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BAAI  INC.

39TH ANNUAL REPORT 1997-98



Tempo Excel-4 Pickup Truck - Payload 3.6 Tons

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Tempo Trax Town & Country - Upgraded Version



BAJAJ **TATTOO** LTD.

BOARD OF DIRECTORS☆

Mr. Abhay Firodia
Chairman & Managing Director

Mr. S. S. Marathe

Dr. R. J. Rath

Dr. R. B. Baheti

Dr. V. A. Pai Panandiker

Mr. S. N. Inamdar

Mr. C. S. Lodha

Mr. Gurudutt Manjeshwar

Dr. V. G. Bhide

Mr. Vinay Kothari

Mr. Sudhir Mehta

Mr. Peter K. M. Fietzek

Dr. Herbert Kauffmann

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

☆ (w. e. f. 30th July, 1998)

Secretary :
Mr. S. A. Gundecha

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 39th Annual General Meeting of the Members of Bajaj Tempo Limited will be held on Wednesday the 16th day of September, 1998 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, 1998 together with Auditor's Report thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Peter K. M. Fietzek, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. S. S. Marathe, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a Director in place of Mr. Gurudutt Manjeshwar, who retires by rotation and being eligible offers himself for reappointment.
6. To appoint a Director in place of Dr. R. B. Baheti, who retires by rotation and being eligible offers himself for reappointment.
7. To appoint a Director in place of Dr. V. A. Pai Panandiker, who retires by rotation and being eligible offers himself for reappointment.
8. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

9. To appoint Mr. Sudhir Mehta as a Director of the Company. Mr. Sudhir Mehta was appointed as an Additional Director of the Company w.e.f. 30th July, 1998. 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. Sudhir Mehta be and is hereby appointed as a Director of the Company."

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

"RESOLVED that as per the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded for payment of remuneration to Directors of the Company, other than the Managing

Director and Joint Managing Director, by way of commission up to 1% of the net profits of the Company from the Financial Year 1998-99 to 2002-03."

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. 9 & 10 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 Tuesday, the 1st day of September, 1998 to Wednesday, the 16th day of September, 1998 (both days inclusive) for ascertaining entitlement to dividend.
4. Payment of dividend, if sanctioned, would be made on or after 16th September, 1998 to those Members whose names appear on the Register of Members of the Company on 16th September, 1998.
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 1993-94 has been transferred to the General Revenue Account of the Central Government.
8. Equity shares of the Company are listed on Pune Stock Exchange Limited, PMT Commercial Building, Deccan Gymkhana, Pune, and The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai. The Company has paid the annual listing fees to each of these Stock Exchanges.
9. 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

S. A. GUNDECHA

Date : 30th July, 1998

Co. Secretary & Vice President



BAJAJ TEMPO LTD

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956**ITEM NO. 9 :**

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. Sudhir Mehta, son of Mr. Sukhsampat Raj Mehta, as an Additional Director w.e.f. 30th July, 1998.

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

Mr. Sudhir Mehta holds a Bachelor's degree from Depauw University of U. S. A. and a Master's degree in Business Management from the University of Chicago, U. S. A., and has a working experience of about nine years in U. S. A. and in India as an investment banker and as an entrepreneur. It is in the interest of the Company to avail of his services as a Director.

Mr. Sudhir Mehta is the son-in-law of Mr. A. N. Firodia. None of the Directors of the Company, except Mr. Sudhir Mehta and Mr. A. N. Firodia, are interested in the resolution mentioned at Item No. 9.

ITEM NO. 10 :

As per the provisions of Section 309 of the Companies Act, 1956, Directors, who are neither Managing Director or Wholetime Directors may be paid remuneration by way of commission if the Company by a Special Resolution authorises such payment.

