

YUKEN INDIA LIMITED



TWENTY NINETH ANNUAL REPORT 2004-2005

YUKEN INDIA LIMITED

YUKEN

BOARD OF DIRECTORS

Mr M EGI - Chairman
 Mr K TAKAKU
 Mr S YAMANOI
 Mr R SRINIVASAN
 Mr V BALAJI BHAT
 CAPT. N S MOHANRAM (From May 30, 2005)
 Dr. PREMCHANDER (From May 30, 2005)
 Mr C P RANGACHAR - Managing Director

COMPANY SECRETARY

Mr T AJAY JOSEPH (Upto April 8, 2005)

BANKERS

STATE BANK OF INDIA
 BANK OF TOKYO MITSUBISHI LTD.
 MIZUHO CORPORATE BANK LTD.

AUDITORS

M/S FRASER & ROSS
 Chartered Accountants

REGISTERED OFFICE AND WORKS

P.B. No. 16
 Whitefield Road
 Whitefield, Bangalore-560 066

FOUNDRY DIVISION

No. 16-C, Doddanekundi Industrial Area,
 IInd phase, Mahadevapura,
 Bangalore - 560 048

SALES OFFICES

26, Community Centre
 Mayapuri, New Delhi - 110 064

Indra Prastha, # 46A, Madan Mohan
 Malaviya Sarani, Ground Floor,
 Kolkata - 700 020

H-4, Ansa Indl. Premises
 Co-op Society Limited
 Saki Vihar Road, Sakinaka
 Mumbai - 400 072

B-80, 2nd Cross, 1st Phase
 Peenya Industrial Area,
 Bangalore - 560 058.

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YUKEN INDIA LIMITED

NOTICE is hereby given that the Twenty Ninth Annual General Meeting of the shareholders of Yuken India Limited, will be held at Registered Office, P B 16, Whitefield Road, Whitefield, Bangalore -560066 on Monday the 26th September 2005 at 3.00 pm to transact the following business:

A. ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Balance Sheet as at 31st March 2005 and the Profit and Loss account for the year ended on that date together with reports of Auditors' and the Directors' thereon.
2. To appoint a Director in place of Mr. S Yamanoi, who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint Mr Yasuo Sakakibara as a Director in place of Mr K Takaku who retires by rotation.
4. To declare a dividend.
5. To appoint Auditors and fix their remuneration.

B. SPECIAL BUSINESS

To consider and if thought fit, to pass with (or) without modifications the following Resolutions as **ORDINARY RESOLUTIONS**.

6. RESOLVED that due notice in writing having been received from a member under Section 257 of the Companies Act 1956 of her intention to propose Capt N S Mohanram, Capt N S Mohanram be and is hereby appointed as a Director retiring by rotation.
7. RESOLVED that due notice in writing having been received from a member under Section 257 of the Companies Act 1956 of his intention to propose Dr Premchander, Dr Premchander be and is hereby appointed as a Director retiring by rotation.
8. RESOLVED that due notice in writing having been received from a member under Section 257 of the Companies Act 1956 in this behalf, Mr Yasuhiro Mukaide be and is hereby appointed as a Director not liable to retire by rotation.

9. RE-APPOINTMENT OF MANAGING DIRECTOR:

RESOLVED that subject to the provisions of section 198,269 and 309 of the Companies Act 1956, read with Schedule XIII thereto, and other applicable provisions if any, of the Companies Act 1956, the approval of the shareholders be and is hereby accorded for the re-appointment of Mr. C P Rangachar as the Managing Director of the Company for a further period of 5 (Five) years commencing from 1st May 2005 and the remuneration payable to him in the manner following:

- | | |
|------------------------------|--|
| 1. Salary | : Rs 180000 /- pm with authority to Board to fix such annual increment as it deem fit. |
| 2. Commission on Net Profits | : subject to over all limits of 2(Two) times of aggregate salary for that financial year |
| 3. Perquisites | |
| a) Housing | : Free Furnished Accommodation. |
| b) Gas, Electricity, Water | : Actual. |
| c) Medical re-imbusement | : Self and Family at Actual |
| d) Leave Travel Allowance | : Self and Family once a year. Actual reimbursement. |

