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CEEKAY
DAIKIN
LIMITED

DIRECTORS

| | |
|-------------------------|-------------------|
| HARISH MAHINDRA | CHAIRMAN |
| PRAVINCHANDRA V. GANDHI | |
| DR. RAM S. TARNEJA | |
| HOMI C. H. BHABHA | |
| SHREEKANT V. MEHTA | |
| MASAKI ABE | |
| Ms. SANDHYA S. GADKARI | NOMINEE OF ICICI |
| MAHESH B. KOTHARI | MANAGING DIRECTOR |
| PRADEEP B. CHINAI | MANAGING DIRECTOR |

COMPANY SECRETARY

DEEPAK N. TANNA

BANKERS

BANK OF MAHARASHTRA
THE UNITED WESTERN BANK LTD.
THE SARASWAT CO-OPERATIVE BANK LTD.
THE ICICI BANKING CORPORATION LTD.

AUDITORS

D. L. SHAH & CO.
CHARTERED ACCOUNTANTS, MUMBAI

REGISTERED OFFICE & FACTORY

PLOT NO. L - 4, M. I. D. C. INDUSTRIAL AREA,
CHIKALTHANA, AURANGABAD - 431 210, MAHARASHTRA.

HEAD OFFICE

NKM INTERNATIONAL HOUSE, 4TH FLOOR,
178, BABUBHAI M. CHINAI MARG, MUMBAI - 400 020.

REGISTRAR & TRANSFER AGENTS

PCS INDUSTRIES LTD.
HYFA BUILDING NO. 2, 1ST FLOOR, NEAR JHONSON & JHONSON,
KURLA ANDHERI ROAD, SAFED POOL, ANDHERI (EAST), MUMBAI-400072.

CEEKAY DAIKIN LIMITED**CONTENTS**

| | |
|---|----|
| Notice | 3 |
| Directors' Report | 8 |
| Auditors' Report | 13 |
| Balance Sheet | 16 |
| Profit & Loss Account | 17 |
| Schedules | 18 |
| forming part of the Balance Sheet & Profit and Loss Account | |
| Notes to Accounts | 27 |
| Balance Sheet Abstract and General Business Profile | 32 |
| Cash Flow Statement | 33 |
| Nomination Form | 35 |
| ECS Form | 37 |

25TH ANNUAL REPORT 1998-99**ceekay****NOTICE**

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of the members of CEEKAY DAIKIN LIMITED will be held on Monday, 27th September, 1999 at 11.30 a.m. at the Registered Office at Plot L-4, MIDC Industrial Area, Chikalthana, P. O. CIDCO, Aurangabad - 431 210, Maharashtra, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Director's Report, Auditor's Report and the Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 1999.
2. To consider declaration of dividend.
3. To appoint a Director in place of Mr. Harish Mahindra who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Masaki Abe, who retires by rotation and being eligible offers himself for reappointment.
5. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :

RESOLVED THAT Messrs D. L. Shah & Co. Chartered Accountants, Central Bldg. No. 2, Silk Bazar, Mumbai - 400 002, be and are here by reappointed Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of a remuneration of Rs. 30,000 and reimbursement of out-of-pocket expenses incurred by them in the course of the audit"

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modifications the following Resolution as a Special Resolution :

``RESOLVED THAT :

- a) Pursuant to Section 81 (1A) and other applicable provision of the Companies Act, 1956 and subject to the requisite confirmation of the compromise or arrangement embodied in the Scheme of Amalgamation entered into between Exedy Ceekay Ltd. and the Company by the High Court of Judicature at Mumbai under Sections 391 and 394 and other applicable provisions, if any, of the Compaines Act, 1956, the consent of the Reserve Bank of India under the Foreign Exchange Regulations Act, 1973 and other requisite consents and approvals, if any, being obtained, and subject to such conditions and modifications as may be necessary to comply with the terms and conditions and modifications that may be imposed, prescribed or suggested by the appropriate authorities in that behalf and which the Board of Directors of the Company is hereby authorised to accept, consent of the Company be and is hereby accorded to the issue of 5,31,250 equity shares of Rs. 10/- each in the company credited as fully paid up in the proportion of one equity share of Rs. 10/- each of the Company for every 2.4 equity shares of Rs. 10/- each of Exedy Ceekay Ltd. (ECL) to the persons who are members of ECL and whose names appear on the Register of Members of the said Company on such record date as may hereafter be fixed by the directors in that behalf.

