

37th Annual Report and Statement of Accounts for the year ended 31st March, 1998



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Cummins India Limited

Registered Office : Kothrud, Pune 411 029 (INDIA))

NOTICE OF THE MEETING :

To

The Members of Cummins India Limited

NOTICE IS HEREBY GIVEN THAT THE THIRTY-SEVENTH ANNUAL GENERAL MEETING OF CUMMINS INDIA LIMITED WILL BE HELD AT THE ADMINISTRATIVE BUILDING OF CUMMINS DIESEL SALES AND SERVICE (INDIA) LIMITED, AT 35A/1/2, ERANDAWANA, PUNE 411 038, ON THURSDAY, THE 20TH DAY OF AUGUST, 1998 AT 10.00 A.M.(I.S.T.) TO TRANSACT THE FOLLOWING BUSINESS :

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended March 31, 1998 and the Balance Sheet as at that date.
2. To declare dividend on Equity shares.
3. To appoint a Director in place of Mr. Gavin Sinclair who retires by rotation and is eligible for re-appointment. Notice required under section 257(1) of the Companies Act, 1956, along with the deposit of Rs.500 has been received by the Company.
4. To appoint a Director in place of Mr.B.H.Reporter who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr.T.Satterthwaite who retires by rotation and is eligible for re-appointment. Notice required under section 257(1) of the Companies Act, 1956, along with the deposit of Rs.500 has been received by the Company.
6. To appoint Auditors and Joint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

SPECIAL BUSINESS :

7. To appoint a Director in place of Mr.P.S.Dasgupta who was appointed as an Additional Director by the Board of Directors with effect from February 26, 1998 pursuant to Article 110 of the Articles of Association of the Company and who holds office of Director upto the date of the forthcoming Annual General Meeting of the Company under section 260 of the Companies Act, 1956, but who is eligible for appointment.
8. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :

" RESOLVED that pursuant to the appointment of Mr.R.L.Moore as Managing Director of the Company for a period of five years with effect from August 12, 1997, by Board of Directors, the approval of the shareholders under section 269 read with Schedule XIII, section 309 and other applicable provisions of the Companies Act, 1956, be and is hereby accorded to the appointment of and remuneration payable to Mr.R.L.Moore effective August 12, 1997 as such Managing Director, as set out in the Explanatory Statement attached to the Notice convening this Annual General Meeting. "

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

"RESOLVED that pursuant to section 269 read with Schedule XIII, section 309 and other applicable provisions of the Companies Act, 1956, approval of the shareholders be and is

hereby accorded to the appointment of Mr.P.Y.Gurav, a whole-time employee of the Company, whose term of appointment was renewed by the Board of Directors as an Alternate Director to Mr.S.D.Hires, Director of the Company, with effect from November 10, 1997 and who is therefore deemed as a whole-time Director of the Company and to the remuneration payable to him for holding the said office on such salary, commission and other perquisites as set out in the Explanatory Statement attached to the Notice convening this Annual General Meeting.

FURTHER RESOLVED that this approval will remain in effect for five years commencing from November 10, 1997 or until the original Director remains a Director, whichever is earlier, notwithstanding any interregnum due to the arrival of the original Director in the State of Maharashtra, provided Mr.P.Y.Gurav is appointed by the Board of Directors as an Alternate Director from time to time."

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

"RESOLVED that existing clauses appearing in the Annexure to the shareholders' resolution dated August 10, 1994, as amended by resolutions dated August 6, 1996 and August 12, 1997 relating to (i) Leave Travel Allowance and (ii) Contribution to Provident fund and Superannuation Fund, in respect of Mr.P.Y.Gurav and Mr.J.L.Deshmukh, whole-time Alternate Directors of the Company, be deleted and substituted by the following clauses :

- (iii) Leave Travel Allowance :

Leave Travel Allowance for self and family once in a year to visit any place in India, limited to Rs.30,000 or such other amount as may be approved by the Managing Director from time to time.

[This amendment shall be effective from April 1, 1997.]

- (vi) Contribution to Provident Fund and Superannuation Fund :

Contribution to the Provident Fund and the Superannuation Fund (and/or annuity fund) shall be as prescribed under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and Income-tax Act, 1961. The expenditure on these will not be considered or included for computation of ceiling on perquisites to the extent that these, either singly or put together, are not taxable under the Income-tax Act.

[This amendment shall be effective from September 22, 1997.]

