

Kalyani Brakes Limited



17TH

ANNUAL

REPORT

1998-99

Report Junction.com

A Joint Venture of



KALYANI

NABCO
J A P A N



BOSCH
G E R M A N Y

Kalyani Brakes Limited

BOARD OF DIRECTORS

B. N. KALYANI
Chairman

S. D. DESHMUKH

HIROMI FURUTA

NOBUJI OKAZAKI

KAZUO MATSUMURA

HANNES BERTLING

JAGJIT LAL PASRICHA

HERBERT HEMMING

C. L. GHALSASI
(ICICI Nominee)

SATISH SEKHRI
Managing Director

NOBUJI OKAZAKI
Alternate Director to Hiromi Furuta

BANKERS :

State Bank of India
The United Western Bank Ltd.
The Fuji Bank Ltd.

SOLICITORS AND ADVOCATES :

M/s. Crawford Bayley & Co.

AUDITORS :

M/s. Bansi S. Mehta & Co.

REGISTERED OFFICE :

Aurora Towers, 4th Floor,
9 Moledina Road,
Pune 411 001.

WORKS :

- 1) Off NH 6, Bambhori, Taluka Erandol, Dist. Jalgaon 425 001.
- 2) Gat No 306, Village Nanekarwadi Taluka Rajgurunagar, Dist. Pune.
- 3) Plot No. 308, Udyog Vihar, Phase II, Gurgaon (Haryana)

NOTICE

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Members of KALYANI BRAKES LIMITED will be held at Forum Hall, Hotel Blue Diamond, 11 Koregaon Road, Pune 411 001 on Wednesday, the 28th day of July, 1999 at 10.30 A.M. (I.S.T.) to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at March 31, 1999 and the Profit & Loss Account for the year ended on March 31, 1999 and Reports of the Directors and of the Auditors.
2. To declare Dividend.
3. To appoint a Director in place of MR. SATISH SEKHRI who retires by rotation; but being eligible, offers himself for reappointment.
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION** :

"RESOLVED THAT MR. HERBERT HEMMING, WHO WAS APPOINTED A DIRECTOR OF THE COMPANY TO FILL THE CASUAL VACANCY ON THE BOARD CAUSED BY RESIGNATION OF MR. DONALD PAYNE WHO WOULD HAVE RETIRED BY ROTATION AT THIS ANNUAL GENERAL MEETING AND THE COMPANY HAVING RECEIVED A NOTICE IN WRITING FROM A MEMBER UNDER SECTION 257 OF THE COMPANIES ACT, 1956 PROPOSING MR. HEMMING'S CANDIDATURE, BE AND IS HEREBY APPOINTED A DIRECTOR OF THE COMPANY LIABLE TO RETIRE BY ROTATION."

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 SECTIONS 198, 269, 309 & OTHER APPLICABLE PROVISIONS, IF ANY, OF THE COMPANIES ACT, 1956 AND SUBJECT TO SUCH APPROVALS AS MAY BE REQUIRED, THE CONSENT OF THE COMPANY BE AND IS HEREBY GRANTED TO THE EXTENSION OF THE SERVICES OF MR. KAZUO MATSUMURA AS WHOLETEIME DIRECTOR OF THE COMPANY FOR A PERIOD OF ONE YEAR WITH EFFECT FROM JANUARY 19, 1999 TO JANUARY 18, 2000 ON THE FOLLOWING REMUNERATION :

- 1) **BASIC SALARY :**

A BASIC SALARY OF RS.48,000/- (RUPEES FORTY EIGHT THOUSAND ONLY) PER MONTH.

- 2) **SPECIAL ALLOWANCE :**

A SPECIAL ALLOWANCE OF RS. 75,000/- (RUPEES SEVENTY FIVE THOUSAND ONLY) PER MONTH.

- 3) **ACCOMMODATION :**

FREE FURNISHED ACCOMMODATION AT THE COMPANY'S GUEST HOUSES IN JALGAON AND PUNE.

- 4) **TRANSPORT :**

A CAR FOR LOCAL TRANSPORTATION WILL BE PROVIDED. ALL EXPENSES ON RUNNING, MAINTENANCE, DRIVER, TAXES AND INSURANCE ETC. FOR THIS CAR WILL BE BORNE BY THE COMPANY.

- 5) **JOINING EXPENSES :**

THE COMPANY WILL REIMBURSE TRANSPORTATION COST FOR RETURN TO JAPAN AFTER THE CONTRACT PERIOD.

