

19TH
ANNUAL REPORT
2000-01

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KALYANI BRAKES LIMITED



NABCO
J A P A N

Board of Directors, Committees, etc.

Directors

B. N. Kalyani
Chairman

Andreas Nobis

Bernhard Bihr

Atsumu Harada
Alternate Director to Bernhard Bihr

V K Viswanathan

Hiromi Furuta

Kazuo Matsumura

Kunio Tsunakawa

Satish Sekhri
Managing Director

Company Secretary

M.B. Ratnaparkhi

Auditors

Statutory Auditors :
M/s. Bansi S. Mehta & Co.

Internal Auditors :
M/s. Price Waterhouse

Bankers

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

Registered Office

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

Executive Committee

B. N. Kalyani, *Chairman*
Hiromi Furuta
Andreas Nobis

Audit Committee

B.N. Kalyani, *Chairman*
Hiromi Furuta
V.K. Viswanathan
Bernhard Bihr

Finance Committee

B.N. Kalyani, *Chairman*
Andreas Nobis
V.K. Viswanathan
Satish Sekhri

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

- 1) Pune Stock Exchange Ltd.
Shiv Leela Chambers
Sadashiv Peth, Kumthekar Road
Pune 411 030
- 2) The Stock Exchange
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001

Plant Locations

- 1) Bambhori, Tal. Erandol
Dist. Jalgaon 425 001
- 2) Nanekarwadi (Chakan)
Dist. Pune 410 501
- 3) Udyog Vihar, Phase II
Gurgaon 122 002 (Hariyana)

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NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the Members of KALYANI BRAKES LIMITED will be held at 'Forum', Hotel Blue Diamond, 11 Koregaon Road, Pune 411 001 on Monday, the 23rd day of July, 2001 at 2.00 P. M. (I.S.T.) to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at March 31, 2001 and the Profit & Loss Account for the year ended on March 31, 2001 and Reports of the Directors and of the Auditors.
2. To declare Dividend.
3. To appoint a Director in place of MR. KAZUO MATSUMURA 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. V K Viswanathan, who was appointed a Director of the Company to fill the casual vacancy on the Board caused by resignation of Mr. J L Pasricha 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. Viswanathan'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 the approval of the Govt. of India and subject to such other approvals as may be required being read with Articles 133, 135 & 136 of the Articles of Association of the Company, the services of Mr. Kazuo Matsumura as Wholetime Director of the Company be and are hereby further extended upto December 31, 2001 on the existing remuneration as under :

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 insurances 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 Wholetime Director, the Company has no profits or its profits are inadequate, the Company will pay him remuneration by way of Salary, Special



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Allowance, Perquisites and Performance Bonus specified above.

FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorized and empowered to make such improvements in the terms of remuneration to Mr. Kazuo Matsumura as may become permissible under and by any amendments to Schedule XIII of the Companies Act, 1956 or by way of any government guidelines or instructions, the intention being that no further approval of the Company will be required so long as remuneration of the Wholtime Director is not in excess of the maximum permissible under relevant law, rules, regulations, guidelines or instructions as may be promulgated or issued after the date of this meeting."

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

Place : Stuttgart, Germany **M B RATNAPARKHI**
Date : May 21, 2001 SR. MANAGER (FINANCE) &
COMPANY SECRETARY

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. The Share Transfer Books and the Register of Members of the Company will remain closed from Tuesday, the 17th day of July, 2001 to Monday, the 23rd day of July, 2001 (both days inclusive).
5. 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 Monday, July 23, 2001 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 21, 2001.

Item No. 5

Mr. V K Viswanathan was appointed as Director of the Company in the casual vacancy caused by the resignation of Mr. J L Pasricha. Mr. Pasricha was liable to retire by rotation at this Annual General Meeting and accordingly, Mr. Viswanathan 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. Viswanathan to the Office of Director.

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

Item No. 6

The present term of Mr. Kazuo Matsumura was valid upto 31st December, 2000. The Board of Directors in its meeting held on January 22, 2001 extended the term of Mr. Matsumura, Wholtime Director, upto 31st December, 2001 subject to Govt. of India's approval.

Approval of the Members is sought at this Annual General Meeting for the extension in terms of Mr. Matsumura as set out in the text of the resolution.

