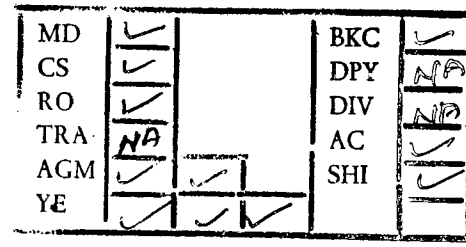
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CG IGARASHI MOTORS LTD.

Regd. Office : Plots No. B12 - B15, Phase II, MEPZ, Tambaram, Chennai - 600 045, Tamil Nadu

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6th Annual Report 1997-98

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CG IGARASHI MOTORS LIMITED

BOARD OF DIRECTORS	K.K. NOHRIA (Chairman)
	C.P. DUSAD
	G.N. MANI
	K. IGARASHI
	T. IGARASHI
	S. GUMASTE
CHIEF EXECUTIVE	P. MUKUND
SECRETARY	A.S. NARAYANAN
AUDITORS	SHARP & TANNAN
BANKERS	ANZ GRINDLAYS BANK plc BANK OF BARODA THE BANK OF TOKYO - MITSUBISHI, LTD.
REGISTERED OFFICE & FACTORY	PLOTS No. B-12 to B-15, PHASE II MADRAS EXPORT PROCESSING ZONE TAMBARAM, CHENNAI - 600 045.

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to bring their copies to the Meeting.

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CG IGARASHI MOTORS LIMITED

NOTICE

NOTICE is hereby given that the SIXTH ANNUAL GENERAL MEETING of CG IGARASHI MOTORS LIMITED will be held at The Mini Hall, The Music Academy, 306, T.T.K. Road, Chennai 600 014 on Wednesday, the 8th July, 1998 at 3 p.m. to transact the following business :

1. To consider and adopt the Balance Sheet as at 31st March, 1998, Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.

2. To appoint a Director in place of Mr. K.K. Nohria who retires by rotation, and being eligible, offers himself for re-appointment.

3. To appoint a Director in place of Mr. K. Igarashi who retires by rotation, and being eligible, offers himself for re-appointment.

4. To appoint Auditors for the Company and authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS :

5. To appoint a Director in place of Mr. T. Igarashi who was appointed as a Director in casual vacancy by the Board due to sudden demise of Mr S.H. Levinson, pursuant to Article 98 of Articles of Association of the Company and whose term of office expires at this Annual General Meeting, under section 262 of the Companies Act, 1956 and being eligible for re-appointment, a notice has been received from a Member of the Company proposing his candidature for re-appointment.

6. To appoint a Director in place of Mr. S. Gumaste who was appointed as an additional Director of the Company pursuant to Article 97 of the Articles of Association of the Company and whose term of office expires at this Annual General Meeting under section 260 of the Companies Act, 1956 and being eligible for re-appointment, a notice has been received from a Member of the Company proposing his candidature for re-appointment.

7. To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution :

   "RESOLVED THAT consent be and is hereby accorded to the Board of Directors of the Company pursuant to Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956 for borrowing from Financial Institutions/Banks or others from time to time any sum or sums of money already borrowed by the Company, (apart from temporary loans obtained from the bankers of the Company in the ordinary course of business) shall not exceed the aggregate at any time Rs. 25 crores (Rupees twenty five crores only) notwithstanding that such aggregate amount of borrowing outstanding at any one time may exceed the aggregate of the paid up share capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose".

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.

2. The relative explanatory statement pursuant to section 173 of the Companies Act, 1956 in respect of items No. 5, 6 & 7 is annexed hereto.

3. The Register of Members and Transfer Books of the Company will be closed from Wednesday, 01st July 98 to Wednesday, 08th July 98, both days inclusive.

4. Members / Proxies should bring the attendance slip duly filled-in for attending the meeting.

By Order of the Board of Directors

Place : Chennai
Date : 21st May, 1998

A.S. NARAYANAN
Secretary

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CG IGARASHI MOTORS LIMITED

ANNEXURE TO THE NOTICE

Explanatory Statement as required under section 173 of the Companies Act, 1956.

ITEM No. 5

Mr. T. Igarashi was appointed as a Director in casual vacancy by the Board on 24.8.96 on account of the sudden demise of Mr. S.H. Levinson on 14.1.96, and his term of office expires on the date of the Sixth Annual General Meeting.

According to the provisions of section 262 of the Companies Act, 1956, a director appointed in casual vacancy holds office as Director only up to the date up to which the director in whose place he is appointed would have held office if it had not been vacated as aforesaid.

