

ANNUAL REPORT 1996-97

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HINDUSTAN MOTORS LIMITED



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AGM	/	SHI	/
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ANNUAL REPORT

Year Ended March 31, 1997

Board of Directors

Shri G. P. Birla	Chairman
Shri C. K. Birla	Vice-Chairman
Shri Rasesh N. Mafatlal	
Shri G. D. Kothari	
Shri Rahulkumar Bajaj	
Shri A. C. Muthiah	
Shri Pradip Kumar Khaitan	
Shri S. G. Guhagarkar	
Shri S. Mukherji	ICICI Nominee
Shri A. Sankaranarayanan	Executive Director

Bankers

UCO Bank
Bank of India
United Bank of India
Bank of Baroda
State Bank of India

Auditors

Messrs. S. R. Batliboi & Co.
Chartered Accountants

Share Transfer Agents

MCS Limited
Sri Venkatesh Mangalam
24/26 Hemanta Basu Sarani
Calcutta 700 001

Registered Office

'Birla Building'
9/1, Rajendra Nath Mukherjee Road
Calcutta - 700 001

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HINDUSTAN MOTORS LIMITED**Notice to the Shareholders**

NOTICE is hereby given that the Fiftyfifth Annual General Meeting of the Shareholders of HINDUSTAN MOTORS LIMITED will be held at Calcutta Ice Skating Rink, 78, Syed Amir Ali Avenue, Calcutta 700 019, on Wednesday the 20th August, 1997 at 3.30 p.m. for the following purposes :—

- (1) To consider and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31st March, 1997.
- (2) To declare dividend on Ordinary Shares.
- (3) To appoint a Director in place of Shri Pradip Kumar Khaitan, who retires by rotation and is eligible for re-appointment.
- (4) To appoint a Director in place of Shri G. P. Birla, who retires by rotation and is eligible for reappointment.
- (5) To appoint a Director in place of Shri C. K. Birla, who retires by rotation and is eligible for reappointment.
- (6) To appoint Auditors for the current year and to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modification, the following resolutions :

- (7) As an Ordinary Resolution :

"Resolved that Shri A.Sankaranarayanan be and is hereby appointed a Director of the Company."

- (8) As an Ordinary Resolution :

"Resolved that pursuant to the provisions of Article 107 of the Articles of Association of the Company and Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approval, as may be necessary, the Company hereby approves the appointment of Shri A Sankaranarayanan, as a Whole-time Director designated as Executive Director of the Company for a period of 5 years with effect from 8th January, 1997, with liberty to either party to terminate the appointment on three months' notice in writing to the other, at a remuneration and on terms set out below :-

- | | | |
|------------------------------------|---|---|
| 1. Salary | : | Rs. 77,500/- per month, subject to such increments as the Board may approve from time to time provided that the monthly salary shall not exceed Rs. 1,50,000/- per month. |
| 2. Other allowances aggregating to | : | Rs. 9,100/- per month |
| 3. Perquisites : | | |
| a) Housing I | : | Expenditure by the Company on hiring unfurnished accommodation for the Director will be subject to 60% of the salary, over and above 10% payable by the Director. |
| Housing II | : | In case the accommodation is owned by the Company, 10% of the salary of the Director shall be deducted by the Company. |
| Housing III | : | In case no accommodation is provided by the Company, the Director shall be entitled to house rent allowance, subject to the ceiling laid down in Housing I. |
| b) Medical Reimbursement | : | Expenditure incurred for the Director and his family, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years. |

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- c) i) Leave Travel Concession : For the Director and his family once in a year incurred in accordance with the rules framed by the Company.
- ii) Leave : In accordance with the rules framed by the Company.
- d) Club Fees : Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- e) Personal Accidental Insurance : Premium not to exceed Rs. 4,000/- per annum.
- f) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act.
- g) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- h) Encashment of unavailed leave at the end of the tenure.
- i) Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Director.
4. In addition to the above, the Board may at its discretion pay to the Director other allowances, benefits, perquisites and exgratia amount not exceeding Rs. 5,00,000/- in a year.
- Provided that the total of the emoluments paid to the Director excluding those which under the Act are to be excluded for computation of the ceiling, shall at no time exceed the limits laid down by Schedule XIII of the Companies Act, 1956.
5. Minimum Remuneration : "In the event of loss or inadequacy of profit in any financial year during the currency of tenure of service of the Director, payment of salary, perquisites and other allowances shall be governed by the limits prescribed under Section II of the Part II of the Schedule XIII of the Companies Act, 1956."

