

24TH ANNUAL REPORT

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Bosch Chassis Systems India Ltd.



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BOARD OF DIRECTORS, COMMITTEES, ETC.

Directors

Peter Delhey, Chairman

Albert Hieronimus

Ferdinand Allerkamp

Friedrich Wagner

Johannes Schaefer

Sanjay S. Vaidya

Wilfried Aulbur

Anant J Talaulicar

Satish Sekhri, Managing Director

Company Secretary

Mandar Ratnaparkhi

Auditors

Statutory Auditors :

M/s. Bansi S. Mehta & Co.

Internal Auditors :

M/s. Deloitte Haskins & Sells

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

Audit Committee

Sanjay S. Vaidya, Chairman

Ferdinand Allerkamp

Wilfried Aulbur

Anant J Talaulicar

Shareholders' Grievance Committee

Wilfried Aulbur, Chairman

Satish Sekhri

Johannes Schaefer

Ferdinand Allerkamp

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

Bombay Stock Exchange Ltd.

Phiroze Jeejeebhoy Towers

Dalal Street

Mumbai 400 001

National Stock Exchange of India Ltd.

Exchange Plaza

Bandra Kurla Complex, Bandra (E)

Mumbai 400 051

Plant Locations

Bambhori, Tal. Erandol

Dist. Jalgaon 425 001(Maharashtra)

Nanekarwadi (Chakan)

Dist. Pune 410 501(Maharashtra)

9, Sector 3, IMT Manesar,

Gurgaon 122 050 (Haryana)

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NOTICE

NOTICE is hereby given that the Twenty Fourth Annual General Meeting of BOSCH CHASSIS SYSTEMS INDIA LIMITED will be held at Royal 1, Hotel Le Meridien, Pune, 411 001 on Monday, the 24th day of July, 2006 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, 2006 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, 2006.
3. To appoint a Director in place of Dr. Albert Hieronimus, who retires by rotation; and being eligible, offers himself for reappointment.
4. To consider and, if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION :

"RESOLVED that M/s. Lovelock & Lewes, Chartered Accountants, be and are hereby appointed as Auditors of the Company in place of M/s. Bansil S. Mehta & Co., Chartered Accountants, the retiring Auditors of the Company, who do not seek re-appointment as Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting, at a remuneration to be fixed by the Board of Directors."

Special Business

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

"RESOLVED that Dr. Ferdinand Allerkamp, who was appointed a Director of the Company to fill the casual vacancy on the Board caused by resignation of Mr. V K Viswanathan 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 Dr. Allerkamp's candidature, be and is hereby appointed as a Director of the Company liable to retire by rotation."
6. To elect Mr. Friedrich Wagner who was appointed as Additional Director under Article 119 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting by reason of Section 260 of the Companies Act, 1956 as a Director, and in respect of whom the Company has received a Notice in writing from a member under Section 257 of the Companies Act, 1956 proposing him as a candidate for the office of Director, liable to retire by rotation.
7. To elect Mr. A J Talaulicar who was appointed as Additional Director under Article 119 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting by reason of Section 260 of the Companies Act, 1956 as a Director, and in respect of whom the Company has received a Notice in writing from a member under Section 257 of the Companies Act, 1956 proposing him as a candidate for the office of Director, liable to retire by rotation.

By Order of the Board of Directors
For Bosch Chassis Systems India Limited

Place : Pune
Date : May 15, 2006

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 Nos. 5 to 7 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, 11th July, 2006 to Monday, 24th July, 2006 (both days inclusive).

ANNEXURE TO THE NOTICE

4. Dividend as recommended by the Directors for the year ended 31st March, 2006, if declared, will be payable to those members whose names appear in the Register of Members, as at the close of business on 11th July 2006 and who are beneficial owners as on 11th July 2006 as per the list furnished to the Company by NSDL/CDSL in respect of shares held in dematerialized form and the dividend warrants will be posted to them on and from 26th July 2006.
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 24th day of July 2006 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 Nos. 5 to 7 mentioned in the accompanying Notice dated May 15, 2006.

