarial functions and worked at senior level with large industrial houses.	
<b>List of outside directorships in Public Limited Companies.</b>	BCI International Ltd. Indoasean Oceanic Exports Ltd. Birla Capital & Financial Services Ltd. Birla Electricals Ltd. Khopali Investments Ltd. Godavari Corporation Ltd. Lakshmi Properties Ltd.	
<b>Chairman/Member of the Committees of other Public Limited Companies.</b>	None	
<b>Name of Director</b>	Shri Y. P. Trivedi	
<b>Date of Birth</b>	06.01.1929	
<b>Date of Appointment</b>	30.10.2003	
<b>Expertise in specific functional areas</b>	Senior Advocate, Supreme Court	
<b>List of outside directorships in Public Limited Companies.</b>	Reliance Industries Limited Zodiac Clothing Co. Ltd. Safari Industries Ltd. Sai Service Station Ltd. Zandu Pharmaceutical Works Ltd. Supreme Industries Ltd.	
<b>Chairman/Member of the Committees of other Public Limited Companies.</b>	<b>Name of the Company</b> Reliance Industries Ltd. Reliance Industries Ltd. Reliance Industries Ltd. Zodiac Clothing Co. Ltd. Zandu Pharmaceutical Works Ltd.	<b>Position Held</b> Chairman Audit Committee Member Remuneration Committee Member Shareholders Grievance Committee Member Audit Committee Chairman Audit Committee
<b>Name of Director</b>	Shri Sanjay Khazanchi	
<b>Date of Birth</b>	19.10.1961	
<b>Date of Appointment</b>	28.04.2004	
<b>Expertise in specific functional areas</b>	MBA (Marketing) & Bachelor of Engineering, having expertise in administrative and Marketing functions and over 19 years of experience in diverse industries and Companies.	
<b>List of outside directorships in Public Limited Companies.</b>	None	
<b>Chairman/Member of the Committees of other Public Limited Companies.</b>	None	
<b>Name of Director</b>	Shri Manish Malani	
<b>Date of Birth</b>	20.08.1969	
<b>Date of Appointment</b>	26.11.2004	
<b>Expertise in specific functional areas</b>	At IT professional, having expertise in handling IT & administrative functions.	
<b>List of outside directorships in Public Limited Companies.</b>	Shloka Infotech Limited	
<b>Chairman/Member of the Committees of other Public Limited Companies.</b>	None	



# BIRLA POWER SOLUTIONS LTD.

## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting their Nineteenth Annual Report together with the audited statement of accounts of the Company for the period of 18 months ended on 30th September, 2004.

### FINANCIAL RESULTS

	For the 18 Months period ended on 30.09.2004	(Rs. in lacs) For the year ended on 31.3.2003
Sales & Other Income	10851.25	7793.31
Profit before interest and depreciation	870.11	730.41
Interest (Net)	225.62	180.79
Profit before depreciation	644.49	549.62
Depreciation	467.83	311.77
Profit after depreciation but before Tax	176.66	237.85
Provision for taxation	10.35	24.31
Adjustment of provision for earlier years	9.17	-
Net Profit	175.48	213.54

### OPERATIONS

Sales & Other Income during the financial period (18 months period) ended on 30th September, 2004 were Rs 10851.25 lacs as against Rs. 7793.31 lacs during last financial year (12 months period) ended on 31st March, 2003.

During the 18 months period ended on 30th September, 2004, the Company has earned a net profit of Rs.175.48 lacs as against Rs. 213.54 lacs earned during last financial year (12 months period) ended on 31st March, 2003.

Shift in household consumer's preference towards inverters, stringent noise & air pollution norms and competition in international markets from cheaper Chinese products have led to continuous decline in demand for portable gensets. During current period, sale and average unit price realization of portable gensets has declined by 30% & 9.54% respectively. During the year the Company has also started in house production of inverters.

Lower average unit price realisation of portable gensets and lower capacity utilisation have put tremendous pressure on profits of the Company.

During the current period under review there has been change in product mix of the Company. The share of portable gensets in total sales has declined to 36% from 69% & share of other products i.e. electrical appliances, inverters, pumpsets and multipurpose engines has increased to 63% from 30%.

### FUTURE PROSPECTS

Diversification is the key for Company's future growth. With change in the product mix already witnessed during the current period, management is hopeful of early recovery. In the coming years, rise in in-house production of inverters will substitute outsourcing leading to higher margins.

As an effort to capture larger market share of portable generators, your Company in association with Hindustan Petroleum Corporation Limited has launched a range of LPG Generators making them available across nation wide network of HP Gas distributors. Resultant increase in sales will contribute to higher margins.

