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# **IGARASHI MOTORS INDIA LTD.**

12th ANNUAL REPORT 2003-2004



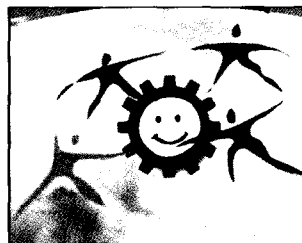
## OUR PHILOSOPHY ON CORPORATE GOVERNANCE



MISSION TO ENHANCE  
CUSTOMERS  
COMPETITIVENESS



GLOBAL VISION  
THROUGH INDIAN DOORWAY



WEALTH FOR ALL  
PARTNERS THROUGH  
THE WHEEL OF ENGINEERING



TRANSPARENCY  
AND COMPLIANCE



## Igarashi Motors India Limited

### BOARD OF DIRECTORS

K.K. NOHRIA (CHAIRMAN)

K. IGARASHI

C.P. DUSAD

G.N. MANI

T. IGARASHI

KEIICHI IGARASHI

### MANAGING DIRECTOR

P. MUKUND

### COMPANY SECRETARY

S. RATHNA PRABHA

### AUDITORS

SHARP & TANNAN

### BANKERS

ABN AMRO BANK NV

ICICI BANK LTD.

INDIAN BANK

THE BANK OF TOKYO MITSUBISHI LTD.

### REGISTERED OFFICE & FACTORY

PLOTS NO.B-12 TO B-15, PHASE II

MEPZ - SEZ

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.



## ***Igarashi Motors India Limited***

*From the Chairman's desk...*

Dear Shareholder,

It took China several years to become the World's Manufactory and this Build up was strongly supported by Government Investment in Infrastructure and Economic growth oriented policies. Today the run has manifested itself into large capacities in Manufacturing and the Organizations in China have captured significant Market share in the Global Market. They also nourish a strong Domestic demand which will help their Scales and Volumes grow further. Such a phenomenon is vastly visible in the Automotive Industry.

It will not be long before such opportunities manifest in India also. The experience that your Company has built up over the past decade shows robust Long Term demand for your Company's Motors in the Global Automotive Industry.

Your Company is addressing a Market where growth opportunities will be higher than average growths, stemming out of Increasing Applications and Low Cost substitution.

I must say that, with the help of the Igarashi Global team, your Company's team in India has Platformed itself very well to be a good part of the growth opportunities in the forward years.

I believe that the second phase of our Growth will start from the later part of 2004 when the Programs that your Company has been working on for the past 4 years will build up into robust revenues over the next years.

I wish to thank all the shareholders for the strong support given to your Company and we believe that all the Directions and Decisions your Company is executing today will ensure maximizing Shareholder Wealth in the years to come.

Regards.

**K K NOHRIA**  
Chairman

## ***Igarashi Motors India Limited***

*A message from*

**K Igarashi**

President, Igarashi Group

Dear Shareholder,

Over the past years of our experience in India, we have been working to create Opportunity Platforms in India.

In Phase One, we found that Manufacturing Excellence was visibly demonstrated by our Indian team and this has given us access to several Large Customers in the Automotive Industry. We have decided to grow Capacities and Programs for Manufacturing in India.

Over the past 3 years, we have been experimenting India as a Technology Platform and I must say that our Indian team has built capability beyond my expectations. In the forward years, we propose to grow the Technology Platform and I am shooting for more Global Development Programs being executed from the Indian Technology Platform. The experiences over the past years have been very encouraging and rewarding.

Thirdly, we now see Indian Domestic Market as a reasonably big opportunity and from the last year we have been gradually building up capability to service Indian Demand for DC Motors and as the World predicts that India will be the next Growth economy after China, we want to be deep into the markets when all the opportunities show up.

Our experiences in Japan and China over the years will be consolidated to propel the Indian Operations.

I wish to thank all the Shareholders for all the support given to us in our Steady build up of our India Platform.