CEEKAY DAIKIN LIMITED

- b) The new equity shares be allotted subject to the Memorandum and Articles of Association of the Company.
 - c) The new equity shares shall rank pari passu with the existing equity shares of the Company.
 - d) The issue and allotment of the new equity shares in accordance with paragraph (a) of this Resolution be subject to the approval of the Reserve Bank of India under the Foreign Exchange Regulation Act, 1973.
 - e) No letters of allotment be issued to the allottees of the equity shares and that the share certificates in respect of the new equity shares to be allotted as fully paid equity shares as aforesaid shall be completed and be ready for delivery within three months from the respective date of allotment thereof.
 - f) For the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to do and perform all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, desirable or appropriate to settle any question, difficulty or doubt that may arise in regard to the issue and distribution of the new equity shares as they may think fit and to accept on behalf of the Company such conditions and modifications if any relating to the issue of the new equity shares, which may be imposed, required or suggested by the Reserve Bank of India or other appropriate authority and either of them and which the Board of Directors in its discretion think fit and proper.”
7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :

RESOLVED THAT the Company do hereby accord its consent under section 293 (1) (a) of the Companies Act, 1956, to mortgaging and/or charging by the Board of Directors of the Company all or any of the movable or immovable properties both present and future or the whole or substantially the whole of the undertaking or the undertaking of the company for securing any loan obtained or as may be obtained from any financial institution or bankers or persons together with interest, costs, charges, expenses and any other money payable by the Company.

By Order of the Board of Directors

D. N. TANNA
COMPANY SECRETARY

Registered Office :
Plot L-4, MIDC Industrial Area,
Chikalthana, Aurangabad - 431 210.
Maharashtra.

Mumbai, Dated : 28th July, 1999.

25TH ANNUAL REPORT 1998-99**ceekay****NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS BEHALF AND THE PROXY NEED NOT BE A MEMBER.
2. The instrument appointing proxy should be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
3. Register of Members and Share Transfer Books of the Company will remain closed from 16th September, 1999 to 27th September, 1999 (both days inclusive).
4. A Copy each of the Directors' Report, Auditors Report and Audited Profit & Loss Account of the Company for the financial year ended 31st, March 1999 and Balance Sheet as on that date are annexed.
5. Shareholders are requested to inform the Company immediately of any change in their address.
6. Dividend on Equity shares when sanctioned will be paid to those members who are entitled thereto and whose names stand on the Company's Register of Members as on 27th september, 1999.
7. The documents relating to any of the items referred to in the Notice are available for inspection at the Registered Office of the Company between 11.00 a. m. to 3.00 p.m. on any working day.
8. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year 1994-95 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed their dividend warrants for the said years are requested to claim the amount from the Registrar of Companies, Maharashtra, Fancy Corporation Building, Hakoba Compound, Kala Chowki, Mumbai 400 033.

Consequent upon amendment in Section 205A of the Companies Act, 1956 and introduction of Section 205C, by the Companies (Amendment) Ordinance, 1999, now the amount of dividend remaining unclaimed for the period of seven years shall be transferred to the Investor Education and Protection Fund.

Members who have not encashed their dividend warrants, may approach the Company's Registrar & Transfer Agents, Messrs PCS Industries Ltd., Hyfa Building No.2, 1st Floor, Near Johnson & Johnson, Kurla Andheri Road, Safed Pool, Andheri (East), Mumbai 400 072 for revalidating the warrants or for obtaining duplicate warrants.

9. Investors desirous of availing the facility of nomination and Electronic Credit of Dividend are requested to fill in the form attached to this Annual Report on Page No. 35, 36 and 37 respectively.

CEEKAY DAIKIN LIMITED**ANNEXURE TO THE NOTICE-EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173 (2) OF THE COMPANIES ACT, 1956**

As required by Section 173 (2) of the Companies Act, 1956 and in conformity with the provisions, the following Explanatory Statement sets out all material facts relating to item No. 6 & 7.

ITEM No. 6

The Board of Directors of the Company and Exedy Ceekay Limited have, at their respective meetings held on 15th December, '98 and 2nd December, '98 respectively approved a proposal for the amalgamation of ECL with the Company. The proposed Scheme of Amalgamation of ECL with the Company provides, amongst others, that the Company will issue and allot equity shares of Rs. 10/- each in the Company to the shareholders of ECL in proportion of one (1) fully paid equity shares of Rs. 10/- each of the Company for every 2.4 fully paid equity shares of Rs. 10/- each held by such holders in ECL.