Item No. 5

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

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

Item Nos. 6 & 7

Mr. Friedrich Wagner & Mr. A J Talaulicar were appointed as Additional Directors of the Company w.e.f. 15th May, 2006, in exercise of powers conferred under Article 119 of the Articles of Association of the Company. By virtue of provisions of Section 260 of the Companies Act, 1956, Mr. Wagner & Mr. Talaulicar would be holding office as Directors only upto the date of this Annual General Meeting. Notices in writing have been received from members of the Company under Section 257 of the Companies Act, 1956 signifying their intention to propose the candidature of Mr. Wagner & Mr. Talaulicar to the Office of Directors. The resolutions for their appointment as Directors, liable to retire by rotation, are recommended to the members for approval.

None of the Directors of the Company is interested in the resolution except Mr. Wagner & Mr. Talaulicar, who are proposed for re-appointment as Directors.

By Order of the Board of Directors
For Bosch Chassis Systems India Limited

Place : Pune
Date : May 15, 2006

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

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting their Twenty Fourth Annual Report and Audited Accounts of your Company for the financial year ended 31st March, 2006. During the year, your Company achieved a total income of Rs. 4 528 Million as compared to Rs. 3 701 Million in the previous year, thus recording a revenue growth of about 22%. This growth in total income was possible on account of all round growth in domestic automotive markets during 2005~06. Your Company's emphasis on exports and new business segments has also achieved good results.

Financial results

(Amount in TINR)

	2005-06	2004-05
Net Sales and Other Income	4 527 709	3 701 372
Profit for the year before Exceptional item	598 819	490 128
Exceptional item	214 490	Nil
Profit for the year after Exceptional item	813 309	490 128
Profit After Tax	570 590	324 292
Add : Balance brought forward from last year	362 757	214 040
Profit available for appropriation	933 347	538 332
Appropriation		
Dividend	124 758	124 758
Tax on Dividend	17 497	17 817
Transfer to General Reserve	58 000	33 000
Surplus retained in Profit & Loss Account	733 092	362 757

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, 2006.

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 2006, is attached to the Accounts of the Company.

Consolidated financial statements of the Company (alongwith it's Subsidiary and Joint Venture Company) and the Auditors' Report thereon, as on 31st March 2006, are also attached to the Accounts of the Company.

Joint Venture

During the year, your Company has established a 50:50 Joint Venture Company, M/s. KBX Motorbike Products Pvt. Ltd. with M/s. Brembo S.p.A. of Italy for manufacture of Two Wheeler brake systems. For this purpose, your Company has sold its Two Wheeler brake systems manufacturing activity carried out by it at its Chakan factory to M/s. KBX Motorbike Products Pvt. Ltd.

Consolidated financial statements annexed to the Annual Report include results of the Joint Venture Company upto 31st March 2006.

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 -

- Rationalizing layout of assembly plant thereby reducing in Air Conditioning capacity requirement from 60.0 Ton to 37.5 ton,
- Converting assembly AC plant from water cooled to air cooled thereby reducing electrical energy and water consumption of water pumps,
- Surveying and reinstalling fixed capacitor banks and maintaining plant Pf1.

DIRECTORS' REPORT

At Chakan plant -

- (i) Replacing reciprocating air compressors with energy efficient screw compressors,
- (ii) Replacing hydraulic pumps on Nishida line with variable displacement pressure pumps,
- (iii) Regulating pump flow to meet the demand and fitting pumps with cutoff pressure switches to run with intermittent duty instead of continuous duty,
- (iv) Adding accumulators to reduce the lighting load,
- (v) Replacing Opaque roof sheets in plating shop with transparent sheets thus eliminating the need for artificial lighting during the day,
- (vi) Introducing energy efficient lighting to reduce the lighting load,
- (vii) Replacing heat exchanger in the liquid paint booth,
- (viii) Introducing variable motor drive for centralized coolant systems.

