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Gabriel India Limited

ANNUAL
REPORT
1999

Gabriel India Limited

Corporate Office

1 Sri Aurobindo Marg
New Delhi 110 016

Registered Office

10 Prasad Chambers
Opera House
Mumbai 400 004

Manufacturing Facilities

Ride Control Products

S-304, LBS Marg
Mulund (West)
Mumbai 400 080 (Maharashtra)

Chander Nagar Indl. Area
Delhi-Jaipur Road
Gurgaon 122 001 (Haryana)

B-2, Ambad
MIDC
Nashik 422 010 (Maharashtra)

5, Industrial Area No.3
Agra-Mumbai Road
Dewas 455 001 (Madhya Pradesh)

29th Milestone
Pune-Nashik Highway
Village Kuruli
Taluka Khed
Pune 410 501 (Maharashtra)

52-55, S. No. 102/3, -106/ (PT)
Sipcot, Phase-II
Moranapalli Village,
Hosur 635 109 (Tamil Nadu)

Engine Bearings

Plot No. 5, Sector II
Parwanoo 173 220 (Himachal Pradesh)

Board of Directors

Deep C Anand
Chairman & Managing Director

H R Prasad
Joint Managing Director

V W Hunt
W B Vance
Alan C Johnson
Russi Jal Taraporevala
B K Khare
M K Kukreja
T V Mansukhani
K N Subramaniam
Ms R Vasan (Nominee of ICICI)
T B Subramaniam (Nominee of UTI)

**General Manager
& Company Secretary**
V K Batra

Bankers
ANZ Grindlays Bank
Bank of India
Bank of Nova Scotia
Oriental Bank of Commerce
Punjab National Bank

Auditors
Price Waterhouse & Co.

