

Annual Report

1997-99



LML LIMITED

**BOARD OF DIRECTORS**

M R B PUNJA, *Chairman*
 NARINDER KUMAR, *IFCI Nominee*
 M CHITTARANJAN KUMAR, *IDBI Nominee*
 S K AGGARWAL
 R A SHAH
 MOHINDAR M KHANNA
 UGO LANFRANCHI
 M L BHAKTA
 LALIT KUMAR SINGHANIA, *Whole-time Director*
 SANJEEV SHRIYA, *Whole-time Director*
 DEEPAK SINGHANIA, *Managing Director*

COMPANY SECRETARY

NAMO NARAIN

AUDITORS

LOVELOCK & LEWES, *Chartered Accountants, New Delhi*
 PARIKH & JAIN, *Chartered Accountants, Kanpur*

BANKERS

STATE BANK OF INDIA
 BANK OF INDIA
 BANK OF BARODA

REGISTERED OFFICE

C-3, Panki Industrial Estate,
 Kanpur-208 022

WORKS

Site Nos. I, II, III
 Panki Industrial Estate and
 Cooperative Indl. Estate
 Kanpur-208 022

ADMINISTRATIVE OFFICE

MUMBAI
 714, Raheja Chambers, Nariman Point,

REGIONAL OFFICE

NEW DELHI
 B-17, Greater Kailash Part-I,

SALES OFFICES

MUMBAI
 103-A, Kalpita Enclave, Swami Nityanand Marg,
 Andheri (East),
 BANGALORE
 56, Mission Road,
 CALCUTTA
 5A, Hazra Road,
 AHMEDABAD
 61, Geekini House, Parkland Apartments,
 Law Garden, Ellis Bridge,

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NOTICE

NOTICE is hereby given that Twenty-Fifth Annual General Meeting of LML Limited will be held on Tuesday, the 21st September, 1999 at 10.00 A.M. at its Registered Office at C-3, Panki Industrial Estate, Kanpur-208022 to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1999 and the Profit and Loss Account for the period ended on that date together with the Reports of Directors and Auditors thereon.
2. To confirm/declare payment of Interim Dividend of Rs. 1.50 per Equity Share as final dividend.
3. To appoint a Director in place of Mr MRB Punja, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr ML Bhakta, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr LK Singhania, who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint Auditors and fix their remuneration and, to consider, and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:-

"RESOLVED THAT, pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s Parikh & Jain, Chartered Accountants of Kanpur and M/s Lovelock & Lewes, Chartered Accountants of New Delhi, the retiring Auditors, be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Board of Directors."

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:-
"RESOLVED THAT, subject to the approval of Financial Institutions, if any, in accordance with the provisions of Sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof) for the time being in force, the consent of the

Company be and is hereby accorded to the re-appointment of Shri Sanjeev Shriya as Whole-time Director of the Company for a period of five years w.e.f. 18th July, 1999 on such remuneration and terms and conditions, as set out in the Explanatory Statement appended to the Notice convening this General Meeting.

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

8. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:-

"RESOLVED THAT Mr R A Shah, who was appointed as a Director on resignation of a Director and holds such office upto the date of this Annual General Meeting, and in respect of whom the Company has received a notice in writing from a Member, proposing Mr Shah's candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

9. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:-

"RESOLVED THAT Mr Mohindar M. Khanna, who was appointed as a Director on resignation of a Director and holds such office upto the date of this Annual General Meeting, and in respect of whom the Company has received a notice in writing from a Member, proposing Mr Khanna's candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

By Order of the Board of Directors

New Delhi

21st August, 1999

NAMO NARAIN

Company Secretary

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a PROXY to attend and, on a poll, to vote instead of himself. A blank form of proxy is enclosed and, if intended to be used, should be returned to the Registered Office of the Company not less than forty-eight hours before the scheduled time of the Meeting. A proxy so appointed need not be a member.
2. Members are requested to notify change in their address, if any, to the **LML Shares Registry**, quoting their folio number.