**K.IGARASHI**





## NOTICE

Notice is hereby given that the **Twelfth Annual General Meeting** of the members of IGARASHI MOTORS INDIA LIMITED will be held on 28th July 2004, at Mini Hall, The Music Academy, 306 T.T.K Road, Chennai – 600 014 at 3.00 P.M on Wednesday to transact the following business:

### ORDINARY BUSINESS

1. To receive and adopt the audited Balance Sheet for the year ended 31st March 2004 and the Profit and Loss Account as at that date together with the Directors' Report and Auditors' Report thereon.
2. To declare a dividend.
3. To Appoint a Director in place of Mr. K.K.Nohria who retires by rotation and being eligible, offers himself for re-appointment.
4. To Appoint a Director in place of Mr.C.P.Dusad who retires by rotation and being eligible offers himself for re-appointment.
5. To Appoint Auditors to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

### SPECIAL BUSINESS

#### 6. Delisting of shares from Delhi Stock Exchange

To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED that pursuant to the provisions of section 61 and other applicable provisions of the Companies Act, 1956, and clause 5.2 and other applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as 'Delisting Guidelines') and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications, as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, as may be agreed to by the Board of Directors of the Company ('the Board which terms shall be deemed to include any Committee thereof), consent of the Company be and is hereby accorded to the Board to delist the Equity Shares of the Company from the Delhi Stock Exchange;

RESOLVED further that the Board be and is hereby authorized to settle all questions, difficulties or doubts that may arise in regard to the aforesaid voluntary delisting of shares, as it may, in its absolute discretion deem fit without being required to seek any further approval of the members or otherwise and intent that the members shall be deemed to have given their approval expressly by the authority of this resolution;

RESOLVED further that the Board be and is hereby authorized to take all necessary steps in this regard in order to comply with all the legal and procedural formalities and further to authorise any of its Committee/Directors or any of the Officers of the Company to do all such acts, deeds or things as may be necessary from time to time to give effect to the aforesaid resolutions and matters connected or incidental thereto."

#### 7. Re-appointment of Managing Director

To consider and if thought fit, to pass with or without modification the following resolution as an ordinary resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII of the Companies Act, 1956 and other applicable provisions if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force) and subject to such approvals as may be necessary and further subject to the approval of members in the general meeting, Mr.Padmanabhan Mukund be and is hereby re-appointed as the Managing Director of the Company

## ***Igarashi Motors India Limited***

for a further period of 5 years from 10th February 2004, on the terms and conditions as set out in the explanatory statement to this resolution.”

### **Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.**

#### **Item No 6:**

The equity shares of your company are presently listed on four stock exchanges viz. The Delhi Stock Exchange Association Limited (DSE), The Stock Exchange, Mumbai (BSE), The National Stock Exchange (NSE) and Madras Stock Exchange Ltd. (MSE).

As per SEBI (Delisting of Securities) Guidelines, 2003, (SEBI Delisting Guidelines), company's securities can be delisted from the stock exchanges if the shares of the company continue to be listed on either Mumbai Stock Exchange or National Stock Exchange. The shares of the company are not presently traded on DSE and the entire trading of the Company's shares is done only at NSE & BSE which have nation wide trading terminals and therefore provide full liquidity to the investors. In view of this, the delisting of the Company's shares from DSE will not have any adverse impact on the investors. The delisting of the shares on DSE would also save the payment of annual listing fee that is paid to DSE.

Moreover the company's shares are one of the scrips, which the SEBI has specified for settlement only in demat form by all investors. As per the applicable, SEBI Guidelines, no exit option is required to be given to the shareholders of the region where the Delhi stock exchange is situated as the Company's shares are listed on BSE & NSE.

In line with SEBI Regulations, the approval of members by way of special resolution is required for enabling voluntary delisting of its securities from the Delhi Stock Exchange. Accordingly, the approval of the shareholders is required.

Your Directors commend the Resolution in this item of the Notice for your acceptance. The Directors holding shares of the company may be concerned with the resolution

#### **Item No.7.**

The Board of Directors, at their meeting held on 29th January, 2004, re-appointed Mr. Padmanabhan. Mukund as Managing Director of the Company for a further period of five years with effect from 10th February 2004, on the following terms and conditions, subject to the approval of the shareholders in the general meeting.

The material terms and conditions of the re-appointment is as follows:

#### **Salary**

Rs.60,000/- per month which may be increased upto Rs.1,00,000/- per month by the Board of Directors.