As per the Special Resolution passed by the Members of the Company in their Extraordinary General Meeting held on 10th March, 1994 and as per the approval received from the Central Government as per the provisions of Section 310 of the Companies Act, 1956, the Company paid / provided remuneration to Directors, other than Working Directors, by way of commission for the Financial Years 1993-94 to 1997-98. Though the Members approved payment of commission upto 1% of net profits, the Company has paid amounts as indicated below as commission to Directors during the above period :-

Financial Year	Amount Paid/Provided as Commission to Non-Working Directors (Rs.)	1% of the Profit for the Financial Year (Rs.)
1993-94	6,00,000	31,24,855
1994-95	6,00,000	32,42,638
1995-96	12,00,000	76,29,796
1996-97	12,00,000	31,47,141
1997-98	6,00,000	10,48,102

The above commission is paid in addition to sitting fees paid to Non-Working Directors for attending meetings of Board of Directors or Committee thereof.

In view of the present business conditions, it is necessary that expert advice of Non-Working Directors is sought from time to time on on-going basis concerning with their areas of expertise. Similarly, as various liabilities and risks are incurred/undertaken by the Directors under various legislations, it is necessary that a sufficient reward is offered to Non-Working Directors. Considering the above facts, the Board of Directors have decided to put the present proposal before the Members of the Company.

The commission will be distributed amongst the Non-Working Directors on the basis to be decided from time to time.

All the Directors of the Company, except Mr. Abhay Firodia, Chairman & Managing Director and Mr. M. G. Chopda, Joint Managing Director, are interested in the resolution mentioned at Item No. 10.

The copy of resolution passed by the Members of the Company in their Extraordinary General Meeting held on 10th March, 1994, a copy of the approval of the Central Government obtained as per the provisions of Section 310 of the Companies Act, 1956, are available for inspection at the Registered Office of the Company on any working day during 9.00 a.m. to 4.00 p.m.

By Order of the Board of Directors

For BAJAJ TEMPO LIMITED

Pune 411 035

S. A. GUNDECHA

Date : 30th July, 1998

Co. Secretary & Vice President

BAJAJ **REPORT** LTD

DIRECTORS' REPORT

To :

The Members,

The Directors have pleasure in presenting the 39th Annual Report of the Company together with the audited accounts for the financial year ended on 31st March, 1998.

Financial Results & Appropriations

	1997-98	1996-97
	Rs.	Rs.
Gross Sales	621,19,33,545	686,09,50,986
Gross Profit	57,12,65,744	76,82,04,824
Depreciation	48,79,81,074	59,87,30,047
Taxation	4,39,63,950	10,56,59,865
Reserves	9,45,900	49,48,000
Proposed Dividend	1,44,81,487	5,79,58,404
(including provision for tax on distributed profits)		
Profits carried forward		
Last year	28,69,61,194	28,60,34,577
This year	31,08,54,537	28,69,61,194

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, in respect of investment in Plant and Machinery was Rs. 44.04 crores, but the actual amount invested in the Plant & Machinery during the Financial Year 1997-98 is Rs. 27.35 crores. The actual amount invested is less than the projected amount due to delay in implementation of projects.

Dividend

The Board of Directors recommend a dividend of Re. 1.00 per share on 1,31,64,988 equity shares of Rs. 10/- each.

Market Situation

The economic situation worsened during the year under report with a further slowdown in the Commercial Vehicles Sector. Generally, industrial activity was at a low ebb during the year under report. As yet a turnaround is not in sight.

During the year under review production of vehicles at Pithampur was affected due to a protracted Industrial Relations Problem, resulting in no production from the plant from 2nd June, 1997 to 19th July, 1997. This problem with its basis in inter-union rivalry, has since been resolved. However the value of output during the year under report was severely impacted due to this additional negative factor.

