



GKN Driveshafts (India) Ltd.



**16th
ANNUAL REPORT
2000**



Board of Directors

Dr. D.V.Kapur
Mr. S. Ravindran

Chairman
Managing Director (Appointed as Director and
Joint Managing Director w.e.f. June 29, 2000 and
Managing Director w.e.f. November 1, 2000)

Mr. John Ian Dickenson
Mr. D.P.Mehta
Dr. W. Rohregger
Mr. Paul Drake
Mr. Craig Parr
Mr. A.R.Nanjanath
Mr. John E. Perry

Director (Managing Director upto October 31, 2000)

Resigned w.e.f. 12.03.2001
Resigned w.e.f. 30.06.2000
Resigned w.e.f. 18.05.2000

Audit Committee

Dr. D.V.Kapur
Mr. Paul Drake
Dr. W. Rohregger

Company Secretary & Internal Auditor

Mr. Vivek Bhatia

Auditors

Lovelock & Lewes
New Delhi

Technical Collaborators

GKN Automotive GmbH, Germany
(Formerly GKN Automotive AG, Germany)
GKN Automotive Limited, U.K.

Bankers

Canara Bank
Sanwa Bank
Standard Chartered Grindlays Bank

Registered Office & Faridabad Works

270, Sector 24,
Faridabad 121 005 (Haryana)
Tel : 0129 - 5232531, 5232731
Fax : 0129 - 5230580
E-mail : gknindia@vsnl.com
Website : www.gknindia.com

Dharuhera Works

34 & 35, Industrial Area,
Dharuhera 122 106 (Haryana)
Tel.: 01274 - 42579, 42580
Fax : 01274 - 42581

Gummidipundi Works

A-13/a, SIPCOT Industrial Complex,
Gummidipundi, Chengalpattu
M.G.R.Distt 601 201 (Tamil Nadu)
Tel : 04119 - 22274, 23484, 23486
Fax : 04119 - 22540

Share Transfer Agent

MCS Ltd.
Srivenkatesh Bhawan,
212 - A, Shahpurjat,
(Behind Panchsheel Club),
New Delhi 110 049
Tel : 011 - 6494830, 6494831
Fax : 011 - 6494152

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GKN Driveshafts (India) Limited

NOTICE

Notice is hereby given that the 16th Annual General Meeting of the Company will be held at 3.30 p.m. on Tuesday, June 12, 2001 at the **Silver Jubilee Hall, Hotel Magple**, Mathura Road, Faridabad (Haryana), to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Directors' Report and Audited Profit & Loss Account for the year ended December 31, 2000 and the Balance Sheet as at that date.
2. **Declaration of Dividend:**
To declare dividend as follows:

Dividend at the rate of 10% (ten per cent) per annum on the paid up value of each share i.e. Rs. 10.00 each on 12,773,061 Equity Shares of Rs. 10.00 each (Dist. Nos. 1 - 12,773,061 (inclusive)) for the year 2000.
3. **Appointment of Auditors and fixing their remuneration:**
To appoint Auditors to hold office from the conclusion of the 16th Annual General Meeting till the conclusion of the 17th Annual General Meeting of the Company and to fix their remuneration.

M/s. Lovelock & Lewes, Chartered Accountants, New Delhi, the retiring Auditors, being eligible, have offered themselves for re-appointment.
4. **Appointment of Directors:**
 - a) To appoint a Director in place of Mr. D.P.Mehta who retires by rotation and is eligible for re-appointment.
 - b) To appoint a Director in place of Dr. W. Rohregger who retires by rotation and is eligible for re-appointment.

SPECIAL BUSINESS:

5. **Appointment of Mr. Sankaran Ravindran as Director:**
To appoint Mr. Sankaran Ravindran as a Director of the Company, who has been appointed as Additional Director of the Company by the Board of Directors with effect from June 29, 2000 pursuant to Article 114 of the Articles of Association of the Company and who, under Section 260 of the Companies Act, 1956 as amended to date, holds office upto the date of the forthcoming Annual General Meeting but who is eligible for appointment and in respect of whom the Company has received a notice in writing from a shareholder proposing his candidature for the office of Director under the provisions of Section 257 of the Act.
6. **Appointment and payment of remuneration to Mr. Sankaran Ravindran as Managing Director:**
To consider and if thought fit, to pass with or without modification, the following Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 as amended to date the Company hereby approves the appointment and terms of remuneration of Mr. Sankaran Ravindran, as a Joint Managing Director of the Company from June 29, 2000 to October 31, 2000 and as a Managing Director of the Company from November 1, 2000 to June 28, 2005 i.e. for a period of five years from June 29, 2000 upon the terms and conditions (including the remuneration to be paid in the event of loss or inadequacy of profit if any financial year during the aforesaid period) set out in the Agreement submitted to this Meeting and signed by the Chairman for the purpose of identification, and authorise to the Board of Directors subject to the approvals of Central Government if required, to alter, vary, modify and increase the remuneration including perquisites within the limits or ceilings prescribed under Schedule XIII of the Companies Act, 1956 as amended to date or any statutory modification or re-enactment thereof and to alter the aforesaid terms and conditions between the Company and Mr. Sankaran Ravindran subject to approval of Members in the next General Meeting wherever necessary."
7. **Appointment of Mr. Paul Drake as Director:**
To appoint Mr. Paul Drake as a Director of the Company, who has been appointed as Additional Director of the Company by the Board of Directors with effect from March 13, 2001 pursuant to Article 114 of the Articles of Association of the Company and who, under Section 260 of the Companies Act, 1956 as amended to date, holds office upto the date of the forthcoming Annual General Meeting but who is eligible for appointment and in respect of whom the



Company has received a notice in writing from a shareholder proposing his candidature for the office of Director under the provisions of Section 257 of the Act.

For and on behalf of the
Board of Directors

Sd/-
Vivek Bhatia
Company Secretary

New Delhi, March 13, 2001

Notes:

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 as amended to date in respect of the business under items 5, 6 and 7 set out above are annexed hereto.
2. A MEMBER WHO IS ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON (WHETHER A MEMBER OR NOT) AS HIS PROXY TO ATTEND AND VOTE, INSTEAD OF HIMSELF, AT THE MEETING.
3. The Register of Members and the Transfer Book of the Company shall remain closed from June 1, 2001 to June 12, 2001 both days inclusive for the purpose of payment of dividend to those Shareholders whose names stand on the Register of Members as on June 12, 2001.
4. Members are advised, in their own interest, to convey to the Company at the earliest opportunity, any change in their postal addresses. They are also advised to typewrite their names and if they write in hand they must write their names and addresses in capital letters.
5. All the documents referred to in the Notice and accompanying Explanatory Statement are open for inspection at the Registered Office of the Company between 10.00 a.m. to 1.00 p.m. on all days except Sunday and Holidays until the date of the Annual General Meeting or any adjournment(s) thereof.

EXPLANATORY STATEMENTS

The following Explanatory Statements pursuant to Section 173 of the Companies Act, 1956 as amended to date set out all material facts relating to the business mentioned at item nos. 5, 6 and 7 in the accompanying Notice dated March 13, 2001.

Special Business:

Item No. 5

The Board of Directors appointed Mr. Sankaran Ravindran as Additional Director of the Company with effect from June 29, 2000. Under Section 260 of the Companies Act, 1956 as amended to date, Mr. Sankaran Ravindran will cease to hold office at this Annual General Meeting and is eligible for appointment.

A notice under Section 257 of the said Act has been received from a member proposing Mr. Sankaran Ravindran as a candidate for the Office of Director. The Board recommends for members' approval for the appointment of Mr. Sankaran Ravindran as Director of the Company.

No Director except Mr. Ravindran is concerned or interested in the Resolution as set out in Item No. 5 of the Notice.

Item No. 6

Mr. Sankaran Ravindran holds a degree in Mechanical Engineering from the University of Madras and a Master of Business Administration from IIM, Ahmedabad.

Mr. Sankaran Ravindran has a long experience of over 30 years and his last employment was as Chief Executive Officer in Tata Johnson Controls Automotive Ltd.

The Board considered it in the interest of the Company that Mr. Sankaran Ravindran be appointed as a Joint Managing Director with effect from June 29, 2000 and as Managing Director with effect from November 1, 2000.

The Agreement entered between the Company and Mr. Sankaran Ravindran contains the following principal terms and conditions:

- (i) Mr. S. Ravindran, Managing Director, shall be entrusted with substantial powers of management of the business and affairs of the Company, provided that he shall exercise such powers subject to the superintendence, control and directions of Board of Directors.