#### **Commission**

Commission, in addition to salary and perquisites, subject to a maximum of twelve months salary. The actual amount and mode of payment to be determined by the Board of Directors.

#### **Perquisites**

In addition to salary and commission, the Managing Director shall also be entitled to perquisites which will include accommodation (furnished or otherwise) or house rent allowance in lieu thereof: re-imbursement of expenditure or allowances in respect of maintenance, utilities such as gas, electricity, water, furnishing and house repairs: medical reimbursement, medical insurance, hospital benefits and leave travel concession, for himself and his family: personal accident insurance, club fees, and any other reimbursements, allowances or perquisites that may be permitted by the company or the Board of Directors, to be restricted to a maximum of Rs.10 lacs per annum.

“Family” mentioned above means the spouse, dependent parents and dependent children upto the age of 24 years.

For the purpose of calculating the above ceilings, perquisites shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such Rules, perquisites shall be evaluated at actual costs.



Provision of car and telephone for use on the Company's business and telephone at the Managing Director's residence will not be considered perquisite.

The following shall not be included for the purposes of computation of the Managing Director's remuneration or perquisites as aforesaid:

- (i) the Company's contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income-tax Act;
- (ii) gratuity payable to the Managing Director as per the Rules of the Company;
- (iii) encashment of leave at the end of tenure, on ceasing to be Managing Director.

#### **Minimum Remuneration**

In the event of absence or inadequacy of profits in any financial year during the tenure of the Managing Director, the aforesaid remuneration payable to the Managing Director shall be the minimum remuneration payable to him.

The terms and conditions of the said appointment may be altered, enhanced or varied from time to time by the Board as it may think, in its discretion, deem fit.

This may be treated as an abstract of the terms between the Company and Mr. Padmanabhan Mukund pursuant to Section 302 of the Companies Act, 1956.

None of the Directors other than Mr. Padmanabhan Mukund is interested in this resolution since it relates to his appointment.

#### **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 A PROXY NEED NOT BE A MEMBER. A PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from 18th July 2004 to 28th July 2004 (both days inclusive).
3. Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
4. Members are requested to notify Change in address, if any, in case of shares held in Electronic form to the concerned Depository participant quoting their ID No. and in case of physical shares to the Registered office of the Company.
5. Shareholders desiring any information as regards the accounts are requested to write to the company atleast 7 days in advance, so as to enable the company to keep the information ready.
6. The payment of dividend, upon declaration by the shareholders at the forthcoming AGM, will be made on or after 28th July, 2004 as under:
  - To all those beneficial owners holding shares in electronic form as per the beneficial ownership data as may be available to the company by the National Securities Depository Limited and the Central Depository Services (India) Ltd. (CDSL) as at the end of the day on 17th July, 2004.
  - To all those members holding shares in physical form after giving effect to all the valid share transfers lodged with the company before the closing hours on 17th July 2004.

By Order of the Board  
For **IGARASHI MOTORS INDIA LIMITED**

Place: Chennai  
Date: 20th May 2004

**S. RATHNA PRABHA**  
Company Secretary



## ***Igarashi Motors India Limited***

### **DIRECTOR'S REPORT FOR THE YEAR ENDED 31ST MARCH 2004**

Your Directors present their 12th Annual Report and the Audited Statement of Accounts for the year ended 31st March 2004.

#### **FINANCIAL RESULTS:**

		(Rs. in lacs)
	2003-04	2002-03
Profit before Depreciation & Amortization of expenses	713.61	1161.34
Less: Depreciation & Amortization of expenses	416.80	325.41
Profit before Tax	296.81	835.93

#### **MARKET FOR DC MOTORS IN THE GLOBAL AUTOMOTIVE INDUSTRY AND IMPACT ON YOUR COMPANY'S BUSINESS:**

Global Automotive Industry for DC motors is expanding every year, both through growth in no. of cars produced annually and also the no. of DC motors used per car. It is estimated that DC motors used per car will increase from an average of 20 nos per car today to 30 nos per car in 4/5 years. This will present tremendous opportunities for your company.

To take advantage of these opportunities, your Company plans to introduce motors for several new applications for which programs are already in hand. We started with supplying assemblies for window and seat applications. In the coming year, we will add motors for engine systems and fuel pumps among others.