The continued bias against passenger vehicles, which are taxed at a higher rate of Excise duty than the goods vehicles, was seen in the Budget of February 1997, raising the excise duty on Passenger Utility Vehicles with ten seats, from 20% to 25%. A most unfortunate feature of the Budget was to raise the duty on Ambulances to 40%. Effectively Factory made Ambulances with all Equipments on Board, attract disproportionately high rate of duty in comparison to the earlier situation when a then factory made LCV based Ambulance, attracted Excise duty of only 10% (due to the earlier 10% regime of concessional duty for Fuel Efficient LCVs). Generally speaking, the products of the Company for 'Passenger Transport', in the Light Commercial Vehicles and also Utility Vehicles segments suffered due to higher rates of taxation. The Budget for the year 1998, presented in June 1998, has further increased the duty on Utility Vehicles with a seating capacity of 10 passengers from 25% to 30%. The much expected simplification in clearances of Ambulances and the hope for reduction of duty on Ambulances on humanitarian considerations, has not found favour with the Government. The chart below shows the situation over the last five years.

	Effective Rate of Excise Duty on Vehicles with capacity of 10 passengers plus drive, i.e. the Trax range.	Effective Rate of Excise Duty for Passenger carrying Light Commercial Vehicles, i. e. Traveller and Matador Range			Effective Rate of Excise Duty for goods LCVs.	Effective Rate of Excise Duty on Ambulances
		not more than 6	7 to 12	13 or more		
1/3/94 to 14/3/95	15%	10%*	10%*	10%*	10%*	10%*
15/3/95 to 22/7/96	15%	10%*	10%*	10%*	10%*	10%*
23/7/96 to 28/2/97	20%	40%	20%	15%	15%	40%
1/3/97 to 1/6/98	25%	40%	25%	15%	15%	40%
2/6/98 onwards	30%	40%	30%	15%	15%	40%

* concession based on fuel efficiency.



BAJAJ **Tempo** LTD.

The 6 Seater Auto Rickshaw 'Minidor' and the Pick-up version of the Minidor have continued to improve their market position. The product has been introduced in several additional States where earlier it was not being marketed. The response is encouraging and the market is expected to grow further.

The 'Tempo OX' range of Tractors has been well received in the market and the manufacturing activity for the OX-45 and the OX-35 Tractors is now gathering momentum. Considering that the Tractor is a product of our own Research and Development effort and is fully indigenously Designed, Engineered and Tooled-up, and that it has gone into production with 'full local content' from Day One, the customer acceptance of this product and its success in the market place, is a matter of satisfaction for the Company.

Facilities are created at Pithampur for production of the new generation LCV the 'Tempo Excel'. In addition to the 'Excel-4' which is a 4 Ton LCV, the Excel-3 and the Excel-2, with 3 and 2 Tons pay-loads respectively, are also simultaneously introduced, to offer a complete new family of LCVs. The Matador Pick-up is eventually expected to be replaced by the new Tempo EXCEL.

With this, the Company has now positioned new products in all 4 segments that it operates in (1) LCV - 'Tempo Excel', (2) Utility Vehicles - the substantially improved and Face-lifted 'Trax', (3) 'Minidor' - Auto Rickshaw and Pick-up, (4) Tractors - the 'Tempo OX' Range of Tractors.

All the above products are the result of Company's own R & D and are tooled up in house in own Tool Room. These are now fully productionised.

The Company has set up a special facility for the production of Engines and Gear Boxes for the requirement of Mercedes Benz India Ltd., This engagement in the production of high technology Engines and Gearboxes, incorporating 'state of the art' features, has been achieved as a result of working closely together with Daimler Benz AG, Germany.

The Business activities for individual product lines, such as Tractors, Three Wheelers, LCVs, Utility Vehicles are being reorganised along divisional lines, to foster Team Concepts. Eventually over the next couple of years the Company expects to complete the process of reengineering the corporate structure and the individual divisions, so as to achieve well defined Business Units or Product Divisions. It is expected that this exercise in 'Business Process Rengineering' which extends down to the 'Manufacturing Cell' level, will enable the Company to improve its market orientation and response time, besides improving the operating efficiency and cost control.