FURTHER RESOLVED that except the modifications mentioned hereinabove all other terms and conditions of appointment and/or remuneration payable to the above whole-time Alternate Directors as approved by the shareholders in their Annual General Meetings held on August 10, 1994, August 6, 1996 and August 12, 1997 shall remain unchanged. "

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

" RESOLVED that consent of the shareholders be and is hereby accorded for the continuation of security deposit of Rs.350,000 kept with the Landlords in respect of the residential premises taken on license for Mr.C.S.Naik, during his tenure as whole-time Alternate Director."

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

"RESOLVED that pursuant to section 269 read with Schedule XIII, section 309 and other

applicable provisions of the Companies Act, 1956, approval of the shareholders be and is hereby accorded to the appointment of Mr.J.L.Deshmukh, a whole-time employee of the Company who was appointed by the Board of Directors as an Alternate Director to Mr.Gavin Sinclair, Director of the Company, with effect from June 9, 1998 and who is therefore deemed as a whole-time Director of the Company and to the remuneration payable to him for holding the said office on such salary, commission and other perquisites as set out in the Explanatory Statement attached to the Notice convening this Annual General Meeting.

FURTHER RESOVLED that this approval will remain in effect for five years commencing from June 9, 1998 or until the original Director remains a Director, whichever is earlier, notwithstanding any interregnum due to the arrival of the original Director in the State of Maharashtra, provided Mr.J.L.Deshmukh, is appointed by the Board of Directors as an Alternate Director from time to time. "

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

" RESOLVED that pursuant to section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby amended as follows :

- a. In Article 2 after the meaning of expression "Auditors" in Marginal Notes, the following shall be inserted :

"Beneficial Owner" means the beneficial owner as defined under the Depositories Act, 1996. "Beneficial Owner "

- b. In Article 2 after the meaning of expression "Debenture" in Marginal Notes, the following shall be inserted :

"Depository" means a Depository as defined under the Depositories Act, 1996 and with whom the Company has entered into an agreement for availing its services. "Depository"

- c. In Article 2 after the meaning of expression "Depository" in Marginal Notes, the following shall be inserted :

"Depositories Act, 1996" means Depositories Act, 1996, and shall include any statutory modification or re-enactment thereof. "Depositories Act, 1996 "

- d. In Article 2 the expression titled "Members" in Marginal Notes be replaced by the following :

"Members" means the duly registered holders, from time to time of the shares of the Company and include every person holding equity share capital of the Company and whose name is entered as beneficial owner in the records of a Depository. "Members"

- e. Existing Article 11 be replaced by the following :

11. The Company shall cause to be kept a Register and Index of Members in accordance with Sections 150 and 151 of the Act. However, the Register and Index of Beneficial Owners maintained by a Depository under the Depositories Act, 1996 shall be deemed to be Register and Index of Members in accordance with and within the meaning of Sections 150 and 151 of the Act and these Articles. Register and Index of Members.

- f. Existing Article 12 be replaced by the following :

12. The shares in the capital shall be numbered progressively according to their several denominations, and except in the manner hereinbefore mentioned no share shall be sub-divided. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished. Provided however that the provision relating to progressive numbering shall not apply to the shares of the Company which are held with a Depository in a dematerialised form.

Shares to be numbered progressively and no share to be sub-divided.

- g. To insert the following sentence at the end of the existing Article 15 :

" Where the Member has opted to hold the shares with a Depository, the Board shall cause the Company to intimate the details of allotment of shares to the Depository immediately on allotment of such shares. "

- h. To insert the following words after the words "on the Register" appearing in line 4 of the existing Article 17 :

" of Members or any person holding shares and whose name is entered as Beneficial Owner in the records of a Depository."

- i. To insert the following words after the words "allottee of shares" appearing in line 1 of the existing Article 20(a) :

" unless otherwise he has opted to hold the shares with a Depository "

- j. To insert the following Article after the existing Article 21 :

21A. Notwithstanding anything contained in Article 20, 21, 50, 51 and other Articles, wherever relevant and applicable, the Company shall be entitled to cancel and /or issue share certificates as per the provisions of the Depositories Act, 1996.

Cancellation and issue of share certificates under the Depositories Act, 1996.