As required by section 257 of the Companies Act, 1956 a notice has been received from a member of the Company signifying his intention to propose the re-appointment of Mr. T. Igarashi as a Director along with deposit of Rs. 500.

None of the Directors other than Mr. T. Igarashi & Mr. K. Igarashi are interested in this item of business.

ITEM No. 6

Mr. S. Gumaste, Senior Manager, Pathfinders (formerly IL&FS Venture Corporation who have provided financial assistance by way of venture capital) was appointed as an Additional Director of the Company on 09th March, 1998 by the Board of Directors.

According to the provisions of section 260 of the Companies Act, 1956 his term of office is only upto the date of the ensuing Annual General Meeting. As required by section 257 of the Companies Act, 1956 a notice along with a deposit of Rs. 500/- has been received from a member of the Company signifying his intention to propose re-appointment of Mr. S. Gumaste, as a Director.

None of the Directors other than Mr. S. Gumaste is interested in this item of business.

ITEM No. 7

Section 293 (1) (d) of the Companies Act, 1956 provides that the Board of Directors shall not, except with the consent of the Members in General Meeting, borrow moneys (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) in excess of the aggregate of the paid up capital and free reserves not set apart for any specific purpose.

None of the Directors of the Company is interested or concerned in the Resolution.

By Order of the Board of Directors
for CG IGARASHI MOTORS LIMITED

Place : Chennai
Date : 21st May, 1998

A.S. NARAYANAN
Secretary

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CG IGARASHI MOTORS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1997

Your Directors have pleasure in presenting the Sixth Annual Report and the Audited Accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS	1997-98 Rs. lacs	1996-97 Rs. lacs
Profit (Loss) before depreciation and miscellaneous expenditure written off	**222.57**	60.04
Less : Depreciation & Miscellaneous expenditure written off	**117.44**	77.52
Profit before taxes / (Loss)	**105.13**	(17.48)

RESERVES

Reserve of Rs.115.57 lacs at the end of the year represents a sum of Rs.20.57 lacs being cash subsidy received from the State of Tamil Nadu and Rs. 95.00 lac being share premium amount received from M/s Igarashi Electric Works Ltd, Japan in respect of allotment of 19,00,000 equity shares.

PRODUCTION AND EXPORTS

We are happy to inform that in 1997-98, your Company has achieved a growth of over 200% in exports turnover compared to last year, and exported 27.52 lac Units valued Rs. 1929 lacs. Major exports were made to Europe and Australia while continued exports were made to USA. It may be noted that markets for new applications in the Automobile, Power Tool and Appliance sectors were developed during the year and several of the seed supplies are undergoing detailed evaluation at Customers' test centres.

Your Company has added capacity of 1.5 million units/year for an existing product and we are pleased to inform that over 100% utilisation of the capacity of this product was realised during the last quarter.

OUTLOOK

The prospects for the coming year look brighter and we estimate that production and exports will be considerably higher during the year, over 97/98 level. New international customers will be added during this year and relationship with the existing customers will become stronger with increased volumes of business by adding new Models to the existing range.

QUALITY SYSTEMS CERTIFICATION

The Company is rapidly progressing towards acquiring QS 9000 Certification during the year. While the Preliminary Assessment has already been completed in April '98, the Final Assessment is following during the year.

TECHNOLOGY ABSORPTION

As required by the Companies (Disclosure of Particulars in the Report of Directors) Rules 1988, the relevant data pertaining to technology absorption and foreign exchange earnings and outgo are given in the Annexure forming part of the Report.

DEPOSITS

The Company has not invited or accepted any deposits during the year.

PERSONNEL

The Board of Directors wishes to place on record their appreciation to all the employees of the Company for their contribution to the operations of the Company during the year. The continued efforts by all the employees of the Company has been one of the primary reasons for the turnaround of the Company.

Information as per Section (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1994 as amended is given in the Annexure forming part of this report.

DIRECTORATE

Mr. K.K. Nohria and Mr. K. Igarashi retire by rotation and being eligible, offer themselves for re-appointment.

AUDITORS

The Company's Auditors, M/s Sharp & Tannan, retire and being eligible, offer themselves for re-appointment.

