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BAJAJ

Tempo

LTD.

38TH ANNUAL REPORT 1996-97

FREEDOM FIGHTER
PIONEER INDUSTRIALIST
PHILOSOPHER PHILANTHROPIST



NAVALMAL KUNDANMAL FIRODIA
(9.9.1910 - 26.3.1997)

BAJAJ **Tempo** LTD.

BOARD OF DIRECTORS

Mr. Abhay Firodia
Chairman & Managing Director

Mr. S. S. Marathe

Dr. R. J. Rathi

Dr. R. B. Baheti

Dr. V. A. Pai Panandiker

Mr. Gurudutt Manjeshwar

Mr. S. N. Inamdar

Mr. C. S. Lodha

Dr. V. G. Bhide

Mr. Vinay Kothari

Dr. Karl Heinz Bendak

Mr. Peter K. M. Fietzek

Dr. Herbert Kauffmann

Mr. Fritz Morgenthaler
(Alternate to Dr. Karl Heinz Bendak)

Dr. Heinz Herbert Bausch
(Alternate to Mr. Peter K. M. Fietzek)

Mr. Frank Lindenberg
(Alternate to Mr. Herbert Kauffmann)

Mr. M. G. Chopda
Joint Managing Director

Secretary :
Mr. S. A. Gundecha

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

Auditors :

Messers P. G. Bhagwat
Chartered Accountants,
Pune

Cost Auditors :

Messers Dhananjay V. Joshi & Co.,
Cost Accountants,
Pune

Bankers :

State Bank of India
Canara Bank
ANZ Grindlays Bank Ltd.
Standard Chartered Bank
Citibank N. A.
Bank of America NT & SA
HDFC Bank Ltd.
Bank of Maharashtra

Registered Office :

Bombay-Pune Road,
Akurdi, Pune - 411 035

Works :

Akurdi, Pune - 411 035

Pithampur,
District Dhar - 452 002



BAJAJ **Tempo** LTD.

NOTICE

Notice is hereby given that the 38th Annual General Meeting of the Members of Bajaj Tempo Limited will be held on Wednesday the 3rd day of September, 1997 at 11.30 a.m. at the Registered Office of the Company at Bombay Pune Road, Akurdi, Pune - 35 to transact the following business :-

ORDINARY BUSINESS

1. To consider and adopt the Directors' Report, Audited Balance Sheet and Profit & Loss Account for the financial year ended on 31st March, 1997 together with Auditor's Report thereon.
2. To declare a dividend.
3. To appoint a Director in place of Dr. R. J. Rathi, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. S. N. Inamdar, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a Director in place of Mr. C. S. Lodha, who retires by rotation and being eligible offers himself for reappointment.
6. To appoint a Director in place of Dr. V. G. Bhide, who retires by rotation and being eligible offers himself for reappointment.
7. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

8. To appoint Mr. Vinay Khemchand Kothari as a Director of the Company. Mr. Vinay Khemchand Kothari was appointed as an Additional Director of the Company w.e.f. 19th October, 1996. As per the provisions of Section 260 of the Companies Act, 1956, he holds office up to the date of ensuing Annual General Meeting and in respect of whom the Company has received a Notice, in writing, from a Member proposing his candidature for the Office of Director and signifying intention to move the following resolution as an Ordinary Resolution :-
"RESOLVED that Mr. Vinay Khemchand Kothari be and is hereby appointed as a Director of the Company."
9. To appoint Mr. Herbert Kauffmann as a Director of the Company. Mr. Herbert Kauffmann was appointed as a Director of the Company w.e.f. 20th May, 1997 to fill the casual vacancy caused by the resignation of Mr. Helmut Werner. As per the provisions of Section 262 of the Companies Act, 1956, he holds office up to the date of ensuing Annual General Meeting and in respect of whom the Company has received a Notice, in writing, from a Member proposing his candidature for the Office of

Director and signifying intention to move the following resolution as an Ordinary Resolution :-

"RESOLVED that Mr. Herbert Kauffmann be and is hereby appointed as a Director of the Company."

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE SAID MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. The Explanatory Statement setting out the material facts concerning the Special Business mentioned at Item Nos. 8 & 9 of the Notice, as required by Section 173 of the Companies Act, 1956, is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will be closed from Sunday, the 24th day of August, 1997 to Wednesday, the 3rd day of September, 1997 (both days inclusive) for ascertaining entitlement to dividend.
4. Payment of dividend, if sanctioned, would be made on or after 3rd September, 1997 to those Members whose names appear on the Register of Members of the Company on 3rd September, 1997.
5. In view of the provisions of Section 194 read with Section 115 O of the Income Tax Act, 1961, no tax will be deducted at source from dividend to be paid, if declared, at the ensuing Annual General Meeting.
6. Members desirous of obtaining any information concerning the accounts or operations of the Company are requested to address their questions to the Secretary of the Company so as to reach atleast 15 days before the date of the meeting so that the information required may be made available at the meeting.
7. The unclaimed dividend upto the Company's financial year 1992-93 has been transferred to the General Revenue Account of the Central Government.
8. The Members are requested to advise the Company immediately of any change in their addresses.