(9) As an Ordinary Resolution :

"Resolved that the consent of the Company be and is hereby accorded pursuant to Section 293(1) (d) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company to borrow moneys for the purpose of the Company's business which together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose provided that the total amount so borrowed by the Board shall not at any time exceed Rs. 1000 crores."

(10) As an Ordinary Resolution :

"Resolved that the consent of the Company be and is hereby accorded in terms of Section 293 (1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the creation by the Board of Directors of the Company of such mortgages and charges in addition to the existing mortgages and charges created by the Company as the Board may direct, on such of the assets of the Company, both present and future, in such a manner as the Board may direct, together with power to take over the management of the Company in certain events, to or in favour of all or any of the financial institutions / banks / any other investing agencies/ Trustees for the holders of debentures / bonds / other instruments which may be issued to and subscribed by all or any of the financial institutions / banks / any other investing agencies or any other person(s) / bodies corporate by private placement or otherwise, to secure rupee / foreign currency loans, debentures, bonds or other instruments of an equivalent aggregate value not exceeding Rs. 500 crores together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, costs, charges, expenses and all other moneys payable

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by the Company to the aforesaid parties or any of them under the Agreements / Arrangements entered into/ to be entered into by the Company in respect of the said loans, debentures, bonds or other instruments.

Resolved further that the Board of Directors of the Company be and is hereby authorised to finalise with the aforesaid parties or any of them, the documents for creating the mortgages / charges and accepting or making any alterations, changes, variations to or in the terms and conditions, to do all such acts, deeds, matters and things and to execute all such documents and writings as it may consider necessary, for the purposes of giving effect to this Resolution."

Registered Office :

'Birla Building'

9/1, Rajendra Nath Mukherjee Road,

Calcutta 700 001

Dated, the 27th May, 1997.

By Order of the Board,
For HINDUSTAN MOTORS LIMITED,

M. L. Jhunjhunwala,
Secretary.

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company.
2. The Register of Members and Share Transfer Books of the Company in respect of Ordinary Shares will remain closed from Friday, the 1st August, 1997 to Wednesday, the 20th August, 1997 both days inclusive.
3. The dividend when declared will be payable on or after 22nd September, 1997 to those members whose names shall appear on the Company's Register of Members on the 20th August, 1997 or to their mandatees/bankers.
4. With a view to provide protection against fraudulent encashment of dividend warrants, the members are hereby requested to provide their bank account number, name and address of the bank branch quoting their folio numbers so as to reach the Company latest by 1st August, 1997 to enable the company to incorporate the same in the dividend warrants. Members will appreciate that the Company will not be responsible for any loss arising out of such fraudulent encashment of dividend warrants.
5. Members who have not surrendered their Allotment Letters against the allotment of Right Shares made in February 1993 are hereby requested to surrender their Allotment Letters duly discharged on the reverse of the same in the manner specified therein for exchange with Share Certificates.
6. Members holding Share Certificates in the same name under different ledger folios are requested to apply for consolidation of such folios and send the relevant Share Certificates to the Company.

Explanatory Statement : (As required by Section 173 of the Companies Act, 1956)

Item No. (7) & (8) In view of the increased activities of the Company it was considered to be in the interest of the Company to appoint Shri A. Sankaranarayanan, President (Operations) of the Company as Additional Director on whole-time basis. Accordingly, the Board of Directors of the Company at its meeting held on 8th January, 1997 has appointed Shri A. Sankaranarayanan as Additional Director and also as Whole-time Director designated as Executive Director for a period of five years with effect from 8th January, 1997, on the salient terms and conditions of the appointment as set out in the Resolution in Item No. 8 of the convening Notice subject to the approval of the shareholders in General Meeting in due course. Shri A. Sankaranarayanan is actively involved in day-to-day operations of various activities of the Company for last 13 years.