- 6) **MEDICAL :**

ALL EXPENSES ON MEDICAL INCLUDING HOSPITALIZATION, DIAGNOSTIC CHECKS, PERIODIC HEALTH CHECKS WILL BE BORNE BY THE COMPANY AT ACTUALS.

- 7) **LEAVE TRAVEL ASSISTANCE :**

ONCE IN A YEAR FREE AIR PASSAGE FOR VISITING HOME TOWN IN JAPAN.

- 8) **PERSONAL ACCIDENT INSURANCE :**

PREMIUM NOT TO EXCEED RS.4,000 PER ANNUM.

- 9) **PERFORMANCE BONUS :**

ANNUAL PERFORMANCE BONUS, AS DETERMINED BY THE BOARD, BUT NOT EXCEEDING RS.750 000/- PER ANNUM.

- 10) **TERMINAL BENEFITS :**

12% OF BASIC SALARY WILL BE CONTRIBUTED TO PROVIDENT FUND AND 15% CONTRIBUTED TO SUPERANNUATION FUND BY THE COMPANY.

- 11) **MINIMUM REMUNERATION :**

NOTWITHSTANDING ANYTHING CONTAINED HEREIN, WHERE IN ANY FINANCIAL YEAR, DURING THE CURRENCY OF TENURE OF THE WHOLETEIME DIRECTOR THE COMPANY HAS NO PROFITS OR ITS PROFITS ARE INADEQUATE, THE COMPANY WILL PAY HIM REMUNERATION BY WAY OF SALARY, SPECIAL ALLOWANCE, PERQUISITES AND PERFORMANCE BONUS SPECIFIED ABOVE.

By Order of the Board of Directors
For KALYANI BRAKES LIMITED

Place : PUNE
Date : May 20, 1999

S K SATPUTE
COMPANY SECRETARY



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NOTES :

1. The relative Explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of special business to be transacted at the Annual General Meeting is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. Members are requested to advise the Company immediately of any change in their addresses.
4. If the dividend on Equity Shares, as recommended by the Board of Directors, is declared at the Meeting, the dividend warrants will be posted on and from the 27th day of August, 1999 to those Members whose names appear in the Company's Register of Members on the 28th day of July, 1999.
5. With a view to preventing fraudulent encashment of dividend warrants, Members are advised to furnish to the Company particulars of their bank account with a request to the Company to incorporate the same in the dividend warrant.
6. The Share Transfer Books and the Register of Members of the Company will remain closed from Thursday, the 15th day of July, 1999 to Wednesday, the 28th day of July, 1999 (both days inclusive).
7. Documents referred to in any of the items of the Notice are available for inspection at the Registered Office of the Company on any working day upto July 28, 1999 during business hours of the Company.

ANNEXURE TO THE NOTICE

Explanatory Statement as required by Section 173 of the Companies Act, 1956.

The following Explanatory Statement sets out, as required by Section 173 of the Companies Act, 1956, the material facts relating to Item Nos. 5 & 6 mentioned in the accompanying Notice dated May 20, 1999.

Item No.5

Mr. Herbert Hemming was appointed as Director of the Company in the casual vacancy caused by the resignation of Mr. Donald Payne. Mr. Payne was liable to retire by rotation at this Annual General Meeting and accordingly, Mr. Herbert Hemming holds office as Director till the conclusion of the ensuing Annual General Meeting. The Company has received Notice under Section 257 of the Companies Act, 1956 from a Member proposing the candidature of Mr. Hemming to the Office of Director.

Your Directors feel that it is in the interest of the Company to re-appoint Mr. Herbert Hemming as a Director, and accordingly recommend his re-appointment. None of the Directors of the Company is interested in the resolution except Mr. Hemming, who is proposed for re-appointment as a Director.

Item No.6

NABCO Ltd., Japan have deputed Mr. Kazuo Matsumura as Wholtime Director of the Company for a period of 3 years which expired on January 18, 1999. NABCO Ltd. have indicated their willingness to extend Mr. Matsumura's services with the Company by one year.

Company's key customer, Maruti Udyog Ltd. is launching a new model, development work for which is underway. It is, therefore, desirable that Mr. Matsumura assumes leadership for development of brake systems for this new model and has complete authority and responsibility to ensure successful management of this program.

The Board of Directors therefore decided in its meeting held on January 25, 1999 to extend the services of Mr. K Matsumura as Wholtime Director of the Company upto January 18, 2000 on the existing terms & conditions subject to Govt. of India's approval. Govt. of India by their letter No.1/89/99-CL.VII dt. 21st April, 1999 has approved the extension of services of Mr. Matsumura as well as the proposed remuneration as detailed in the resolution.