3. Members, who are holding Shares in identical order of names in more than one Folio, are requested to write to the **LML Shares Registry**, C-3, Panki Industrial Estate, Kanpur-208022, enclosing their share certificates for consolidation in one Folio.
4. Members, holding 100 or more shares but not in marketable lot of 100 Nos., are requested to send their Share Certificates for consolidation/issue of new Share Certificate (s) in marketable lot.
5. Company has established a Trust for EASY MARKETABILITY of its ODD LOT SHARES. Shareholders are requested to dispose off their ODD LOT SHARES through the Trust. Kindly send your ODD LOT SHARES alongwith duly signed Transfer Deed (s) at the following address for sale in the market :-
 LML Limited - Odd Lot Shares Trust
 C-3, Panki Industrial Estate, Kanpur-208022
 Tel : 0512-691181
 Fax: 0512-691985
6. **LML Shares Registry** operates a Counter at U.P. Stock Exchange, Civil Lines, Kanpur, between 3.00 - 5.00 P.M. on every Wednesday for collection of Shares for transfer etc.
7. Company is effecting **Spot** (Immediate) **Transfer** of Shares in marketable lots at **LML Shares Registry** on all working days.
8. Members seeking any information with regard to Annual Accounts are requested to write to the Company at least 10 days in advance so as to enable the Company to keep information ready.
9. Documents as referred to in the above Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during office hours upto the date of the Annual General Meeting.
10. Explanatory Statement as required under section 173 (2) of the Companies Act, 1956 is appended herein below.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No. 7

Shri Sanjeev Shriya was last appointed as Whole-time Director of the Company for a term of five years, which expired on 17-07-1999. The Board has re-appointed him for a further period of five years w.e.f. 18-07-1999. The remuneration payable to Shri Sanjeev Shriya would be as follows:-

(a) **Salary** : Rs. 6000 per month

(b) Perquisites :

In addition to aforesaid salary, he shall also be entitled to perquisites, namely, House/House Rent Allowance, Furniture & Furnishings, Water & Electricity, Provident Fund/Superannuation/Gratuity/Encashment of leave at the end of the tenure, Company's Car with Driver, Personal Accident Insurance, Reimbursement of Medical Expenses, Club Membership, Leave Travel Allowance, Entertainment, Servants, Telephone in accordance with the Rules of the Company as applicable to senior officers of the Company. The monetary value of such perquisites shall be determined as per Income-tax Rules, wherever applicable, and, in the absence of any such Rules, shall be valued at actual cost.

The aforesaid remuneration shall also be paid as minimum remuneration in the absence or inadequacy of profits in any financial year.

None of the Directors, except Shri Sanjeev Shriya himself, is concerned or interested in the passing of the resolution at Sl. No. 7.

Board commends passing of the resolution at Sl.No. 7.

This may be treated as an abstract of terms of the Contract between the Company and Shri Sanjeev Shriya, pursuant to Section 302 of the Companies Act, 1956.

Item No. 8 & 9 :

During the year, Mr R A Shah & Mr Mohindar M. Khanna were appointed as Directors on resignation of two other Directors. Company has received notices in writing from a member proposing their candidature for the office of Director under the provisions of Section 257 of the Companies Act, 1956

Mr Shah and Mr Khanna may be deemed to be concerned or interested in the respective resolutions relating to their appointment.

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

Resolutions contained at Item Nos. 8 & 9 of the notice are commended to be passed.

By Order of the Board of Directors

New Delhi
21st August, 1999

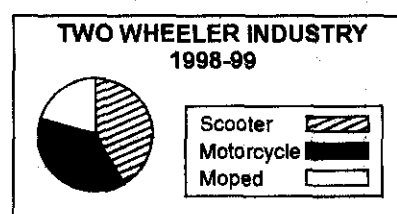
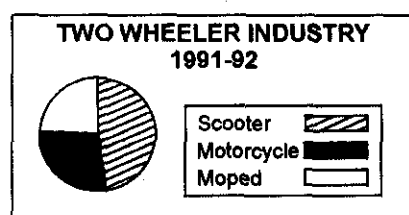
NAMO NARAIN
Company Secretary

MANAGING DIRECTOR'S REVIEW

1. NATIONAL TWO WHEELER MARKET SCENARIO

There has been a significant shift in the product category in the two wheeler market and industry sales of scooters, which was (approx) 48% in 1991-92, dropped to (approx) 39% in 1998-99. The share of the scooters in the motorised two wheeler product segment further shrank to (approx) 36% of the total two wheeler sale (during April-June).