Solicitors
Udwadia, Udeshi & Berjis

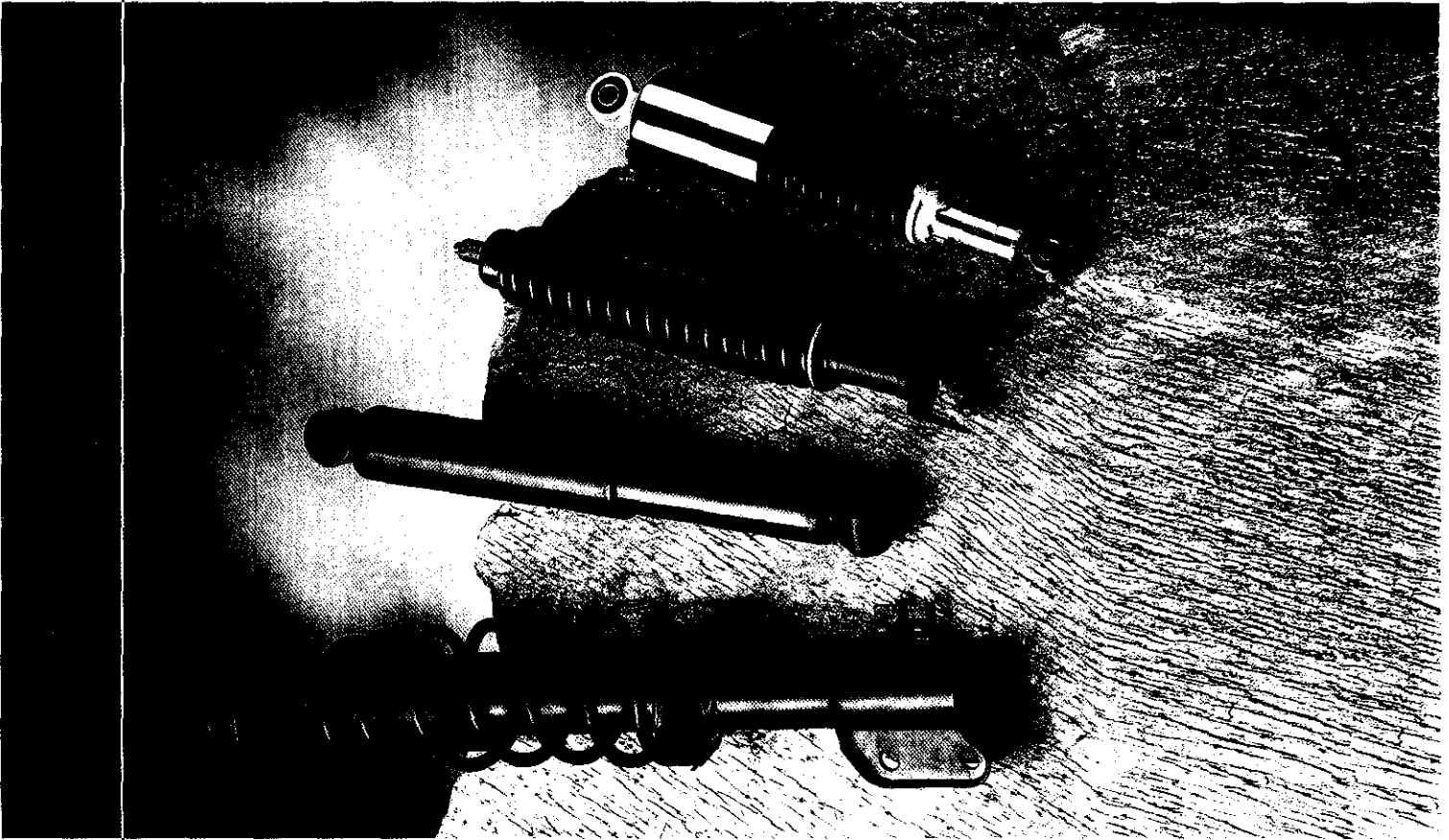


Our way is working.

FINANCIAL HIGHLIGHTS

	1998-99	1997-98
Domestic Sales (Rs. Lacs)	18799	18603
Export Sales (Rs. Lacs)	1963	1988
Total Sales (Rs. Lacs)	20762	20591
Profit/(Loss) Before Tax (Rs. Lacs)	(188)	771
PBT/(Loss) as a % to Sales	(0.90)	3.74
Profit/(Loss) After Tax (Rs. Lacs)	(190)	683
PAT/(Loss) as a % to Sales	(0.91)	3.32
Return on Net Worth (%)	(2.20)	7.65
Net Worth per Share (Rs.)	120.60	125.18
Earning per Share (Rs.)	(2.65)	9.57
Dividend per Share (Rs.)	1.00	2.50
Dividend Cover (Times)	(2.66)	3.83
Return on Total Assets (%)	(0.68)	2.41

CORPORATE HIGHLIGHTS



- **QS 9000 Certification received by Nashik Plant**
- **Commenced supplies to Telco - Indica, Hyundai - Santro, Fiat - Uno**
- **Signed MOU for supplies to Toyota Kirloskar and Mitsubishi Lancer**
- **Pune Plant inaugurated**
- **Commenced supplies of Front Forks for Motorcycles and Front Suspension Systems for Scooters from Hosur Plant**
- **Added three new OE customers**
- **NIMA Excellence Award received by Nashik Plant for 2nd consecutive year**

CORPORATE PROFILE

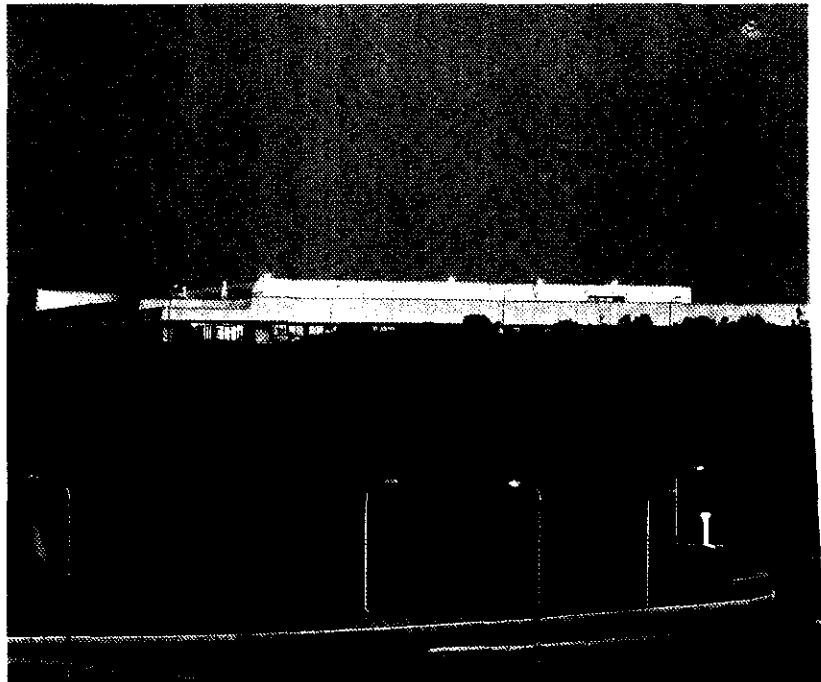
Established in 1961 for the manufacture of Shock Absorbers in Mulund, Bombay, Gabriel India Limited diversified into Engine Bearings in 1978. Synonymous with Shock Absorbers, Gabriel is an acknowledged market leader and the largest manufacturer of Ride Control products in India, operating from seven Strategic Business Units at various locations across the country: six in the Ride Control Division at Bombay, Dewas, Gurgaon, Hosur, Nashik, Pune and one at Parwanoo, Himachal Pradesh, manufacturing Engine Bearings.