The said Scheme of Amalgamation, if approved by the shareholders of both the Companies as well as the Hon'ble High Court of Judicature at Mumbai, would require issue and allotment of 5,31,250 equity shares of Rs. 10/- each of the company to the non-resident shareholders of ECL, representing approximately 51% of the issued and subscribed capital of ECL. Since no shares would be issued against the approximately 49% shareholding of the Company in the Capital of ECL, which would get cancelled in terms of Clause 10 of the Scheme of Amalgamation.

The existing authorised capital of the Company which comprises of 50,00,000 Equity Shares of Rs. 10/- each aggregating Rs. 5,00,00,000 has adequate provision for the issue and allotment of 5,31,250 shares of Rs. 10/- each of the Company to the shareholders of ECL, given the fact that the present issued and subscribed capital of the Company comprises of 35,00,000 equity shares of Rs. 10/- each aggregating Rs. 3,50,00,000/-.

Section 81 (1) of the Companies Act, 1956 however, provides in clause (a) that when it is proposed to increase the subscribed capital of the company by

allotment of further shares, such further shares shall be offered to the persons who at the date of the offer are holders of equity shares at that date. Pursuant to Section 81 (1A) the said Act, notwithstanding anything contained in Section 81 (1), the said further shares may be offered by the company to any persons in any manner whatsoever, if a special resolution to that effect is passed by the company in general meeting. The proposed special resolution is designed to comply with the requirements of Section 81 and Section 81 (1A) of the Companies Act, 1956 in the context of issue and allotment of shares of the Company to the members of ECL pursuant to the proposed Scheme of Amalgamation.

The Board commends passing of the Special Resolution set out at Item No. 6 of the Notice Convening the meeting.

The directors of the Company may be deemed to be Concerned or interested in the Resolution to the Extent of their shareholding in the Company, a tabulated statement whereof will be available with the Company Secretary for inspection. Mr. Mahesh B. Kothari and Mr. Pradeep B. Chinai Managing Directors of the Company are also Directors of ECL, and therefore, also be deemed to be concerned or interested in the proposed resolution by virtue of their common Directorship.

ITEM NO. 7

As a security for the loans to be sanctioned by financial institutions / bankers with whom the Company is negotiating for financial assistance for its project in form of term loans, working capital, the Company would be required to give first /second mortgage of all the movable and immovable properties of the Company both present and future.

Section 293 (1) (a) of the Companies Act, 1956, provides, inter alia, that the Board of Directors of a public company in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company.

25TH ANNUAL REPORT 1998-99

ceekay

Since the mortgaging by the Company of its immovable and movable properties as aforesaid in favour of the financial institutions / bank can be considered to be disposal of the Company's properties, it is necessary for the members to pass

a resolution under section 293 (1) (a) of the Companies, Act, 1956 before creations of the said mortgage first and / or second charge.

None of the Directors is concerned or intrested in this resolution.

By Order of the Board of Directors

D. N. TANNA
COMPANY SECRETARY

Mumbai, Dated : 28th July, 1999.



CEEKAY DAIKIN LIMITED**DIRECTORS' REPORT****TO****THE MEMBERS**

Your Directors have pleasure in presenting the Twenty Fifth Annual Report together with the Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 1999.

| 1) FINANCIAL RESULTS: | 1998-99 | 1997-98 |
|--|--------------------|--------------------|
| | Rs. in Lacs | Rs. in Lacs |
| i) INCOME | | |
| Sale of products & other services | 4934.02 | 4,958.18 |
| ii) EXPENSES | | |
| Manufacturing and other expenses | (4153.86) | (4,158.93) |
| iii) OPERATING PROFIT (before interest & depreciation) | 780.16 | 799.25 |
| iv) INTEREST | (413.89) | (400.54) |
| v) GROSS PROFIT (before depreciation) | 366.27 | 398.71 |
| vi) DEPRECIATION | (238.87) | (232.03) |
| vii) PROFIT (after depreciation) | 127.40 | 166.68 |
| viii) PROVISION FOR TAX | (24.00) | (20.00) |
| ix) PROFIT AFTER TAX | 103.40 | 146.68 |
| x) Balance of profit brought forward from previous year | 255.04 | 216.29 |
| xi) Income Tax in respect of earlier years | 30.61 | 20.69 |
| xii) Amount available for appropriations | 327.83 | 342.28 |
| xiii) APPROPRIATIONS : | | |
| a) Proposed Dividend | 35.00 | 52.32 |
| b) Tax on Proposed Dividend | 3.85 | 5.23 |
| c) Transfer to General Reserve | 10.00 | 10.00 |
| d) Transfer to Debenture Redemption Reserve | 19.69 | 19.69 |
| e) Balance carried to Balance Sheet | 259.29 | 255.04 |