Exports

The Export of Trax 4 x 4 GURKHA to West Germany are continuing. The Company again participated in the 'Off Road' show at Munich in April, 1998. The Company has obtained TÜV approval for the 'EURO-II' Emission Levels and the situation on export of Traxes is optimistic. In addition to Export of vehicles, export of components is also taken up aggressively. We expect to achieve substantial export of Sheet Metal parts and Gear Boxes etc. during the current year to Daimler Benz AG, Germany.

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 1.29% 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.

Industrial Relations

Except for the work interruption at Pithampur in June / July, 1997, the Industrial Relations at Akurdi and Pithampur Plants were largely cordial.

Foreign Exchange

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

Conservation of Energy

Efforts to conserve energy are emphasised by the use of additional power capacitors and various energy saving devices ordered with the new equipment installed in the Company. The use of Propane Gas as an alternate fuel has been organised at Pithampur to achieve energy conservation and operating cost improvement.

Environment

Further efforts on Environmental protection are taken by the Company including additional Tree Plantation at both estates.

Fixed Deposits

74 deposits amounting to Rs. 4,40,000/- matured for repayment on or before 31st March, 1998, but remained unclaimed on that date, out of which 2 deposits amounting to Rs. 13,000/- have since been repaid/renewed.



BAJAJ ZETA LTD.

Orders for Machinery

Since the close of accounting year, Company has placed orders for new machinery and equipment for Rs. 25.85 crores.

Directors

Mr. Peter K. M. Fietzek, Mr. S. S. Marathe, Mr. Gurudutt Manjeshwar, Dr. R. B. Baheti and Dr. V. A. Pai Panandiker, Directors of your Company, retire by rotation and being eligible offer themselves for reappointment.

As approved by the Member in their Extraordinary General Meeting held on 10th March, 1994 and as per the approval received from the Central Government, commission upto 1% of the net profits of the Company was paid / provided for the Non-Working Directors from the Financial Year 1993-94 to 1997-98. It is proposed to extend this payment of remuneration to Non-Working Directors for further five years and proposal to that effect is being put for the consideration of the Members of the Company in their ensuing Annual General Meeting.

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

Pune 411 035

ABHAY FIORDIA

Date : 28th June, 1998 CHAIRMAN & MANAGING DIRECTOR


BAJAJ ZEPHYRUS LTD.
ANNEXURE TO DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1998

