



Annual
Report
1997 - '98



Certificate of Approval

Awarded to
UCAL FUEL SYSTEMS LIMITED,
 MARAIMALAI NAGAR & PONDICHERRY,
 INDIA.

*Bureau Veritas Quality International certify that the
 Quality Management System of the above supplier
 has been assessed and found to be in accordance
 with the requirements of the quality
 standards detailed below*

— QUALITY STANDARDS —
 BS EN ISO 9002:1994 AND QS 9000:1995
 IN ACCORDANCE WITH QS 9000 APPENDIX B, CODE OF PRACTICE.

— SCOPE OF SUPPLY —

**MANUFACTURE AND SUPPLY OF CARBURETTORS, ELECTRICAL &
 MECHANICAL FUEL PUMPS AND FUEL SYSTEM PARTS FOR
 SPARK IGNITION ENGINES FOR AUTOMOTIVE APPLICATIONS
 AND STATIONARY APPLICATIONS.**

Original approval date: 12TH AUGUST 1996

*Subject to the continued satisfactory operation of the supplier's
 Quality Management System, this Certificate is valid for a period of three years from:*
12TH AUGUST 1996

Date: 5TH FEBRUARY 1998



For Bureau Veritas Quality International



Certificate No: **18401**

SF06/B

The use of the Registration Mark indicates accreditation in respect of those activities covered by the accreditation certificate number 008



UCAL FUEL SYSTEMS LIMITED

BOARD OF DIRECTORS

| | | | | |
|-----|---|---|-----|---|
| MD | ✓ | | BKC | ✓ |
| CS | ✓ | | DPY | ✓ |
| RO | ✓ | | DIV | ✓ |
| TRA | ✓ | | AC | ✓ |
| AGM | ✓ | ✓ | SH | ✓ |
| YE | ✓ | ✓ | | |

Mr. S. MUTHUKRISHNAN
Chairman

Mr. S. ADHIMOOLAM
Managing Director

Mr. MASAKI IKUTA

Mr. TAKESHI UMEBAYASHI

Mr. MASAHIRO YAMAGUCHI

Mr. T. K. VENKATESH KUMAR
(IDBI Nominee)

Mr. DARSHAN S DESAI

Mr. V. NARAYANAN

Mr. N. GOMATHINAYAGAM

Mr. S. R. SRIDHAR

CORPORATION BANK
THE BANK OF TOKYO-
MITSUBISHI LIMITED
IDBI BANK LTD.
THE FUJI BANK LTD.
INDIAN BANK

SECRETARY

BANKERS

AUDITORS

M/S. J. SRINIVASAN
NO.14, I FLOOR
MADHU COMPLEX
BURUGAL MUTT NORTH
CROSS ROAD
VISVESWARAPURAM
BANGALORE - 560 002

REGISTERED OFFICE

"TEMPLE TOWER"
8th FLOOR
476, ANNA SALAI,
NANDANAM
CHENNAI - 600 035
PHONE : 4347944 / 4345084

PLANT-I

E-9 - E-12, INDUSTRIAL COMPLEX
MARAIMALAI NAGAR - 603 209
KANCHEEPURAM DISTRICT
TAMIL NADU
PHONE : 04114-52547 / 52548

PLANT-II

CERTIFIED TRUE COPY
For UCAL FUEL SYSTEMS LIMITED

(Signature)

A98-A100, A106, A107,
BPDIC INDUSTRIAL ESTATE,
METTUPALAYAM
PONDICHERY - 605 009
PHONE : 0413-73006

(S.R. SRIDHAR)
SECRETARY 1

UCAL FUEL SYSTEMS LIMITED

NOTICE TO MEMBERS

NOTICE is hereby given that the TWELFTH ANNUAL GENERAL MEETING of Shareholders of UCAL FUEL SYSTEMS LIMITED will be held in the DYNASTY HALL, HOTEL AMBASSADOR PALLAVA, NO.53, Montieth Road, Chennai-600 008 on Monday the 27th July 1998 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March 1998 and the Balance Sheet as at that date and the Report of the Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in the place of Mr.S.Muthukrishnan, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in the place of Mr.Takeshi Umebayashi who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit to pass with or without modifications the following as an Ordinary Resolution.

