

23rd ANNUAL REPORT

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KALYANI BRAKES LIMITED

A Joint Venture of



KALYANI



BOSCH

BOARD OF DIRECTORS, COMMITTEES, ETC.**Directors**

B N Kalyani
Chairman

Albert Hieronimus

V K Viswanathan

Johannes Schaefer

Hans-Michael Huber

Sanjay S. Vaidya

Satish Sekhri
Managing Director

Audit Committee

Sanjay S. Vaidya, Chairman

B N Kalyani

Hans-Michael Huber

Shareholders' Grievance Committee

Hans-Michael Huber, Chairman

B N Kalyani

Satish Sekhri

Johannes Schaefer

V K Viswanathan

Company Secretary

Mandar Ratnaparkhi

Auditors

Statutory Auditors :

M/s. Bansi S. Mehta & Co.

Internal Auditors :

M/s. Price Waterhouse

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

1) The Stock Exchange

Phiroze Jeejeebhoy Towers

Dalal Street

Mumbai 400 001

2) National Stock Exchange of India Ltd.

Exchange Plaza

Bandra Kurla Complex, Bandra (E)

Mumbai 400 051

Bankers

State Bank of India

Citibank N. A.

The United Western Bank Ltd.

Registered Office

Aurora Towers, 4th Floor

9 Moledina Road

Pune 411 001

Plant Locations

1) Bambhori, Tal. Erandol

Dist. Jalgaon 425 001 (Maharashtra)

2) Nanekarwadi (Chakan)

Dist. Pune 410 501 (Maharashtra)

3) 9, Sector 3, IMT Manesar,

Gurgaon 122 050 (Haryana)

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NOTICE

NOTICE is hereby given that the Twenty Third Annual General Meeting of KALYANI BRAKES LIMITED will be held at Training Centre, Kalyani Steels Limited, Mundhwa, Pune 411 036 on Monday, the 25th day of July, 2005 at 1130 Hours to transact the following business :

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2005 and the Profit & Loss Account for the year ended on that date together with the reports of the Directors and the Auditors thereon.
2. To declare dividend for the financial year ended 31st March, 2005.
3. To appoint a Director in place of Mr. S. S. Vaidya, who retires by rotation; and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. H. M. Huber, who retires by rotation; and being eligible, offers himself for reappointment.
5. To appoint Auditors and fix their remuneration.

Special Business

6. To consider and, if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT in exercise of the powers conferred by Article 133 but subject to the Articles 134 & 136 of the Articles of Association of the Company and pursuant to the provisions of Sections 198, 269, 309 & 310 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals as may be required, Mr. Satish Sekhri be and is hereby re-appointed as Managing Director of the Company for a period of 5 years with effect from April 1, 2005 to March 31, 2010 on the following remuneration :

- (1) Basic Salary : Basic Salary per month of Rs. 220,000/- (Rupees Two Lac Twenty Thousand only) in the grade of Rs. 200,000 - 400,000.
- (2) Housing : The expenditure by the Company on hiring Residential Accommodation shall be upto Fifty per cent of the monthly Basic Salary.

In case no accommodation is provided by the Company, the Managing Director shall be entitled to house rent allowance of Fifty per cent of the monthly Basic Salary.

The expenses on furniture, fittings and furnishings at residence will be borne by the Company.

- (3) Medical Reimbursement : Expenses incurred for the Managing Director and his family, subject to a ceiling of one month's Basic salary in a year.
- (4) Leave Travel Concession : For the Managing Director and his family, once in a year incurred in accordance with rules specified by the Company upto one month's Basic salary.
- (5) Club Fees : Fees of Clubs subject to a maximum of Two Clubs. This will not include Admission and Life Membership Fees.
- (6) Personal Accident Insurance : Premium not to exceed Rs.4,000 per annum.
- (7) Other Facilities : The Managing Director shall also be entitled to :
 - a. Car for use on Company's business and
 - b. Telephone at Residence (including payment for local calls and long distance official calls)
- (8) Terminal Benefits
 - i) Company's contribution to Provident Fund at the rate of 12% of the basic salary per month.
 - ii) Company's contribution to Superannuation Fund at the rate of 15% of the basic salary per month.
 - iii) Gratuity at the rate of not exceeding 15 days basic salary for each completed year of service.
 - iv) Encashment of Leave at the end of the tenure.

