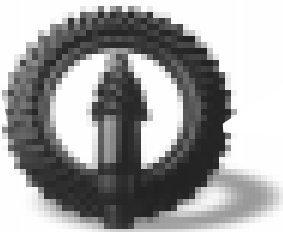
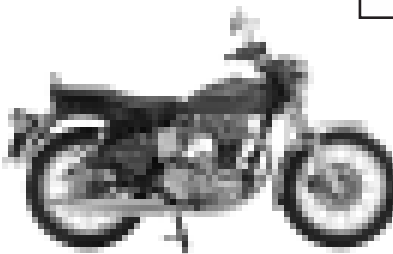




Report



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EICHER MOTORS LIMITED
ANNUAL REPORT 2004-2005

Board of Directors

S Sandilya, Group Chairman
P N Vijay
Priya Brat
M J Subbaiah

Company Secretary

Inder Mohan Singh

Auditors

A F Ferguson Associates, New Delhi

Bankers

Central Bank of India
Centurion Bank
HDFC Bank Limited
Indian Overseas Bank
ICICI Bank Limited
State Bank of India
State Bank of Patiala
State Bank of Indore
Standard Chartered Bank

Registered Office

Eicher House
12, Commercial Complex,
Greater Kailash II (Masjid Moth)
New Delhi - 110 048
Phone No. : (011) 29225521
Website : www.eicherworld.com

Share Transfer Agent

M/s. MCS Limited
Sri Venkatesh Bhawan
W-40, Okhla Industrial Area,
Phase - II, New Delhi 110020.
Email: mcs ltd@eth.net

Factories**Commercial Vehicles**

102, Industrial Area No.1, Pithampur, Dist. Dhar
Madhya Pradesh – 454775

Two Wheeler Business Unit

Royal Enfield
- Thiruvottiyur, Chennai 600019 (Tamil Nadu)

Gear Business Unit

Eicher Demm
- S V Road, Thane 400607 (Maharashtra)

Eicher Engineering Solutions

602, Tower-A Signature Towers
South City – I
Gurgaon – 122 001

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NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 23rd ANNUAL GENERAL MEETING OF THE MEMBERS OF **EICHER MOTORS LIMITED** WILL BE HELD AT ON WEDNESDAY, AUGUST 17, 2005 AT 11.30 A.M. AT LTG AUDITORIUM, COPERNICUS MARG, NEW DELHI-110 001 TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March, 2005 and the Balance Sheet as at end of the said year together with Auditors' & Directors' Report thereon.
2. To declare dividend on equity shares.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company, and to fix their remuneration.
The Company has received a notice from M/s A.F. Ferguson Associates, Chartered Accountants, the retiring auditors, that their reappointment if made, will be in accordance with the limits specified in Sub Section (1B) of Section 224 of the Companies Act, 1956.
4. To appoint a Director in place of Mr Priya Brat who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a Director in place of Mr P N Vijay who retires by rotation and being eligible offers himself for reappointment.

SPECIAL BUSINESS

6. To consider and if thought fit to pass the following resolution with or without modification as an ordinary resolution: "RESOLVED that subject to the provisions of sections 198, 309, 310, 311, 268 and 269 read with Schedule XIII of the Companies Act, 1956 and subject to such other necessary approvals as may be applicable, approval be and is hereby granted for the reappointment of **Mr. S Sandilya, Chairman & Whole-Time Director** of the Company for a further period of five years with effect from 1st October, 2004 on the terms and conditions as appearing in the explanatory statement enclosed herewith.
7. To consider and if thought fit to pass the following resolution with or without modification as an ordinary resolution: "RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956, and subject to such consents and approvals as may be necessary, the Board of Directors of the Company be and is hereby authorised to mortgage, charge all or any of the present and future movable and immovable properties of the Company wheresoever situated, present and future, together with the power to take over the whole or substantially the whole of the undertaking of the Company or any of its undertaking in certain events:

As and by way of First Charge:

1. Term loan of Rs.15 crores by IDBI Bank Limited (IDBI).
2. Term loan of Rs.25 crores by ICICI Bank Ltd. (ICICI).
3. Term loan of Rs.28 crores by Industrial Investment Bank of India (IIBI).
4. Term loan of Rs.40 crores by UTI Bank Ltd. (UTI).