Resolved that pursuant to the provisions of the Section 198, 269, 309, 310, 311 and other applicable provisions of the Companies Act 1956, the consent of the company be and is hereby accorded to increase in contribution towards Provident Fund from 10% to 12% on the salary of Mr.S.Adhimoolam, Managing Director w.e.f.,22.09.1997.

Resolved further that the company's contribution towards Super Annuation Fund together with the company's contribution to the Provident Fund shall not exceed 27% of the salary.

7. To consider and if thought fit to pass with or without modifications the following as an Ordinary Resolution.

Resolved that pursuant to the provisions of the Section 198, 269, 309, 310, 311 and other applicable provisions of the Companies Act 1956, the consent of the company be and is hereby accorded

1. for increase in contribution towards Provident Fund from 10% to 12% on the salary of Mr.M.Yamaguchi, Resident Director w.e.f.,22.09.1997. 2. for the increase in the reimbursement of expenses from Rs.2000/- to Rs.3500/- per month to the caretakers of the premises occupied by Mr.M.Yamaguchi, Resident Director w.e.f.,1.11.97.

8. To consider and if thought fit to pass with or without modifications the following as an Ordinary Resolution.

Resolved that pursuant to the provisions of the Section 198, 269, 309, 310, 311 and other applicable provisions of the Companies Act 1956, and subject to the approval of Financial Institution the salary of Mr.Masahiro Yamaguchi, Resident Director be increased from

SECRETARY
(S.R. SRINIVAS)

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Rs.35,000/- to Rs.45,000/- per month with other perquisites from 1.6.1998 to 9.5.1999 on the following terms and conditions:-

1. Salary - Rs.45,000/- (Rupees Forty Five Thousand only) per month.

PERQUISITES:

2. Residential Accommodation - The company shall provide rent free furnished residential accommodation together with Gas, Water, Electricity etc.
3. Medical Reimbursement - Reimbursement of medical expenses for self and family subject to a ceiling of one month's salary or two months' salary over a period of two years.
4. Leave Travel Concession - for self and family once in a year to any place in India, as per rules of the Company, subject to a ceiling of one month's salary.
5. Club Fees - Fees of club, subject to a maximum of two clubs.
6. Personal Accident Insurance - Premium not to exceed Rs.1000/- per annum.
7. Contribution to Provident Fund - Company's contribution towards Provident Fund will be as per rules of the Company subject to a ceiling of 12% of the salary.
8. Car - Facility of Car with Driver
9. Telephone - Free Telephone facility at residence
10. Passage Benefits - For self and family to and fro Japan at reasonable intervals but not more than once in a year by Business Class.
11. Reimbursement of reasonable expenses not exceeding Rs.3500/-per month incurred towards keeping caretakers of the premises occupied by Mr Masahiro Yamaguchi, Resident Director.
12. Reimbursement of packing, forwarding, loading and unloading expenses, freight, insurance, customs duty, clearing expenses, local transportation on actuals in connection with moving personal effects of Mr.M.Yamaguchi and family at the time of returning to Japan.
13. Tax Benefits - Income tax on Salary and perquisites shall be borne by the Company.
Resolved further that the aforesaid remuneration be paid to Mr.Masahiro Yamaguchi as minimum remuneration even in the case of inadequacy or absence of Profits in a year.
To consider and if thought fit to pass with or without modifications, the following as an Ordinary Resolution.

9. "RESOLVED that pursuant to Section 372 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, if required, and such other approvals as may be necessary, the consent of the company be and is hereby accorded to the Board of Directors to invest upto a sum of Rs. 2,70,00,000 comprising of 19,52,500 equity shares of Rs. 10/-each at the rate of Rs. 13.79/- per share excluding the existing investment of Rs. 20,00,000/- comprising 2,00,000 equity shares of Rs. 10/- each by way of purchase and/or otherwise of shares of Ucal Machine Tools Limited, Chennai in excess of limits prescribed in this section notwithstanding that such investment together with the Company's existing investments in all other bodies corporate may exceed all or any of the limits specified under the said section 372 of the Companies Act 1956.