Owing to its superior quality, comprehensive product range and customer service, the Company is the principal supplier of hydraulic and gas pressurised Shock Absorbers, Struts, Front Forks and Engine Bearings to both the OE and Aftermarket segments with a sizeable presence in the overseas market as well.

Anticipating a rapid growth in demand for automobiles due to the entry of global vehicle manufacturers into India as well as for the export market, Gabriel India has invested in capacity expansion and asset upgradation. The Company has received the coveted QS 9000 certification for its Nashik plant. It also has ISO 9002 certification for other plants with the Ride Control Products Division being the first in India, in its product category, to receive this certification as far back as 1993.

RIDE CONTROL PRODUCTS DIVISION

The division's six plants have a combined manufacturing capacity of 10 million shock absorbers, struts and front forks, catering to the requirements of all segments - OE Manufacturers, Replacement Market and Exports for application in 4, 3 and 2-wheeler vehicles as well as for the Indian Railways.



A view of the Pune Plant



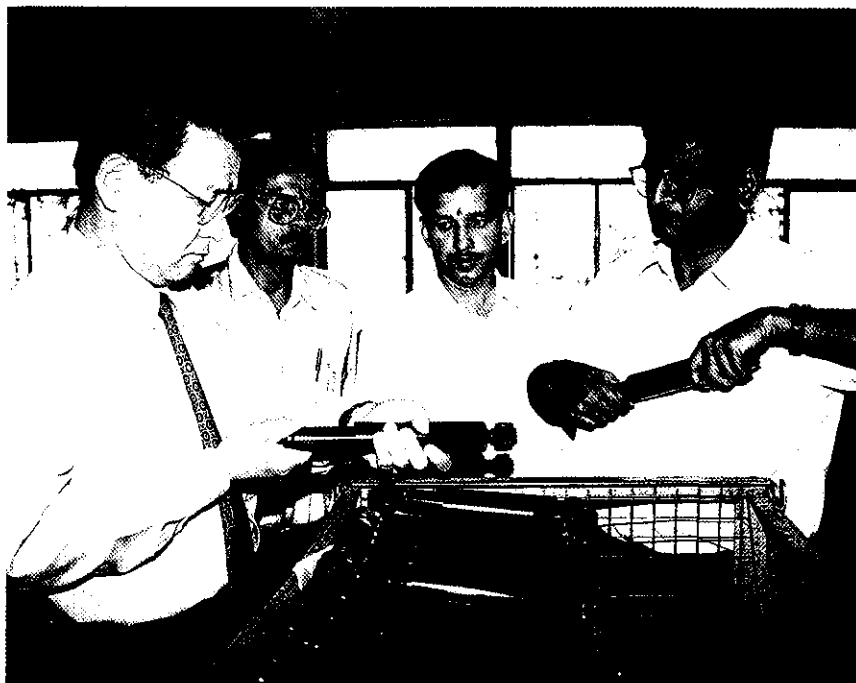
NIMA Excellence Award for Nashik plant being received by Mr G R Pai, VP, Gabriel India (L) from Mr S D Kulkarni, MD & CEO, L&T Ltd

To ensure JIT supplies to OE customers, the division's state-of-the-art facilities are strategically located in close proximity to those of its OEMs. Gabriel India's first Strut plant in Gurgaon supplying primarily to Maruti Suzuki, also has facilities for making Gas Struts and Cartridges. In addition, the plant will soon start manufacture of struts with designs from Kayaba, Japan for supply to OEMs.

Gabriel plant at Dewas manufactures hydraulic and gas-pressurised shock absorbers for passenger cars and commercial vehicles. It meets the complete shock absorber requirements of OEMs such as Hindustan Motors, Bajaj Tempo, Eicher Motors and Swaraj Mazda. It also caters to a large part of Telco's requirements.