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 further increased its exports and earned Foreign Exchange equivalent to TINR 528 597.
- b) The foreign exchange outgo on account of import of Components, Capital Goods, Spares, Royalty etc. was of the order of TINR 431 490.

Promoters

"Kalyani Group", the Indian promoters of the Company, have sold their equity stake in the Company to the foreign promoters in July 2005. Consequently, Robert Bosch Corporation and Robert Bosch Investment Nederland B.V. together hold about 80% equity stake in the Company.

The name of the Company has been changed from Kalyani Brakes Limited to Bosch Chassis Systems India Limited w.e.f. January 2006.

Directors

During the year :

- Mr. B N Kalyani resigned as Director and Chairman of the Company w.e.f. 16th July, 2005. The Board placed on record its deep appreciation of the pioneering role played by Mr. B.N. Kalyani in steering the growth and development of the Company since inception.
- With effect from 20th October 2005, Mr. Peter Delhey was appointed as Director and Chairman of the Company.

Mr. Delhey, 44, completed his Advance Studies in Economics from the University of Freiburg, Germany. He has been associated with Bosch group since 1990. Currently he is the Executive Vice President, Chassis Systems Brakes, Robert Bosch GmbH, Germany.

- Mr. H M Huber, an Independent Director, resigned from the Board w.e.f. 31st December 2005. The Board placed on record its sincere appreciation of the valuable contributions made by Mr. Huber for Company's growth during his association with the Board.

With effect from 20th January 2006, Dr. Wilfried Aulbur was appointed as an Independent Director in place of Mr. H M Huber. Dr. Aulbur, completed his graduate studies in Europe and the US. He received a Doctorate in Physics from the Ohio State University from USA. Currently he is the Managing Director & CEO of DaimlerChrysler India Pvt. Ltd.

- Mr. V K Viswanathan, a Director, resigned from the Board w.e.f. 28th February 2006. The Board placed on record its sincere appreciation of the valuable contributions made by Mr. Viswanathan for Company's growth during his association with the Board.

With effect from 15th May 2006, Dr. Ferdinand Allerkamp was appointed as a Director in place of Mr. V K Viswanathan. Dr. Allerkamp's brief resume is given below.

DIRECTORS' REPORT

- Mr. Friedrich Wagner has been appointed as Additional Director from 15th May, 2006. Mr. Wagner, 49, is a Graduate in Economics & Business Administration from Goettingen University, Germany. Currently he is the Senior Managing Director of overall management of Chassis Systems Division and Sensor Business at Bosch Corporation, Japan. Mr. Wagner holds office as Director upto the date of the ensuing Annual General Meeting to be held on 24th July, 2006. The Company has received notice under Section 257 of the Companies Act, 1956, proposing his appointment as Director, liable to retire by rotation.
- Mr. Anant J. Talaulicar has been appointed as Additional Director from 15th May, 2006. Mr. Talaulicar, 44, is BE (Mech.) from the Mysore University, MS from the Michigan University, US and MBA from the Tulane University, US. Currently he is the Chairman and Managing Director of Cummins India Ltd. Mr. Talaulicar holds office as Director upto the date of the ensuing Annual General Meeting to be held on 24th July, 2006. The Company has received notice under Section 257 of the Companies Act, 1956, proposing his appointment as Director, liable to retire by rotation.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Dr. Albert Hieronimus & Dr. Ferdinand Allerkamp, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

- Dr. Hieronimus, 58, holds a Diploma in Mathematics from the University of Cologne. He received a Doctorate in Business Administration also from the same university. Currently he is the Managing Director of Motor Industries Co. Ltd.

Initially, Dr. Hieronimus was appointed on the Board as a Non Retiring Director representing Robert Bosch Corporation pursuant to Article 109 of the old Articles of Association of the Company. Consequent to the sale of equity stake in the Company by Kalyani Group, a revised set of Articles of Association was adopted by the members of the Company in their Extra Ordinary General Meeting held on 9th December 2005. Pursuant to the newly adopted set of Articles of Association, the provisions of Non Retiring Directors are repealed. Accordingly, Dr. Hieronimus holds office as Director upto the date of the ensuing Annual General Meeting to be held on 24th July, 2006.