As and by way of Second Charge in favour to:

1. Working capital facilities of Rs.60 crores by State Bank of India (SBI)
2. Working capital facilities of Rs.40 crores by ICICI Bank Ltd. (ICICI)
3. Working capital facilities of Rs.23 crores by Standard Chartered Bank (SCB)
4. Direct Discounting of Bills of Rs.15 crores by Small Industries Development Bank of India (SIDBI)
5. Working capital facilities of Rs.23 crores by State Bank of Patiala (SBOP)
6. Working capital facilities of Rs.24 crores by HDFC Bank Ltd. (HDFC)
7. Working capital facilities of Rs.9 crores by Indian Overseas Bank (IOB)
8. Working capital facilities of Rs.5 crores by Centurion Bank of Ltd.(CBL)

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise the terms and conditions and documents for creating the aforesaid mortgage and/or charge and for reserving the aforesaid rights and to do all such acts and things as may be necessary for giving effect to the above resolution".

8. To consider and if thought fit to pass the following resolution with or without modification as a special resolution:

"RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 372A of the Companies Act, 1956, and subject to such consents and approvals as may be necessary, the Board of Directors of the Company be and is hereby authorised to invest an amount not exceeding Rs.310 crores in any one or more of the capital gains bonds issued by the institutions / body corporates i.e. National Bank for Agriculture and Rural Development (NABARD) (Formed under NABARD Act, 1981), National Housing Bank (NHB) (Formed under National Housing Bank Act-1987) and Small Industrial Development Bank of India (SIDBI) (Formed under SIDBI Act-1989) for a maximum period of 7 years.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do all acts, deeds and things as may be required or considered necessary or incidental for making investment in the aforesaid capital gains bonds including signing of appropriate application forms etc. for giving effect to the above resolution"

9. To consider and if thought fit to pass the following resolution with or without modification as a special resolution:

"RESOLVED that pursuant to Section 149 (2-A) and all other applicable provisions, if any, of the Companies Act, 1956 the approval of the Company be and is hereby accorded to the Board of Directors for commencing and undertaking the computer aided engineering and design services as included and specified in the sub-clause 30 of Clause III(C) of the Memorandum of Association of the Company, and the Company hereby confirms, approves and ratifies the initial/preparatory activities of the Company carried out before the date of this resolution."

By order of the Board

Place : New Delhi
Date : June 25, 2005

Inder Mohan Singh
Company Secretary

NOTES:

1. 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 of the Company.
2. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is enclosed.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 9th August, 2005 to 17th August, 2005 (both days inclusive) in terms of Section 154 of the Companies Act, 1956.
4. Please intimate change in your address if any to MCS Limited, Share Transfer Agents, W-40, Okhla Industrial Area, Phase-II, New Delhi - 110 020.
5. The Dividend as recommended by the Board of Directors and if approved by the shareholders at the Annual General Meeting to be held on August 17, 2005, shall be paid to those members whose names appear on the Register of Members as on August 17, 2005.
6. Members are requested to quote folio numbers in all correspondence with the Company.
7. In case you intend to raise any queries in the forthcoming Annual General Meeting, you are requested to please forward the same at least 10 days before the date of the Meeting to Mr Inder Mohan Singh, Company Secretary at the following address so that the same may be attended to appropriately to your entire satisfaction.

By order of the Board

Inder Mohan Singh
Company Secretary
Eicher Motors Limited
Eicher House, 12, Commercial Complex
Greater Kailash-II (Masjid Moth)
New Delhi - 110 048
Tel No. : 29225521
E-mail : imsingh@eicher.co.in

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No.6

TERMS & CONDITIONS OF REAPPOINTMENT OF MR S SANDILYA

Subject to the control and supervision of the Board of Directors, the said Chairman and Whole-Time Director shall be incharge of the management of such affairs of the Company as may be entrusted by the Board from time to time and he shall perform such duties and exercise such powers as may be entrusted to him from time to time by the Board, except such matters which are specifically to be done by the Board or the Secretary under the Articles of Association of the Company or under the Companies Act, 1956 and the rules made thereunder.

