



CSL Aikuni
Annual Report
1998 - 99

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UCAL FUEL SYSTEMS LIMITED

BOARD OF DIRECTORS

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. K. JAYAKAR
MR. HIDEKI TAKAHASHI

COMPANY SECRETARY

MR. S. R. SRIDHAR

BANKERS

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

AUDITORS

M/S. J. SRINIVASAN
NO.14, 1 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

PLANT-I

E-9 – E12, INDUSTRIAL COMPLEX
MARAIMALAI NAGAR - 603 209
KANCHEEPURAM DISTRICT
TAMIL NADU
PHONE : 04114-52547

PLANT-II

A98-A100, A106, A107,
PIPDIC INDUSTRIAL ESTATE
METTUPALAYAM
PONDICHERRY - 605 009
PHONE : 0413-273006

UCAL FUEL SYSTEMS LIMITED

NOTICE TO MEMBERS

NOTICE is hereby given that the THIRTEENTH 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 19th July 1999 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 1999 and the Balance Sheet as at that date and the Report of the Directors and Auditors thereon.
2. To declare Dividend.
3. To appoint a Director in the place of Mr.Masaki Ikuta, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in the place of Mr.Masahiro Yamaguchi, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a Director in the place of Mr.N. Gomathinayagam, who retires by rotation and being eligible offers himself for reappointment.
6. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

7. To consider and if thought fit to pass with or without modifications the following as an Ordinary Resolution.
"RESOLVED that Mr.K. Jayakar who was appointed as Additional Director of the Company with effect from 17th February 1999 and holds office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a Notice under Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company".
8. To consider and if thought fit to pass with or without modifications the following as an Ordinary Resolution.
"RESOLVED that Mr. Hideki Takahashi who was appointed as Additional Director of the Company with effect from 17th February 1999 and holds office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a Notice under Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company".
9. To consider and if thought fit to pass with or without modifications the following as an Ordinary Resolution.
RESOLVED that pursuant to provisions of Section 198, 269, 309 & 310 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of financial institution and Central Government as may be required, Mr.Masahiro Yamaguchi be and is hereby re-appointed as Resident Director for a period of one year with effect from 10.5.1999 on a salary of Rs. 45,000/- with other perquisites as detailed below."
 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.

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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 not more than once in a year by Business Class.
11. Reimbursement of reasonable expenses not exceeding Rs.4000/-per month incurred towards keeping caretakers for 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. To provide watchman/sweeper/gardener for a sum not exceeding Rs.7000/- per month for the premises occupied by Mr.Yamaguchi and to meet any expenses not exceeding Rs.2000/- per month in connection with maintenance of the furnitures/equipments provided to him.
14. Tax Benefits - Income tax on Salary and perquisites shall be borne by the Company.
15. Mr.Yamaguchi shall be entitled to reimbursement of all actual expenses, including on entertainment and travelling incurred by him in the course of the Company's business.

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.

10. 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 Section 198, 269, 309, 310 & 311 and other applicable provisions, if any, of the Companies Act 1956, and subject to the approval of Financial Institutions and such other sanctions as may be necessary, the Company accord its approval for the reappointment of Mr. S. Adhimoolam as Managing Director for a period of two years from 1.9.1999 to 31.8.2001 and to pay him the minimum remuneration for the said period on the following terms and conditions:-

Salary	:	Rs.1,00,000/- per month in the grade of Rs.1,00,000-25,000-1,50,000 with an annual increment of Rs.25,000/-
Commission	:	At the rate of 1% on net profits of the Company in the manner laid down in the Companies Act, 1956.
Perquisites	:	Perquisites shall be evaluated as per Income Tax Rules. The perquisites are classified into three Categories as follows:

CATEGORY A:

1. **Housing:** The expenditure incurred by the Company on hiring an un-furnished accommodation for the Managing Director will be subject to the following ceiling viz., 60% of the salary over and above 10% payable by him and in case no accommodation is provided by the company the Managing Director shall be entitled to rent allowance @ 60% of the salary.
The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules 1962. This shall, however be subject to a ceiling of 10% of the salary of the Managing Director.

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2. **Medical Reimbursement:**

Reimbursement of expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

3. **Leave Travel Concession:**

For self and family, once in a year incurred in accordance with the rules of the Company subject to a ceiling of one month's salary.

4. **Club Fees:**

Fees of the Clubs subject to a maximum of two clubs. This will not include admission and life membership fee.

5. **Personal Accident Insurance:**

Premium not to exceed Rs.10,000/- per annum.

Explanation: Family means the spouse, the dependent children and dependent parents of the Managing Director.

CATEGORY B:

6. (a) Company's contribution towards Provident Fund as per the Rules of the Company but not exceeding 12% of the salary.

(b) Company's contribution towards Superannuation fund as per the Rules of the Company but it shall not, together with Company's contribution to Provident fund, exceed 27% of the salary.