The Nashik plant, manufacturing shock absorbers for two and three-wheeler OE Manufacturers, also makes telescopic Front Forks for motorcycles with technology from SOQI / Yamaha Motor Company of Japan. Front Forks are supplied to Bajaj Auto for their 4S, Caliber and Boxer models. During the year, the Nashik SBU added three more OE customers - Kinetic Engineering Co. Ltd. and Kinetic Motor Co. Ltd. for two wheelers, and Piaggio Greaves Vehicles Ltd, Baramati for three wheelers. The plant has received the prestigious QS 9000 certification and the NIMA Excellence Award from the Nashik Industries Manufacturers Association for the second consecutive year.

Gabriel Pune Plant has the most advanced technology for manufacture of shock absorbers and struts for the new generation cars. With technology from Kayaba-Japan, APA-Kayaba, Spain and Arvin Suspension System Italia of Italy, the plant supplies to Ford - Escort, Fiat - Uno, Hyundai - Santro and Tata - Indica cars. It has signed MOU for supplies to Toyota Kirloskar and Mitsubishi Lancer and has received approvals from Fiat Quality Audit Team for Uno Palio and from Unipart Export team, UK.



From Kinetic Honda Motor Ltd, Mr Ichigaku Tabu, Technical Advisor – Purchase Dept (L), testing shock absorbers at Gabriel India's Nashik facility



L-R : Mr V William Hunt, President & CEO, Arvin Industries Inc, USA and Mr Deep C Anand, Chairman & MD, Gabriel India at the inauguration of the Pune plant

The Company's facility at Hosur in Tamil Nadu supplies shock absorbers and front forks to two-wheeler manufacturers, especially those based in South India. The plant is a major supplier to TVS-Suzuki on JIT basis for both their plants at Hosur and Mysore.

During the year, the Hosur plant commissioned a separate manufacturing line for Front Suspension System for TVS Spectra scooters and also for front forks with aluminium body for motorcycles.

STALLION SHOX LIMITED

Stallion Shox, at Surajpur in Uttar Pradesh, was acquired by Gabriel India in 1996. With a manufacturing capacity of 1.5 million shock absorbers, the facility is equipped with modern machines, imported from USA and Canada. ISO 9002 certified, the plant also has in-house hard chrome plating facilities.

Stallion, after its acquisition, commenced commercial production in August 1997. Due to high quality and the Stallion brand name, the products have found ready acceptance in the Aftermarket within a short period of the launch. The Company is also an OE supplier of shock absorbers to LML and is pursuing opportunities to supply to other two and four wheeler OEMs in the northern region.

About 2 lac shock absorbers were manufactured during the year, with plans to take the production up to 6 lac units per annum. The Company's export performance suffered a setback with some of the Asian countries and Russia going through economic and financial crisis.