Approval of the Members is sought to the extension of services of Mr. Kazuo Matsumura as Wholtime Director by one year with effect from January 19, 1999 till January 18, 2000 on the remuneration as detailed in the resolution.

None of the Directors of the Company is interested in the resolution except Mr. Matsumura, whose services are proposed to be extended as a Wholtime Director.

By Order of the Board of Directors
For **KALYANI BRAKES LIMITED**

Place : PUNE
Date : May 20, 1999

S K SATPUTE
COMPANY SECRETARY

DIRECTORS' REPORT

For the year ended March 31, 1999

To

The Members

The Directors present their Seventeenth Annual Report on the business and operations of the Company together with Audited Statement of Accounts for the Financial Year ended on March 31, 1999.

BUSINESS SITUATION

Recessionary phase in the Automotive Industry that started in 1997-98, grew deeper in 1998-99. This year, even passenger cars registered a negative growth. All segments of auto industry registered decline with the exception of Motor Cycles and Tractors. Auto components industry witnessed a decline of 12% consequently. Most economists predict recessionary conditions to continue at least for one more year. Industry will have to find innovative solutions in product development and cost reduction through Value Analysis and Value Engineering.

For the year ended 31st March 99, your company achieved a total income of Rs.1126 Million, (previous year Rs. 1245 Million) which is about 9% lower than previous year. Lower sale is mainly due to reduced off-take from OEM customers. Profit before tax is lower at Rs. 16 Million (previous year Rs.74 Million). Drop in profit is higher due to significant price reduction given to OEM Customers and full impact of new investment at Chakan plant.

FINANCIAL HIGHLIGHTS

	1998-99	1997-98
	Rupees	Rupees
Sales and Other Income	1 126 160 685	1 244 637 139
Profit/(Loss) for the year	16 039 958	73 769 063
Profit/(Loss) After Tax	14 237 058	65 977 063
Add/(Less) :		
Balance brought forward from last year	3 039 925	(51 500 988)
Net Profit/(Loss)	17 276 983	14 476 075

ADDITIONAL BUSINESS

Your company took various measures in this difficult year to ensure growth in future. Many business contracts were concluded and product development undertaken. Important contracts finalized were (a) Indica Car of Teico, where your company is a chosen supplier for both Petrol and Diesel versions. (b) Maruti Udyog has chosen your company as a supplier for its new model code named 'B', to be launched in February 2000. Development work has started and will be over by November '99. (c) Mahindra has awarded brake system development for its prestigious IDAM Project to your company for the full system. Product development, with help from Bosch, is progressing well. In addition, your company was awarded contracts by Bajaj Tempo for Mini Door, Hindustan Motors for Ambassador Isuzu and Piaggio Greaves for its new

Three Wheeler. These programmes will help your company register a higher sale during 1999-00.

NEW INITIATIVES

Your Directors feel that Agriculture Tractors and Motor Cycles have good growth prospects in India. India is already the largest manufacturer of the tractors in the world. With entry of new players in this segment, product enhancement will take place. Brake systems will upgrade to "Oil immersed wet disc brakes". Similarly Motor Cycles will also have features like Hydraulic disc brakes in near future. The Directors feel that penetration of such features will be about 30% in next three years, which represents a significant business opportunity.

Your company has, therefore, decided to position itself as a manufacturer of such advanced brake systems for Agriculture Tractors and Motor Cycles. Technical collaborations have been finalized with Brembo S.p.A. and Titan Italia for this purpose. This activity will become a significant portion of your Company's business in 3 to 5 years time.

In light of recessionary conditions in the OEM segment, your company concentrated a lot in the After Market and achieved a growth of 33% during the year. Development of products for exports to Bosch has been completed and supplies should begin this year.

These measures will provide much needed growth to your company. Its presence in various segments of the Auto Industry will reduce the risk of variations in the OE demand.

During the year net working capital used was further reduced by Rs. 45 million. A stringent control was maintained on costs. These efforts will continue in the coming year. Revenue growth from new contracts, improved market share in the existing business and better cost management should improve the profitability significantly in the coming year.

DIVIDEND

A sum of Rs. 17 276 983 is available for appropriation. The Directors recommend a dividend of 10% on 10 396 500 equity shares of Rs.10 each for the year ended March 31, 1999 (previous year 10%). After providing for proposed dividend of Rs.10 396 500 and Rs.1 143 615 for tax on proposed dividend, an amount of Rs.5 736 868 will be carried forward.