- Dr. Ferdinand Allerkamp, 52, is a graduate with first degree in Business Administration and a Doctorate in Political Science. Currently he is the Joint Managing Director of Motor Industries Co. Ltd. Dr. Allerkamp holds office as Director upto the date of the ensuing Annual General Meeting to be held on 24th July, 2006. The Company has received notice under Section 257 of the Companies Act, 1956, proposing his appointment as Director, liable to retire by rotation.

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 :

- 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, 2006 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 of your Company continue to be cordial with no disruptions.

A three year's Wage Agreement was signed with the union of bargainable employees in February 2006.

Auditors

M/s. Bansi S. Mehta & Co., Chartered Accountants, Mumbai, Auditors of the Company, retire at the forthcoming Annual General Meeting and do not wish to seek re-appointment.

The Directors place on record their appreciation of the valuable services rendered by M/s. Bansi S. Mehta & Co.

The Directors recommend the appointment of M/s. Lovelock & Lewes, Chartered Accountants, as auditors of the Company. A suitable resolution in this behalf forms part of the agenda for the forthcoming Annual General Meeting for approval by members.

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, suppliers and promoters Robert Bosch Corporation and Robert Bosch Investment Nederland B.V. The Directors also wish to thank Kalyani Group, then Promoters of the Company, for their contribution and assistance. 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
May 15, 2006

Peter Delhey
Chairman



ANNEXURE TO THE DIRECTORS' REPORT

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

FORM "B"

Research and Development (R&D) -

- Specific areas in which R&D carried out by the Company
- Benefits derived as a result of the above R & D
- Future plan of action
- Expenditure on R&D
 - Capital
 - Recurring
 - Total
 - Total R&D expenditure as a percentage of total turnover

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

This technology means better performance braking systems for the new generation vehicles and self reliance. Imported parts (instead of localization) would have involved significant outflow of foreign exchange.

Development of brakes for SUVs and new model cars.

Rs. 9.505 million

Rs. 0.661 million

Rs. 10.166 million

0.23%

Technology absorption, adaptation and innovation -

- Efforts, in brief, made towards technology absorption, adaptation and innovation
- Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.
- In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished
 - Technology imported
 - Year of Import
 - Has technology been fully absorbed?
 - If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.

For new SUVs and passenger cars, latest technology designs for brake systems were adapted from European/Japanese origin. Superior process and control techniques were deployed for achieving these design features.

Due to such product improvements, cost reduction etc., the Company could retain its business share with leading Indian customers and also win additional contracts.

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.

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

Information required as per Section 217(2A)(b)(ii) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2006

Sr. No.	Name	Age	Qualifications & Experience	Designation/ Nature of Duties	Gross Remuneration	Date of Commencement of Employment	Particulars of Past Employment, Designation held, Organization & Period
1	2	3	4	5	6	7	8
1.	Mahendra D S	53	B. Tech 30 years	Executive Vice President (Chakan)	4 068 205	01/01/1988	Manager (Materials) Bharat Forge Ltd. 8 years
2.	Nanjanath A R	58	B. Tech B. Sc (Engg.), London 36 years	Executive Vice President (Jalgaon)	3 448 296	16/12/2002	Vice President (Manufacturing) Rane (Madras) Ltd. 2½ years
3.	Sekhri S	56	B. E. (Mech.), M. B. A. 32 years	Managing Director	10 973 200	04/08/1994	Vice President (Engg. Division) Escorts Ltd. 3½ years

Notes :

- 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 case of the Managing Director & Mr. A. R. Nanjanath is contractual. In the case of other employees, the same is as per Company's Rules and Regulations.
- 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 15, 2006

Peter Delhey
Chairman