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975

Sr. No.	Name	Designation	Remuneration (Rs.)	Nature of Duties	Qualification/s	Age (Years)	Experience (Years)	Date of Commencement of Employment	Last Employer/Designation/ Period of Service
A. EMPLOYED THROUGHOUT THE FINANCIAL YEAR									
1.	Mr. S. D. Aras	Dy. Manager	3,07,474/-	Purchase	D. M. E.	51	26	16/12/1971	—
2.	Mr. N. Balasubramanian	Dy. Div. Manager	3,36,280/-	Quality	D. M. E.	48	29	21/7/1996	Greaves Ltd. Dy. General Manager (Quality & Mfg.) 1 year & 9 months
3.	Mr. R. B. Bhandari	Dy. Div. Manager	7,29,090/-	Internal Audit	B. Com.	53	27	1/4/1989	Jaya Hind Industries Ltd. Asst. Manager (Accounts) 2 years
4.	Mr. R. B. Bhandari	Sr. Manager	3,84,054/-	Purchase	B. Sc.	53	28	1/6/1970	Bajaj Auto Ltd. Chemist 2 years
5.	Mr. R. S. Bhattad	Dy. Div. Manager	3,36,322/-	EDP	M. Sc. (Maths)	46	22	29/8/1984	International Computers Indian Mfg. Ltd. Systems Analyst 2 years & 3 months
6.	Mr. K. G. Bhosale	Div. Manager	5,95,055/-	Tool Room	B. E. (Mech.), D. M. E., D. B. M.	46	23	30/7/1993	Speedy Measuring Equipment Pvt. Ltd. Manager (Development) 1 year
7.	Mr. Sanjay Bohra	Manager	3,71,819/-	Finance	B. Com. (Hons), A.C.A.	35	10	1/9/1990	Indian Rayon & Industries Ltd. Accounts Officer 2 years & 3 months
8.	Mr. N. K. Bokil	Manager	3,02,897/-	Accounts & Taxation	B. B. A., C. A.	39	16	18/6/1993	Poonam Roofing Products Ltd. Dy. Manager (Finance) 2 years
9.	Mr. B. Chandramohan	Sr. Manager	3,33,914/-	Quality Control	Diploma in Automobile Engineering	43	21	1/2/1984	V. R. D. E., Ahmednagar Jr. Scientific Asst., 7 years
10.	Mr. S. H. Changede	Dy. Manager	3,21,899/-	Purchase	D. M. E.	43	21	1/7/1977	—
11.	Mr. S. B. Chordiya	Sr. Manager	4,42,620/-	Purchase	B. E. (Mech.), DIM, DM (Mtls.), ABMA	37	15	16/8/1983	—
12.	Mr. R. H. Choudaki	Gen. Manager	7,26,589/-	Production Engg.	B. E. (Mech.), D. B. M.	53	29	12/4/1994	L & T Ltd., Dy. General Manager 1 year
13.	Mr. A. R. Damodaran	Sr. Manager	3,38,075/-	R & D	L. M. E. - AMIE	50	27	5/8/1984	Jaya Hind Industries Ltd. Asst. Manager 4 years
14.	Mr. P. K. Desai	Sr. Manager	3,32,172/-	Production	B. E. (Electrical)	47	24	3/4/1991	Purolator India Ltd. Manager (Production) 10 months
15.	Mr. V. B. Deshpande	Dy. Div. Manager	3,62,169/-	Production	D.E.E., P.D.A.E., Dip. in Japanese Language, Higher Dip. in German Language, Dip. in French,	56	32	6/8/1979	British Petroleum Mobile Maintenance Engineer 6 months
16.	Mr. V. V. Deshpande	Manager	3,56,080/-	R & D	B. E. (Mech.), DIM, (IGNOU - Delhi) MIE, MIAE	35	14	13/7/1983	—
17.	Mr. D. K. Dhamija	Gen. Manager	8,32,309/-	Marketing	B. Sc. Engg. (Elect.)	44	21	15/4/1991	ECE Industries Ltd. Regional Manager (North) 3 years
18.	Mr. S. B. Dugad	Sr. Manager	3,61,288/-	R & D	B. E. (Mech.), M.E. (Mech.), Auto Engg., A.M.I.E.	50	25	1/1/1974	V. J. Technical Institute Lecturer 6 months
19.	Mr. N. M. Fanse	Sr. Manager	3,13,254/-	Production	D. M. E., D. B. M., Post Dip. in Refrigeration & Airconditioning	49	28	3/11/1995	Mahindra & Mahindra Ltd. Production Manager 2 years & 10 months
20.	Mr. A. N. Firodia	Chairman & Managing Director	28,88,048/-	Overall Management of the business of the Company	B. A. (Hons)	53	30	1/7/1987	Kinetic Engineering Limited Managing Director 2 & 1/2 years
21.	Mr. J. G. Gandhe	Dy. Manager	4,33,136/-	Prodn. Engg.	B. E. (Mech.), MCM	33	12	1/6/1986	—
22.	Mr. S. K. Garg	Sr. Manager	3,67,870/-	Heat Treatment	B. Tech. (Metallurgy), Dip. Production Management, Dip. Japanese Language	44	22	20/4/1994	Kinetic Engineering Limited Sr. Manager 3 & 1/2 years
23.	Mr. A. H. Goel	Gen. Manager	8,45,892/-	Purchase & Exports	B. Sc. (Engg.), Mech.	40	18	1/10/1982	Kirtoskar Oil Engines Ltd. Asst. Engineer 1 & 1/2 years