



UCAL Fuel Systems Limited

Report  Junction.com

Annual
Report
2005-06

QUALITY- AN ENDURING VALUE

QUALITY POLICY

At UCAL FUEL SYSTEMS LIMITED every member
is committed to produce quality products at the right time
to meet customer requirements. Total employee
involvement and continual improvement
in every sphere of activity will be the
foundation that supports UFSL quality movement.

Report  Junction.com

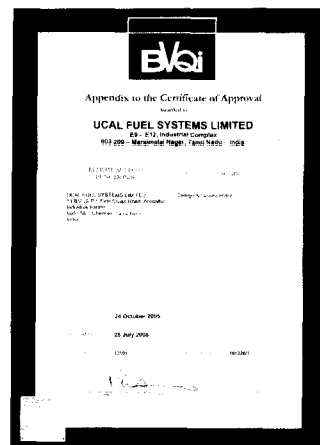
CUSTOMER FOCUS AND MAXIMIZING NEW BUSINESS OPPORTUNITIES

ISO/ TS 16949 FOR DESIGN AND DEVELOPMENT

TS 16949 is a standard which is exclusively
for automobile sector in Design, Development
and Manufacturing. It mandates a more process
based approach, with a firmer emphasis
on meeting the customer's needs.

TS 16949 award to all our plants would support
UCAL Fuel Systems objectives to increase focus
on complying with its customer requirements and
to maximize on its new business opportunities.

Certified ISO/TS 16949 by



UCAL FUEL SYSTEMS LIMITED**BOARD OF DIRECTORS**

MR.S. MUTHUKRISHNAN
Chairman

MR.K.JAYAKAR
Vice Chairman & Managing Director

MR.MASAKI IKUTA

MR.HIROMI IIDA
Joint Managing Director

MR.R.SUNDARARAMAN
Executive Director

MR. HISATAKA IKUTA

MR.V. NARAYANAN

MR.N. GOMATHINAYAGAM

MR.M.R.SIVARAMAN

MR.MASAHIRO HAYASHIDA

COMPANY SECRETARY

MR.S.R. SRIDHAR

BANKERS

CORPORATION BANK
STATE BANK OF INDIA
IDBI BANK LTD
INDIAN BANK

AUDITORS

M/S. G. BALU ASSOCIATES
CHARTERED ACCOUNTANTS
NO.4A VENKATESA AGRAHARAM ROAD
MYLAPORE
CHENNAI 600 004

REGISTERED OFFICE

"RAHEJA TOWERS"
DELTA WING - UNIT 705
177 ANNA SALAI, CHENNAI 600 002
PHONE: 044-28604795-96/42208100

PLANT-I

E-9 – E-12 INDUSTRIAL COMPLEX
MARAIMALAI NAGAR – 603 209
KANCHIPURAM DISTRICT
TAMIL NADU
PHONE:044-47408000

PLANT-II

A98-A100, A106, A107
PIPDIC INDUSTRIAL ESTATE
METTUPALAYAM
PONDICHERRY – 605 009
PHONE: 0413-4211500, 2272675

PLANT-III

PLOT 34-35, 53-54
INDUSTRIAL DEVELOPMENT COLONY
MEHRAULI ROAD, GURGAON
HARYANA – 122 001
PHONE: 0124-2335773, 2335895

PLANT-IV

11 B/2 (S.P), FIRST CROSS ROAD,
AMBATTUR INDUSTRIAL ESTATE,
CHENNAI – 600 058
PHONE: 044-66544700

UCAL FUEL SYSTEMS LIMITED

FINANCIAL HIGHLIGHTS

(Rs. in' 000)