YUKEN INDIA LIMITED**YUKEN**

| | |
|--------------------------------|--|
| e) Club Fees | : Club Fees subject to a maximum of two clubs. No Life Membership |
| f) Personal Accident Insurance | : Self and Family. Premium not to exceed Rs 6000/- p a. |
| g) Provident Fund | : As per Company's rules. |
| h) Superannuation | : As per Company's rules |
| i) Gratuity | : Half month's salary for each completed year of service. |
| j) Motor Car | : Free use of car with driver |
| k) Telephone & Fax | : Free Telephone & Fax at residence |
| l) Earned Leave | : One month's leave with full pay and allowances for every completed 11 months of service. |
| m) Encashment of Leave | : Leave accumulated and not availed of during his term as Managing Director may be allowed to be en-cashed at the end of his term. |

FURTHER RESOLVED that the remuneration payable to Mr C P Rangachar, Managing Director by way of salary, perquisites and other allowances in any financial year shall not exceed 5% of the net profits of the Company for the relevant financial year.

FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorized to take all such actions as may be necessary, desirable, (or) expedient to give effect to the above RESOLUTION.

10. INCREASE IN BORROWING POWERS:

RESOLVED that pursuant to sub-sections (1) (a) and (1) (d) of section 293 of the Companies Act 1956 and other applicable provisions, if any, of the said Act, consent be and is hereby accorded to the Board of Directors of the Company for borrowing any sum (or) sums of monies from time to time, from one or more bodies corporate, bankers, Industrial Finance Corporation of India (IFCI), Industrial Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India (ICICI), Industrial Reconstruction Bank of India (IRBI) and other Public Financial institutions including the State Financial Institutions and/or the Public by way of cash credit, advances, deposits, or other loans whether secured or un-secured by mortgage, charge, hypothecation or pledge of the Company's assets and the properties whether movable or immovable or stock in trade including book debts, bills, raw materials, stores and spare parts and components in stock, or in transit, work in progress and debts and advances, notwithstanding that the sum or sums so borrowed together with the monies if any, already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed in the aggregate, the paid up share capital of the Company and its free reserves which may have not been set apart for any purpose, but so that the total amount up to which the monies that may be so borrowed shall not at any time exceed Rs 3000.00 Lakhs (Rupees three thousand lakhs only) and the Board of Directors be and are hereby authorised to create a charge over or mortgage the assets of the Company in favour of the lending institutions, banks, bodies corporate or other lenders for purposes of securing repayment of monies borrowed, on terms and conditions as may be stipulated by such lending institutions/banks/lenders.

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NOTES

1. The relative explanatory statement pursuant to section 173 (2) of the Companies Act, 1956 in respect of the Special Business set out in the Notice is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL INSTEAD OF HIMSELF / HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. The Instrument of proxy for use at the meeting must be lodged at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 2005/09/20 to 2005/09/23 (both days inclusive)
5. Any dividend approved at the meeting will be paid only to those members whose names appear in the register of members as on 2005/09/26.
6. Shareholders seeking any information with regard to accounts are requested to write to the Company at least 15 days in advance from the date fixed for the Annual General Meeting to enable the Management to keep the information ready.
7. Members are requested to intimate to the Company changes, if any, in their registered addresses at an early date.

REGISTERED OFFICE :
P.B. No. 16, Whitefield Road
Whitefield
Bangalore 560 066

By order of the Board

C P Rangachar
Managing Director

Place: Bangalore

Date: 30.05.2005

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT 1956, IN RESPECT OF THE SPECIAL BUSINESS SET OUT IN THE NOTICE.