The reappointment shall be terminable by either party by giving 3 months' written notice provided that the Company shall have the option to pay salary in lieu of notice for the full period of 3 months or for such period by which such notice falls short of 3 months.

I. Salary and allowances:

- a) Rs.2,00,000/- (Rupees Two Lacs only) per month with effect from 1st October, 2004 in the range of Rs.2,00,000/- to 3,00,000/- per month.
- b) Monthly allowance of Rs.1,08,333/- (Rupees One Lakh Eight Thousand Three Hundred and Thirty Three only) per month (Rs.13 Lacs per annum).
- c) Annual payment of Rs.20,00,000/- (Rupees Twenty lacs only).

II. Perquisites:

- a) Furnished accommodation;
- b) Facility of Car with driver;
- c) Telephone at residence;
- d) Medical Reimbursement : Expenses incurred for self and family in accordance with the rules of the Company;
- e) Contribution to Provident and Superannuation funds : Company's contribution to Provident and Superannuation funds will be as per the rules of the Company;
- f) Gratuity : Not exceeding half month's salary for each completed year of service;
- g) Other perquisites : subject to the overall ceiling on remuneration, the Chairman & Whole-Time Director may be given other allowances, benefits and perquisites as the Board of Directors may, from time to time, decide.

Explanation

Perquisites shall be evaluated as per Income tax Rules, 1962, wherever applicable and in the absence of any such rules, perquisites shall be valued at actual cost.

III. Commission:

As the Board of Directors of the Company and/or a Committee of the Board, may at their sole discretion approve/decide from time to time payment of commission provided that the total commission shall not exceed 1% of the net profit computed in the manner laid down in Section 198 of the Companies Act, 1956 as amended from time to time.

IV. The aggregate of salary, allowances and perquisites including commission in any financial year shall not exceed the limit prescribed from time to time under sections 198, 309, 310 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956 as may for the time being be in force.

V. In the event of absence or inadequacy of profits in any financial year, the aggregate of salary, allowances, perquisites shall not exceed the applicable (maximum) ceiling prescribed under Section II of Part II of Schedule XIII of the Companies Act, 1956 or such other limits as may be prescribed by the Government from time to time.

VI. The Company shall not pay any commission to Mr.S.Sandilya in the event of absence/inadequacy of profits.

Your Board recommends the passing of this ORDINARY RESOLUTION in the interests of the Company.Except Mr.S Sandilya, no other Director is concerned or interested.

Item No. 7

To secure the present and proposed loans and borrowings of the Company from the Banks, it would be necessary to mortgage/ charge the present and future assets of the Company in favour of the Banks by way of First charge and Second charge from time to time.

Section 293 (1)(a) of the Companies Act, 1956, provides inter alia, that the Board of Directors of a public company shall not, without the consent of such public company in General Meeting, sell, lease or otherwise dispose off the whole, or substantially the whole, of the undertaking of the company, or where the company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking.

In view of the above, it is necessary for the members to pass a resolution u/s 293(1)(a) of the Companies Act, 1956 before creation of the said mortgages/charges.

Your Board recommends the passing of this ORDINARY RESOLUTION in the interests of the Company.

None of the Directors is interested or concerned in the passing of the resolution.

Item No.8

The Company has sold its Tractors, Engines and Gears divisions at Mandideep, Alwar and Parwanoo respectively ("**Divisions**") by way of a "slump sale" (as defined under Section 2 (42 C) of the Income Tax Act, 1961) on a 'going concern' basis for a total consideration of Rs.310 crores to TAFE Motors and Tractors Limited (TMTL).

The profit / gain arising from the slump sale shall be taxed as long term capital gain @ 20% plus surcharge @ 10% plus education cess @ 2%. The total effective rate on long term capital gain is 22.44% [section 112(1)(b) of Income Tax Act, 1961]. In case the amount of long term capital gain arising on slump sale or part thereof is invested in specified assets within six months from the date of transfer of the divisions, then the long term capital gains will not be subject to tax to the extent it is invested in specified assets.