By Order of the Board of Directors

For BAJAJ TEMPO LIMITED

Pune 411 035

Date : 30th June, 1997

S. A. GUNDECHA

SECRETARY



BAJAJ



LTD.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

ITEM NO. 8 :

As per the powers vested by Article No.115 of the Articles of Association of the Company, the Board of Directors of your Company appointed Mr. Vinay Khemchand Kothari as an Additional Director w.e.f. 19th October, 1996.

As per the provisions of Section 260 of the Companies Act, 1956, Mr. Vinay Khemchand Kothari holds office till the date of ensuing Annual General Meeting. The Company has received a Notice from a Member proposing the candidature of Mr. Kothari for the office of Director.

Mr. Vinay Kothari is B. Com., M.B.A. from IESE, Barcelona, Spain and as an entrepreneur has ten years experience in international business. It is in the interest of the Company to avail of his services as a Director.

None of the Directors of the Company, except Mr. Vinay Khemchand Kothari is interested in the resolution mentioned at Item No.8.

ITEM NO. 9 :

As per the powers vested by Article No. 114 of the

Articles of Association of the Company, the Board of Directors of your Company appointed Mr. Herbert Kauffmann as a Director of the Company w.e.f. 20th May, 1997 to fill the casual vacancy caused by the resignation of Mr. Helmut Werner.

As per the provisions of Section 262 of the Companies Act, 1956, Mr. Herbert Kauffmann holds office till the date of ensuing Annual General Meeting. The Company has received a Notice from a Member proposing the candidature of Mr. Kauffmann for the office of Director. It is in the interest of the Company to avail of his services as a Director.

None of the Directors of the Company, except Mr. Herbert Kauffmann is interested in the resolution mentioned at Item No. 9.

By Order of the Board of Directors

For BAJAJ TEMPO LIMITED

Pune 411 035

Date : 30th June, 1997

S. A. GUNDECHA

SECRETARY

BAJAJ **Temco** LTD.

DIRECTORS' REPORT

To :

The Members,

The Directors have pleasure in presenting the 38th Annual Report of the Company together with the audited accounts for the financial year ended on 31st March, 1997.

Shri. Navalmal Kundanmal Firodia, the Founder of the Company, passed away on 26th of March, 1997. He lived an extraordinary life as a Freedom Fighter, as an Industrialist and as a Philanthropist. He made outstanding contribution to the country and society. The Company owes its present status and prosperity mainly to his vision and endeavours over the last 38 years. Indeed he was responsible, at the very outset, for the selection of the products and for establishing relationships with the collaborators. Having set up the Company's manufacturing facilities initially in Bombay, he later made the bold move to shift the same to the present large estate at Pune in 1964. The selection of Pithampur in Madhya Pradesh for the second plant was also the result of his judgement.

He actively ran the business of the Company from its formation in 1958 till his retirement in 1975, having put the Company on sound footing - with the addition of the Diesel Matador to its range. He was responsible to set up a fine distribution network and took pains to create a comprehensive supplier network. During his tenure as Managing Director, he took particular interest to ensure an amicable and constructive tone in employee relations. He took pains to encourage and teach many, and built many a career. After his retirement, he continued to make available wise advice to the Company, in setting the direction and the tone of the Company's business activities.

His financial wisdom and legal acumen were legendary. He had outstanding knowledge and assessment of the Indian society and economy. He also had a very fine appreciation of product and process technologies, developed over his long association with the auto industry. His extraordinary business acumen and vision, his appreciation of technology, his high ethical standards, as also his adherence to utilitarian and simple Gandhian way of life, had a profound effect on determining the Company's policies in regard to the conduct of its business.

The benefit of his vision and the steady support of his sound business acumen will be missed in the activities of your Company in the years to come. The Company owes a great debt to him.

Financial Results & Appropriations

	1996-97	1995-96
	Rs.	Rs.
Gross Sales	686,09,50,986	684,51,27,490
Gross Profit	76,82,04,824	98,22,52,736
Depreciation	59,87,30,047	43,37,03,128
Taxation	10,56,59,865	26,88,18,601
Reserves	49,48,000	3,00,00,000
Proposed Dividend	5,79,58,404	6,91,88,875
(including provision for tax on distributed profits)		
Profits carried forward		
Last year	28,60,34,577	10,54,92,445
This year	28,69,61,194	28,60,34,577

Projections & Actual Performance

The projections given in the Letter of Offer dated 19th October, 1996, issued by the Company, in connection with issue of 32,96,446 equity shares of Rs. 10/- each and the actual performance about utilisation of funds, projected turnover and projected profitability are as under :-

	Projected	Actuals
	Rs.	Rs.
Investment in	86,00,00,000	87,69,13,743
Plant & Machinery		
Investment in Buildings	10,00,00,000	11,70,41,905
Sales	890,00,00,000	686,09,50,986
Other Income	8,90,00,000	8,67,51,402
Profit after tax	10,42,32,000	6,38,14,912



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Sales were affected due to shifting and relocating of various production activities at Akurdi, labour unrest at Pithampur and due to softening of demand.