ITEM NO: 6,7& 8

The Company has received separate Notices u/s 257(1) of the Companies Act 1956 in writing from members along with requisite deposit of Rs 500/- each, proposing the candidatures of Capt N S Mohanram , Dr Premchander , and Mr Yasuhiro Mukaide for the office of Director. In the case of Capt N S Mohanram and Dr Premchander they are liable to retire by rotation. In the case of Mr Yasuhiro Mukaide, he will be a non-retiring Director. Besides a notice under section 257 of the Companies Act, 1956 has also been received signifying the intention of proposing the name of Mr Y Sakakibara for appointment as Director in place of Mr K Takaku, who retires by rotation and has signified his intention of not seeking re-appointment.

Capt N S Mohanram :

Capt N S Mohanram holds B.Tech (Hons) in Naval Architecture from IIT, Kharagpur. Also holds Post Graduate in Warship Design (UK). An MBA (Faculty of Management Studies), New Delhi.

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Work Experience includes both in Indian Navy & Industries. In Indian Navy he has designed a number of warships and other crafts. Developed India's first indigenous major warship INS Godhavari. He has designed offshore Patrol vessels for Indian Coast Guard. He was also Head of Design in Mazagon Docks Limited, Mumbai (PSU). In Industry, Capt Mohanram was Head of Divisions in Mukhund Group, President in TVS-Suzuki Limited, Director (Projects), TVS -Suzuki Limited and currently Advisor to the TVS Motor Company Limited, Hosur(TN). He is a recipient of major awards such as, VKRV Rao Gold Medal and Das Gupta Gold Medal for standing first in M.B.A., Faculty of Management Studies, University of Delhi, Vishist Seva Medal for designing India's first indigenous large Warship I.N.S.Godhavari, from Rashtrapathi, FIE Award for Excellence in Engineering & Management along with a cash award from Mr.Manohar Joshi, the then Honorable Chief Minister of Maharashtra. Elected Fellow of Indian National Academy of Engineering (INAE).

Dr Premchander :

Dr Premchander is a Post Graduate in M.Sc. Chemistry from Delhi University and a Fellow, Indian Institute of Management, Ahmedabad, Ph.D-Finance and Control.

Work Experience include State Bank of India as Officer Commercial and Industrial Advances, Reliance Consultancy (P) Limited, involving in Organizational Development, Shrishma Fine Chemicals & Pharmaceuticals Limited, in setting up Management System and building the Organization for growth, Indian Institute of Management (IIMB) as Associate Professor Finance and Control. Designed & conducted courses on, i) Mergers & Acquisitions ii) Business Ethics. iii) Finance for Business Executives. iv) Strategic cost management. v) Also developed long duration in company courses after diagnosing the requirements of the organization.

Their inclusions as Directors on the Board as 'Independent Directors' will benefit the Company to a larger extent.

Mr Yasuo Sakakibara :

Mr Yasuo Sakakibara is currently the Managing Director of Yuken Kogyo Co Ltd, Japan. He replaces Mr K Takaku as a Director in Yuken India Limited retiring by rotation.

Mr Yasuo Sakakibara has vast experience in the field of Oil Hydraulics and his rich experience in Hydraulics will further strengthen Yuken India Limited.

Mr Yasuhiro Mukaide :

Mr Yasuhiro Mukaide is currently the President of Yuken Kogyo Co Ltd, Japan. He replaces Mr Masao Egi who has retired as President. Mr Masao Egi was a non-retiring Director. Hence, Mr Yasuhiro Mukaide is to be appointed as a Director not liable to retire by rotation.

Mr Yasuhiro Mukaide has rich business and managerial experience in technical, marketing and financial having worked in various capacities.

Mr S Yamanoi :

Under Section 256(1) of the Companies Act 1956, and Article 116 of the Articles of the Company, Mr. K Takaku and Mr. S Yamanoi, Directors are liable to retire by rotation at this Annual General Meeting. They are eligible and offer themselves for re-appointment. However, in the case of Mr K Takaku, since Mr Yasuo Sakakibara replaces him, the resolution pertaining to his re-appointment does not form part of agenda.