Resolved further that the Board of Directors of the company be and is hereby authorised to do all such acts, deeds, matters and things and to execute all such documents and writings as it

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may be considered necessary, for the purpose of giving effect to this resolution and to accept any modification/amendment stipulated by the Central Government.

10. To consider and if thought fit to pass with or without modifications, the following as a Special Resolution.

Resolved that the consent of the company be and is hereby accorded to the commencement of the business of the company as given in sub-clause 5 of clause IIIC of the Memorandum of Association of the company namely, "To subscribe for purchase or otherwise acquire shares, stocks, debentures or any other interest in any other company whether Indian or foreign, in which the liability of the members is limited by shares.

Resolved further that the consent of the company be and is hereby accorded and deemed to have always been accorded to the Board of Directors to commence the above business, pursuant to provisions of sub-section 2A of section 149 of the Companies Act 1956.

BY ORDER OF THE BOARD

Place: Chennai

Date : 08.06.98

S R SRIDHAR

Secretary

Notes

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy. A proxy so appointed need not be a member of the Company and is entitled to vote only on a poll. Proxies, must reach the Registered Office of the Company not less than 48 hours before the time fixed for the Meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 14.07.98 to 27.07.98 (both days inclusive)
3. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act 1956 in respect of Special Business annexed hereto and forms part of this Notice.
4. The Dividend when declared will be payable to the Members whose names appear in the Register of Members on 27.07.98. The Members are requested to notify immediately any change in their address.
5. Pursuant to Section 205A of the Companies Act, 1956, the unclaimed dividends relating to the company's Financial Year 1993-94, have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from Registrar of Companies Tamil Nadu, No.26, Haddows Road, Chennai - 600 006.
6. Members who have not encashed their dividend warrants for the year 1994-95 may please write immediately to the company at its Registered Office. The unclaimed dividend for the said period will be transferred to General Revenue Account of the Central Government by 14.07.1998.
7. Members are requested to bring their copy of the Annual Report to the Meeting.

EXPLANATORY STATEMENT PURSUANT TO SEC.173 OF THE COMPANIES ACT 1956**1. ITEM NO.6**

In terms of Provident Fund and Miscellaneous Act 1952, the Board at its meeting held on 3rd November 1997 has approved the revision in the payment of remuneration to Mr.S.Adhimoolam, Managing Director by increasing the contribution towards Provident Fund from 10% to 12% w.e.f., 22.09.97. Since any variation in the remuneration payable to Managing Director requires shareholders approval, the said resolution is placed before you for approval.

Mr.S.Adhimoolam is interested in the abovesaid resolution.

This along with relevant resolution may also be treated as an abstract pursuant to section 302 of the Companies Act, 1956.

2. ITEM NO.7

In terms of Provident Fund and Miscellaneous Act 1952, the Board at its meeting held on 3rd November 1997 has approved the revision in the payment of remuneration to Mr.Masahiro Yamaguchi, Resident Director by increasing the contribution towards Provident Fund from 10% to 12% w.e.f., 22.09.97.

Board also approved the increase of caretaker expenses from Rs.2,000/- to Rs.3,500/- per month payable to the caretakers of the premises occupied by Mr.Yamaguchi with effect from 01.11.1997. Since any variation in the remuneration payable to Resident Director requires shareholders approval, the said resolution is placed before you for approval.

Mr.Masahiro Yamaguchi is interested in the above said resolution.

This along with relevant resolution may also be treated as an abstract pursuant to section 302 of the Companies Act, 1956.

3. ITEM NO.8

Mr.Masahiro Yamaguchi was appointed as Resident Director for two years w.e.f., 10.05.97 on a salary of Rs.35,000/- with other perquisites. The approval of shareholders was obtained at the Annual General meeting held on 08.09.97. The Board at its Meeting held on 08.06.98 approved the increase in remuneration from Rs.35,000/- to Rs.45,000/- for the remaining terms w.e.f., 01.06.98. All other terms and conditions are as per the details given in the item 8 of the Notice. The increase in the remuneration was considered based on the present market conditions.

Since the increase in remuneration payable to Resident Director requires shareholders approval, the said Resolution is placed before you for approval.