Piston Rod Super Finishing Machine at the Hosur plant



View of Stallion Shox facility at Surajpur

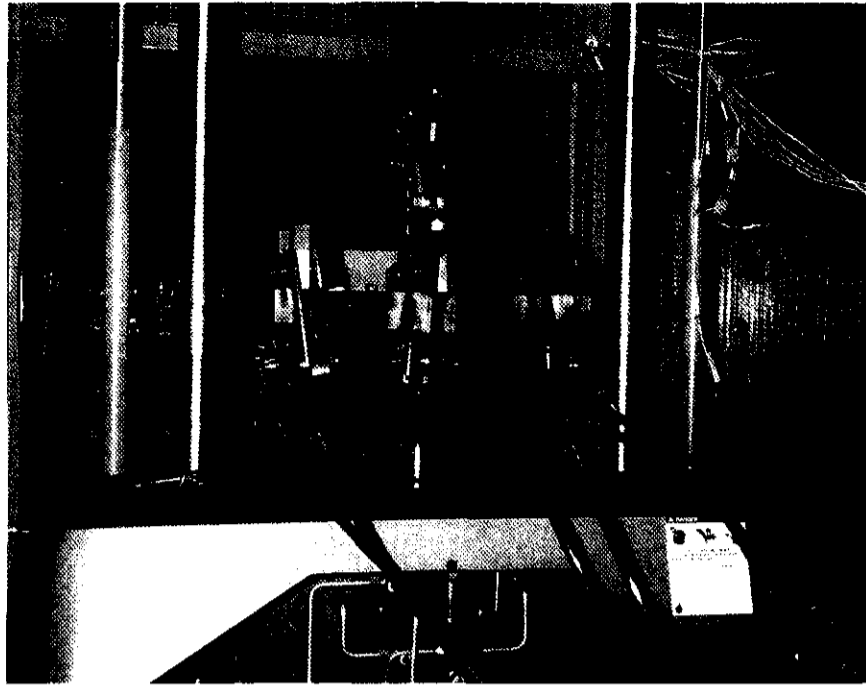


L-R : Mr Steve Stanfield, VP – Finance, Arvin Ride Control, USA and Mr W B Vance, President – Arvin Exhaust, Europe with Mr K N Subramaniam, President of Gabriel India, at the Nashik plant

WORLD CLASS EXPERTISE

Gabriel India's technical and financial collaboration with Gabriel Ride Control Products of Arvin Industries Inc., USA has helped the Company in product design, manufacturing technology as well as in the design and execution of its plants. Arvin is a global manufacturer of automotive components and systems with over 50 manufacturing facilities and eight technical centres located in 19 countries. With the recent acquisition of Purolator Products, USA, Arvin's global presence has been further enhanced.

The Company's other collaborators are SOQI / Yamaha and Kayaba of Japan, APA-Kayaba, Spain and Arvin Suspension System Italia of Italy.



MTS 850 Shock Absorber Test System at R&D facility, Pune

R&D / TECHNICAL SERVICES

To meet the global quality standards and demand for continuous price reductions, Gabriel India has been investing in R&D and superior technical expertise.

The Company's ultra-modern R&D facility at Chakan, near Pune is equipped with state-of-the-art servo hydraulic testing machines for performance and durability testing, noise measurement equipment, hoist for Ride Trials for validation of new products, evaluating quality improvements and auditing performance of supplies.

Gabriel also has facilities for product design, testing and validation at its locations in Bombay, Nashik and Gurgaon. It is setting up an R&D facility for two/three wheelers at Hosur for new generation vehicles.



L-R : Mr Dan Daniel, MD – Arvin Replacement Products, Europe, Mr V W Hunt & Mr W B Vance with Mr V K Gupta, Director – Technical Operations Improvements, Gabriel India at the Piston Rod Machining Cell, Pune

As a result of its R&D efforts, Gabriel India is supplying shock absorbers and struts to OEMs of new generation vehicles and also for new applications in the overseas markets.

The Company has taken several initiatives with commitment to achieve operational excellence, world class manufacturing and quality, customer service, continuous improvement and cost reduction.

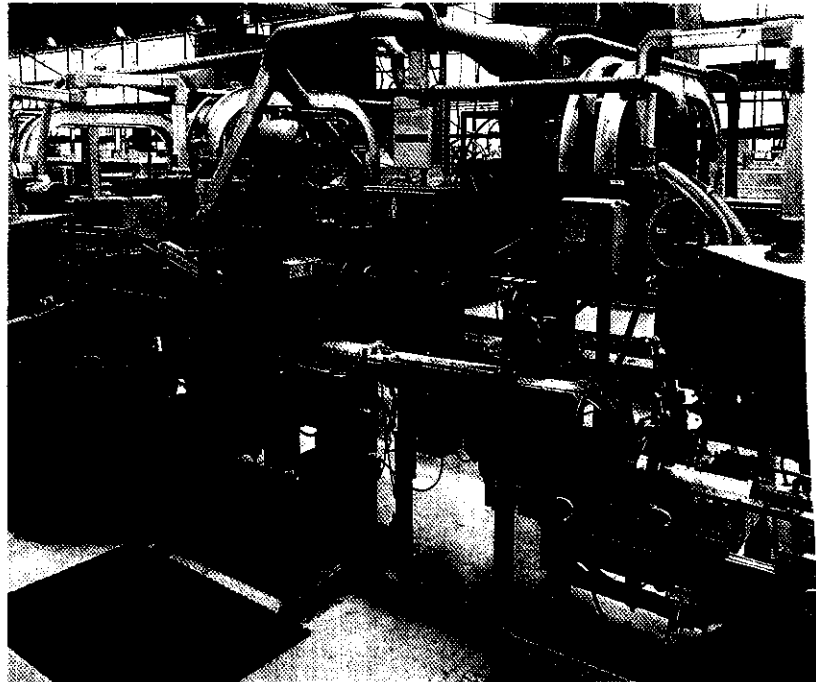
ENGINE BEARING DIVISION

The Engine Bearing Division was established in 1978 at Parwanoo in Himachal Pradesh, in collaboration with Federal-Mogul Corporation, USA, world leaders in thin-walled, bimetal Engine Bearings. The division, with a fully integrated facility, was the first in India to manufacture a complete range of Bimetal Bearings, Bushes, Flanges and Thrust Washers from the raw material stage.