In 1991-92, 15,56,703 two wheelers were sold which comprised of (approx) 7,45,040 scooters, 4,06,464 motorcycles and 4,05,199 two wheelers (below 75cc). During 1998-99, while the total two wheeler sales increased by 18,46,725 vehicles (total two wheelers 34,03,427), the constitution of the product category between scooters, motorcycles and mopeds showed that about 54% of the total growth of the entire two wheeler industry was taken by motorcycles. [moped referred includes vehicle below 75cc]



2. THE COMPANY'S PERFORMANCE

The last 7 years' operative performance is given hereunder :

(Rs/Crores)

Particulars	1991-92 (18 months)	1992-93	1993-94	1994-95	1995-96	1996-97	1997-99 (18 months)
Production (Nos)	110646	121722	160336	232751	255571	297500	494686
Sales (Nos)	110797	124159	157455	227700	257037	294648	485342
Turnover	208	259	346	512	619	749	1246
Equity Share Capital	38	38	41	41	41	41	41
Net Worth	(7)	(8)	26	59	74	80	113
Cash Profit	(21)	4	37	42	40	65	89
Profit before tax and Exceptional items Written off	(35)	(6)	26	31	29	47	54

Margins have been under pressure and will continue to be so till the entire range of products, in particular, motorcycles are not introduced, and greater capacity utilisation is not achieved. There is also an adverse impact of interest and depreciation on account of investments made but which could not be put to appropriate use on account of delay and defaults of Piaggio in compliance with its obligations under its various agreements with the Company.

3. NEW PRODUCT INTRODUCTIONS

TRENDY

During the period under review, the Company launched a light two wheeler with electric start with technology sourced from Benelli of Italy under the name "**Trendy**". In a short span of less than a year it has become one of the best sellers in its segment.

PULSE

The Company has also introduced another vehicle "**Pulse**" with an engine displacement below 75cc, which has found an emerging market with teenagers.

XPRESS 5 ENGINE

The Company developed a new 5 port engine (called the **Xpress 5 engine**) using reed valve fuel induction system. This engine has better emission and fuel efficiency levels apart from other superior performances like acceleration. The Xpress 5 engine has been recently introduced and well received in the market. The Company has taken steps for the progressive introduction of this engine on its entire range of production.

STAR XPRESS

The Company has recently introduced a significant upgrade of its model Star now called as "**Star Xpress**". This model carries new customer friendly features like "night light" and seat with telescopic back-rest.

SELECT

This premium model has been further upgraded with features like Single Gear Cable system, "night vision" and speedometer with watch.

Both "**Star Xpress**" and "**Select**" are powered by the new "**Xpress-5**" engine. The Company is also working to further upgrade its 150cc scooter range.

FOUR STROKE MOTORCYCLES/SCOOTERS

As stated earlier, significant growth has been witnessed in the Motorcycle segment of the two wheeler industry and the Company is fully aware of the need to enter this segment for maintaining growth and optimising product mix. In pursuance of this, the 4 stroke motorcycles are targeted to be launched in the market during the current year, and also the 4 stroke scooters.

PRODUCTIVITY

The Company's technical team with active assistance from National Productivity Council have achieved a significant growth in workmen productivity. Translation of this increased productivity into cost-savings and consequent profit-improvement will become more visible with greater capacity utilisation expected upon the introduction of the new 4 stroke vehicles and the expected improvement in the overall scooter market.

ANCILLARISATION & ISO CERTIFICATION

Ancillarisation was more aggressively adopted for new model/product launches. The Company has initiated steps by way of a backward integration in this direction by pursuing with its ancillaries and vendors for obtaining ISO certifications. For this purpose, ancillaries were motivated, assisted and provided technical and financial inputs. 18 ancillaries have received this certification during the period. Apart from this, the Company's own unit, Industrial Electronics, manufacturing electrical, electronic and other technology-oriented components for two wheelers has also obtained ISO certification. With this,

it would be easier for the company to get accreditation for its main operations on account of the back-up support which has started to become available.

6. EMISSION

150cc scooters fitted with catalytic convertor and complying with the emission norms for the year 2000 have already been selectively introduced in the market.

7. R & D

The internal facilities for Research and Development have been upgraded including of the CAD centre, prototype development department and testing labs. The Company has also recently installed the emission dynamometer and related equipment. The Research and Development facilities of the Company are recognised by the Department of Science & Technology, Government of India, as a recognised R&D Centre.

8. INFORMATION TECHNOLOGY

The activity relating to networking of vendors and dealers through EDI system is proceeding well. This would improve the efficiency, speed and reliability of responding to market and plant needs.