Mr.Masahiro Yamaguchi is interested in the above said resolution.

This alongwith relevant Resolution may also be treated as an Abstract pursuant to section 302 of the Companies Act 1956.

4. ITEM NO.9

Presently the company is holding 2,00,000 equity shares of Rs.10/- each aggregating to Rs.20,00,000 in the share capital of Ucal Machine Tools Limited, Chennai (UMT) constituting 9.29% of the equity share capital of UMT. It is now proposed to acquire the balance 90.71% of the equity of UMT comprising of 19,52,500 equity shares of Rs.10/- at Rs. 13.79/- per share (as per valuation arrived at by a firm of Chartered Accountants which is available for inspection at the Regd. Office during business hours on any working day.) aggregating to Rs. 2,69,24,975.

UCAL FUEL SYSTEMS LIMITED

Presently the entire business of UMT consisting of Special Purpose Machines, building, design and manufacture of die cast moulds, manufacture of critical die cast parts and specialised carburettor sub-systems are absorbed by the company as all their activities are skill and expertise based.

Further considering the Company's expansion in the area of two-wheeler carburettor in a very big way, the dependence on UMT for the supply of these products is expected to be on the increase. Therefore proposed additional investments to make the UMT as 100% owned subsidiary is considered desirable and advantageous to the company for the following reasons:

1. Un-interrupted supply of these products to the Company at consistent quality levels and confirming to delivery schedule
2. UMT's increased productivity and relatively lower wage structure will result in improved profitability on account of the proposed investment which in turn result in higher return to the company.

This proposal was approved by the Directors at its Meeting held on 8th June 1998. By virtue of this investment, UMT shall become 100% owned subsidiary of our company. As the proposed investment by the company will exceed the limits prescribed under section 372 of the Companies Act, 1956, it requires the approval of the shareholders in General Meeting. Hence the Board recommends resolution for your approval subject to the consent of the Central Government.

Mr.S. Muthukrishnan, Director is interested in the above said resolution.

5. ITEM NO.10

In terms of section 149 (2A) of the Companies Act 1956, a company formed after the commencement of the Companies (Amendment) Act 1956 cannot at any time commence any business in relation to any of the objects stated in its Memorandum of Association of the company under "other objects unless the company has approved the commencement of any such business by special resolution in General Meeting.

During the financial year 1997-98 the company had acquired 30% interest in the equity share capital of Engelhard Environmental Systems (India) Ltd. The Company is also proposing to increase its equity stake from existing 9.29% to 100% of the equity share capital of UMT engaged in the manufacture of Die cast Parts.

Although the company is authorised to make above investments in accordance with clause No 3 under section III (B) objects incidental and ancillary to the main objects of the Memorandum and Articles of Association of the company, by way of an abundant caution and in accordance with prudent secretarial practice, approval of the shareholders is being sought for commencement of the activity as stated under sub clause 5 of clause IIIC other objects of the Memorandum and Articles of Association of the Company.

Hence the above said resolution is placed before you for approval.

None of the directors is interested in this resolution.

BY ORDER OF THE BOARD

Place: Chennai
Date : 08.06.98

S R SRIDHAR
Secretary

UCAL FUEL SYSTEMS LIMITED

REPORT OF DIRECTORS TO THE SHAREHOLDERS

The Directors have pleasure in presenting the TWELFTH ANNUAL REPORT together with the Audited Accounts for the year ended 31st March 1998.

FINANCIAL RESULTS

| | For the year ended 31.03.98 | Previous Year ended 31.03.97 |
|---------------------------------------|-----------------------------------|------------------------------------|
| | Rs. in '000 | |
| Gross Turnover | 89,80,43 | 72,03,51 |
| Other Income | 1,18,67 | 1,11,21 |
| Profit before Interest & Depreciation | 23,35,10 | 16,97,37 |
| Interest | 2,37,25 | 2,60,17 |
| Profit before Depreciation | 20,97,85 | 14,37,20 |
| Depreciation | 5,74,81 | 4,40,55 |
| Profit before Taxation | 15,23,04 | 9,96,65 |
| Provision for Taxation | 1,65,00 | 1,94,00 |
| Profit after Taxation | 13,58,04 | 8,02,65 |
| Transfer to General Reserve | 12,00,00 | 12,00,00 |
| Proposed Dividend & Dividend Tax | 2,29,28 | 1,68,15 |
| Balance carried to Balance Sheet | 4,68,05 | 5,40,99 |