QUALITY UPGRADATION

All preparatory work for attainment of QS-9000 standard is complete both at Jalgaon and Chakan. Pre-assessment audit is planned in the month of June '99. Attainment of QS-9000 and ISO 14000 this year will enhance company's quality standing and ability to export.

OPERATIONS**A) Conservation of Energy :**

As a measure of energy saving and cost control, your Company took various actions like use of electronic ballasts in place of conventional ballasts, voltage controllers on lighting system, replacing high KW equipment by lower rating, installation of energy efficient compressor and insulation of ovens & furnaces to reduce heat losses at Jalgaon plant and stopping the use of Air



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conditioners during Oct'98 to March'99, limiting the use of all high energy equipment to one shift and control on street lights at Chakan plant. These efforts resulted in significant reduction in consumption of electric energy.

Our Industry is not specified in the Schedule to Form "A" of the Annexure to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988. We have, however, planned further actions for energy conservation.

B) Technology Absorption :

The efforts made in technology absorption are given in the prescribed Form "B" as Annexure "A" to this Report.

C) Foreign Exchange Earnings and Outgo :

i) During the year, the Company has earned Foreign Exchange equivalent to Indian Rs. 890 176 from export sales .

ii) The foreign exchange outgo, on account of import of Components, Capital Goods, Spares, Royalty etc. was of the order of Rs. 60 745 515.

INDUSTRIAL RELATIONS

Industrial relations at all plants and offices continue to be cordial.

YEAR 2000 (Y2K) COMPLIANCE

The Company has established a detailed program to address and minimize the impact of Year 2000 (Y2K) related issues. The program covers the customers, key suppliers and other business associates in view of the potential widespread impact of this issue. The Company expects to be Y2K compliant by 30th June 1999 in respect of areas which otherwise may vitiate the capacity of the Company to operate as a going concern in the year 2000. The total expenditure required to achieve Y2K compliance is estimated at Rs.0.75 million of which Rs.0.50 million is estimated on capital account.

COMPARISON OF PROJECTION AND ACTUAL PERFORMANCE

(Rs. in Million)

	Projections	Actuals
Total Income including Excise Duty	—	1126.161
Total Income excluding Excise Duty	1429.250	977.499
Profit Before Tax	128.580	16.040
Provision for Taxation - M.A.T.	30.200	1.684
Wealth Tax	—	0.119
Profit After Tax	98.380	14.237

The above projections were prepared in 1995 when outlook for Indian automotive industry was indicating a phase of high growth. Car market was expected to touch a million vehicles by

turn of the century. Automotive industry could not achieve this growth causing a large variation from the projections made in 1995.

SUBSIDIARY

A statement pursuant to Section 212 of the Companies Act, 1956, relating to Precision Seals Mfg. Ltd., a subsidiary of the Company, as on 31st March, 1999, is attached to the Accounts of the Company.

PARTICULARS OF EMPLOYEES

The information required under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time and forming part of this Report, is annexed herewith as Annexure "B".

DIRECTORS

Mr. Herbert Hemming who was appointed as a Director by the Board on 27th July'98 in the casual vacancy caused by resignation of Mr. Donald Payne, will hold office upto the ensuing Annual General Meeting at which he will offer himself for appointment as Director afresh liable to retire by rotation.

Mr. Satish Sekhri, Director of the Company retires by rotation and being eligible, offer himself for re-appointment.

AUDITORS' REPORT

As regards Note No. 3(a) of Schedule 19 to the Accounts, subject whereof has been referred to by Auditors in their Report to the Members, the Directors have duly taken note of the same while according their approval to the Accounts. Note No. 3(a) of Schedule 19 is self-explanatory.

AUDITORS

M/s Bansi S. Mehta & Co., Chartered Accountants, Mumbai, the Auditors of the Company, retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment. You are requested to re-appoint Auditors for the current year to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

APPRECIATION

Your Directors wish to place on record their appreciation for the co-operation and help received from the Govt. of India, Govt. of Maharashtra, Financial Institutions & Banks and the timely help and assistance from our Promoters, M/s. Kalyani Steels Limited & Associates, Robert Bosch Corporation, USA and NABCO Ltd., Japan. The Directors would like to place on record their appreciation of the unstinted efforts and contributions made by the Management Team and the employees of the Company at all levels.