	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000	1998-1999	1997-1998	1996-1997
SALES	2,601,967	2,714,056	2,591,380	2,242,422	1,760,007	1,595,692	1,270,563	862,583	804,323	632,732
Other Income	306,097	39,379	27,812	16,946	18,340	16,729	14,045	13,440	11,867	11,121
Total Income	2,908,064	2,753,435	2,619,192	2,259,368	1,778,347	1,612,421	1,284,608	876,023	816,190	643,853
Total Expenditure	2,223,746	2,252,697	2,045,907	1,69 5,767	1,376,444	1,274,696	1,042,394	659,680	582,680	474,293
Profit before Interest &										
Depreciation	684,318	500,738	573,285	563,601	401,903	337,725	242,214	216,343	233,510	169,560
Interest	59,968	4,634	10,770	20,650	55,118	64,1 79	35,020	22,684	23, 725	26,017
Depreciation	129,909	134,530	123,263	136,612	130, 707	119,822	90,216	82,469	57,481	44,055
Profit Before Tax	494,441	361,574	439,252	406,339	216,078	153,724	116,978	111,190	152,304	99,488
Profit After Tax	377,011	257,610	313,082	281,458	162,542	141,724	101,978	96,190	135,804	80,088
Share Capital	138,960	138,960	69,480	69,480	69,480	69,480	69,480	69,480	69,480	69,480
Reserves & Surplus	1,671,704	1,353,266	1,193,954	911,292	669,582	623,551	514,790	440,212	367,408	254,702
Loan Funds	791,048	109,279	179,089	208,332	329,260	581,900	521,729	309,435	217,413	274,325
Fixed Assets	961,192	962,075	1,025,684	811,743	762,475	800,322	752,405	525,623	485,424	442,010
Net Current Assets	476,179	560,423	388,335	364,122	315,510	382,231	260,772	228,073	119,311	118,578
Dividend Rate (%)	40%	40%	60%	60%	50%	40%	30%	30%	30%	22%
Earning per share (Rs.)	27.13	18.54	45.06	40.51	23.39	20.40	14.68	13.84	19.55	11.53
Current Ratio	1.67:1	2.55:1	1.90:1	2.02:1	2.85:1	1.35:1	1.31:1	1.29:1	1.73:1	1.85:1
Debt. Equity Ratio	0.47:1	0.04:1	0.11:1	0.21:1	0.45:1	0.81:1	0.69:1	0.42:1	0.50:1	0.85:1

UCAL FUEL SYSTEMS LIMITED

CONTENTS	Page No.
Notice	4-14
Report of Directors and Management Discussion & Analysis	15-28
Report on Corporate Governance	29-38
Auditors' Report	39-41
Balance Sheet	42
Profit and Loss Account	43
Schedules and Notes to the accounts	44-60
Balance Sheet Abstract and Company's General Business Profile	61
Cash Flow Statement	62-63
Statement pursuant to Section 212(3) of the Companies Act, 1956	64
Subsidiary Companies	
Ucal Machine Tools Limited	65
Ucal Polymer Industries Limited	66
AMTEC Precision Products Inc.	67
Auditors' Report on Consolidated Accounts	68
Consolidated Balance Sheet	69
Consolidated Profit and Loss Account	70
Schedules and Notes to the accounts	71-80
Consolidated Cash Flow Statement	81-82

UCAL FUEL SYSTEMS LIMITED**NOTICE TO MEMBERS**

NOTICE is hereby given that the TWENTIETH ANNUAL GENERAL MEETING of Shareholders of UCAL FUEL SYSTEMS LIMITED will be held at the DYNASTY HALL, HOTEL AMBASSADOR PALLAVA, No.53 Montieth Road, Chennai 600 008 on Friday, the 1st September 2006 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 2006 and the Balance Sheet as on 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.Hiromi Iida, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in the place of Mr.N.Gomathinayagam, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a Director in the place of Mr.M.R.Sivaraman, 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 pursuant to the provisions of the Section 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the reappointment of Mr.Hiromi Iida as Joint Managing Director for a period of one year from 1.10.2005 to 30.9.2006 on a remuneration as detailed below:

Rs. in lakhs per annum

- | | | |
|---|---|----|
| 1. SALARY | - | 30 |
| 2. SPECIAL ALLOWANCE | - | 21 |
| 3. COMMISSION | - | 24 |
| 4. PERQUISITES: | | |
| a. Residential Accommodation - The Company shall provide rent free furnished residential accommodation together with Gas, Water, and Electricity etc. | | |
| b. Medical Reimbursement - Reimbursement of medical expenses for self and family subject to a ceiling of one month's salary in a year. | | |
| c. Leave Travel Concession - On actuals for self and family once in a year to any place in India, subject to a ceiling of one month's salary. | | |
| d. Club Fees - Fees of clubs, subject to a maximum of two clubs. | | |
| e. Personal Accident Insurance - Premium not to exceed Rs.10,000/- per annum. | | |
| f. Company's contribution towards Provident Fund will be as per rules of the Company but not exceeding such percentage of the salary as may be fixed by the Central Government from time to time. | | |

UCAL FUEL SYSTEMS LIMITED

- g. Car - Facility of Car with Driver
- h. Telephone - Free Telephone facility at residence
- i. Passage Benefits - For self and family to and fro Japan once in twelve months.
- j. Reimbursement of reasonable expenses not exceeding Rs.5,000/- per month incurred towards keeping caretakers for the premises occupied by Mr. Hiromi Iida.
- k. Payment /Reimbursement of packing, forwarding, loading and unloading expenses, freight, insurance, customs duty, clearing expenses, local transportation on actuals for moving the personal effects of Mr. Hiromi Iida and family to his residence at the time of returning to Japan.
- l. To reimburse the expenses incurred not exceeding Rs.5,000 per month to watchman/sweeper/gardener for the premises occupied by Mr. Hiromi Iida.
- m. Mr. Hiromi Iida 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 Joint 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".

- 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 and 311 and the applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the reappointment of Mr. K. Jayakar as Managing Director for a period of 5 years from 1st September 2006 on the following terms:

- a. Salary Rs.48 lakhs per annum
- b. Special allowance Rs.36 lakhs per annum.
- c. Commission will be calculated at such percentage so as to make the overall remuneration including salary, perquisites and commission equivalent to 5% of the net profits in the respective years of the company as computed under sections 198 and 349 of the Companies Act, 1956.
- d. House rent allowance Rs.18 lakhs per annum.
- e. Perquisites like gas, electricity, water, furniture/fittings, medical reimbursement, leave travel concession for self and family, club fees, medical /personal accident insurance premia and other benefits or amenities as may be decided by the board of directors from time to time, all such perquisites restricted to a sum not exceeding Rs.5 lakhs per annum.
- f. The perquisites shall be evaluated at actual cost to the company and where it is not possible to ascertain the actual cost, such perquisites shall be evaluated as per the income tax rules, 1962.
- g. Provision for use of company car with driver for official duties and telephone at residence (including payment for local calls and long distance calls) shall not be

UCAL FUEL SYSTEMS LIMITED

included in the computation of perquisites for the purpose of calculation of the said ceiling. Personal long distance calls on telephone and use of company car for private purposes shall be recovered by the company from Managing Director.

- h. Company's contribution to provident fund and superannuation fund, if any not exceeding such percentage of salary as may be fixed by the Central Government from time to time and gratuity as per rules of the company shall not be included in the computation of the limits for remuneration or perquisites aforesaid.
- i. In addition to the above remuneration and perquisites, the managing director shall also be entitled to pension, if any, payable after retirement, subject to rules and regulations as may be framed by the company in this regard.
- j. Passage benefits: For self and family to and fro United States of America once in twelve months.
- k. Earned Leave: One month pay 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.
- l. 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".

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

"RESOLVED that in conformity with the provisions of Article 117b(ii) of the Articles of Association of the Company and pursuant to the provisions of Section 309(4) of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the payment of commission to the Indian Non-whole time Directors of 1% of the net profits of the Company to be computed in accordance with the provisions of Section 349 and 350 of the Companies Act, 1956 for a further period of 5 years commencing from the financial year 2006-07 and be divided equally between such Directors or in such manner as the Board of Directors may from time to time determine.