Dividend

The Board of Directors recommend a dividend of Rs. 5.00 per share on 98,81,538 equity shares of Rs. 10/- each and of Re. 1.00 per share on 32,81,768 equity shares of Rs. 10/- each issued as Right Shares on pro-rata basis.

Market Situation

After a steady growth over two years, the automobile Market in India began to slow down around the middle of the previous year. As already stated, in addition to this softened demand picture, your Company also had to contend with difficulties in production at both its Plants. The significant restructuring of production facilities at Pune and the protracted wage negotiations at its Plant in Pithampur, had an adverse effect on the output during the previous year. While the gross sale in Rupee value has not suffered a decline, the number of 4-Wheelers produced was lower during the previous year.

There occurred a rise in the Excise Duty levied on one of the main products of the Company i.e. 10-seater Utility Vehicles, from 15 per cent to 20 per cent in the two Union Budgets in 1996-97. The Government introduced a new classification, whereby the advantage for Utility Vehicles with seating capacity of 10 or more seats has been withdrawn and the category itself has been changed. The Budget for the year 1997-98 further increased the rate of duty from 20 per cent to 25 per cent, on vehicles with more than 6 + 1 seating capacity - the new classification.

The unfortunate bias of the Administration in imposing higher taxes on vehicles engaged in mass transportation of passengers, particularly vehicles utilised by the private passenger transportation trade, continues.

It is an important part of the strategy of your Company to cater to the needs of passenger transportation, particularly in rural areas, and it has therefore consistently developed suitable utilitarian vehicles including "Tempo Trax" and a new "Minidor" 6-seater autorickshaws, in addition to the Matador Minibuses, for this market. The above taxation bias therefore affects vital interests of your Company.

Exports

Your Company has won the EEPC award for its excellent export effort for developing exports in the African market for the year 1995-96.

Besides continuing to promote the Traveller and Tempo Trax in Africa, efforts to export a special version of 4 x 4 Trax are continuing. The Company successfully participated in the Munich Off-Road Vehicles Show in May, 1997. Exports to Germany of 4 x 4 Tempo Trax, 'Gurkha', should begin in 1997, as the response to its participation was encouraging.

Capacities & Technologies

The major exercise to create production facilities to cater to the diversified range of products and to upgrade the technology of production has progressed.

The Company has engaged the services of M/s. Roland Berger, renowned international consultants, to undertake an exercise on 'Lean Manufacturing' and to define a new management structure, compatible with the changing character of the Company's business.

New Markets

The success of the Minidor 3-Wheeler, both in its passenger and goods versions, has opened up new markets for your Company's products. Production of Minidor vehicles has been improving and it is expected to achieve a substantially higher weightage in the Company's product mix during the current year. Production infrastructure to reach a capacity of 2,000 units of 3-wheelers per month at Akurdi, Pune, is expected to be made operational in the near future.

The fully indigenously designed, developed and manufactured Tempo 'OX-45' Tractor, has been successfully introduced in the market. Initial sales were restricted to areas in Southern Maharashtra. The response from the customers has been most satisfactory. The hitech product features such as synchromesh transmission, high torque engine with refined performance, oil immersed wet disc brakes and high efficiency hydraulics, besides the excellent looks and ergonomic design have all been much appreciated. After the initial test marketing phase, efforts are now on to step up the production of the OX-45 Tractor, to mass production levels.

Development activity of the "OX-35" Tractor with 35 HP Power rating is completed, and the activity for tractor range extension to include 4 x 4 versions and 25 HP tractors, is also progressing rapidly.

The market composition for Light Commercial Vehicles has changed over the years, and the demand centre has gradually shifted to higher tonnage vehicles. This shift has affected the sale of the Matador vehicles particularly in Northern India. The sale of Tempo Traveller vehicles has improved and shows promise. The Company's LCV business is expected to benefit by the introduction of the new

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4-tonne LCV - the "Tempo Excel." This product is expected to be introduced by the end of the current year.

R & D Expenditure

The Company continues to put emphasis on in-house engineering and product development activity. The expenditure on R & D during the previous year was 1.53% of the turnover.