For and on Behalf of the
Board of Directors,

PUNE
DATED : May 20, 1999

B. N. KALYANI
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE - A

FORM "B"
FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

Research and Development (R & D) —

1. Specific areas in which R & D carried out by the Company :
 - 1) Totally indigenous design and development for Brake Systems for certain Indian Vehicles.
 - 2) Import substitution.
 - 3) Indigenous development of Actuation assembly for Tractor brakes.
2. Benefits derived as a result of the above R & D : If this technology was imported, it would have cost approximately Rs. 4.00 million in foreign exchange. Due to indigenous R & D, this foreign exchange is saved.
3. Future Plan of action : Development of Tractor & Two Wheeler brakes. Development of items for various European & Japanese origin cars being launched in India.
4. Expenditure on R & D :
 - a) Capital : Approximately Rs. 0.60 million
 - b) Recurring : Approximately Rs. 0.75 million
 - c) Total : Approximately Rs. 1.35 million
 - d) Total R & D expenditure as a percentage of total turnover : 0.14 %

Technology absorption, adaptation and innovation —

1. Efforts, in brief, made towards technology absorption, adaptation and innovation : All efforts have been made for absorption and adaptation of technology obtained from Bosch for Brake Systems for various Indian manufacturers of Cars. Absorption of technology from Titan, Italy for state of the art wet brakes for Agriculture Tractors is progressing well.
2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc. : The above efforts enabled saving the foreign exchange. Along with the import substitution the items were modified to suit Indian conditions.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished : —
 - a) Technology imported :
 - i) For critical Brake Systems for Ford Escort car launched in India.
 - ii) Technology for wet brakes for Tractors from Titan, Italy.
 - b) Year of Import : i) 1997-98, ii) 1998-99
 - c) Has technology been fully absorbed? : Being absorbed.
 - d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action. : These brake systems are under phased localisation. Hence it will take about 3 years to get full commercial benefits. Tractor brakes for more customers are under development.



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ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE - B

Information required as per Section 217 (2A) (b) (ii) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 1999

Sr. No.	Name	Age	Qualification & Experience	Designation/ Nature of duties	Gross Remuneration	Date of commencement of employment	Particulars of past Employment, Designation held, Organisation and Period
1	2	3	4	5	6	7	8
1	JOSHI S.R.	46	B.E.(MECH.) 24 years	EXECUTIVE VICE PRESIDENT (JALGAON)	800 328	03/08/1984	MANAGER - I KIRLOSKAR PNEUMATIC CO.LTD. 10 years
2	KHADILKAR J.S.	52	M.TECH. 28 years	VICE PRESIDENT (ENGG. & T.Q.M.)	622 893	01/04/1983	MANAGER (MANUFACTURING) EICHER GOODEARTH LTD 5 1/2 years
3	MAHENDRA.D.S.	46	B.TECH 22 years	EXECUTIVE VICE PRESIDENT (CHAKAN)	807 669	01/01/1988	MANAGER (MATERIALS) BHARAT FORGE LTD. 8 years
4	MATSUMURA KAZUO	46	B.E. 25 years	WHOLE TIME DIRECTOR	# 2 195 765	19/01/1996	MANAGER NABCO LTD,JAPAN 22 years
5	PANGARKAR S.N. *	51	B.E.(MECH), M.TECH, P.G.D.B.A. 26 years	EXECUTIVE VICE PRESIDENT (NEW PROJECTS)	728 765	05/04/1998	GENERAL MANAGER(MFG.) HINDUSTAN MOTORS LTD. 7 years
6	SEKHRI S.	49	B.E.(MECH.), M.B.A. 25 years	MANAGING DIRECTOR	# 2 760 415 (# Includes Arrears)	04/08/1994	VICE PRESIDENT (ENGG. DIVISION) ESCORTS LTD. 3 1/2 years

Notes :

- Names with an asterisk indicate persons employed for a part of the financial year.
- Designation denotes the nature of duties also.
- Gross remuneration includes salary, Company's contribution to provident fund and superannuation scheme, allowances, perquisites, etc.
- Nature of employment and terms and conditions : The nature of employment in the cases of Managing Director & Whole Time Director are contractual. In the case of other employees, as per Company's Rules and Regulations, the employment is terminable on giving stipulated notice on either side.
- None of the above employees is related to any of the Directors of the Company.
- Experience includes number of years of service elsewhere wherever applicable.