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

"Resolved that pursuant to Section 17 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the confirmation of Central Government, the existing Clause IIIA.5 of Memorandum of Association of the Company be and is hereby deleted and the following new clause be substituted.

UCAL FUEL SYSTEMS LIMITED

Clause III.A.5.

To deal in, manufacture, purchase, import, sell and export mechanical, electrical, electronic and other engineering goods."

"FURTHER RESOLVED that application be made to the Central Government under Section 17 of the Companies Act, 1956 for confirmation to the aforesaid alteration to the Memorandum of Association."

11. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution.

"Resolved that pursuant to provisions of Section 149(2A)(b) of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors for commencing and carrying out the business in relation to new Clause III.A.5 of the Memorandum of Association.

12. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution.

"RESOLVED that pursuant to section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner:

Insert the following Article as Article 8A after Article 8.

8A. BUY-BACK OF SHARES

Notwithstanding anything contained in these Articles, in the event it is permitted by law for a company to purchase its own shares or securities, the Board of Directors may, when and if thought fit, buy back such of the Company's own shares or securities as it may think necessary subject to such limits, upon such terms and conditions, and subject to such approvals, as may be permitted by the law.'

13. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment for the time being in force); in accordance with the provisions of the Memorandum and Articles of Association of the Company and Securities & Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (including any statutory modification or re-enactment thereof) and subject to such approvals, consents, permissions and sanctions, as may be required from such other appropriate authorities and subject to such terms and conditions and stipulations, if any while granting such approvals, permissions and sanctions, the Board of Directors of the Company, (which term shall be deemed to include "Compensation Committee", or any "Sub Committee" thereof, constituted by the Board to exercise its powers, including the powers conferred by this resolution) be and is hereby authorized, on behalf of the Company to grant, issue, offer and allot 600,000 options (Six hundred thousand only) from time to time in one or more

UCAL FUEL SYSTEMS LIMITED

tranches, convertible into equity shares of nominal value of Rs 10/- (Rupees ten only) each, at such price and on such terms and conditions as may be specified and determined, to the permanent employees of the Company (including executive and non-executive Directors), under Employee Stock Option Scheme of the Company for the benefit of the employees, inter alia, on the broad terms and conditions as given in the Explanatory Statement annexed to the notice convening this Annual General Meeting.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to determine and frame all other terms and conditions of the issue of the said options convertible into equity shares of Rs 10/- (Rupees ten only) each as the Board may in its absolute discretion deem fit.

RESOLVED FURTHER THAT the equity shares to be issued as stated aforesaid shall rank *pari-passu* with all the existing equity shares of the Company for all purposes."

RESOLVED FURTHER THAT the Board be and is hereby authorised to seek listing of such equity shares of face value of Rs 10/- (Rupees ten only) each at all such Stock Exchanges where the Equity Shares of the Company are already listed.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolutions, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may at its absolute discretion, deem necessary or desirable for such purpose, including without limitation, the entering into contracts, agreements and any other arrangements with power to settle any questions, difficulties or doubts that may arise in regard to any such issue, conversion and the allotment thereof as it may in its absolute discretion deem fit."

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

"RESOLVED THAT pursuant to the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, and the regulations /guidelines as prescribed by the Reserve Bank of India or any relevant authority, from time to time, to the extent applicable and subject to such approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed by them while granting such permissions, authority and approval of the members of the Company be and is hereby accorded to grant the options to any identified employee of the subsidiaries under Employee Stock Option Scheme-2006.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the consent and authority be and is hereby given to the Compensation Committee of the Board of Directors to do all acts, deeds, matters and things and execute all such deeds, documents and writings as it may in its discretion deem fit and proper."

BY ORDER OF THE BOARD

Place : CHENNAI
Date : 25.07.2006

S.R. SRIDHAR
Company Secretary