Contribution to Provident Fund and Superannuation Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-tax Act.

7. **Gratuity** as per the Rules of the Company, but shall not exceed one half month's salary for each completed year of service.

8. **Earned Leave:** On full pay and allowance as per the Rules of the Company, but not exceeding one month's leave for every eleven months of service and leave accumulated shall be encashable at the end of the tenure. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

CATEGORY C:

9. 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.

10. The managing director shall be entitled to reimbursement of all actual expenses, including on entertainment and travelling incurred by him in the course of the Company's business.

MINIMUM REMUNERATION:

Where in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company will pay minimum remuneration by way of salary and perquisites as specified above.

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

"RESOLVED that the consent of the company be and is hereby accorded to the Board of Directors under Section 293(1)(d) of the Companies Act, 1956 to borrow any sum or sums of money from time to time notwithstanding that the money or moneys to be borrowed together with the money already

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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 and its free reserves that is to say reserves not set apart for any specific purposes, provided however the total amount so borrowed shall not exceed Rs.75 crores (Rupees Seventy Five Crores only)."

12. To consider and if thought fit to pass with or without modifications the following as a special Resolution.

RESOLVED that the Articles of Association of the company be and are hereby amended by deleting the existing Article 110 a(i&ii) and substituting the following therefor.

110 a (i). So long as Indian Promoters and their Affiliate hold not less than 15% of the paid up equity share capital of the Company for the time being, Indian Promoters will be entitled to nominate a maximum of four of their representatives as Director on the Board and such Director will be called Nominated Director.

110 a(ii) So long as Collaborator and its Affiliate hold not less than 15% of the paid up equity share capital of the Company for the time being, Collaborator will be entitled to nominate a maximum of four of their representatives as Director on the Board and such Director will be called Nominated Director.

13. To consider and if thought fit to pass with or without modifications the following as a special Resolution.

RESOLVED that pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the manner and to the extent set out below:-

Article 65A**Dematerialisation of Securities****Definitions**

- (1) For the purpose of this Article:- 'Beneficial Owner' means a person or persons whose name is recorded as such with a depository;

'SEBI' means the Securities & Exchange Board of India;

'Depository' means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as a depository under the Securities & Exchange Board of India Act, 1992; and

'Registered Owner' means a Depository whose name is entered as such in the records of the Company;

'Security' means such security as may be specified by SEBI from time to time.

Dematerialisation of Securities.

- (2) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996, and to offer its shares, debentures and other securities for issue in dematerialised form. The Company shall further be entitled to maintain a Register of Members with the details of members holding shares both in material and dematerialised form in any media as permitted by law including any form of electronic media.

Option for Investors.

- (3) Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect

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of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificate of Securities. If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

Securities in Depositories and Beneficial Owners.

- (4) All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Section 153, 153A, 187B, 187C and 372A of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

Register and Index of Beneficial Owners.

- (5) The Register and Index of Beneficial Owners maintained by a Depository under the Depositories Act shall be deemed to be a Register and Index of members and other security holders.

Rights of Depositories and Beneficial Owners.

- (6) (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.
- (b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

Service of Documents.

- (7) Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

Transfer of Securities.

- (8) Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

Allotment of Securities dealt with a Depository

- (9) Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

Distinctive numbers of Securities held in a Depository

- (10) Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

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

"RESOLVED that in supersession to the previous resolutions passed at the Annual General Meetings of the Company and pursuant to Section 293 (1)(a) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the mortgaging, hypothecating or otherwise charging by the Board of Directors of the Company ("the Board") of all or any of the properties and assets of the Company, movable and immovable, present and future, whatsoever and wheresoever situated in favour of the following Banks/Financial Institutions

Industrial Development Bank of India
 Indian Bank
 Corporation Bank
 IDBI Bank Limited
 The Bank of Tokyo Mitsubishi Limited
 The Fuji Bank Limited
 State Bank of India
 Times Bank Limited
 Infrastructure Leasing and Financial Services Limited

to secure the existing or proposed borrowings/Working Capital facilities from the abovesaid Banks/Financial Institutions together with interest, additional interest, compound interest, premium on prepayment, costs, charges, expenses and all other moneys due, owing or payable presently or in future by the Company within the overall limits of Rupees Seventy Five Crores.

"RESOLVED further that the Board be and is hereby authorised to finalise with the Banks/Financial Institutions or any other lender such deed, agreement and document for creating the aforesaid mortgage, hypothecation, charge or encumbrance and to do and perform all such acts, deeds, matters and things and to execute or authorise execution of all such documents or writings as it may consider necessary, expedient, usual, requisite or proper for the purpose of giving effect to this resolution."

BY ORDER OF THE BOARD

Place: CHENNAI

Date : 31.05.99

S R SRIDHAR

Company 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 01.07.99 to 19.07.99 (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 19.07.99. 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 1994-95, 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 are requested to bring their copy of the Annual Report to the Meeting.