In view of the above, it is proposed to invest an amount not exceeding Rs.310 crores in any one or more of the capital gains bonds issued by the following institutions / body corporates :

- National Bank for Agriculture and Rural Development (NABARD) (Formed under NABARD Act, 1981) for a maximum period of 7 years @ 5.20% to 5.30%,
- National Housing Bank (NHB) (Formed under National Housing Bank Act, 1987) for a maximum period of 7 years @ 5.20% to 5.30% and
- Small Industrial Development Bank of India (SIDBI) (Formed under SIDBI Act, 1989) for a maximum period of 7 years @ 5.20% to 5.30%.

The investment for an amount not exceeding of Rs.310 crores in the specified assets viz. capital gains bonds is in excess of the limits as specified under Section 372 A of the Companies Act, 1956 and requires approval of the Shareholders.

Your Board recommends the passing of this SPECIAL RESOLUTION in the interests of the Company.

None of the Directors is interested or concerned in the passing of the resolution.

Item No.9

Sub Clause 30 of Other Objects III. C of the Memorandum of Association of the Company, empowers the Company to, inter alia, provide computer aided engineering and design services.

As per the provisions of Section 149 (2-A) of the Companies Act, 1956 read with Explanation thereunder, commencement of any new activity not germane to the existing activities of the Company shall be approved by the Members by way of passing a Special Resolution in a General Meeting. The business activities enumerated in the sub-clause 30 of Clause III(C) of the Memorandum of Association of the Company are aimed at diversifying the activities of the Company.

The proposed business can be combined conveniently and advantageously with the existing business of the Company. This will also enlarge the area of operations of the Company.

The Company has requisite infrastructure and financial strength to conveniently and advantageously combine the proposed business with its existing business. The alterations as proposed would be in the interest of the Company and its shareholders. No one would be prejudiced by the proposed alteration and the interest of the creditor will not be affected prejudicially.

A copy of the Memorandum of Association of the Company 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 working days up to the date of ensuing AGM.

Your Board recommends the passing of this SPECIAL RESOLUTION in the interests of the Company.

None of the Directors is interested in the proposed resolution.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors have pleasure in presenting the Twenty Third Annual Report along with the audited accounts for the year ended March 31, 2005.

FINANCIAL RESULTS

Your Company reported a gross sales of Rs.2212 crores for the year 2004-05, a growth of 41% over the previous year. The profit before tax was Rs.74 crores as compared to Rs.58 crores in the previous year, a growth of 28%.

The financial results are summarized below:-

	(Rs. in crores)	
	2004-05	2003-04
Gross sales	2212	1565
Less : Excise duty	229	200
Net sales	1983	1365
Other income	18	11
Total income	2001	1376
Operating profit before depreciation and interest	144	124
Interest	22	24
Depreciation	48	42
Profit before tax	74	58
Provision for tax (including deferred tax)	15	24
Net profit after tax	59	34
Earnings per share		
- Basic	20.9	11.9

DIVIDEND

The Directors are pleased to declare and recommend payment of dividend of 40% (Previous year 35%) on the equity shares for the year.

SALE OF TRACTORS, ENGINES AND GEARS DIVISIONS OF THE COMPANY

Pursuant to the receipt of a proposal from Tractors and Farm Equipment Limited (TAFE) for acquisition of your Company's Tractors division at Mandideep, Gears division at Parwanoo and Engines division at Alwar, an evaluation was made and it was decided to focus on Commercial Vehicles (CV business) as a major growth driver.

Accordingly, the Board of your Company in its meeting held on May 25, 2005 has approved sale of the Company's Tractors, Engines and Gears divisions at Mandideep, Alwar and Parwanoo respectively ("Divisions") to Tafe Motors and Tractors Limited

(TMTL), a wholly owned subsidiary of TAFE, by way of a "slump sale" (as defined under Section 2 {42 C} of the Income Tax Act, 1961) on a 'going concern' basis for a total consideration of Rs.310 crores. Your Company had signed the definitive agreements for sale of the aforesaid Divisions of the Company to TMTL on 27th May, 2005.

The appointed date of the sale of the divisions is w.e.f. 1st June, 2005.