This statement read alongwith the resolution may be deemed as an abstract of the terms of extension in services of Mr. Kazuo Matsumura as Wholtime Director, to be sent to the Members of the Company in terms of Section 302 of the Companies Act, 1956.

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 : Stuttgart, Germany **M B RATNAPARKHI**
Date : May 21, 2001 SR. MANAGER (FINANCE) &
COMPANY SECRETARY

DIRECTORS' REPORT

For the year ended March 31, 2001

To

The Members

The Directors present their Nineteenth Annual Report on the business and operations of the Company together with Audited Statement of Accounts for the Financial Year ended on March 31, 2001.

BUSINESS SITUATION

The year ending on 31st March, 2001 was disappointing for Indian economy in general and automotive industry in particular. Commercial vehicles, passenger cars, agriculture tractors, 3 wheelers and scooters experienced sharp declines this year.

As a result of demand recession with its main customers, your Company suffered a drop of about 20% in its OEM business segment. However, due to high growth in the After Market segment and new business with tractors, 2 & 3 wheeler customers, your Company could achieve nearly the same level of sales and profit as in the previous year.

For the year ended 31st March 2001, your Company achieved a total income of Rs. 1563 Million, (previous year Rs. 1538 Million) and Profit Before Tax at Rs. 96 Million (previous year Rs.93 Million).

FINANCIAL HIGHLIGHTS

	2000-2001 Rupees	1999-2000 Rupees
Sales and Other Income	1 562 698 836	1 538 062 091
Profit for the year	95 852 229	93 271 654
Profit After Tax	86 011 988	83 127 275
Add : Balance brought forward from last year	59 483 913	5 736 868
Net Profit available for appropriation	145 495 901	88 864 143
Appropriation		
Interim Dividend (including tax)	23 080 230
Final Dividend (including tax)	22 913 886
Transfer to General Reserve	6 500 000	6 300 000
Surplus retained in Profit & Loss Account	116 082 015	59 483 913

NEW INITIATIVES

With the passenger car sales with established customers falling, your Company took many actions during the year which promise a significant growth potential in the coming years. Some key initiatives taken by your Company during the year include :

- purchase of the Brake plant and Equipment from two leading International brake manufacturers
- purchase of business from M/s. Elgi, Coimbatore for truck air brakes
- technical collaboration with JBI for Brake shoes for the new models of Maruti.

These initiatives provide a good springboard for growth in the next few years. Additionally, important new contracts secured during the year would ensure growth of your Company in the coming years. These include a supply contract with Bajaj Auto for 2 & 3 wheeler brakes, GMT 315 program with Bosch USA, Scorpio platform of Mahindra and a 5" Vacuum Booster for India's largest selling model Maruti 800.

Your Company's penetration in the After Market increased further. After Market has now become a significant portion of total sale.

DIVIDEND

Your Directors recommend a dividend of 20% (Rs. 2/- per Equity Share of Rs.10 each) for the year ended March 31, 2001. This would absorb Rs. 22.914 Million.

OPERATIONS**A) Conservation of Energy :**

As a measure of energy saving and cost control, your Company took various actions. For electrical energy saving, the measures taken were (i) replacing conventional lights by low-power high lumen tube-lights, (ii) converting electrical heating process to fuel heating for running cost economy, (iii) maintaining power factor to minimize losses & get incentive from MSEB, (iv) using real time clock, cyclic & temp. controller switches for controlled use of utilities like AC, pumps, exhaust fans, cooling tower pump & fan, (v) insulating ovens, (vi) reducing operating pressure of compressed air system and (vii) reducing fixture weight in bonding shop to reduce wastage of electrical ovens.

For fuel saving, following measures were taken :

- (i) In case of oil fired furnace in Foundry, reduction



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in supply of air pressure for the blower, increase in fuel supply temp. for proper combustion, modification of fuel supply line to ensure continuous flow of fuel at proper temp.

- (ii) In case of Boiler, proper monitoring & ensuring availability of load to reduce fixed losses.

These efforts resulted in significant reduction in consumption of electric energy and fuel.

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. 26 035 264 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. 115 106 801.