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EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT 1956**1. ITEM NO.7**

The Board of Directors have co-opted Mr.K.Jayakar as Additional Director on 17th February 1999. As per Section 260 of the Companies Act, the above additional Director holds office upto the date of this Annual General Meeting and he is eligible for appointment as Director. The Company also received Notice from a shareholder pursuant to Section 257 of the Companies Act, 1956 proposing the candidature of Mr.K.Jayakar for the Office of Director.

Mr.K. Jayakar and Mr. S. Muthukrishnan are interested in the abovesaid resolution.

2. ITEM NO.8

The Board of Directors have co-opted Mr.Hideki Takahashi as Additional Director on 17th February 1999. As per Section 260 of the Companies Act, the above additional Director holds office upto the date of this Annual General Meeting and he is eligible for appointment as Director. The company also received Notice from a shareholder pursuant to Section 257 of the Companies Act, 1956 proposing the candidature of Mr.Hideki Takahashi for the Office of Director.

Mr. Hideki Takahashi is interested in the abovesaid resolution.

3. ITEM NO.9

Mr.Masahiro Yamaguchi, a nominee of Milkuni Corporation was appointed as Resident Director with effect from 10.5.1997 to 9.5.1999. His term of office expired on 9.5.1999 Since Milkuni wanted Mr.Yamaguchi to continue for another one year as Resident Director, the Directors at Its Meeting held on 17th February 1999 approved the reappointment of Mr.Yamaguchi for another one year with effect from 10.5.1999 on the remuneration and perquisites as stated in the Item No.9. The abstract of the terms and conditions of re-appointment of Mr. Yamaguchi as Resident Director has already been circulated to the Members. Board is pleased to recommend the proposed resolutions for the reappointment and payment of remuneration to the Resident Director for the approval of shareholders.

Mr. Masahiro Yamaguchi is interested in the abovesaid resolution.

4. ITEM NO.10

The Board at its Meeting held on 31st May 1999 reappointed Mr.S.Adhimoolam, as Managing Director for two years with effect from 1st September 1999 for a period of two years having regard to the valuable contribution made to the Company. The remuneration and perquisites as stated in the resolution are within the guidelines of the managerial remuneration issued by the Central Government. The Company under the leadership of Mr.S.Adhimoolam, has progressed tremendously year after year. The Company has over the last decade achieved excellence in operational parameters and will also continue to perform well under his leadership. Board is pleased to recommend the proposed resolutions for reappointment and payment of the remuneration to him for the approval of shareholders.

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

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

5. ITEM NO.11

The shareholders at the Annual General Meeting held on 15.07.1991 had authorised the Board of Directors to borrow money upto a limit of Rs.20 crores. The Company has already borrowed to that extent and is likely to exceed the abovesaid limits. Moreover, the company is also going for expansion programme and proposed to put up the third manufacturing plant near Delhi. In this connection, the company will be borrowing money towards term loan and Working Capital finance which will exceed the abovesaid limit. As per the provisions of the Companies Act, 1956, borrowing powers by the Board of Directors can be exercised only with the approval of the shareholders. Hence the abovesaid Resolution authorising the Board of Directors to borrow upto a limit of Rs.75 crores (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) is placed before the shareholders for their approval.

None of the Directors is interested in the abovesaid Resolution.

6. ITEM NO.12

In terms of the Article 110 a(i&ii) of Articles of Association of the Company the promoters of the Company are entitled to nominate a maximum of three of their representatives as directors on the Board.

Presently the Promoters viz., Carburettors Limited (CL), and Mikuni Corporation, Japan (MIC) have nominated three of their representative as Directors on the Board. The promoters now would like to nominate one more representative as Director on the Board. To enable Promoters to have maximum of four representatives as Directors on the Board, the Articles of Association of the Company need to be altered. Any alteration in the Articles of Association requires shareholders approval by means of Special Resolution. Hence the resolution is placed before the shareholders for their approval.

None of the Directors except promoter Directors is interested in the abovesaid resolution.

7. ITEM NO.13

Consequent to the enactment of the Depositories Act, 1996 National Securities Depository Limited (NSDL) was established which provides investors the facility for dealing in securities in Electronic Mode. With the introduction of the Depositories Act, 1996, and the Depository System, some of the provisions of the Act relating to the issue, holding, transfer, transmission of shares and other securities have been amended to facilitate the implementation of the new system. There have been significant amendments in the Provisions of Companies Act, 1956 relating to issue, holding and transfer of Securities in dematerialised form. The equity shares of your Company can be dematerialised under depository system. It is therefore proposed to suitably amend the Article as set out in the Resolution in order to bring the Provisions of the Articles of Association in consonance with the Provisions of Companies Act, 1956.