2) DIVIDEND

Your Directors have pleasure in recommending for the year ending 31st March, 1999 the payment of Dividend of Rs. 1/- per share, subject to the approval by members at the Annual General Meeting.

25TH ANNUAL REPORT 1998-99**ceekay****3) OPERATIONS**

Your Company has achieved operating profit of Rs. 780.16 lacs, during the current year against Rs. 799.25 of the previous year, which has shown decrease of 2.39%. The Sales and other income for the financial year under review were Rs. 4934.02 lacs as against Rs. 4958.18 lacs for the previous financial year registering change of 0.49%.

The profit after tax was lower at Rs. 103.40 lacs as against Rs. 146.68 lacs. This was due to the adverse market situation faced by the automotive industry during the year. However, during the year under review, the Company did manufacture less quantities of Clutch Disc Assy and more Cover Assy. There decrease in sales quantity of Clutch Disc by 6% and increase in sales quantity of Clutch Cover by 11.05%. The lower turnover was due to change in products mix.

The production from April to June 1999-2000 as compared to the same period in 1998-99 has been

| | 1999-2000 (APRIL-JUNE) | 1998-99 (APRIL-JUNE) |
|--------------------|---------------------------|-------------------------|
| CLUTCH DISC | 1,26,253 Nos. | 1,57,104 Nos. |
| CLUTCH COVER ASSLY | 99,259 Nos. | 1,10,570 Nos. |
| TURNOVER | Rs. 1104.60 lacs | Rs. 1184.57 lacs |

The lower production in the first quarter was due to ongoing negotiations for wage settlement with the workers. The previous agreement had expired in June 1998. The same has been resolved amicably.

During the current year, the company plans to introduce several new models of clutches.

4) SALES

The Sale of products during the year was as follows:

- A) Clutch Discs Assy 5,89,043 Nos. (previous year 6,27,967 Nos.)
- B) Clutch Cover Assy 4,54,152 Nos. (previous year 4,08,955 Nos.)
- C) Other Accessories Rs. 63.42 lacs (previous year Rs. 80.39 lacs)

5) EXPORTS

During the year exports have been lower at Rs.140.28 lacs (Previous year Rs. 216.53 lacs). The reduction in exports is mainly due to South East Asian financial crisis. Company is receiving continuous orders from existing customers but with the lower frequency.

6) COLLABORATORS

Your Collaborators have continued their valuable support in technology transfer, training our personnel at their as well as your factory and for upgradation in technology. The Directors would like to place on record their appreciation for continuous patronage given by them. Company has also been informed of the resignation of Mr. Masaru Adachi from the post of President and Representative Director of Exedy Corporation with effect from June '99 and in his place Mr. Takeshi Nakano has taken over as his successor. Board placed on record the valuable services rendered and advise given by Mr. Masaru Adachi from time to time during the tenure of his Presidentship.

7) JOINT VENTURE

The Joint Venture Company Exedy Ceekay Limited (ECL) has commenced production during the first quarter of the current year. Your Company and the Collaborators have agreed to merge ECL into your Company. This has been done in the long term interest of both the Transferor and Transferee company and will make available to the parties the benefit of financial resources, managerial, technical, distribution and marketing expertise of each other and will also provide synergistic linkages besides economies in cost by combining the total business functions and the related activities and operation and thus contribute to the profitability of the Company both in domestic and export market. Besides, this your Company will have the benefit of the combined reserves, manufacturing and other assets, manpower and cash flows of the two Companies. These combined resources will be conducive to enhance the Company's capabilities to face competition in the market more effectively.

Company proposes to issue one share for every 2.4 shares of ECL. The main shareholder of Exedy