GKN Driveshafts (India) Limited

ii) *Tenure of the Agreement: for a period of 5 years effective from June 29, 2000.*

iii) *Remuneration:*

(A) *Salary :*

- i) *Basic Salary:* Rs.1,25,000/- (Rupees one lac twenty five thousand only) per month.
- ii) *Special Allowance:* Rs. 3,00,000/- (Rupees three lacs only) per annum to be paid on a monthly basis i.e. Rs. 25,000/- (Rupees twenty-five thousand only).
- iii) *Discretionary Allowance:* Rs. 3,00,000/- (Rupees three lacs only) per annum to be paid on a monthly basis i.e. Rs. 25,000/- (Rupees twenty-five thousand only).

(B) *Perquisites & Allowances:*

- i) *Accommodation:*
 - a) *The expenditure by the Company on hiring accommodation for Mr. S. Ravindran will be subject to the ceiling of 60% of the basic salary.*
 - b) *In case no accommodation is provided by the Company, Mr. S. Ravindran will be entitled to house rent allowance of 60% of the basic salary.*
- ii) *House Maintenance:*
 - a) *The expenditure incurred by the Company for maintaining the accommodation hired by it for Mr. S. Ravindran subject to a ceiling of Rs. 40,000/- (Rupees forty thousand only) per annum.*

or

 - b) *In case no accommodation is provided by the Company Mr. S. Ravindran would be entitled to reimbursements for soft furnishing, minor repairs of the house, etc., upto a maximum of Rs. 40,000/- (Rupees forty thousand only) per annum.*
- iii) *Hard Furnishing:* *The Company will provide hard furnishing worth of Rs.3,00,000/- (Rupees three lacs only) during the tenure of this agreement subject to transfer of the same at written down value to Mr. S. Ravindran at the end of the tenure.*
- iv) *Car and Telephone:* *The Company will provide a car with driver for Company's business as well as for limited personal use. The Company will also provide a telephone at Mr. S. Ravindran's place of residence for official calls and personal local calls. Personal long-distance calls on the telephone will be to the account of Mr. Ravindran.*
- v) *Medical Reimbursement:* *Expenses incurred for Mr. S. Ravindran and his dependents, subject to a maximum of Rs.75,000/- (Rupees seventy-five thousand only) per annum. An unutilised part of the said amount will be carried forward to next year(s).*
- vi) *Leave Travel Concession:* *Expenses to be incurred for Mr. S. Ravindran and his family subject to a maximum of Rs.1,25,000/- (Rupees one lac twenty-five thousand only) per annum.*
- vii) *Provident Fund:* *The Company will make a contribution of 12% of Mr. S. Ravindran's basic salary to the Provident Fund in monthly instalments.*
- viii) *Superannuation Fund:* *The Company will make a contribution of 15% of Mr. S. Ravindran's basic salary to the Superannuation Fund as per scheme prevailing in the Company.*
- ix) *Gratuity:* *The Company will pay gratuity to Mr. S. Ravindran equivalent to 4.16% of basic salary for every completed year of service at the end of tenure of service with the Company.*
- x) *Group Accident Insurance:* *In accordance with the rules of the Company.*

(C) *Performance Linked Bonus :*

Mr. S. Ravindran will be paid performance bonus which will be decided on the basis of:

- i) *overall performance of Company; and*
- ii) *individual performance of Mr. S. Ravindran on achievement of goals and objectives*

The same will be paid for every year annually after the Annual General Meeting for that accounting year.

The said bonus will be subject to maximum of Rs.6,00,000/- (Rupees six lacs only) per annum.



Other terms and conditions:

- a) During his tenure as a Joint Managing Director and subsequently as the Managing Director, Mr. Sankaran Ravindran shall be directly incharge of the overall operations of the Company and will oversee and co-ordinate all other functions of the business.
- b) He shall devote his full time, attention and abilities to the business of the Company.
- c) He shall not during the term of his appointment engage himself in any other business or undertaking or calling.
- d) He shall not make known or communicate to any person or persons or himself make use of the Company's secrets.
- e) The appointment may be terminated by the Company or by Mr. S. Ravindran by giving not less than six month's prior notice in writing.
- f) He shall be entitled to reimbursement of all business travelling and related expenses incurred in connection with the Company's interest.
- g) He shall not become interested or otherwise concerned directly or through his wife and / or minor children in any selling agency to the Company without the approval of the Central Government.

The Directors are of the opinion that the knowledge and experience of Mr. S. Ravindran in various spheres of management will be useful to the Company. The Board, therefore, recommends his appointment for approval.

This explanation together with the accompanying Notice is to be regarded as an abstract of the terms of contract under Section 302 of the Companies Act, 1956.