The Additional Director will hold office as Director only upto the date of ensuing Annual General Meeting pursuant to Section 260 of the Companies Act, 1956.

The Company has received notice pursuant to Section 257 of the Companies Act, 1956, from member signifying his intention to propose the name of Shri A. Sankaranarayanan for appointment as Director of the Company. The Board of Directors of the Company considers that the appointment of Shri A. Sankaranarayanan as Director of the Company will prove beneficial to the Company.

The appointment and remuneration payable to Shri A. Sankaranarayanan as Executive Director require the approval of the Company in General Meeting in terms of Part III of Schedule XIII of

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the Act and the remuneration so payable to him also requires the approval of the members of the Company in General Meeting under Section 309 of the Act.

Accordingly, your Directors recommend the Resolutions set out in items 7 and 8 of the convening Notice.

An extract of the terms of appointment and remuneration payable to Shri A Sankaranarayanan as Executive Director with effect from 8th January, 1997 has already been circulated on 8th January, 1997, to the members, as required under Section 302 of the Companies Act, 1956.

Shri A. Sankaranarayanan is deemed to be concerned or interested in the Resolutions which pertain to his appointment and remuneration payable to him.

None of the other Directors of the Company is in any way concerned or interested in the said resolutions.

- Item No. (9) The shareholders of the Company by their Resolution dated 5th November, 1985, authorised the Directors to borrow moneys from time to time upto a limit of Rs. 500 crores over and above Rs. 76.36 crores the then paid up capital and free reserves of the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of Business), notwithstanding that the moneys to be borrowed, together with the moneys already borrowed by the Company, exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose. In view of the various projects undertaken/to be undertaken by the Company, its total borrowings may exceed the said limit. In the circumstances, the sanction of the shareholders is being requested to enable the Directors to borrow moneys upto a limit of Rs. 1000 crores.

None of the Directors is interested in the resolution.

- Item No. (10) To meet the capital expenditure requirements and also the increased working capital needs, the Company proposes to obtain in the coming years financial assistance upto an equivalent aggregate value of Rs. 500 crores from financial institutions / banks / other investing agencies by way of loans (including foreign currency loans), issue of debentures / bonds / other instruments on private placement basis or otherwise as set out in the Resolution. To secure such borrowings, the Company may be required to mortgage and charge the assets and properties of the Company, both present and future as may be required by the lenders / trustees. As the documents to be executed between the Company and the lenders / trustees for the debentures / bonds / other instruments may contain the power to take over the management of the Company in certain events, it is necessary for the members to pass a Resolution under Section 293(1)(a) of the Act, before the creation of the mortgages and charges.

None of the Directors is interested in the resolution.

HINDUSTAN MOTORS LIMITED**Report of the Directors**

To the Shareholders,

The Directors have pleasure in presenting the report and accounts for the year ended 31st March, 1997.

The revenue account shows a profit of Rs. 3931.92 lacs after providing Rs. 2434.25 lacs for depreciation and Rs. 513.00 lacs for taxation. After taking into account the credit balance of Rs. 2357.96 lacs brought forward from the previous year and Rs. 442.58 lacs, Rs. 1437.29 lacs and Rs. 4.45 lacs written back from Investment Allowance Reserve, Debenture Redemption Reserve and provision for taxation in respect of earlier years no longer required respectively, there remains a credit balance of Rs. 8174.20 lacs which your Directors have decided to appropriate in the following manner :

	(Rs. in lacs)
Transfer to General Reserve	2500.00
Transfer to Debenture Redemption Reserve	375.00
Provision for proposed dividend on Ordinary Shares	1074.86
Provision for tax on proposed dividend	107.49
Balance to be carried forward	4116.85
	<u>8174.20</u>

Your Directors recommend for consideration at the Annual General Meeting declaration of dividend of Re 1.00 per Ordinary Share subject to deduction of tax, if any, and approval of the Financial Institutions.

During the year under review, the operation of the Company's Auto Division at Hindmotor was disrupted to some extent due to unlawful stoppage of work from time to time by Convoy Drivers for about 71 days. These Convoy Drivers who are not on roll of the Company, are engaged by various contractors who have been entrusted with the job of transportation of the Company's vehicles from its factory to various dealer points. This has affected the production and profitability of the Company to some extent.