### DIVIDEND

Your Directors are pleased to recommend a dividend @ 6% (Rs.0.60 per share) on equity shares of the Company for the period ended on 30th September, 2004. If approved, at the forthcoming Annual General Meeting of the Company, dividend

shall be paid to those shareholders whose names appear in the register of members and in the list of beneficiaries provided by Depositories, as on 22nd March, 2005.

### LISTING

At present the equity shares of the Company are listed at Mumbai Stock Exchange(BSE), Delhi Stock Exchange (DSE) and Calcutta Stock Exchange (CSE). There has been negligible trading of the Company's equity shares in DSE and CSE. As the Company's equity shares have been mandated by SEBI for compulsory trading in demat form by all investors and BSE having nation wide terminals affording to the investors convenient access to trade and deal in the Company's equity shares across the country, it is proposed to delist the equity shares of the Company from DSE and CSE.

### DIRECTORS

Mr. D.K. Agarwal, director of the Company expired on 12.06.2004. The board places on record it's appreciation for his valuable guidance given to the Company from time to time.

Mr. Vijay Agarwal and Mr. F.D. Neterwalla resigned from the board on 16.09.2004 & 26.11.2004 respectively.

The board places on record its appreciation for the valuable guidance rendered by Mr. Vijay Agarwal and Mr. F.D. Neterwalla during their tenure of directorship in the Company.

Mr. Y.P. Trivedi was appointed as an additional director of the Company on 30th October, 2003 and will hold office up to the date of the forthcoming Annual General Meeting, requisite notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose him for the office of director.

Mr. S.L. Khunteta has resigned from the office of Whole Time Director & President of the Company. His resignation was accepted in the board meeting held on 28th April, 2004 and was relieved on 2nd May, 2004.

The board places on record its appreciation for the valuable services rendered by Mr. S.L. Khunteta during his tenure as Whole Time Director & President of the Company.

Mr. Sanjay Khazanchi has been appointed as an additional director of the Company on 28th April, 2004 to hold office up to the date of forthcoming Annual General Meeting. Requisite notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose him for the office of director.

He has also been appointed by the Board as Whole Time Director & President for a period of 3 years w.e.f. 3rd May, 2004 subject to the approval of the members, in accordance with sections 198, 269, 309, 310, 311 read with Schedule XIII of the Companies Act, 1956.

Mr. S.C. Agarwal has been appointed as director to fill the casual vacancy caused due to the sad demise of Late Shri D.K. Agarwal.

Mr. G.L. Lath has been appointed as director to fill the casual vacancy caused due to the resignation of Mr. F.D. Neterwalla. Mr. G.L. Lath retires by rotation and being eligible, offers himself for re- appointment as director.

Mr. Manish Malani has been appointed as director to fill the casual vacancy caused due to the resignation of Mr. Vijay Agarwal. Mr. Manish Malani retires by rotation and being eligible, offers himself for re- appointment as director.

### CHANGE OF FINANCIAL YEAR

The management of the Company has decided to change the Accounting Year from 'April-March' to 'October-September' Accordingly, the Accounting Year ending on 31st March, 2004 was extended by 6 months so as to end on 30th September, 2004 after obtaining requisite approvals. The Company's



# BIRLA POWER SOLUTIONS LTD.

Accounting Year under review is therefore for the period of 18 months.

## CHANGE OF NAME

Consequent upon the termination of Joint Venture Agreement with Yamaha Motor Co. Ltd., Japan and with the consent of the members in the Eighteenth Annual General Meeting of the Company, name of the Company has been changed from Birla Yamaha Limited to 'Birla Power Solutions Limited' w.e.f. 3rd December, 2003.

## NOTE ON CORPORATE GOVERNANCE

Your Company is following corporate governance norms of highest standards.

As required under clause 49 of the listing agreement, a report on corporate governance forms part of this annual report.

## FIXED DEPOSITS

During the period under review your Company has accepted deposits from the public amounting to Rs. 95598000/-. As on 30th September, 2004 no deposit has fallen due for repayment. There has been no delay in making payment of interest on fixed deposits and in fulfilment of the terms and conditions of the Company's scheme.

## AUDITORS

The observations of the Auditors in their Report are self-explanatory and/or are suitably explained in the Notes to the accounts.

The Auditors M/s Lodha & Co., Chartered Accountants are retiring at the ensuing Annual General Meeting. The directors request you to appoint auditors for the current financial year.

## INDUSTRIAL RELATIONS

The Company enjoyed harmonious relations with employees through out the period under review.