The aforesaid transaction is conditional upon receipt of approval of the Members in terms of Section 293(1)(a) of the Companies Act, 1956. In this regard, the Company has sent the requisite resolution along with explanatory statement through postal ballot under Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 for approval of the Members. The results of the postal ballot are awaited.

ACQUISITION OF AN ENTITY IN UNITED STATES THROUGH PURCHASE OF SHARES.

The Board of your Company in their meeting held on May 25, 2005 had approved acquisition of 100% of the shares of Design Intent Engineering Inc. ("DIE"). DIE, a company incorporated and existing under the Laws of the State of Michigan, U.S.A. was incorporated on March 10, 1999 and has since been engaged in the business of providing computer aided engineering and design services to tier 1 and 2 suppliers and OEMs.

This acquisition will provide a strong platform for growth in the engineering services business that has tremendous potential and synergies with the Company's Commercial Vehicles Business.

There is growing need among engineering, especially automotive, industries in the western markets for cutting costs and off-shore outsourcing has emerged as business opportunity with tremendous growth potential.

The Company has developed strong capabilities in engineering design with its in-house product development. An acquisition in the US would give the Company access to a set of customers, to whom it can provide high quality design and analysis support, at competitive costs.

The Exiting Shareholders (also the key employees of DIE) have succeeded in creating a good market presence of DIE in the state of Michigan and in other states of the United States of America and has been catering to international automobile companies.

OUR BUSINESSES

COMMERCIAL VEHICLES

The Commercial Vehicle (CV) industry grew by 26% during the financial year 2004-05. Most of the segments of CV industry grew, though at different rates, spurred by Government investments in road infrastructure, lowest ever interest rates and good business environment.

Your Company sold 23004 vehicles as compared to 15885 vehicles in the immediately preceding year - a growth of 45% outperforming the industry growth. The Company's entry into the Heavy Commercial Vehicle (HCV) segment has gained momentum and during the year the Company sold 4451 HCVs as compared to 1676 HCVs during the previous financial year.

The turnover of CVs grew by 56% to Rs.1419 crores during the financial year 2004-05 from Rs.909 crores in the previous year.

The Company has launched Multi Axle Model Eicher Galaxy (30.25 and 33.25) during the year and sold 715 vehicles in the market in the very first year itself. A 15T GVW Cowl and chassis for inter city passenger segment has also been introduced in select markets during the year.

The Company has tested and successfully piloted a few vehicles of its indigenously developed 4x2 Tipper model during the year and is planning to commence mass production during the current financial year. The Company is also in the process of development and testing of its new variants like 6x2 Tipper and 35 and 40 tonnes Tractor trailer to improve competitiveness in the market. This, backed by development of new dealers in identified areas, would further help in increasing the Company's sales in the short and medium term.

TRACTORS / ENGINES

The growth trend in tractor industry, which started in 2nd half of financial year 2003-04, continued during the financial year 2004-05 also. The Tractor industry grew by 30.6% during the financial year 2004-05 and registered sale of 249700 tractors in the financial year 2004-05 as compared to 191000 tractors sold in the financial year 2003-04. Your company has sold 19003 tractors in the financial year 2004-05 as compared to 16,775 tractors in the previous year, a growth of 13%.

The turnover of Tractors grew by 27% to Rs.538 crores during the financial year 2004-05 from Rs.425 crores in the previous year.

Your company has initiated several measures to promote its higher HP tractors across the country and at the same time it continued to focus on initiatives taken in previous year to check credit sales and enhance channel network. 135 new dealers appointed during the financial year 2004-05 would give a long-term advantage in capturing the market potential. Successful piloting of 3-cylinder water-cooled 30 HP model has further enhanced the product portfolio.

It is heartening to note that initiatives taken in recent past are yielding good results and our sales of medium HP tractors in 31-40 segments have grown by 30.6% as compared to last year. New dealers appointed in 2004-05 would further enable market penetration especially in growing markets.

Focus on other initiatives like reduction in material cost has also yielded good results and helped us stay competitive on the price front despite inflationary trend in steel and other inputs. Your company has also made strong inroads in the yet another key initiative taken for providing cheap and easy financing options to its valued customers. We have now tied-up with 24 PSBs and 3 private banks for preferred financing of our range of products on easy terms.