Foreign Collaborations

The progress of implementing the existing foreign technology agreements is satisfactory. The Company continues to obtain consultancy assistance from M/s. Ricardo, Dr. Bacher, Dr. Sesa and Mr. Feucht.

Rights Issue

In order to raise part of the finance for creating facilities to increase the production capacities for manufacture of vehicles, your Company made an issue of 32,96,446 equity shares of Rs. 10/- each for cash at a premium of Rs. 90/- per share aggregating to Rs. 32.96 crores.

The issue met with good response from the shareholders of the Company and till date, the Board of Directors of your Company allotted 32,82,217 equity shares of Rs. 10/- each. The offer of balance 14,229 equity shares is kept in abeyance as per the provisions of section 206 A of the Companies Act, 1956.

Industrial Relations

The industrial relations at the Akurdi plant were largely cordial. The Company entered into a new three year wage agreement. The Pithampur plant continued to experience troubled relations through the last year, mainly due to inter-union rivalry.

Foreign Exchange

Foreign exchange outgo arising out of import of raw materials, components and capital goods is as per the details mentioned in the Note to Accounts.

Conservation of Energy

New energy efficient heat treatment furnaces were commissioned during the previous year at Akurdi, Pune. The new Paint Shop facility with enhanced energy efficiency was commissioned at Pithampur.

Environment

Increased tree plantation was undertaken at estates both at Akurdi and Pithampur.

Fixed Deposits

91 deposits amounting to Rs. 5,53,000/- matured for repayment on or before 31st March, 1997, but remained unclaimed on that date, out of which 5 deposits amounting to Rs. 32,000/- have since been repaid / renewed.

Orders for Machinery

Since the close of accounting year, Company has placed orders for new machinery and equipment for Rs. 1,098.26 lakhs.

Shares

The Board of Directors in its meeting held on 30th June, 1997 annulled forfeiture of 312 equity shares. These shares were forfeited on 7th April, 1996 for non-payment of calls. The Board of Directors also decided to forfeit 2 equity shares for non-payment of calls in the said meeting.

Directors

Mr. Vinay Kothari was appointed as Additional Director of the Company w.e.f. 19th October, 1996. Mr. Vinay Kothari holds the office as Additional Director upto the date of ensuing Annual General Meeting. The Company has received a notice proposing his candidature for the office of Director.

Mr. Helmut Werner resigned from the Directorship of the Company w.e.f. 29th March, 1997 and Mr. Josef Wurth ceased to be a Director of the Company from that date being Alternate Director to Mr. Helmut Werner. The Board places on record its appreciation of the services rendered by Mr. Helmut Werner and Mr. Josef Wurth, during their association with the Company.

The Board appointed Mr. Herbert Kauffmann as Director of the Company on 20th May, 1997 to fill the casual vacancy caused by the resignation of Mr. Helmut Werner. In view of Article No. 114 of the Articles of Association of your Company, Mr. Kauffmann holds the office of Director up to the date of ensuing Annual General Meeting and the Company has received a notice proposing his candidature for the office of Director.

Mr. Frank Lindenberg was appointed as Alternate Director to Mr. Herbert Kauffmann on 30th June, 1997.

Dr. R. J. Rath, Mr. S. N. Inamdar, Mr. C. S. Lodha and Dr. V. G. Bhide, Directors of your Company, retire by rotation and being eligible offer themselves for reappointment.



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Mr. Abhay Firodia, Chairman & Managing Director of the Company, was reappointed as Managing Director for a further period of five years w.e.f. 1st July, 1997. The Board of Directors of your Company also appointed Mr. M. G. Chopda as Joint Managing Director for a period of five years w.e.f. 1st June, 1997. Both these, the reappointment and the appointment and the payment of remuneration to Mr. Abhay Firodia and to Mr. M. G. Chopda, have been approved by the Members of the Company in their Extra-ordinary General Meeting held on 30th June, 1997.

Other

The statement, pursuant to Section 212 of the Companies Act, 1956, relating to the subsidiary company and its accounts are annexed hereto.

The statement of particulars of employees as required by section 217 (2A) of the Companies Act, 1956 has been annexed hereto.

You are requested to appoint Auditors for the current year and fix their remuneration. M/s. P. G. Bhagwat, Chartered Accountants, Pune, Auditors to the

Company, who retire at the ensuing Annual General Meeting, are eligible for reappointment.

The Central Government directed to conduct audit of the cost records and accordingly M/s. Dhananjay V. Joshi & Co., Cost Accountants, Pune, were appointed as the Cost Auditors for the year under report. The Cost Audit Report is under preparation.

The Directors express their grateful thanks to the banks, suppliers and dealers for their support and express their warm appreciation of sincere co-operation and dedicated work by the employees.

For and on behalf of the Board of Directors

ABHAY FIRODIA

Pune 411 035

Date : 30th June, 1997 CHAIRMAN & MANAGING DIRECTOR

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