- k. To insert the following words after the words "in the Register" appearing in line 2 of the existing Article 22 :

"of Members or where the share is held by joint-holders with a Depository as beneficial owners, the person first named, as appearing in the records of a Depository "

- l. To insert the following Article after existing Article 24 :

24A. Notwithstanding anything contained in these Articles, the Company shall allow a Member to hold his shares with a Depository in a dematerialised form in accordance with the provisions of the Depositories Act, 1996. And the Member shall also be entitled to rematerialise the dematerialised shares.

Member is entitled to dematerialise or rematerialise shares.

- m. To replace the word "Register" appearing in lines 4 and 7 of existing Article 49 with the words "Register of Members".

- n. To insert the following Article after the existing Article 63 :

63A. Notwithstanding anything contained in these Articles, the provisions of the Depositories Act, 1996, shall apply in respect of issue, transfer, transmission and other related matters in respect of the shares held by a Member with a Depository.

Transfer, transmission etc. of shares under the Depositories Act, 1996.

- o. Existing Article 69 be replaced by the following :

69. The Company shall, if at any time it issues debentures, keep a Register and Index of Debenture-holders in accordance with Section 152 of the Act. However, the Register and Index of Beneficial Owners maintained by a Depository under the Depositories Act, 1996, shall be deemed to be a Register and Index of Debenture-holders in accordance with Section 152 of the Act.

Register and Index of Debenture-holders.

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

"RESOLVED that Mr. Ramjilal Choudhary, a member of the Company, be and is hereby appointed as Director of the Company in pursuance of notice received from said Mr. Ramjilal Choudhary under section 257 of the Companies Act, 1956 along with deposit of Rs.500."

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

"RESOLVED that under section 149(2A) of the Companies Act, 1956, the Company in the General Meeting hereby approves of the commencement and execution of business covered by sub-clause 20 of clause 3 of the Memorandum of Association of the Company, by the Board of Directors as and when they think fit. "

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

"RESOLVED that subject to the previous approval of the Central Government pursuant to section 372 and other provisions of the Companies Act, 1956, as applicable, the Board of Directors of the Company be and are hereby authorised to invest up to Rs. 5 million or up to 50 per cent of the subscribed equity share capital of the new company, whichever is lower, notwithstanding that such investment together with the investment that will be made by Cummins Diesel Sales and Service (India) Limited, a wholly-owned subsidiary of the Company, will exceed the limits prescribed under section 372 of the Companies Act, 1956.

FURTHER RESOLVED that the Board of Directors be and are hereby authorised to accept any modifications or conditions as may be imposed, directed or prescribed by the Central Government at the time of granting its approval to the proposed investment.

FURTHER RESOLVED that the Board of Directors of the Company be and are hereby authorised to take all such steps as may be necessary or desirable to give effect to this resolution. "

By Order of the Board

Pune, July 20, 1998

M.M. Godse
General Manager & Company Secretary

NOTES :

- a. The relative Explanatory Statement pursuant to section 173 of the Companies Act, 1956, in respect of the Special Business set out above is annexed hereto.
- b. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- c. The Register of Members and the Share Transfer Book of the Company will remain closed from July 27, 1998 to August 3, 1998 (both days inclusive). If the Equity dividend as recommended by the Directors is declared at the ensuing Annual General Meeting of the shareholders of the Company, payment of such dividend will be made to those shareholders whose names appear on the Register of Members of the Company as on August 3, 1998.
- d. Members requiring information on the accounts are requested to write to the Company at least seven days before the date of the meeting to enable the Company to furnish the information.
- e. During the year ended on March 31, 1998, the Company has transferred Rs. 229,816 being unclaimed dividend for the financial year ended on March 31, 1994 to the General Revenue Account of the Central Government. The Company has already intimated concerned Equity shareholders the particulars of the dividend transferred to the said Account in terms of Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) (Amendment) Rules, 1988. Shareholders are advised to apply for payment of unclaimed dividend to the Registrar of Companies, Pune, having office at "Pune Stock Exchange Premises, PMT Commercial Building, Deccan Gymkhana, Pune 411 004."
- f. Shareholders are requested to advise the Company immediately of any change in their addresses.

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, the following Explanatory Statement sets out all material facts relating to the business mentioned at items 7 to 16 in the accompanying Notice of the Annual General Meeting of the Company to be held at the venue, date and time mentioned therein.