During the year, your Company has successfully entered into Silent Gensets market and supply to telecom companies with sale of over 600 Gensets and further around 140 Nos through assemblers. Other major highlights were commencement of supplies to Government and Semi-Government departments through DGS&D; production of a new single cylinder engine emission compliant 115 engine and obtained ISO 9001 and 14001 certifications.

While there was growth in Power Generation Segment, the Agro Industrial market continued to be in deep depression. The overall industry downfall is estimated at 50% in Agro-Industrial segment (Rice Mill / Oil Expeller etc). As a result of drop in Agro Industrial segments, our sale of engines and gensets dropped by 15% to 5617 engines as compared to 6576 engines in 2003-2004.

TWOWHEELERS

The two-wheeler industry registered a growth of 17% during the year with motorcycle segment growing by 20%. Your company which operates in the power segment with engine capacity of 350 cc and above, recorded its highest ever sales of 29475 motorcycles during the financial year 2004-05 as against 28361 nos. in the previous year registering a growth of 4%. The turnover at Rs.187 crores as compared to Rs.175 crores in the previous year reflects a growth of 7%.

“Bullet Electra 2004” introduced at the end of the last financial year received good response from the customers and accounts for 45 % of the domestic sale. As a part of continuous improvement, your Company has also introduced Electric Start in this model. The “Bullet Machismo” introduced in the end of 2003-04 with conventional shift gears to cater to younger age group, has set a new bench-mark in the motor cycle industry by being ranked first in Total Customer Satisfaction in the cruiser segment. During the year, International Bullet Electra was introduced and has been well accepted in the international market.

Your company has also set up new Company Showrooms at Chennai and Jaipur. These will provide customers with different kind of experience during sales and post sales period as well. The major initiatives launched to improve the infrastructure and customer experience at our leading dealerships has been accepted well. We intend taking it further by enhancing the service experience at our dealership workshops.

Costs continued to be under focus. Reduction in manpower costs was achieved through one more Facilitative Retirement Plan carried out during the financial year 2004-05 resulting in net reduction of manpower by 114 nos.

New product development and Quality enhancement continued to be a major focus area during the year. Your company upgraded Bullet 500 cc model with electric start and introduced in the Indian market. New models of Electra and Thunderbird with conventional left shift gears, dual tone paints, electric start etc are planned for domestic market introduction in mid 2005.

GEARS

Domestic commercial vehicle industry and tractor industry posted growth of 26% and 30% respectively over the previous financial year. Since the growth of Domestic Gear business is linked to the prospects of Commercial vehicles, Tractors and other auto products, for the second consecutive year gear industry is on a growth path.

The gear business achieved a turnover of Rs. 107 crores during the financial year 2004-05 as compared to Rs. 82 crores in the immediate preceding financial year – a growth of 30%.

The Replacement market continues to be very competitive, highly price sensitive and volumes are driven by discounts and schemes coupled with aggressive pricing by OEMs for their spare parts. Margins were further under pressure since only partial recovery of galloping steel prices (20% inflation in last one year) could be achieved in the replacement market due to fierce competition. Your company developed many products

in Crown Wheel Pinion segment and appointed new channel partners (distributors and stockists) to generate additional sales and to protect the margins.

Exports witnessed a growth of 46% mainly on account of higher demand especially from USA / Canada. Many new customers and products were developed to meet the growing demand from the exports market of South East Asia and Africa besides USA and Canada.

Due to higher demand from Domestic OEMs of tractors, CVs and three-wheeler cargo segment, domestic OEM sales experienced a high growth with sales growing by 76%.

During the year 96 new products were developed to generate new business opportunities.

Industrial labour situation remained very good and your company signed a long-term agreement with the union in the Gear Unit without any loss of working hours. This will remain valid till August, 2007.

AUTO FINANCE OPERATIONS

739 Commercial Vehicles and 99 tractors were financed during the year. Overall portfolio quality continues to be healthy with minimal delinquencies. Encouraged by the overall performance of auto-financing operations, generating significant revenues and also enabling incremental sales, your company has set a significant growth target of retail financing of commercial vehicles in the current financial year.