None of the Directors are either directly or indirectly interested or concerned in the above Resolutions.

YUKEN INDIA LIMITED**ITEM No: 9**

The shareholders are aware that Mr. C P Rangachar has been in charge of overall Management and Administration of the affairs of the Company since inception. Due to the dedicated services rendered by Mr. C P Rangachar, the Company has grown from strength to strength.

The shareholders are also aware that the engineering industry in India has been seeing rapid growth in recent years and compensation of Senior Executives and CEOs have seen very high increases. The compensation being paid to Mr. Rangachar is below market levels of compensation. In the context of the Company being poised for rapid growth it is necessary to extend Mr. Rangachar's services. This will also help Yuken India to realize some of the major growth plans. It is proposed to increase his salary marginally and have a flexibility to compensate Mr. Rangachar, based on performance by giving him a variable compensation in the form of a Commission.

Further the remuneration payable to Mr C P Rangachar, Managing Director by way of salary, perquisites and other allowances in any financial year shall not exceed 5% of the net profits of the Company for the relevant financial year.

None of the Directors except Mr. C P Rangachar is interested in the Resolution.

ITEM NO : 10

Under section 293 of the Companies Act 1956, the Board of Directors cannot, except with the consent of the Company in General Meeting, borrow monies apart from the temporary loan obtained from the Company's Bankers in the ordinary course of business in excess of the aggregate of the paid up capital and the free reserves, that is to say, reserve not set apart for any specific purpose.

At the 20th Annual General Meeting of the Company held on 28th August 1996, the shareholders had authorized the Board of Directors to borrow monies for the purpose of the Company in excess of the paid up capital and free reserves subject to a maximum of Rs 1500.00 Lakhs. The increase in activities of the Company will require additional funds, which are to be mobilized from available sources. It is therefore considered necessary to increase the borrowing limits to Rs 3000.00 Lakhs (Rupees three thousand lakhs) as this will enable the Board of Directors to raise the necessary finance as and when required. The borrowings have to be secured by creating a charge over the assets of the Company, which also requires the consent of the Shareholders. Hence the Resolution authorizing the Board to borrow up to Rs 3000.00 Lakhs and to secure repayment of the same by creating charge over the assets of the Company is placed herewith.

The Directors recommend the passing of the Resolution in the best interests of the Company. None of the Directors is concerned or interested in the said Resolution.

YUKEN INDIA LIMITED**YUKEN****DIRECTORS' REPORT****To the Members**

Your Directors are pleased to present the 29th Annual Report of the Company together with the Audited Accounts for the year ended 31st March 2005.

FINANCIAL RESULTS

(Rs in Lakhs)

| Particulars | Year ended 31.03.2005 | Year ended 31.03.2004 |
|---|--------------------------|--------------------------|
| Total Income | 6732.34 | 4820.22 |
| Total Expenditure | 5571.65 | 4181.27 |
| Profit before Interest, Depreciation & Tax | 1160.69 | 638.95 |
| Interest | 82.90 | 84.25 |
| Depreciation | 133.01 | 106.83 |
| Profit Before Tax | 944.78 | 447.87 |
| Provision for Taxation(net of deferred tax) | 308.67 | 167.01 |
| Profit After Taxation | 636.11 | 280.86 |
| Appropriations: | | |
| Proposed Dividend | 54.00 | 36.00 |
| Tax on Proposed Dividend | 7.57 | 4.61 |
| Transfer to General Reserve | 33.00 | 10.00 |

BUSINESS RESULTS

The buoyancy in the Indian economy as a whole, and the Hydraulic Industry in particular, gained momentum during the year under review. India's GDP growth rate is estimated to have doubled to 8.1%, as compared to 4.0% in the previous year. The strong domestic economy, a resurgent capital market and improved foreign exchange reserves have instilled a new found confidence in the Indian Corporate Sector. The growth rate is likely to be sustained, with consistently high growth in the Indian economy.