## 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.

The foreign exchange outgo was Rs. 617.97 lacs through imports, overseas travelling and dividend as against inflow of Rs. 667.52 lacs through exports.

## 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 the annexure to the Directors Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- that in preparation of the annual accounts for the period ended on 30th September, 2004 the applicable accounting standards have been followed along with proper explanation relating to material departures;
- that the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the 18 months period ended on 30th September, 2004 and of the profit of the Company for that period;
- that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the directors have prepared the annual accounts for the period ended on 30th September 2004 on a going concern basis.

## ACKNOWLEDGEMENT

Your Directors acknowledge with gratitude the continuing co-operation and assistance rendered by the Central Government, State Government, Financial Institutions, Banks, suppliers and other organisations in the working of the Company.

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

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

for and on behalf of the  
BOARD OF DIRECTORS

Place : New Delhi

Dated : 24th December, 2004

**YASHOVARDHAN BIRLA**  
Chairman

## ANNEXURE TO DIRECTORS REPORT

Additional Information as required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of the Directors Report for the period ended on 30th September, 2004.

Sl. No.	Name	Qualification	Age (Years)	Designation	Experience (Years)	Date of Commencement of employment	Remuneration drawn	Last employment hold/ Name of the Employer/ Designation
1	Mr. Sanjay Khazanchi	MBA (Mkg.) & B.E.	43	Whole Time Director & President *	19	11.02.2004	Rs. 14.35 lacs	Regional Director for South Asia & Middle East Region of Corning International

\* Indicates employment for part of the year.

1. The remuneration as shown above includes salary, Company's contribution to provident fund, house rent allowance, expenditure by the Company on accommodation and other facilities.
2. The appointment of Mr. Sanjay Khazanchi, Whole Time Director & President is contractual.

# BIRLA POWER SOLUTIONS LTD.

## FORM-B

**DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION DURING 1st APRIL, 2003 TO 30th SEPTEMBER, 2004**

### A. RESEARCH AND DEVELOPMENT (R&D)

#### 1. SPECIFIC AREAS IN WHICH R&D CARRIED OUT BY THE COMPANY

- Improved Design and Development of Acoustic Gensets for Petrol & Kerosene models to meet Noise Phase-II Norms.
- Optimization of Acoustic Hood Genset for meeting Emission Phase - II Norms.
- Design & development of Acoustic Enclosure for 5KVA Petrol & Diesel Gensets.
- International sourcing of components for cost reduction as a part of value engineering exercise for export models.
- Design & development of integrated Auto Start System
- Design & development of various multi purpose engine application
- Design & development of LPG run Gensets.

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

- Better customer satisfaction through improved quality.
- Compliance to CPCB mandatory norms
- To cater market for higher capacity gensets meeting CPCB Norms
- Better product with low cost
- Additional feature for the customer usage ease.
- Offering more range of products with varied applications as per the market requirement.

#### 3. FUTURE PLAN OF ACTION

- Implementation of Phase - II Exhaust Emission & Noise Norms on the new Acoustic enclosures on production line.
- Development of Remote start gensets.
- Compliance of Diesel Gensets for exhaust & noise norms.
- Development of more new multipurpose engine applications
- Technological advancement to improve the product quality with reduced price
- Optimization of engines.
- New economy model version to cater wide range of customers
- Advanced technology product for armed forces.
- Improvement of R&D Infrastructure for product design and evaluation.

#### 4. EXPENDITURE ON R & D

(Rs. in lacs)

a. Capital	--	3.74
b. Recurring	--	81.12
c. Total	--	84.86
d. Total - R & D expenditure as a percentage of total turnover	--	0.89%

### B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief, made towards technology absorption : The company has successfully redesigned the products as per adaptation & innovation International Emission norms and achieved Phase - II Exhaust Emission and Noise Emission Norms.
2. Benefits derived as a result of the above efforts : Offering latest technology products at affordable cost became e.g. product improvement, cost reduction, product development possible due to in house development of technology.

The new technologies helped the Company in overall improvement of quality and efficiency.

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 & Multi Purpose Engines.
- b. Year of import : Technical Assistance Agreement dated 31.8.84 & new Technical Assistance Agreement dated 02.09.94 which has been expired on 01.09.1999.

Technical Assistance Agreement dated 25th January, 1998 for a new four stroke model which has also been expired on 24.01.2003.

- c. Whether Technology has been fully absorbed : The technology has been fully absorbed for all the models. In house R&D has further upgraded the technology.
- d. If not fully absorbed, areas where not taken place, reasons thereof and future plans of action : Not applicable