



GKN Driveline (India) Limited



**19th
Annual Report
2003**

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**Board of Directors**

Dr. D.V.Kapur
Mr. Mansoor Anwar
Mr. K.V.L.N.Murty
Mr. S. Ravindran
Mr. D.P.Mehta
Mr. Paul Drake

Chairman
Managing Director
Director (Operations)

Audit Committee

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

Controller & Company Secretary

Mr. Vivek Bhatia

Auditors

Lovelock & Lewes
New Delhi

Technical Collaborators

GKN Driveline Headquarters Ltd., U.K.
(Formerly GKN Automotive Ltd.)
GKN Driveline International GmbH, Germany
(Formerly GKN Automotive GmbH)

Bankers

Canara Bank
UFJ Bank Limited
Standard Chartered Bank
HDFC Bank Ltd.

Registered Office & Faridabad Works

270, Sector 24
Faridabad 121 005 (Haryana)
Tel : 0129 - 2232531, 2232731
Fax : 0129 - 2230580
E-mail : gkn@gknindia.com
Website : www.gknindia.com

Dharuhera Works

34 & 35, Industrial Area,
Dharuhera 122 106 (Haryana).
Tel. : 01274 - 242579, 242181
Fax : 01274 - 242581

Gummidipundi Works

A-13/a, SIPCOT Industrial Complex,
Gummidipundi, Chengalpattu
M.G.R.Distt 601 201 (Tamil Nadu)
Tel : 04119 - 222274, 223484
Fax : 04119 - 222540

Share Transfer Agent

MCS Ltd.
Srivenkatesh Bhawan,
W-40, Okhla Industrial Area, Phase II,
New Delhi 110 020
Tel : 011 - 26384909, 26384910
Fax : 011 - 26384907

GKN Driveline (India) Limited

NOTICE

Notice is hereby given that the 19th Annual General Meeting of the Company will be held at **2.00 p.m. on Monday, June 28, 2004 at the Registered Office, Plot No. 270, Sector-24, Faridabad 121005 (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, 2003 and the Balance Sheet as at that date.
2. **Appointment of Auditors and fixing their remuneration:**
To appoint Auditors to hold office from the conclusion of the 19th Annual General Meeting till the conclusion of the 20th 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.
3. **Appointment of Directors:**
 - a) To appoint a Director in place of Dr. D.V.Kapur who retires by rotation and is eligible for re-appointment.
 - b) To appoint a Director in place of Mr. Paul Drake who retires by rotation and is eligible for re-appointment.

For and on behalf of the
Board of Directors

New Delhi, February 4, 2004

Sd/-
Vivek Bhatia
Controller & Company Secretary

Notes:

1. 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.
2. The Register of Members and the Transfer Book of the Company shall remain closed from June 21, 2004 to June 28, 2004 (both days inclusive) for the ascertaining shareholders as on June 28, 2004.
3. 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.
4. All the documents referred to in the Notice 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.



REPORT OF THE BOARD OF DIRECTORS ATTACHED TO THE BALANCE SHEET OF THE COMPANY AS AT DECEMBER 31, 2003 PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956.

To the Members of
GKN Driveline (India) Limited

Your Directors have pleasure in presenting their Report on the Audited Accounts of your Company for the year ended December 31, 2003.

1. Financial Results:

(Rs. '000)

	2003	2002
Sales	1,846,499	1,578,981
Other Income	29,858	30,628
Less :	1,876,357	1,609,609
Raw Materials and components consumed (after adjusting increase/decrease in stocks)	763,593	625,742
Wages and Salaries	117,041	119,220
Other Costs	368,118	354,256
Excise Duty	252,754	221,037
Profit / (Loss) before finance charges, depreciation and tax	374,851	289,354
Less: Finance charges	2,063	4,873
Profit / (Loss) before depreciation and tax	372,788	284,481
Less: Depreciation	71,985	83,232
Profit / (Loss) before tax	300,803	201,249
Add: Refund of Income tax for earlier year	-	1,914
	300,803	203,163
Less: Provision for Income Tax	118,264	78,432
Provision for Deferred Tax	4,687	(8,682)
Provision for Wealth Tax	59	64
Profit / (Loss) for the year	177,793	133,349
Add: Balance brought forward	252,350	126,501
Profit available for appropriation	430,143	259,850
Less: Appropriation		
Dividend	Nil	Nil
Tax on Dividend	Nil	Nil
Transfer to General Reserve	4,000	7,500
Balance carried forward	426,143	252,350

GKN Driveline (India) Limited

2. Operations:

Indian Passenger Car market has performed extremely well during 2003. There has been significant growth, exceeding 20%, both on domestic as well export front. All three leading car manufacturers viz. Maruti Udyog Limited, Hyundai India and Tata Motors have launched their export versions. India is now expected to be hub for export of small cars.

Your Company have availed of this growth opportunity and accordingly has registered a very healthy growth both in turnover as well as profit, as can be seen from the details given hereunder:-

	2003	2002	% change
Sales in vehicle sets	495,076	421,338	18
Turnover (Rs. in Mn.)	1,846	1,579	17
PBT (Rs. in Mn.)	300,803	201,249	49

3. Dividend:

In order to consolidate fund position for the future requirements of the Company, the Directors do not recommend any dividend for the year under review.

4. Outlook:

Overall economic outlook for the current year is quite optimistic. GDP projection has been revised upwards to 7%. All sectors of economy and particularly auto sector are expected to perform much better. Auto sector is expected to repeat a double digit growth with both domestic and export markets contributing to this target.