MARKET AND FUTURE PROSPECTS

The Company will continue to improve its performance during the year under review through a) various initiatives undertaken for increasing volumes / market share. b) cost reduction in the areas of material cost and overheads. c) ramp-up in supply chain. d) restructuring to align itself with strategic objectives and e) new product launches.

Your Company has been offering products designed for greater value to different customer segments which will provide competitive advantage to your company in the market place. The new products offered by your Company have gained good acceptance in all the markets despite intense competition. Your Company is confident that with these initiatives it will further improve its performance in the current year.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Highly productive and state-of-the-art technology CNC machines from Mazak - Japan have been added to further upgrade capacity and productivity in machine shop. In order

to achieve higher process reliability, DC Nut Runners have been installed on torque operations for critical activities. HCV line capacity has been upgraded by conveyor expansion resulting in increase in capacity from 21 to 52 vehicles per day.

Absorption and adaptation of technology has been a continuous process and foreign consultants namely RICARDO of UK, Valtra Inc. of Finland, VAN GARPEN of USA were the key contributors during the year. Consultancy from domestic institutions such as ARAI, Punjab Agricultural University, IITs has also been quite fruitful in testing, certification and evaluation requirements for tractors and engines.

RESEARCH AND DEVELOPMENT

The focus of Research and Development activity during the current year continued on development of new products and variants thereof, apart from improving the existing products and material cost optimization.

During the year Galaxy –33.25 (130 KW), 4300WB Jumbo and 5840 WB CWC for cargo and Passenger applications in HCV range and 1095 - New look Exports LCV, 4050 Cruiser bus and 4050 Skyline bus - in the LCV range were successfully introduced.

Both 4 and 6 Cylinder Engines have been successfully developed complying with Bharat Stage III Emission Norms. Vehicles with BS III engines are being introduced effective April 2005 in line with the BS III implementation plan.

Major projects completed during the year were development of 30 HP water cooled tractors which was piloted with encouraging results. 50 HP water cooled tractor was also introduced with more than 9 variants to suit various kinds of applications.

New emission norms by Central Pollution Control Board (CPCB) for both Tractor Engines (Trem III) and Genset Engines (Stage II) as well as Noise norms on Silent Gensets became applicable during the year or are shortly becoming applicable in the next year. Thus, the focus of Research and Development activities during the current year was mainly on development and upgradation of existing products to meet these emission norms.

It is heartening to note that your Company has obtained all the certifications well before time complying the emission norms for Commercial Vehicles, Tractor / Genset Engines as well as Noise norms for Gensets.

For the two-wheelers New Engine platform based on a Unit Construction design has been successfully prototyped and is currently under rigorous testing.

An aggregate sum of Rs.45 crores was incurred on research and development activities during the year.

CONSERVATION OF ENERGY

New initiatives taken to conserve energy are :-

- Modified piping system of Engine shop cooling tower / Top coat booth in paint shop to reduce number of water circulation pumps.
- Provided automatic cut off for pumps and blower of engine washing machines.
- Use CNG as green energy for internal use in paint shop and washing machine chemicals.
- CFL t-5 lights for painting booths and offices
- Optimum utilisation of furnace oil used in thermo pack resulting in reduced consumption of furnace oil.
- Installation of portable roots blower and compressors resulting in power saving.
- Upgraded one SQF and one pit furnace that resulted into reduction in heat losses. Due to this there has been overall reduction in power and fuel cost.
- Savings in energy by rationalizing the parts washing process before assembly of engines through the following steps:
 - Use of normal water with an appropriate chemical instead of hot water thus eliminating the requirement of electrical heating of water.
 - Implementation of high pressure and high efficiency pumps in the washing machine thus eliminating the need of hot water.

Sustenance of power factor at 99.4% by installing Automatic Power Factor Controller.

PUBLIC DEPOSITS

As at March 31, 2005, there were 613 deposits aggregating to Rs.4.54 crores. During the year under review 209 deposits aggregating to Rs.1 crore matured. As of date, 194 deposits aggregating to Rs.0.94 crore have been repaid or renewed. The balance deposits remain unclaimed

BOARD OF DIRECTORS

Mr Priya Brat and Mr P NVijay - Directors, retire by rotation and, being eligible, offer themselves for reappointment.