The Company's operational and financial performance continued on a growth path. The Company has been able to achieve a turn over of Rs 6732 Lakhs compared to Rs 4820 Lakhs in 2004. The Operations of the Company for the year under review have resulted in a net profit of Rs 636 Lakhs. Consistent efforts are being made by the Company to improve the performance.

DIVIDEND

Your Directors are pleased to recommend a dividend of 18% on the equity shares of the Company for the year ended 31st March 2005 and the same will be payable, if approved by the Members at the ensuing Annual General Meeting.

YUKEN INDIA LIMITED**PERSONNEL**

Industrial relations remained cordial throughout the year. The Board wishes to place on record its appreciation to all employees in the Company, for their sustained efforts and immense contributions to the high level of performance and increased profits that your Company has achieved during the year.

Information required under section 217(2A) of the Companies Act 1956
Read with Companies (Particulars of Employment) Rules 1975

I.

| Sl No | Name | Designation | Gross Remuneration (Rs) | Qualification | Age | Date of commencement of employment | Experience (including previous years if any) | Last employment held/designation/ organization |
|-------|---------------|-------------|-------------------------|---------------|-----|------------------------------------|--|--|
| *1 | C P Rangachar | MD | 3370828 | BE MIE | 62 | 1978.05.01 | 40 | Director-PGI(P) Ltd, Chennai |

1. * Employment throughout the year under review and were in receipt of remuneration for that year in the aggregate of not less than Rs 2400000 or more.

2. Annual remuneration as above includes salary, allowances and perquisites.

3. The above appointment is contractual.

II. Employees of the Company who were employed for part of the financial year and in receipt of remuneration at a rate, which in aggregate was not less than Rs 200000/- pm - **NIL**

FACILITIES:

The Company's manufacturing unit operates from Whitefield, Bangalore. The factory is located in approximately 6.0 acres and the built up area is approximately 37,040 sft. The Company has purchased land, buildings and certain machineries in Hyderabad to expand its activities. The Company has also purchased land and buildings in Peenya Industrial Estate, Bangalore for shifting its South Zone Office that is currently being operated from a leased premises. The Peenya facility will also be used for extending a part of the manufacturing activities.

DIRECTORS :

During the year Capt N S Mohanram & Dr Premchander have been appointed as additional Directors. Mr Yasuo Sakakibara, the present Managing Director of Yuken Kogyo Co Ltd, Japan is replacing Mr K Takaku on the Board of YIL. Mr Yasuhiro Mukaide, the present President of Yuken Kogyo Co Ltd, Japan is replacing Mr Masao Egi as a Director and Chairman of Yuken India. The Board welcomes them into its fold. The Board of Directors place on record its sincere and deep appreciation to the long, dedicated and distinguished services rendered by Mr M Egi during his tenure as a Director and Chairman. The Board also places on record its appreciation of the valuable contributions made by Mr K Takaku during his tenure as a Director.

The Company has received separate notices from members under the provisions of section 257 of the Companies Act 1956 proposing the appointments of Capt N S Mohanram , Dr Premchander, Mr Yasuo Sakakibara and Mr Yasuhiro Mukaide as Directors.

Capt N S Mohanram :

Capt N S Mohanram holds B.Tech (Hons) in Naval Architecture from IIT, Kharagpur. Also holds Post Graduate in Warship Design (UK). An MBA (Faculty of Management Studies), New Delhi. Work Experience includes both in Indian Navy & Industries. In Indian Navy, he had developed India's first indigenous major warship INS Godhavari. In Industry, Capt Mohanram was Head of Divisions in Mukhund Group, President in TVS-Suzuki Limited, Director (Projects), TVS -Suzuki Limited and currently Advisor to the TVS Motor Company Limited, Hosur (TN). He is a recipient of many awards including the one from the President of India.