(9) Performance Bonus : Annual Performance Bonus, based on the overall performance and profitability of the Company in a particular year, as may be determined by the Board of Directors of the Company at the end of each financial year, subject to the overall ceiling stipulated in Sections 198 and 309 of the Companies Act, 1956.

(10) Minimum Remuneration : Notwithstanding anything contained herein, where, in any financial year, during the currency of tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company will pay him remuneration by way of Salary, Perquisites and Performance Bonus specified above.

FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorised and empowered to approve annual increments and to make such improvements in the terms of remuneration to Mr. Satish Sekhri as may be 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 Managing Director is not in excess of the maximum permissible under relevant laws, 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 : Abstatt, Germany
Date : May 17, 2005

Mandar B Ratnaparkhi
Dy. General Manager (Finance) &
Company Secretary

NOTES :

1. 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.
2. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under Item No. 6 of the Notice to be transacted at the Annual General Meeting is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, 19th July, 2005 to Monday, 25th July, 2005 (both days inclusive).
4. The dividend, if declared, will be paid to those members whose names appear in the Register of Members of the Company as on 25th July, 2005 being the date of the Annual General Meeting of the Company.

In respect of shares held in dematerialized form, the dividend will be paid to those beneficial owners as per details furnished by the Depositories for the purpose.

5. Members holding shares in dematerialized form are requested to intimate any change in their address, bank details etc. to their respective DPs and those holding shares in physical form are to intimate the aforesaid changes to the Secretarial Department at the Registered Office of the Company.
6. 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 25th day of July 2005 during business hours of the Company.
7. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the Company Secretary at least seven days prior to the meeting so that the required information can be made available at the meeting.
8. Dividends which remain unencashed/unclaimed over a period of 7 years will have to be transferred by the Company to Investor Education and Protection Fund (IEPF) constituted by the Central Government under Section 205A and 205C of the Companies Act, 1956. Further, under the amended provisions of Section 205B of the Companies Act, 1956, no claim by the shareholders shall lie for the unclaimed dividend transferred by the Company to IEPF.
9. Equity Shares of the Company are under compulsory demat trading by all investors. Those shareholders who have not dematerialized their shareholding are advised to dematerialize the same to avoid inconvenience in future.

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 No. 6 mentioned in the accompanying Notice dated May 17, 2005.

Item No. 6

The previous term of Mr. Satish Sekhri, as Managing Director, expired on 31st March, 2005. The Board of Directors of the Company in its meeting held on March 30, 2005 has approved re-appointment of Mr. Satish Sekhri as Managing Director for a further period of 5 years with effect from April 1, 2005 to March 31, 2010. The Board in its meeting held on May 17, 2005 approved the terms of remuneration of Mr. Sekhri, with effect from April 1, 2005, as detailed in the resolution.

Approval of the Members is sought to the re-appointment and to the payment of remuneration to Mr. Satish Sekhri, as detailed in the resolution. The Directors recommend the resolution for approval of the members.

A copy of the draft agreement proposed to be entered into between the Company and Mr. Sekhri will be available for inspection by the Members at the registered office of the Company between 11.00 a.m. and 1.00 p.m. on all working days except Sunday.

This statement read alongwith the resolution may be deemed as an abstract of the terms of the agreement proposed to be entered into between the Company and Mr. Sekhri, 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. Sekhri who is proposed to be re-appointed as a Managing Director.

By Order of the Board of Directors
For Kalyani Brakes Limited

Report Junction.com

Place : Abstatt, Germany
Date : May 17, 2005

Mandar B Ratnaparkhi
Dy. General Manager (Finance) &
Company Secretary

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting their Twenty Third Annual Report and Audited Accounts of your Company for the financial year ended 31st March, 2005. During the year, your Company achieved a total income of Rs. 4 225 Million as compared to Rs. 3 466 Million in the previous year, thus recording a revenue growth of about 22%. Sale of your Company products grew in all segments of the domestic and export market in a well balanced way. This year had extra ordinary pressures on input costs but your Company could manage to contain these to a large extent and thus record a decent growth in profits as well. The new products introduced during the year would sustain this growth momentum in the coming year too.