During the year, production of Ambassador cars in the Company's Auto Division stood at 24,294 as against 24,084 in the year preceding. Overall production of vehicles stood at 29,039 as compared to 30,818 in 1995-96.

The earlier Contessa Classic model was phased out during the year and a new Contessa 1.8 GLX with

power steering, new seats and improved suspension was introduced. In addition, the Contessa 2000 CC Diesel was launched during the year and the market response for this vehicle is satisfactory.

As mentioned last year, the Company has undertaken a project for manufacture of the Lancer car in collaboration with Mitsubishi Motors Corporation of Japan. The model to be produced is the Lancer, MG 41, a 1996 Mitsubishi model. Construction of the plant has commenced at the project site at Tiruvallur, Tamil Nadu. MOUs have been signed with several leading vendors in the country for localisation. There has been a very positive response to this product in the road shows conducted throughout the country. The new car is expected to hit the road in early 1998. The plant which will initially have a capacity of 30,000 units a year is expected to produce 8,000 cars in the first year of production. With increase in indigenisation, the full capacity will be reached in 2/3 years. Work on production of Lancer engine and gear box is progressing at the Company's Indore Plant satisfactorily.

As a part of its strategy for the rural market, the Company has launched a project at the existing Indore Plant for the manufacture of a Rural Transport Vehicle in collaboration with Oka Motor Company of Australia, specialised manufacturers of rugged vehicles. Prototypes have been built and the production of this vehicle is expected to commence in the first half of 1998. Besides, further improvements are being introduced in the Company's existing utility vehicle, viz. Trekker, which will cater to the growing rural market.

Production at the Earthmoving Equipment Division at Tiruvallur and Pondicherry showed a further improvement during the year. The overall unit production was 609 as compared to 571 units in the previous year.

The Power Products Division of the Company at Hosur achieved a distinction of producing more than 1000 nos. of Transmissions. Production was 1027 nos. as against 917 nos. in the previous year. During the year, the products were exported to countries like Sweden, UK, USA, Japan and Korea. With major orders on hand, the outlook for 1997-98 is promising on the export front. A new product developed by this division, viz. Automatic Transmission for buses has been tested and field trial with a major original equipment manufacturer is planned during the current year.

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The Company's Joint Venture with Messrs. General Motors Corporation, USA, General Motors India Ltd., commenced commercial production of Opel Astra car during the year 1996-97. The product was well received in the market for its quality and adjudged the best car in the market by many auto journals. During the year, 7,435 cars were produced.

The Quality Movement was sustained at all the divisions of the Company. The Auto Marketing Division was awarded ISO 9001 certification during the year. This is in addition to ISO 9001 certifications obtained earlier by other divisions, viz. Earthmoving Equipment, Power Products and Indore as well as the Forge Plant at the Auto Division. Manufacturing System Engineering Programmes have been completed at EED and PPD and are now under implementation at Auto and Indore Divisions. Quality Circle Movement is gathering momentum and several quality ideas have won awards under various forums. All our vehicles are presently meeting the emission norms. The Indore Plant has developed an Electronic system to meet the new cold start norms applicable from April 1998 and have already obtained ARAI certification for Isuzu 1800 CC Petrol Engine.

The Company has entered into a technical collaboration with a US Company for joint development of Multi Point Fuel Injection for Isuzu Petrol Engine to meet the norms applicable in year 2000.

To part finance the cost of the new projects for manufacture of the Lancer car and the Rural Transport vehicle as also for financing the expansion and modernisation schemes of the Auto Division at Uttarpara, Earthmoving Equipment Division at Tiruvallur and Pondicherry and the Power Products Division at Hosur, the Company has been sanctioned by the Indian Financial Institutions term loans aggregating Rs. 320 crores. Your Directors would like to place on record their appreciation of the help extended by the Financial Institutions.

It may be recalled that in August, 1987 the Company had issued 14% Secured Redeemable Non-Convertible Debentures of the total value of Rs. 33 crores with a view to financing a part of the cost of the scheme for modernisation of the Company's facilities for manufacture of automobiles. Against the said issue,

Debentures of the total value of Rs. 30.66 crores were allotted on 17th December 1987. These Debentures were fully redeemed on 17th December 1996.