Initially we had one major customer. Your management was conscious of the need to diversify customer base for stability of business. We are pleased that now we have firm orders from major international players and firm programs from others. The Companies include ARVIN MERITOR, BOSCH, DELPHI, MAGNETI, MARELLI, VESTEON AND MIKUNI among others. This will ensure both growth and stability in the coming years.

The faith by major international players in the services and products of your company indicates the credible track record that your company has established by its commitment to quality and customer care.

We believe that the capabilities acquired by serving international players give us an opportunity to play a major role for supply of DC motors to the emerging Indian Auto Market. We are currently in discussion with 3 players and we will commence our supplies during the coming years.

Your Company has already established a Design Centre capable of designing these motors independently. In the coming years, we will be expanding the design centre so that we can undertake design of motors on behalf of international players and globalise the Knowledge and Technology within the Group.

#### **BUSINESS SPIN OFF :**

Your Company had diversified into Non-Motor business like Transformers, Carrier assemblies and prospected applications for DC motors to take advantage of the market for such products.

With a view to enhance shareholders value and give equal attention to Non-Motor business, your Company had spun off the Non-Motor business comprising of Transformers, Carrier assemblies and applications into a separate Company.

We wish to thank the shareholders for having supported this strategic move and we are pleased to inform that all formalities have been completed and new Company in the name of M/s Igarashi Electric India Private Limited has been established in which your Company holds 26% equity.

#### **DIVIDEND**

Your Directors are conscious that dividends from investments made by shareholders are many times an important part of their regular income. With this in view and based on the confidence in the performance of your company in the coming years, your directors have decided to recommend a dividend of 12 % for this year in spite of weak performance.

#### **RESERVES**

The Reserves at the end of the year 31st March, 2004 is at Rs.2109.62 lacs as against the total reserves of Rs.1867.21 Lacs as at 31st March, 2003.



## **QUALITY AND ENVIRONMENT**

Your Directors are pleased to inform you that during the year your Company's Engineering Cell was awarded QS certification for Design and Development of DC Motors and its sub assemblies, in addition to Manufacturing.

Your Company places utmost importance in maintaining and improving Product Quality and Environment. QS 9000 surveillance indicates that the Quality System is continuously improving to maintain an edge in this field and we are pleased to inform that European Specialists have commended our efforts in this direction .

To build a robust and World Class Manufacturing system, your Directors are pleased to inform that Experts from World Corporations have been working with your Company's Technical team on "Simultaneous Engineering Partnership for both Product and Process Quality Development" over the past 3 years . This will enable your Company's Deliverables to meet the Automotive Industry's stringent Quality requirements.

## **HUMAN RESOURCES**

Your Directors wish to mention that the Knowledge and Competence build up in Product, Process and Manufacturing Engineering over the past years has been due to a very sincere and committed team of people in your Company and your Directors believe that this will be of great intangible value to your Company. The Human Resources, in addition to the Technical skills build up are also being trained and oriented to the right Attitudes and Approaches through Strong Value based Organizational Development processes and in the forward years, this will be the main asset of your Company.

The Board of Directors wishes to place on record their sincere appreciation to all the employees of the Company for their dedication, commitment and loyalty to the Company.

None of the employees received remuneration during the year in excess of limits set out under section 217(2A) of the Companies Act, 1956.

## **DIRECTORS**

Mr.K.K.Nohria and Mr.C.P.Dusad, Directors retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

In compliance of Section 217(2AA) of the Act, your directors, on the basis of information made available to them, confirm the following:

- a) In the preparation of the annual accounts, the applicable Accounting Standards have been followed with explanation relating to material departures, if any;
- b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company as at 31st March 2004 and of the profit or loss of the company for that year;
- c) Proper care has been taken for maintenance of adequate accounting records for safeguarding the assets of the Company and detecting fraud and other irregularities;
- d) The accounts are prepared on a going concern basis.

## **DEPOSITS**

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

## **CORPORATE GOVERNANCE:**

A Report on Corporate Governance along with a certificate from the Auditors of the Company regarding compliance of the requirements of corporate governance pursuant to clause 49 of the Listing Agreement with the Stock Exchanges are annexed hereto.