The said Agreement referred to in the Resolution are available for inspection to Members at the Registered Office of the Company on any working day between 11 a.m. to 1.00 p.m. prior to the date of the Annual General Meeting.

No Director except Mr. S. Ravindran is concerned or interested in the Resolution as set out in Item No. 6 of the Notice.

Item No. 7

The Board of Directors appointed Mr. Paul Drake as Additional Director of the Company with effect from March 13, 2001. Under Section 260 of the Companies Act, 1956 as amended to date, Mr. Paul Drake will cease to hold office at this Annual General Meeting and is eligible for appointment.

A notice under Section 257 of the said Act has been received from a member proposing Mr. Paul Drake as a candidate for the Office of Director. The Board recommends for members' approval for the appointment of Mr. Paul Drake as Director of the Company.

No Director except Mr. Drake is concerned or interested in the Resolution as set out in Item No. 7 of the Notice.

For and on behalf of the
Board of Directors

Sd/-
Vivek Bhatia
Company Secretary

New Delhi, March 13, 2001

GKN Driveshafts (India) Limited**REPORT OF THE BOARD OF DIRECTORS ATTACHED TO THE BALANCE SHEET OF THE COMPANY AS AT DECEMBER 31, 2000 PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956.**

To the Members of

GKN Driveshafts (India) Limited

Your Directors have pleasure in presenting their Report on the Audited Accounts of your Company for the year ended December 31, 2000.

1. Financial Results:		(Rs. '000)
	2000	1999
Sales	1,427,994	1,269,326
Other income	8,600	7,191
	<hr/>	<hr/>
Less:	1,436,594	1,276,517
Raw Materials and components consumed (after adjusting increase/decrease in stocks)	610,986	554,045
Wages and Salaries	101,925	87,157
Other Costs	357,436	297,274
Excise Duty	204,770	182,776
Profit / (Loss) before finance charges, depreciation and tax	161,477	155,265
	<hr/>	<hr/>
Less: Finance charges	13,366	24,798
Profit / (Loss) before depreciation and tax	148,111	130,467
Less: Depreciation	80,805	78,865
Profit / (Loss) before tax	67,306	51,602
Less: Provision for Income Tax	19,615	7,138
Provision for Wealth Tax	13	35
Profit / (Loss) for the year	47,678	44,429
Add: Balance brought forward	50,688	40,437
Profit available for appropriation	98,366	84,866
	<hr/>	<hr/>
Less: Appropriation		
Proposed Dividend	12,773	12,773
Provision for tax on Dividend	1,303	1,405
Transfer to General Reserve	20,000	20,000
Balance carried forward	64,290	50,688
	<hr/>	<hr/>



2. Operations:

The economic recovery seen in the second half of 1999 could not be sustained for long. The passenger car market was also affected in the later half of 2000 owing to the economic slowdown. In spite of this erratic performance, the car sales grew by about 6% over 1999.

Your Company achieved a growth of 10% in sales volume, as compared to last year, partly owing to the improved OEM offtake and partly on account of the improved spares sales.

The salient figures were as follows:

	2000	1999	% change
Sales in vehicle sets	363,928	329,727	+10.37
Turnover (Rs. in Mn.)	1,428	1,269	+12.53

However, the increased sales volumes could not be converted into higher profits, mainly due to use of imported components and premium freights incurred on incoming and outgoing material, to meet the wildly fluctuating customer schedules.

Your Directors have pleasure in informing you that during the year your Company received Best Vendor Award from Maruti Udyog Limited and Award for Outstanding Performance in Delivery from Honda Sael Cars India Limited.

3. Dividend:

The Directors have pleasure in recommending for consideration of the Members at the Annual General Meeting payment of dividend of 10% p.a. to be paid on the equity share capital of the Company as on December 31, 2000. The Company has also provided for dividend tax @ 10.2% in the accounts (including a surcharge of 2%).

4. Outlook:

The economic outlook for the current year does not look very promising. Official GDP growth projection has already been brought down to 6% due to a negative agricultural growth and a poor growth in industrial production.

However, the incentives announced in the new Union Budget 2001-02, particularly the reduction in excise duty on passenger cars and the removal of surcharge on Basic Customs Duty on imported components, have resulted in lowering of car prices across the board. This coupled with the reduction in interest rates and the consequent lower cost of finance is expected to result in improved car sales.

In view of these factors, we expect a moderate growth of about 6% in the Company's sales volumes over last year.

In terms of operating results, the expansion cum modernisation project under implementation is likely to result in additional depreciation and interest cost. However, the cost control measures initiated in the last year are likely to result in an improved operating performance as a whole.