9. HUMAN RESOURCES

Re-deployment of work-force, consequent upon improvement in productivity has been a continuous task. A good feeling, understanding and motivation among employees has been helpful in achieving productivity improvement. Emphasis on training at various levels and participation in KAIZEN and Suggestion Schemes from the shop-floor level have shown encouraging results.

10. EXPORTS

The Company, in compliance of its export obligations to the Government of India and on account of Piaggio's failure in fulfilling its export commitment, has started direct exports from May 1999. Such direct exports by the Company, under its brand name, shall be made to all parts of the world, excluding Europe.

New Delhi
21st August, 1999

DEEPAK SINGHANIA

Report  junction.com



DIRECTORS' REPORT

To

The Members

Your Directors have pleasure in presenting 25th Annual Report together with Audited Statement of Accounts for the period ended 31st March, 1999.

WORKING RESULTS

Particulars	[Rs. in Crores]	
	This Period (18 Months)	Previous Year (12 months)
Turnover	<u>1246.02</u>	<u>748.72</u>
Gross Profit before Interest, Depreciation, Taxation etc.	<u>127.59</u>	<u>86.70</u>
Less : Interest	<u>38.81</u>	<u>21.83</u>
Depreciation	<u>35.03</u>	<u>18.13</u>
Profit from operations before Taxation etc.	<u>53.75</u>	<u>46.74</u>
Less : Exceptional Items	<u>-</u>	<u>21.94</u>
Provision for Taxation	<u>14.28</u>	<u>4.50</u>
Net Profit	<u>39.47</u>	<u>20.30</u>
Production (Nos.)	<u>494686</u>	<u>297500</u>
Sales (Nos.)	<u>485342</u>	<u>294648</u>

OPERATIONS

The scooter industry witnessed significant reduction in sales volumes; this had an adverse impact on the profitability of your Company also. Further, investments made by the Company resulted in higher burden of interest and depreciation. The benefits of the investments could not be reaped during the period. Input costs also increased on account of an effective increase in the customs duty and partial withdrawal of the Modvat avallment.

DIVIDEND

Your Directors have confirmed/recommended for approval of Members the payment of Interim Dividend of 15% declared on 29.01.1999, as final Dividend. A sum of Rs. 500 lakhs has also been transferred to the General Reserve.

NEW PRODUCTS

During the period under review, your Company launched new two wheelers, and has recently introduced "Xpress 5" engine (which is based on reed valve induction technology), on its 150 cc scooters. The new vehicles introduced were Trendy whose technology was sourced from Benelli of Italy and Pulse - 75 cc - a vehicle re-engineered by your Company from Piaggio's PK-125. The recent introductions also include the upgrades of Star and Select models. The Company is also working to introduce other upgrades/new models of scooters, including those fitted with catalytic convertors.

Due to significant shift in the two-wheeler segment to motor-cycles, your Company has taken effective steps for introducing 4 stroke motor-cycles during the current year, barring any unforeseen circumstances, this vehicle should be on the roads before the end of the year. Four-stroke scooters are also expected to move out during the year.

INVENTORY CONTROL & OTHER COST SAVING MEASURES

During the period under review, the Company undertook implementation of 'JUST IN TIME' (JIT) system of inventory management. Consequently, over 600 components from ancillaries and vendors have started coming

to the Plant under the JIT system. This has resulted in reduction in inventory levels in spite of a larger number of models under production.

Substantial rationalisation of the plant lay out and installation of material handling equipment for movement of components within the shopfloor area were done during the period resulting in reduction in manpower cost.

ANCILLARY/VENDOR DEVELOPMENT

In order to achieve higher volumes of production, a large number of components which hitherto were being produced inside the factory are being outsourced to local ancillaries to whom certain plant and machinery have also been provided. Till now, 18 ancillaries have received ISO certification.

QUALITY IMPROVEMENT

In order to improve the quality of painting as also to impart rust-proof quality to the sheet metal components, the Company installed a sophisticated fully mechanised system of pre-treatment of sheet metal parts.

EFFICIENT PRODUCTION AND HUMAN RESOURCE DEVELOPMENT

As a part of its on-going programme, the Company pursued the mission for improvement in levels of productivity in cooperation with the National Productivity Council. Reduction in cost in areas of paints, stores and consumables was also achieved.