The division has an annual manufacturing capacity of 17 million pieces and is equipped with an in-house chemical and metallurgical laboratory and a non-ferrous powder foundry, sinter lines, semi-automatic presses, high speed broaching machines and an automatic electroplating facility. Additionally, sophisticated testing facilities such as Tallyrond, Surface Analyzer and other metallurgical equipment help maintain high quality of the products.

The division also has an in-house semi-automatic line for manufacture of copper-lead and aluminium tin bearings as well as a medium size bearings line for Cummins and Railway Rod Bearings. The plant is equipped with a fully automatic production line with logic control system, imported from Federal-Mogul, USA.

A complete range of Large Size Bearings with German technology are also manufactured in this state-of-the-art facility, catering to the requirement of Railways, Marine, Power Generation and Industrial segments.



Auto Line in the Engine Bearing facility at Parwanoo



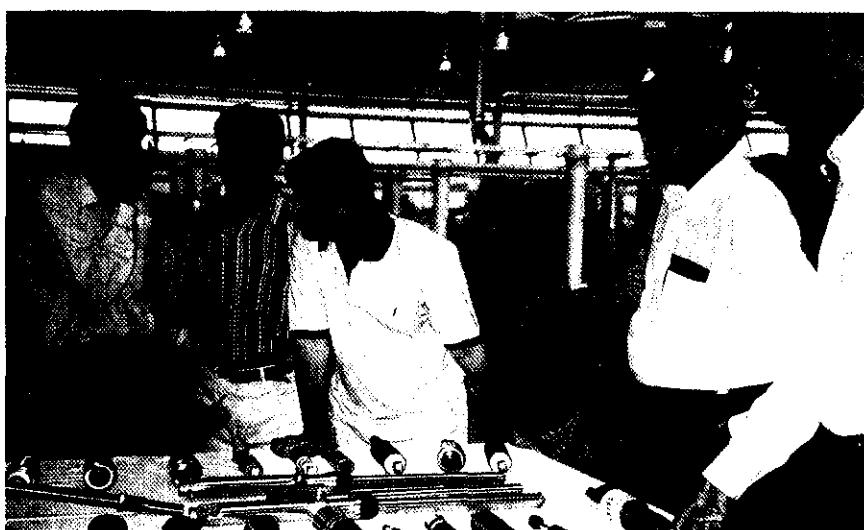
Visit of Federal-Mogul team to the Engine Bearing plant

MARKETING

Quality and Customer Satisfaction are the foundation of Gabriel India's marketing strategy. With a quick response to customer demands for new products and an extensive product range, the Company has emerged as a market leader for Ride Control Products and a key player for Engine Bearings in all segments.

Gabriel's large dealer network ensures effective market penetration. A team of trained sales personnel, supported by technically qualified managers, helps the Company to closely interact with dealers, mechanics, reborers and other decision-makers. To reinforce its strong brand image, the Company organises regular dealer and mechanic meets, check-up campaigns and other promotional activities.

Gabriel's emphasis on Market Research has helped in assessing the market potential, opportunities and customer preferences to stay abreast of competition.



South-Zone Dealers on a familiarisation visit to the Hosur plant



Gabriel India-sponsored Motorcycle Rally

EXPORTS

The exports were somewhat sluggish owing to the economic and financial crisis in some Asian markets as well as Russia, which previously was a very good market for the Company's ride control products. However, the Company was quick to tap other world markets with an enhanced product range and superior quality. Additionally, as a result of the Company's agreement with Arvin, USA, it exported Ride Control products through Arvin's Worldwide Distribution Network.

Gabriel's Engine Bearing Division exported bearings to several world markets for various applications. Its large size bearings have also found niche markets abroad.



L-R : Mr J Wehrenberg, Director-Asian Operations, Mr V W Hunt, President & CEO, Arvin Industries Inc, USA, Mr K N Subramaniam, Mr H R Prasad, Jt MD and Mr G R Pai, VP, Gabriel India, at the Nashik plant