For and on behalf of the Board of Directors

Place : Chennai
Date : 21st May, 1998

K.K. NOHRIA
Chairman

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CG IGARASHI MOTORS LIMITED

Annexure 'A'

To the Directors' Report

FORM B

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation :
   - Joint discussions with collaborators for design specifications to meet specific needs of the market.
   - Commencement of indigenisation of materials and components.
2. Benefits derived as a result of the above efforts :
   - Successful production of samples that passed all the performance tests.
   - Development of design capability.
   - Lower cost.
   - Import substitution saving foreign exchange.
3. Information regarding imported technology during the last 5 years :
   a) Technology imported : Permanent Magnet DC Micromotors Technology
   b) Year of Import : 1993-94
   c) Status : Absorbed
   d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of actions
4. Foreign Exchange Earning and Outgo :
   a) Activities relating to Exports :
   As the Company is 100% export-oriented, refer para on outlook of the main report.
   b) Total Foreign exchange used and earned :

	1997-98 (Rs. lacs)	1996-97 (Rs. lacs)
Total Foreign Exchange earned	**1958.80**	622.67
Total Foreign Exchange used	**1255.94**	467.37

{Excludes payments for capital goods: Rs.180.61 lacs (Previous year: Rs.165.57 lacs)}

Annexure 'B'

To the Directors' Report

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of the Directors' Report for the year ended 31st March, 1998.

Name	Designation/ Nature of duties	Gross Remuneration received (Rs)	Qualification	Experience (Years)	Date of commencement of employment	Age (Years)	Last employment held
P. Mukund	Chief Executive	Rs. 439,677	B.E. (Hons) PGDBM	17	01.11.1993	39	Crompton Greaves Ltd,

NOTES :

1. The above appointment is contractual, other terms and conditions are as per Company rules.
2. Gross remuneration received includes salary, allowances and taxable value of perquisites.
3. The above Employee is not related to any of the Directors of the Company.
4. The percentage of Equity Shares held by the above employee within the meaning of section 217 (2A) (iii) of the Companies Act, 1956 is less than 2%.

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CG IGARASHI MOTORS LIMITED

AUDITORS' REPORT

We have audited the attached Balance Sheet of CG Igarashi Motors Limited as at 31st March 1998 and the annexed Profit and Loss Account for the year ended on that date. In accordance with the provisions of Section 227 of the Companies Act, 1956, we report as under:

1) As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988 dated 7th September 1988 issued by the Government of India under Section 227(4A) of the Companies Act 1956, we enclose in the Annexure, our report on the matters specified in paragraphs 4 and 5 of the said order.

2) Further to our comments in the Annexure referred to in paragraph (1) above:

   i) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit;

   ii) In our opinion, proper books of account as required by law, have been kept by the Company, so far as appears from our examination of those books;

   iii) The said Balance Sheet and the Profit and Loss account are in agreement with the books of account;

   iv) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in Schedule O and notes in Schedule P give the information required by the Companies Act 1956, in the manner so required and give a true and fair view :

      a) in the case of Balance Sheet, of the state of the Company's affairs as at 31st March 1998 and

      b) in the case of the Profit and Loss Account of the profit for the year ended on that date.

SHARP & TANNAN
Chartered Accountants
by the hand of

Place : Chennai
Date : 21st May, 1998

L. VAIDYANATHAN
Partner

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CG IGARASHI MOTORS LIMITED

ANNEXURE TO THE AUDITORS' REPORT

(Refer Paragraph (1) of our report of even date)

As required by the Manufacturing and other Companies (Auditors' Report) Order 1988 dated 07th September, 1988 issued by the Company Law Board under Section 227 (4A) of the Companies Act, 1956, we report as under:

1. The Company is maintaining proper records to show full particulars including quantitative details and situation of fixed assets. We are informed that these fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.

2. None of the fixed assets of the Company have been revalued during the year.

3. As explained to us, stock of finished goods, stores, spare parts, raw materials and components have been physically verified by the management at reasonable intervals during the year.

4. As per information given to us, the procedures of physical verification followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and nature of its business.

5. The discrepancies noticed on physical verification of stocks as compared to book records were not material.

6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles.

7. The Company has not taken any loans, secured or unsecured from companies, firms or other, parties listed in the register maintained under section 301 of the Companies Act 1956, and/or from companies under the same management as defined under sub-section (1B) of section 370 of the Companies Act, 1956.

8. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act 1956, and / or companies under the same management as defined under sub-section (1B) of section 370 of the Companies Act 1956.

9. The parties, to whom loans, or advances in the nature of loans have been given, are repaying the principal amount as stipulated and are also regular in payment of interest where applicable.

10. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchases of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods of the Company.

11. According to the information and explanation given to us, purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act,1956 and aggregating during the year to Rs.50,000/- or more in value in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods, for similar goods or services have been made with the other parties.

12. As explained to us unserviceable or damaged stores, raw materials and finished goods are determined by the Company and adequate provisions for loss have been made in the accounts.

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