Financial results	Rupees	Rupees
	2004-2005	2003-2004
Sales and Other Income	4 225 291 293	3 465 899 864
Profit for the year	490 128 426	410 843 175
Profit After Tax	324 292 024	264 536 899
Add : Balance brought forward from last year	214 039 685	117 245 405
Profit available for appropriation	538 331 709	381 782 304
<u>Appropriation</u>		
Dividend	124 758 000	124 758 000
Tax on Dividend	17 817 003	15 984 619
Transfer to General Reserve	33 000 000	27 000 000
Surplus retained in Profit & Loss Account	362 756 706	214 039 685

Dividend

Your Directors are pleased to recommend a dividend of 120% on equity shares (Rs.12 per equity share of Rs.10 each) for the year ended 31st March, 2005.

Subsidiary

A statement pursuant to Section 212 of the Companies Act, 1956, relating to Precision Seals Manufacturing Limited, a subsidiary of the Company, as on 31st March 2005, is attached to the Accounts of the Company.

Consolidated financial statements of the Company (alongwith its Subsidiary) and the Auditors' Report thereon, as on 31st March 2005, are also attached to the Accounts of the Company.

DIRECTORS' REPORT**Operations**

- **Conservation of Energy :**

As a measure of energy saving and cost control, your Company took various actions. For effecting savings in electrical energy, following specific measures were taken.

At Jalgaon plant

- (i) converting anodizing plant & sealing tank heating system from electrical to fuel heating thereby reducing the running costs,
- (ii) replacing machine/inspection lights by energy efficient fluorescent lights,
- (iii) rationalizing the plant layout thereby resulting in substantial reduction in fans & lighting load,
- (iv) replacing centralized fresh air system by efficient decentralized cooling fans system,
- (v) installing additional automatic power factor controllers thereby reducing power consumption,

At Chakan plant

- (i) adding accumulators and enhancing sizes for reducing loading on the pumps,
- (ii) providing proportioning controls for heaters in plating shop,
- (iii) doubling the air receiver capacity to relax the duty cycle of compressors and
- (iv) installing wind ventilators in place of exhaust fans used on electricity to extract impure air from the process areas

These efforts resulted in significant reduction in the consumption of 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.

- **Technology Absorption :**

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

- **Foreign Exchange Earnings and Outgo :**

- a) During the year, the Company doubled its exports and earned Foreign Exchange equivalent to Indian Rs. 358 375 206.
- b) The foreign exchange outgo on account of import of Components, Capital Goods, Spares, Royalty etc. was of the order of Rs. 390 901 744.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. S. S. Vaidya & Mr. H. M. Huber, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

- Mr. Sanjay S. Vaidya, 49, is a Chartered Accountant and Graduate in Cost & Works Accounts. Mr. Vaidya holds office as Director upto the date of the ensuing Annual General Meeting to be held on 25th July, 2005. The Company has received notice under Section 257 of the Companies Act, 1956, proposing his appointment as Director, liable to retire by rotation.
- Mr. Hans-Michael Huber, 45, has a Diploma in Economics from Tubingen University and studies in Economics from Munich and Paris Universities. Mr. Huber holds office as Director upto the date of the ensuing Annual General Meeting to be held on 25th July, 2005. The Company has received notice under Section 257 of the Companies Act, 1956, proposing his appointment as Director, liable to retire by rotation.

DIRECTORS' REPORT**Directors' Responsibility Statement**

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

- (i) That in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) 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, 2005 and of the profit of the company for that period;
- (iii) 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;
- (iv) That the Directors have prepared the annual accounts on a "going concern" basis.

Industrial Relations

Industrial relations at all plants and offices of your Company continue to be cordial with no disruptions.

