



**20th
Annual Report
2004**

CONTENTS

	Pages
1. Notice	2-4
2. Directors' Report	5-12
3. Auditor's Report	13-15
4. Accounts of GKN Driveline (India) Ltd.	
a) Balance Sheet	16
b) Profit & Loss Account	17
c) Schedules A to P	18-30
d) Cash Flow Statement	31-32
e) Balance Sheet Abstract and Company's General Profile	33
5. Subsidiary Company (Drivetech Accessories Ltd.)	34-48



Board of Directors

Dr. D.V.Kapur	Chairman
Mr. Mansoor Anwar	Managing Director
Mr. S. Ravindran	
Mr. D.P.Mehta	
Mr. John Gahan	w.e.f. 31.8.2004
Mr. Olaf Pohle	w.e.f. 28.03.2005
Mr. K.V.L.N.Murty	Resigned w.e.f. 28.03.2005
Mr. Paul Drake	Resigned w.e.f. 31.08.2004

Audit Committee

Dr. D.V.Kapur
Mr. S. Ravindran
Mr. John Gahan
Mr. Olaf Pohle

Head - Finance, IS/IT & Company Secretary

Mr. Vivek Bhatia

Auditors

Lovelock & Lewes
New Delhi

Technical Collaborators

GKN Driveline Headquarters Ltd., U.K.
GKN Driveline International GmbH, Germany

Bankers

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

Registered Office & Faridabad Works

270, Sector 24,
Faridabad 121 005 (Haryana)
Tel : +91 (129) 5091100, 2232531
Fax : +91 (129) 2230580

Dharuhera Works

34 & 35, Industrial Area,
Dharuhera 122 106 (Haryana)
Tel.: +91 (1274) 242579, 242580
Fax : +91 (1274) 242581

Gummidipundi Works

A-13/a, SIPCOT Industrial Complex,
Thiruvallur District,
Gummidipundi 601 201 (Tamil Nadu)
Tel : +91 (4119) 222274, 223484
Fax : +91 (4119) 222540

GKN Driveline (India) Limited

NOTICE

Notice is hereby given that the 20th Annual General Meeting of the Company will be held at **2.00 p.m. on Tuesday, June 28, 2005 at the Registered Office, Plot No. 270, Sector 24, Faridabad 121 005 (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, 2004 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 20th Annual General Meeting till the conclusion of the 21st 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 Mr. S. Ravindran who retires by rotation and is eligible for re-appointment.
- b) To appoint a Director in place of Mr. D.P.Mehta who retires by rotation and is eligible for re-appointment.

SPECIAL BUSINESS:

4. **Appointment of Mr. John Gahan as Director:**

To appoint Mr. John Gahan as a Director of the Company, who has been appointed as Additional Director of the Company by the Board of Directors with effect from August 31, 2004 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.

**5. Appointment of Mr. Olaf Pohle as Director:**

To appoint Mr. Olaf Pohle 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 28, 2005 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

Head - Finance, IS/IT & Company Secretary

New Delhi, March 28, 2005

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 20, 2005 to June 28, 2005 (both days inclusive) for the ascertaining shareholders as on June 28, 2005.
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.

PLEASE NOTE THAT NO GIFTS / COUPONS WILL BE DISTRIBUTED AT THE AGM.

GKN Driveline (India) Limited

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. 4 & 5 in the accompanying Notice dated March 28, 2005.

Special Business:**Item Nos. 4**

The Board of Directors appointed Mr. John Gahan as Additional Director of the Company with effect from August 31, 2004. Under Section 260 of the Companies Act, 1956 as amended to date, Mr. John Gahan 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. John Gahan as a candidate for the Office of Director. The Board recommends for members' approval for the appointment of Mr. John Gahan as Director of the Company.

No Director except Mr. John Gahan is concerned or interested in the Resolution as set out in Item No. 4 of the Notice.

Item Nos. 5

The Board of Directors appointed Mr. Olaf Pohle as Additional Director of the Company with effect from March 28, 2005. Under Section 260 of the Companies Act, 1956 as amended to date, Mr. Olaf Pohle 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. Olaf Pohle as a candidate for the Office of Director. The Board recommends for members' approval for the appointment of Mr. Olaf Pohle as Director of the Company.

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

For and on behalf of the
Board of Directors

Sd/-
Vivek Bhatia

Head - Finance, IS/IT & Company Secretary

New Delhi, March 28, 2005



REPORT OF THE BOARD OF DIRECTORS ATTACHED TO THE BALANCE SHEET OF THE COMPANY AS AT DECEMBER 31, 2004 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, 2004.