The relations between the management and employees during the year remained cordial.

The notes referred to by the Auditors in their report are self-explanatory and do not require any further explanation.

A statement giving particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with the Rules made thereunder is annexed. In addition, information required by Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is also given as an Annexure to this report.

The latest accounts of the subsidiary companies, namely, Hindustan Motor Finance Corporation Limited and HM Export Limited are given in the annexures.

The Directors regret to inform of the sad demise of Shri M V Arunachalam, a Director of the Company on 4th September, 1996. Shri Arunachalam had joined the Board in June, 1975 and since then, had rendered valuable advice and guidance to the Company.

Shri A. Sankaranarayanan was appointed as an Additional Director of the Company with effect from 8th January 1997 and vacates his office at the ensuing Annual General Meeting. The Company has received notice under Section 257 of the Companies Act, 1956, from a member signifying his intention to propose him as a candidate for the office of a Director of the Company. The Board has also appointed him as Whole-time Director designated as Executive Director for a period of five years with effect from 8th January 1997.

Under Article 90 of the Articles of Association of the Company, Shri Pradip Kumar Khaitan, Shri G. P. Birla and Shri C. K. Birla retire from the Board of Directors by rotation and are eligible for reappointment.

At the Annual General Meeting, the members are required to appoint auditors for the current year and to fix their remuneration. The auditors, Messrs. S. R. Batliboi & Co., who retire, offer themselves for re-appointment.

G. P. Birla
C. K. Birla
G. D. Kothari
Pradip Kumar Khaitan
S. G. Guhagarkar
A. Sankaranarayanan
DIRECTORS

HINDUSTAN MOTORS LIMITED**Annexure to the Directors' Report**

[Additional information given as required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.]

A. ENERGY CONSERVATION :

The Company continues to accord high priority to conservation of energy. Use of translucent roofings, replacement of fluorescent light fittings with energy efficient light fittings, timer devices for automatic switching off light fittings, etc. have resulted in reduction of power consumption for lighting. Thermostat controlled switch at cooling towers have been installed. Device to stop idle running of Motors when machines are not cutting metal have been implemented in a number of machines. Capacitors have been added during the year to increase the power factor from 0.95 to 0.98 at Uttarpara plant. Due to the improved power factor WBSEB has given rebate. The Company has saved Rs. 5,68,544 up to March 1997.

Solar water heaters have been installed in all the industrial canteens run by the Company. Improved quality of valves, pipe fittings and better maintenance standards have been implemented to prevent leakage of compressed air. Many large motors have been installed with soft-start device which results in reduction of starting current.

The above measures have resulted in saving of 0.81% in 1996-97.

B. TECHNOLOGY ABSORPTION :**1. In-House R & D :**

- a) The energy efficient/higher power 1.5 Ltr. diesel engine for Ambassador has been developed and is under customer feedback.
- b) Heavy Duty Gear Box to improve reliability has been implemented in Ambassador & Trekker.
- c) Power Steering System has been introduced in Contessa 1.8 GLX for ease of handling.
- d) Prototype automatic transmission for bus application has been completed by PPD with in-house R&D and these transmissions are under endurance trials.
- e) The Company has installed Computer Aided Design facility in all the R&D Centres of Divisions.
- f) The Company has spent Rs. 516 lacs for its R&D Centres which form 0.41% of total sales-turnover.

2. Technology imported during the last 5 years :

Technology for	Year of import	Has technology been fully absorbed	If not fully absorbed, areas where this has not taken place, reason therefor and future plans of action
Manufacture of Backhoe Loader	1994	Absorbed for in-house manufacturing	The technology transfer is for complete machine less transmission. Localisation effort have ensured 60% absorption during 1996-97
Manufacture of Mitsubishi Lancer	1996 and on going	Project under implementation	—
Manufacture of Rural Transport Vehicle	1996	Project under implementation	—
Multi Point Fuel Injection for Isuzu petrol engine	1996	Project under implementation	—

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

The relevant information has been provided in Notes 18, 19 & 20 of Schedule 22 to the Accounts.