DIVIDEND

Your Directors recommend Dividend of 30% (Rs.3.00 per equity share of Rs.10/- each) for the year ended 31st March 1998 after absorbing the dividend tax.

| | |
|-------------------------------------|-------------|
| | Rs. in '000 |
| Dividend on 69,48,000 Equity Shares | 2,08,44 |

PERFORMANCE AND OPERATIONS

The company has achieved a sales turnover of Rs.8980.43 lakhs in 1997-98 registering an increase of about 25% over the previous year. This performance is gratifying, especially in the light of the slow down in the economy during the year.

During the year, we have received purchase orders from 1) LML Vespa Ltd 2) Birla Yamaha Ltd and 3) Escorts Yamaha Motor Ltd for new applications of Carburettors. The company is working closely with TVS Suzuki Ltd. for commencement of supply of carburettors for a four stroke engine scooter to be launched by September 1998 from their new plant at Mysore.

The establishment of machining and assembly facilities for new products developed for Hyundai Motor India Limited is almost complete. Bulk supplies are expected to commence from August 1998. The samples have already been submitted and are under evaluation now.

In close cooperation with MIKUNI, few important design modifications have been incorporated on the carburettor assemblies meant for 'Metro' cars. These changes had to be carried in a short time frame, to meet the revised emission standards.

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The production figures for the year 1997-98 are given below:-

| Name of the Product | 1997-98 Nos. | 1996-97 Nos. |
|---------------------------|-----------------|-----------------|
| Four Wheeler Carburettors | 3,38,584 | 2,86,707 |
| Two Wheeler Carburettors | 3,60,644 | 1,56,932 |
| Fuel Pump Assembly | 1,58,077 | 1,21,437 |
| Genset Carburettors | — | 2,480 |
| Oil Pump | 192 | — |

The aftermarket sale has been satisfactory inspite of the sluggish market conditions prevailing. The large scale presence of spurious parts in the market is posing a hurdle for improved sale of genuine spare parts. This social evil warrants a firm handling in the interest of pollution control and road safety.

PLANT II AT PONDICHERRY

Out of the total production mentioned above, Pondicherry Unit has produced 1,26,655 Nos of 4 wheeler carburettors thereby utilising the full installed capacity.

Commercial production of Two Wheeler carburettor to TVS Suzuki Limited and Oil Pump to Maruti Udyog Limited has just commenced. Substantial volume of production is planned during the financial year 1998-99 to supply two wheeler carburettor to Bajaj Auto Ltd and TVS Suzuki Limited and Oil Pump to Maruti Udyog Limited.

Connected Electricity supply from Electricity Department is increased to 480 KVA which will meet the total requirement without Generator for the installed Plant and Machinery.

EXPORT PERFORMANCE

During the year, there was a significant jump in the export turnover. The total number of passenger car carburettors exported during the year stands at 63284 nos, registering an increase of 140% over the previous year.

QUALITY SYSTEMS AND AWARDS

The Pondicherry Unit was also awarded QS 9000 certification by BVQI.

The company received the ACMA Quality Award for the year 1996-97 in August 1997.

JOINT VENTURE

The company has entered into a Joint venture agreement with Engelhard Asia Pacific Enterprises India P Ltd (a wholly owned subsidiary of Engelhard Corporation U S A) for the manufacture of Catalysts with an equity participation in the ratio of 30:70. As of 31st March 1998 the company has invested Rs.36,30,000 comprising of 3,63,000 equity shares of Rs.10/- each. The factory construction of the new company Engelhard Environmental Systems (India) Limited is in progress at the Maraimalai Nagar Industrial Complex, near Chennai and commercial production is expected to commence by September 1998.

DIRECTORS

In view of International Finance Corporation Washington withdrawing its membership from the board of the company, Mr. Geoffrey D Hawkins Nominee of International Finance Corporation,