1. Financial Results :

	2004	(Rs. '000) 2003
Sales	2,487,603	1,846,499
Other income	51,467	29,858
	<u>2,539,070</u>	<u>1,876,357</u>
Less:		
Raw Materials and components consumed (after adjusting increase/decrease in stocks)	1,060,387	763,592
Wages and Salaries	132,552	117,041
Other Costs	409,945	368,179
Excise Duty	350,658	252,754
	<u>585,528</u>	<u>374,791</u>
Profit / (Loss) before finance charges, depreciation and tax		
Less: Finance charges	1,212	2,062
	<u>584,316</u>	<u>372,729</u>
Profit / (Loss) before depreciation and tax		
Less: Depreciation	82,050	71,985
	<u>502,266</u>	<u>300,744</u>
Profit / (Loss) before tax		
Less: Provision for Income Tax	191,010	118,264
Provision for Deferred Tax	(7,810)	4,687
	<u>319,066</u>	<u>177,793</u>
Profit / (Loss) for the year		
Add: Balance brought forward	426,143	252,350
	<u>745,209</u>	<u>430,143</u>
Profit available for appropriation		
Less: Appropriation		
Dividend	Nil	Nil
Tax on Dividend	Nil	Nil
Transfer to General Reserve	—	4,000
	<u>745,209</u>	<u>426,143</u>
Balance carried forward		

GKN Driveline (India) Limited

2. Operations:

Indian Passenger car market has performed exceptionally well for second successive year. During the year 2004 domestic car sales grew at the rate of 25%, while export sales notched even higher growth rate of 32%. Encouraged by the exceptional growth rate, both the major car manufacturers of India, Maruti Udyog Ltd. and Hyundai Motors India Ltd. have announced their expansion programme.

Notwithstanding capacity constraints, your Company, as a result of timely actions taken, was able to fulfill the demand for all its customers and infact have increased its market share during the year. The same has resulted in high sales and profit figures for the year 2004, details of which are given below:

	2004	2003	% change
Sales in vehicle sets	655,122	495,076	32.33
Turnover (Rs. in Mn.)	2,488	1,846	34.77
PBT (Rs. in Mn.)	502	301	66.78

Your Company have finalised plan to increase production capacity for meeting growing demand and have already spent Rs. 206 Mn. during the year.

In addition, your Company have also committed huge capital expenditure for the year 2005 for enhancing its capacity further.

3. Dividend:

Keeping in view the growth potential within and outside of the Country, your Company have plans to increase its capacity to one million vehicle sets per annum. In order to conserve the resources for funding this expansion, your Directors do not recommend any dividend for the year under review.

4. Outlook:

Overall economic outlook for the year 2005 is quite positive. Notwithstanding change of Government at the Centre, the economic liberalisation is on track. GDP growth rate for fiscal year 2005-2006 is expected to be about 6.5% as against current year's GDP growth rate of 6.9%.

We do expect to continue the growth trends in the next fiscal year, however due to impact of high steel price and price reduction expectation of customers, our margins are expected to be under pressure.

5. 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 2005.

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.

6. 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.

**7. Particulars of Employees:**

Pursuant to Section 217(2A) of the Companies Act, 1956, a statement containing the required particulars of an employee of the Company employed during the year ended December 31, 2004 is attached as Annexure 2 to this report.

8. 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 620,384 units:

- i) Use of variable frequency drives in air blowers and compressors.
- ii) Use of intelligent controllers in high power, low load motors.
- iii) Use of washing chemicals at room temperature.
- iv) Auto switching off of machines when not in use.
- v) Low pressure high flow pumps in cooling towers, resulting in 40% reduction of wattage.

9. 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.

10. 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.

11. Health, Safety and Environment:

Your Directors have pleasure in informing you that during the year under review your Company have been certified for OHSAS 18001, 1991 system. Besides, your Company is maintaining ISO 14001 certification since 2002.

Your Company have encouraged employees at all level for implementing Health and Safety related system / practices not only within the Company premises but also in their day to day activities outside the Company's premises.

12. 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.

GKN Driveline (India) Limited

Details of the earnings and expenditure in foreign currencies during the year ended December 31, 2004 are as under:

	2004	(Rs. '000) 2003
a) Earnings		
FOB value of exports	28,676	50,285
b) Expenditures		
Royalty	20,914	31,402
Travelling	2,131	1,970
Dividend	—	—
Others	5,928	835
CIF value of imports:		
Capital Goods	72,214	26,231
Raw materials/components/spares	372,520	232,439

13. Directors:

During the year under review Mr. Paul Drake, Director resigned from the Board. The Directors place on record their appreciation of the contribution made by Mr. Paul Drake during his tenure on the Board of Directors.

Due to new assignment within the GKN Automotive Driveline Division, Mr. K.V.L.N.Murty has resigned as Whole-time Director and as Member of the Board of Directors of the Company with effect from March 28, 2005. The Directors recorded their appreciation for the contributions made by Mr. Murty during his tenure as a Whole-time Director of the Company.

Mr. John Gahan with effect from August 31, 2004 and with effect from March 28, 2005, Mr. Olaf Pohle have been appointed as Additional Directors. Directors take this opportunity to welcome them and wish for their long and fruitful association.

14. 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 for 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

Sd/-
Dr.D.V.Kapur
Chairman

New Delhi, March 28, 2005