DISPUTE WITH PIAGGIO

Certain disputes which have arisen between Piaggio and your Company are presently pending adjudication. These disputes include disputes arising out of counter claims and claims of your Company and Piaggio & C SpA ("Piaggio") of (approx) US \$ 72 million and US \$ 140 million respectively. The Company does not accept any liability on account of the disputes. In addition, there are certain disputes which have arisen between Piaggio and Piaggio Vespa BV ("PBV") and the Indian Promoters, which are sub judice and certain issues arising therefrom are pending adjudication before the Hon'ble Supreme Court of India and International Chamber of Commerce. This apart, Piaggio and PBV have filed a Petition among others, against the Company under Section 397 and 398 before the Company Law Board, which is also pending adjudication. Piaggio has also issued a letter to the Company purporting to terminate the Joint Venture Agreement and various other agreements, to which Company is a party. The Company has not accepted the said terminations and has been advised that the same are wrongful, invalid and are non est.

DIRECTORATE

Since the last Annual General Meeting, Directors representing Industrial Development Bank of India (IDBI) and The Industrial Finance Corporation of India Ltd. (IFCI) were replaced and Mr M. Chittaranjan Kumar (IDBI) and Mr Narinder Kumar (IFCI) joined the Board. Mr R.A. Shah and Mr Mohindar M. Khanna were also appointed as Directors. SBI nominee Whole-time Director was withdrawn.

Mr MRB Punja, Mr M L Bhakta and Mr L K Singhania retire by rotation and, being eligible, offer themselves for re-appointment.

Mr RA Shah and Mr Mohindar M. Khanna also cease to be Directors at the ensuing Annual General Meeting and are eligible for appointment as Directors.

PERSONNEL

During the period, harmonious and peaceful relations continued with the employees. Statement showing particulars of employees as required under Section 217 (2A) of the Companies act, 1956 is given in Annexure 'A'.

AUDITORS

M/s Parikh & Jain and M/s Lovelock & Lewes, Auditors of the Company, are retiring at the ensuing Annual General Meeting of the Company and, being eligible, offer themselves for re-appointment.



AUDITORS' REPORT

In respect of observations made by the Auditors in their Report, your Directors wish to state that the respective notes to the accounts are self-explanatory, and do not call for any further comments.

CONSERVATION OF ENERGY

During the period, your Company implemented various energy conservation measures and made a saving of Rs. 186.16 lakhs in consumption of fuel, oil, power etc.

POLLUTION CONTROL

Your Company already has relevant and necessary effluent treatment plants and other measures for control of water, air and environmental pollution and has taken steps to further strengthen and consolidate pollution control measures. 'No Objection Certificates' from the U.P. Pollution Control Board are obtained from time to time.

RESEARCH & DEVELOPMENT

In order to meet the market requirement of introducing new models and vehicles with a shorter lead time, investments have been made in Research & Development facilities. The CAD/CAM Centre has been expanded. A number of machines have also been installed in R & D Centre to facilitate faster development of prototypes.

TECHNOLOGY ABSORPTION

Requisite information in the prescribed form is given in Annexure 'B'.

EXPORT, FOREIGN EXCHANGES AND OUTGO

Your Company earned Foreign Exchange of Rs. 47.46 crores (P.Y. Rs. 19.73 crores). Foreign Exchange used in imports/out-go amounted to Rs. 72.23 crores (P.Y. Rs. 79.24 crores). The Company paid dividend of Rs. 1.47 crores in Foreign Currency to Piaggio Vespa BV.

LISTING AGREEMENTS

Company's Shares are listed/quoted at the following Stock Exchanges:-

- U.P. Stock Exchange, Kanpur
- Delhi Stock Exchange, New Delhi
- Ahmedabad Stock Exchange, Ahmedabad
- The Stock Exchange, Mumbai
- National Stock Exchange, Mumbai

Listing Fee is already paid to all Stock Exchanges for the period upto 31.3.2000.

Y2K COMPLIANCE

Your Directors wish to state that Note No. 14 to Annual Accounts gives requisite information.

ACKNOWLEDGEMENT

Your Directors appreciate the valuable co-operation extended by the Central and State Government authorities and are extremely grateful to the Financial Institutions and the Company's Bankers for their continued assistance, guidance and support. Your Directors are also grateful to the Employees, Shareholders, Customers and the general public for their support and confidence reposed in the Management.

For and on behalf of the
Board of Directors

New Delhi
21st August, 1999

M R B PUNJA
Chairman