Auditors

M/s. Bansi S. Mehta & Company, Chartered Accountants, Mumbai, retire as Auditors of the Company at the conclusion of the Twenty Third Annual General Meeting and are eligible for re-appointment.

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.

Corporate Governance

The Companies Act, 1956 and the Listing Agreement with the Stock Exchanges require compliance with specified Corporate Governance practices. These practices have been fully implemented and a certificate from the auditors of the Company as well as a detailed Report on Corporate Governance, is set out in the Annexure to the Directors' Report. A Management Discussion and Analysis Report also accompanies this Report.

Acknowledgements

Your Directors wish to place on record their appreciation for the co-operation received from the Central Government and the Governments of Maharashtra and Haryana, Bankers, Financial Institutions, our esteemed customers and suppliers, and the timely help and assistance from our promoters, Kalyani Steels Limited, its Associates and Robert Bosch Corporation. 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,

Abstatt, Germany
May 17, 2005

B. N. Kalyani
Chairman

ANNEXURES TO THE DIRECTORS' REPORT**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION****FORM "B"****Research and Development (R&D) -**

1. Specific areas in which R&D carried out by the Company

During the year, design, development and application engineering work was carried out for new products for motorcycles, passenger cars and SUVs.

2. Benefits derived as a result of the above R & D

The technology which was imported initially from collaborators was applied to other models locally. If this was to be imported, it would have involved significant outflow of foreign exchange.

3. Future plan of action

Development of brakes for SUVs, Two Wheelers and also new model cars.

4. Expenditure on R&D

Rs. 4.44 million

Rs.12.38 million

Rs.16.82 million

0.47%

1) Capital

2) Recurring

3) Total

4) Total R&D expenditure as a percentage of total turnover

Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation

For new SUVs and passenger cars, latest technology designs from Bosch for brake systems were adapted from European/Japanese origin. Superior process and control techniques were deployed for achieving these design features. For motorcycle brakes, Brembo designs were adapted and modified to meet new model requirements. For agriculture tractors, application engineering was done with Indian tractor manufacturers using Titan designs.

2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.

Due to such product improvements, cost reduction etc., the Company could not only retain its business with Indian customers but also increase its share and win additional contracts.

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

i) Brake shoes - Technology for Bonded brake shoes, acquired in 2000-01, has been fully absorbed.

ii) Hydraulic brakes - Technology for brake systems for various Indian passenger cars, acquired in 2003-04, will be absorbed in next two to three years. These brake systems are under phased localisation.

a) Technology imported

b) Year of Import

c) Has technology been fully absorbed?

Commercial application of above technologies has started. Recurring benefits will continue to be received over the next 7 to 10 years.

d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.

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, 2005

Sr. No.	Name	Age	Qualifications & Experience	Designation / Nature of Duties	Gross Remuneration	Date of Commencement of Employment	Particulars of Past Employment, Designation Held, Organisation & Period
1	2	3	4	5	6	7	8
1.	MAHENDRA D. S.	52	B.TECH 29 years	EXECUTIVE VICE PRESIDENT (CHAKAN)	3 242 960	01/01/1988	MANAGER (MATERIALS) BHARAT FORGE LTD. 8 years
2.	NANJANATH A. R.	57	B.TECH B.Sc.(ENGG.) LONDON 35 years	EXECUTIVE VICE PRESIDENT (JALGAON)	3 052 400	16/12/2002	VICE PRESIDENT (MANUFACTURING) RANE (MADRAS) LTD. 2 ½ years
3.	SEKHRI S.	55	B.E.(MECH.), M.B.A. 31 years	MANAGING DIRECTOR	8 110 886	04/08/1994	VICE PRESIDENT(ENGG. DIVISION) ESCORTS LTD 3 ½ 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 : The nature of employment in case of Managing Director & Mr. A. R. Nanjanath is contractual. In the case of other employees, the same is as per Company's Rules and Regulations.
- 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.

For and on behalf of the Board of Directors

Place : Abstatt, Germany
Date : May 17, 2005B. N. KALYANI
Chairman