While we expect a healthy growth in the turnover, the margins are under pressure due to steep increase in steel price and price reduction expectation from the customers.

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 Driveshafts (India) Limited to GKN Driveline (India) Limited.

6. Delisting from Stock Exchanges:

During the year under review, the Company's shares have been delisted after obtaining approval from stock exchanges where the shares were previously listed. However, exit option is still available and shall remain so till September 7, 2004 as per the condition imposed by Delhi Stock Exchange while approving the delisting.

7. 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 2004.

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.

8. Subsidiary Company:

The accounts of the subsidiary company, Drivetech 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.

9. 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, 2003 and a part of the year ended December 31, 2003 is attached as Annexure 2 to this report.

**10. Conservation of Energy:**

During the year your Company have initiated various innovative steps for conserving power. The following steps taken at all the manufacturing facilities of your Company has resulted in saving of 510,145 units:

- i) Total compressed air management
- ii) Use of low energy consuming cooling medium
- iii) Running electric motors at optimum level
- iv) Use of efficient lighting systems
- v) SCR on heaters, etc.

11. 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.

12. 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.

13. Health, Safety and Environment:

Your Directors have pleasure in informing you that during the year under review your Company has implemented OHSAS 18001, 1991 system. The final audit has been conducted and the certificate for the same is awaited. Besides, your Company is maintaining ISO 14001 certification since 2002.

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 guidelines.

14. Foreign Exchange earnings and outgo:

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

Details of the earnings and expenditure in foreign currencies during the year ended December 31, 2003 are as under:

	2003	(Rs. '000) 2002
a) Earnings	50,285	16,840
FOB value of exports		
b) Expenditures		
Royalty	31,402	35,466
Travelling	1,970	1,439
Dividend	—	—
Others	—	488
CIF value of imports:		
Capital Goods	26,231	44,235
Raw materials/components/spares	232,439	164,252

15. Directors:

There is no change in Directorship of your Company in the year under review.

GKN Driveline (India) Limited

16. Acknowledgement:

The Directors wish to thank the Company's OE Customers for their support and patronage.

The Directors record their appreciation for the valuable support and understanding extended by GKN Group during the year under review. The Directors also record their appreciation of the support extended by Company's shareholders, Government authorities, 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

New Delhi, February 4, 2004

Sd/-
Dr.D.V.Kapur
Chairman





Annexure 1 to the Board's Report

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANY

1. Name of the Subsidiary Company : Drivetech Accessories Ltd.
2. (a) No. of Equity Shares held by GKN Driveline (India) Ltd. in the Subsidiary as on December 31, 2002. : 50,125 Equity Shares of Rs. 10/- each fully paid up.
- (b) Extent of interest of GKN Driveline (India) Ltd. in the Share Capital of the subsidiary. : 100%
3. Net aggregate amount of profits / losses of the subsidiary so far as it concerns the Members of GKN Driveline (India) Ltd. is not dealt with in the Accounts of GKN Driveline (India) Ltd.
 - (a) Profits / (Loss) of the Subsidiary for the Accounting year ended on December 31, 2003 : (Rs.167,035/-)
 - (b) Profits of the previous Accounting years of the subsidiary since it become subsidiary of GKN Driveline (India) Ltd. : Rs.569,751/-
4. Net aggregate amount of profits / losses of subsidiary so far as is dealt with or provisions made for those in the accounts of GKN Driveline (India) Ltd.
 - (a) Profit of the Subsidiary for the accounting year ended on December 31, 2003 : Nil
 - (b) Profit for the previous Accounting years of the subsidiary since it became subsidiary of GKN Driveline (India) Ltd. : Nil
5. Changes in interest of GKN Driveline (India) Ltd. between the end of previous financial year i.e. December 31, 2002 and end of the year under review i.e. December 31, 2003. : Nil

Annexure 2 to the Board's Report

Reference "Particulars of Employees" in the Report.

Particulars of Employees as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 forming part of the Board's Report attached to the Balance Sheet as at December 31, 2003.

Employed for a part of the year under report and were in receipt of remuneration at a rate which, in the aggregate, was not less than Rs. 2,00,000/- per month.

Sr. No. (1)	Name of Employee (2)	Designation (3)	Nature of Duties (4)	Qualification (5)	Date of Commencement (6)	Age (Yrs.) (7)	Experience (8)	Remuneration (Rs) (9)	Particulars of last Employment (10)
1.	Mansoor Anwar	Managing Director	Management	B.A.Hons. (Economics), FCA, ACS	01.09.2002*	46	25	3,066,561	Engineering Controller GKN Automotive Driveline Division, U.K.

* Date of appointment as Managing Director. The original date for appointment is August 21, 1990. Mr. Mansoor Anwar was on deputation to GKN headquarter in U.K. from September 1, 1996 to August 31, 2002.

Notes:

1. Remuneration shown above includes salary, ex-gratia, expenditure incurred by the Company on residential accommodation, leave travel assistance and other facilities.
2. None of the employee is relative of any Director of the Company.
3. The Company did not have an employee either in the whole or part of the year under review who was in receipt of remuneration in the year which, in the aggregate or at the rate which, in the aggregate, was in excess of that drawn by the Managing Director and held by himself or alongwith his spouse and dependent children, two percent or more of the Equity Shares of the Company.