5. Change of Name:

During the year your Company has got final approval from Registrar of Companies, NCT of Delhi and Haryana confirming change of name of the Company from GKN Invel Transmissions Limited to GKN Driveshafts (India) Limited.

6. Auditors:

M/s. Lovelock & Lewes, Chartered Accountants, New Delhi, the Auditor of the Company retire at the conclusion of this Annual General Meeting and being eligible, have offered themselves for re-appointment for the year 2001.

The Company has also received a certificate required under the proviso to Sub-Section (1) of Section 224 of the Companies Act, 1956 from M/s. Lovelock & Lewes, Chartered Accountants, New Delhi certifying that their appointment, if made, will be within the limit prescribed under Sub-Section (1-B) of the said Section.

7. Subsidiary Company:

The accounts of the subsidiary Company Driveshafts Accessories Ltd. are attached pursuant to Section 212 (1) of the Companies Act, 1956. A statement pursuant to Section 212 (1) (e) of the Companies Act, 1956 is also attached as Annexure 1 to this report.

GKN Driveshafts (India) Limited**8. Particulars of Employees:**

Pursuant to Section 217(2A) of the Companies Act, 1956, a statement containing the required particulars of each employee of the Company employed during the whole of the year ended December 31, 2000 and a part of the year ended December 31, 2000 is attached as Annexure 2 to this report.

9. Conservation of Energy:

During the year under review, the captive generation capacity of the Company had been put to use frequently because of power cuts. However, every effort had been made in the Company to use energy most efficiently.

10. Technology Absorption:

Details of the efforts made by the Company in the area of technology absorption given in the prescribed Form B are at Annexure 3 to this report.

11. Responsibility Statement:

The responsibility statement pursuant to section 217 (2AA) of the Companies Act, 1956 as amended by Companies (Amendment) Act, 2000 is attached as Annexure 4 to this report.

12. Health, Safety and Environment:

Your Directors have pleasure in informing that as a good corporate citizen considerable attention is being paid to the Health and Safety of the employees and also towards the Environment. The management has adopted policies on Health, Safety and Environment in line with GKN group companies.

13. Foreign Exchange earnings and outgo:

Presently the Company has very nominal export earnings. However, since the Company's product is an import substitute, savings in foreign exchange have been achieved. Besides, the Company's product is also being fitted in cars manufactured for the export market.

Details of the earnings and expenditure in foreign currencies during the year ended December 31, 2000 are as under

		(Rs. '000)
	2000	1999
a) Earnings		
FOB value of exports	2,281	6,060
b) Expenditures		
Royalty	21,617	32,552
Travelling	3,670	687
Dividend	6,514	—
Others	1,824	3,077
CIF value of imports:		
Capital Goods	6,389	6,407
Raw materials/components/spares	229,261	237,195

14. Directors:

During the year under review resignations of Mr. John E. Perry, Vice Chairman, Mr. A.R.Nanjanath, Whole-time Director and Mr. Craig Parr, Director were accepted. The Directors place on record their appreciation of the contribution made by Mr. John E. Perry, Mr. A.R.Nanjanath and Mr. Craig Parr during their tenure on the Board of Directors.

Mr. John Ian Dickenson ceased his contract as Managing Director with effect from October 31, 2000. However, he remains member of the Board.

Further, Mr. S. Ravindran was appointed as Additional Director on whole-time basis and was designated as Joint Managing Director w.e.f. June 29, 2000. Mr. Ravindran was appointed as Managing Director with effect from November 1, 2000. Mr. Paul Drake was also appointed as Additional Director with effect from March 13, 2001.

The Directors take this opportunity to welcome Mr. S. Ravindran and Mr. Paul Drake and wish for a long and fruitful association with them.



15. Personnel:

The relationship with all employees has shown an encouraging response during the year under review. This has been a result of the HRD activities initiated by the management on a continuing basis.

16. Acknowledgement:

The Directors wish to thank the Company's OE Customers for their support and patronage. They also welcome new customers.

The Directors record their appreciation for the valuable support and understanding extended by GKN Group during the year under review. The Directors record their appreciation for support and understanding of the shareholders. They also record their appreciation of the support extended by Financial Institutions, Banks, Dealers, Suppliers and above all, for the efficient and dedicated services rendered by the employees at all levels.

*For and on behalf of the
Board of Directors*

*Sd/-
Dr. D.V. Kapur
Chairman*

New Delhi, March 13, 2001