ITEM 7

The Board of Directors of the Company have appointed Mr.P.S.Dasgupta as an Additional Director with effect from February 26, 1998 under Article 110 of the Articles of Association of the Company. Under section 260 of the Companies Act, 1956, Mr.P.S.Dasgupta holds office of the Additional Director till the date of the forthcoming Annual General Meeting of the Company. A notice has been received from a member, as required under section 257 of the Companies Act, 1956 along with required deposit of Rs.500, proposing Mr.P.S.Dasgupta as a candidate for the office of the Director.

No Director other than Mr.P.S.Dasgupta is concerned or interested in the above item.

ITEM 8

As the shareholders are aware, Mr.R.L.Moore was appointed as Chairman of the Board of Directors of the Company effective February 18, 1997. Consequent upon the resignation of Mr.M.F.Dodsworth as a Managing Director effective August 12, 1997, the Board of Directors in their meeting held on August 12, 1997 have appointed Mr.R.L.Moore as a Managing Director for a period of five years effective August 12, 1997. The Board of Directors in their meeting held on November 18, 1997 have passed resolution approving the terms of remuneration payable to Mr.R.L.Moore as such Managing Director effective August 12, 1997, subject to approval of the shareholders in the General Meeting. In the said Board Meeting the Board of Directors have resolved that the remuneration payable to Mr.R.L.Moore as such Managing Director shall be subject to limits laid down under section 198 and 309 of the Companies Act, 1956 or any statutory modifications and or re-enactment thereof.

Mr.R.L.Moore, was the Plant Manager at Cummins Midrange Engine Plant and held several operation positions at Onan Corporation, U.S.A., an Associate of Cummins. Before joining Cummins India Limited, Mr.R.L.Moore was Managing Director of Tata Cummins Limited, another Joint Venture of Cummins in India. Mr.Moore received his B.S. in Industrial Management and Industrial Relations from University of Alabama, U.S.A., and M.B.A. from University of Illinois, U.S.A. Mr.R.L.Moore's thorough knowledge of Industrial management in Diesel engine and Power Generation business for more than a decade while serving Cummins, U.S.A., and his understanding of Indian working environment will help the Company to consolidate its strength and steer smoothly through the global business scenario.

Under section 269 read with Schedule XIII, section 309 and other applicable provisions of the Companies Act, 1956, the appointment of Mr.R.L.Moore and remuneration payable to him as such Managing Director needs to be approved by the shareholders in the General Meeting.

The details of remuneration payable to Mr.R.L.Moore are as under :

I. SALARY :

Rs. 60,000 per month in the grade of
Rs. 50,000 - Rs. 75,000.

II. COMMISSION ON NET PROFITS :

Subject to statutory limitations, 50 per cent of the salary.

III. PERQUISITES :**(i) Housing :**

Furnished residential accommodation will be provided by the Company. In addition, gas, electricity, water, furnishings and servants shall also be provided by the Company.

The valuation of perquisites under Housing shall be as per the Income-tax Rules, 1962.

(ii) Medical Reimbursement :

Expenses actually incurred for self and family subject to a ceiling of one month's salary per year or three months' salary in a period of three years.

(iii) Club Fees :

Fees of clubs including admission fees subject to a maximum of two clubs is allowed. However, life membership fees are not permissible.

(iv) Contribution to Provident and Superannuation Funds :

Contribution to the Provident and the Superannuation Funds as per the rules of the Company subject to condition that these contributions either singly or put together shall not be taxable under the Income-tax Act.

(v) Gratuity :

One half month's salary for each completed year of service.

(vi) Leave :

Earned leave on full pay not more than six weeks for every 12 months' of service. However, encashment of accumulated leave only at the end of tenure.

(vii) Personal Accident Insurance :

Premium not to exceed Rs.4,000 per annum.

(viii) Provision of Telephone and Car :

The Company shall provide a telephone at the residence and a car for use on Company's business. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the individual. Value of these perquisites, if any, to be calculated as per the provisions of Income-tax Act.

(ix) Children's Education Allowance :

In case of children studying in or outside India, an allowance limited to a maximum of Rs.5,000 per month per child or actual expenses incurred, whichever is less, is admissible. Such allowance is admissible up to a maximum of two children.

(x) Holiday passage for children studying outside India/family staying abroad :

Return holiday passage is admissible once in a year by economy class or once in two years by first class to children from their place of study abroad to India and to the members of the family from the place of their stay abroad to India if they are not residing in India with the Managing Director.

(xi) Leave Travel Concession :

Return passage by first class to be allowed for self and family once in a year to visit home country or any place in India.