For and on Behalf of the
Board of Directors,

Place : Pune
Date : May 20, 1999

B. N. KALYANI
Chairman

AUDITORS' REPORT

For the year ended March 31, 1999

To the Members of

KALYANI BRAKES LIMITED

We have audited the attached Balance Sheet of KALYANI BRAKES LIMITED as at March 31, 1999 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto,

1. As required by the Manufacturing and other companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we annexe hereto a statement on the matters specified in paragraphs 4 and 5 of the said order ;
2. Further to our comments in Annexure referred to in paragraph 1 above, we report that :
 - (a) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of accounts 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 & Loss Account dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, subject to note no. 9 of schedule 19 to notes on accounts, the Profit and Loss Account and the Balance Sheet comply 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 said accounts, subject to the following note in Schedule 19 :
 - a) Note no.3(a) regarding non-receipt of confirmation from sundry debtors.
As the final adjustments, if any, will be made on obtaining the confirmations and making necessary reconciliation, the impact thereof on Company's Profit and the financial position, except to the extent specified in the said note, is not ascertainable at this stage.
 - b) Note no. 11 regarding Y2K compliance
read with other notes thereon, 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 Balance Sheet, of the state of affairs of the Company as at March 31, 1999.
 - ii) in the case of Profit and Loss Account, of the profit for the year ended on that date.

For BANSI S. MEHTA & CO.,
Chartered Accountants

Mumbai
Dated : May 21, 1999

M. D. INAMDAR
Partner

ANNEXURE TO THE AUDITOR'S REPORT

Statement referred to in paragraph 1 of our report of even date to the members of KALYANI BRAKES LIMITED on the accounts for the year ended 31st March 1999.

On the basis of such checks as we considered appropriate and in terms of information and explanations given to us, we state that :-

- A.1. The Company is generally maintaining proper records to show full particulars, including quantitative details and situation of fixed assets. As explained to us, the company has a procedure to carry out a physical verification of fixed assets at periodic intervals, which in our opinion is reasonable. No material discrepancies were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. The stock of finished goods, stores, spare parts and raw materials have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management were found reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noted on verification between physical stocks and book records were not material and the same have been properly dealt with in the Books of Accounts.
6. In our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the previous year.
7. The company has not taken any loan during the year from the companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. We have been informed that there are no Companies under the same management within the meaning of Section 370 (1B) of Companies Act, 1956.
8. The Company has not granted unsecured loan to a company listed in the register maintained under section 301 of the Company's Act, 1956.
9. Loans or advances in the nature of loans have been given to the employees and other parties and wherever stipulations have been made are generally repaying



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- the principal amount as stipulated and are also regular in payment of interest thereon, wherever applicable, except as stated in note 10 of Schedule 19.
10. In our opinion, and according to the information and explanations given to us, internal control procedures are commensurate with the size of the Company and the nature of its business with regard to the purchase of stores, raw materials including components, plant and machinery, equipments and other fixed assets and for the sale of goods.
 11. According to the information and explanations given to us, as regards purchase and sale of goods and services made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party, have been made at prices which are reasonable, having regard to prevailing market prices, wherever applicable.
 12. As explained to us, the company has a regular procedure for determining the unserviceable and damaged stores, raw materials and finished goods. In respect of slow moving stocks, the company has made adequate provisions for possible losses arising out of such items.
 13. The Company has not accepted any deposits from the public during the year. Hence, the question of complying with the provisions of Section 58-A of the Companies Act, 1956 and the Rules framed thereunder, does not arise.
 14. The Company, in our opinion, is maintaining reasonable records for the sale and disposal of realisable scrap. According to the information and explanations given to us, the Company has no by-product.
 15. In our opinion and according to the explanations given to us, the Company has an internal audit system commensurate with its size and nature of its business.
 16. As informed to us, the Central Government has not prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 for any of the Company's product.
 17. According to the records of the Company, Provident Fund and Employee's State Insurance dues have been generally regularly deposited with the appropriate authorities. There are no arrears of such dues as at the close of the financial year.
 18. According to the information and explanations given to us, there were no undisputed amounts payable in respect of income-tax, wealth-tax, sales-tax, customs and excise duty which have remained outstanding as at 31st March, 1999 for a period of more than six months from the date they became payable.
 19. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to revenue account other than those payable under contractual obligations with the company's employees and/or generally accepted business practices. The Directors have also confirmed that no personal expenses have been charged to revenue account.
 20. The Company is not a Sick Industrial Company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- B. As explained to us, in respect of trading activities of the Company, there were no damaged goods during the year.

For **BANSI S. MEHTA & CO.**,
Chartered Accountants

Mumbai
Dated : May 21, 1999

M. D. INAMDAR
Partner