DIRECTORS' RESPONSIBILITY STATEMENT

As per Section 217(2AA) of the Companies Act, 1956, Directors hereby state as under :

- that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- 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 financial year ended March 31, 2001 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 Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- that the Directors have prepared the annual accounts on a going concern basis.

INDUSTRIAL RELATIONS

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

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, 2001, 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

During the year under report :

- Mr. J L Pasricha, Director nominated by Robert Bosch Corporation, has resigned from the Board. Robert Bosch Corporation has nominated Mr. V K Viswanathan in his place.
- Mr. Nobuji Okazaki, Director nominated by NABCO Ltd. has resigned from the Board. NABCO has nominated Mr. Kunio Tsunakawa in his place.
- ICICI Ltd. withdrew the nomination of Mr. C L Ghalsasi from the Board.

The Directors place on record their sincere appreciation of the valuable contributions made by Messrs. J L Pasricha, Nobuji Okazaki & C L Ghalsasi for the Company's growth & development during their association with the Board.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Kazuo Matsumura, Director of the Company retires by rotation and being eligible, offers himself for re-appointment.

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.

INVESTOR RELATIONS

Your Company's Shares are under **Dematerialised** trading for all investors effective 3rd March, 2000. Your Company has already entered into an agreement with both the Depositories presently operating in India viz. National Securities Depository Limited and Central Depository Services (India) Ltd. for dematerialisation of shares. This will enable the investors to access Company's shares more easily and conveniently. We also appeal to those of our shareholders, who have not opted for dematerialisation of their shares, to do so at an early date to take advantage of the system.

CORPORATE GOVERNANCE

A report on Corporate Governance although not yet mandatory, is set out in the Annexure to the Directors' Report.

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, Govt. of Haryana, Financial Institutions & Banks and the timely help and assistance from our Promoters, M/s. Kalyani Steels Limited & Associates, Robert Bosch Corporation, and NABCO Ltd. 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,

Stuttgart, Germany
Dated : May 21, 2001

B. N. KALYANI
CHAIRMAN





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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 & development for Brake Systems for certain Indian Vehicles
 - 2) Import substitution
 - 3) Indigenous development of variants of Two wheeler brake system.
2. Benefits derived as a result of the above R & D : If this technology was imported, it would have cost approximately Rs.15.00 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 of different sizes & types. Development of items for various European & Japanese origin cars being launched in India.
4. Expenditure on R&D :
 - a) Capital : Approximately Rs.6.50 million
 - b) Recurring : Approximately Rs.2.34 million
 - c) Total : Approximately Rs.8.84 million
 - d) Total R&D expenditure as a percentage of total turnover : 0.67%

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 Brembo, Italy for hydraulic brakes for Two wheelers is complete except for Brake Discs.
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. Alongwith 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 brake systems for MUL Model B & M&M Scorpio.
 - ii) For Wet brakes for Tractors from Titan, Italy.
 - iii) For Hydraulic Disc brakes for Two wheelers from Brembo, Italy.
 - iv) For critical Brake Systems for MUL Model C.
 - (b) Year of Import : i) 1997-98, ii) 1998-99, iii) 1999-2000, iv) 2000-2001
 - (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 & Two wheeler brakes for more customers are under development.

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, 2001

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	MATSUMURA KAZUO	48	B.E.(MECH.) 27 years	WHOLE TIME DIRECTOR	2 432 113	19/01/1996	MANAGER NABCO LTD. JAPAN 22 Years
2	SEKHRI S.	51	B.E.(MECH.) , M.B.A. 27 years	MANAGING DIRECTOR	3 964 648	04/08/1994	VICE PRESIDENT (ENGG. DIVISION) ESCORTS LTD. 3 1/2 years

Notes :

- 1) Designation denotes the nature of duties also.
- 2) Gross remuneration includes salary, Company's contribution to provident fund and superannuation scheme, allowances, perquisites, etc.
- 3) Nature of employment and terms and conditions are contractual.
- 4) None of the above employees is related to any of the Directors of the Company.
- 5) Experience includes number of years of service elsewhere wherever applicable.

For and on Behalf of the
Board of Directors,

Place : Stuttgart, Germany.

Date : May 21, 2001

B. N. KALYANI
Chairman