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YUKEN INDIA LIMITED

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30th ANNUAL REPORT

2005 - 2006

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YUKEN INDIA LIMITED

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BOARD OF DIRECTORS	Mr Y MUKAIDE - Chairman Mr Y SAKAKIBARA Mr S YAMANOI Mr R SRINIVASAN Mr V BALAJI BHAT CAPT. N S MOHANRAM Dr. PREMCHANDER Mr C P RANGACHAR - Managing Director
COMPANY SECRETARY	Mr S ANTONY CRUZ
BANKERS	STATE BANK OF INDIA BANK OF TOKYO MITSUBISHI UFJ 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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CONTENTS

1.	NOTICE	1
2.	DIRECTOR'S REPORT	5
3.	MANAGEMENT DISCUSSION AND ANALYSIS REPORT	11
4.	REPORT ON CORPORATE GOVERNANCE	14
5.	AUDITOR'S REPORT TO THE MEMBERS	25
6.	BALANCE SHEET	28
7.	PROFIT AND LOSS ACCOUNT	29
8.	CASH FLOW STATEMENT	30
9.	SCHEDULES	31
10.	ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	38
11.	BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE	51
12.	AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS	52
13.	CONSOLIDATED BALANCE SHEET	53
14.	CONSOLIDATED PROFIT AND LOSS ACCOUNT	54
15.	CONSOLIDATED CASH FLOW STATEMENT	55
16.	CONSOLIDATED SCHEDULES	56
17.	FINANCIAL INFORMATION OF SUBSIDIARIES	61
18.	ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS	63

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YUKEN INDIA LIMITED

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NOTICE is hereby given that the Thirtieth Annual General Meeting of the shareholders of Yuken India Limited will be held at Woodlands Hotel Pvt. Ltd, No 5, Raja Ram Mohan Roy Road, Bangalore-560025 on Monday the 4th September 2006 at 3.15 pm to transact the following business:

A. ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Balance Sheet as at 31st March 2006 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. R Srinivasan, who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. V Balaji Bhat , who retires by rotation, but being eligible, offers himself for re-appointment.
4. To declare a dividend.
5. To appoint Auditors.

"RESOLVED that M/s Deloitte Haskins & Sells, Chartered Accountants, be and is hereby appointed as the auditors of the Company in place of M/s Fraser & Ross, Chartered Accountants, Bangalore, the retiring auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting on a remuneration to be fixed by the Board of Directors in consultation with the auditors"

B. SPECIAL BUSINESS

6. 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 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, and in partial modification of the resolution passed at the Annual General Meeting of the company held on 26.9.2005, the remuneration payable to Mr.C.P.Rangachar, Managing Director of the Company be revised effective from 01.05.2005 for a period of three years in the manner following:

1. Salary	:	In the scale of Rs.180000 – Rs. 400000 with authority to Board to fix such annual increment as it deem fit.
2. Commission on Net Profits	:	As may be determined by the Board of Directors subject to over all remuneration not exceeding 5% of the net profits of the company.
3. Perquisites		
a) Housing	:	Free Furnished Accommodation.
b) Gas, Electricity, Water	:	Actual.
c) Medical re-imbursement	:	Self and Family at Actual
d) Leave Travel Allowance	:	Self and Family once a year. Actual reimbursement.

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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 6,000/- 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 encashed at the end of his term.

"FURTHER RESOLVED THAT in the event of absence or inadequacy of profits in any financial year, the remuneration payable to the Managing Director shall not exceed the limits prescribed under Schedule XIII, Part II, Section II,1(B)".

"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".

"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 : The shareholders are aware that at the previous Annual General Meeting held on 26.09.2005, a resolution was passed approving the remuneration payable to Mr.C.P.Rangachar, Managing Director of the company for a period of five years commencing from 01.05.2005. The salary fixed to be payable was Rs.1,80,000/- per month with power to the Board of Directors to fix the annual increment as it deems fit, and commission payable on net profits subject to an overall limit of twice the aggregate salary for that financial year. The Remuneration Committee of the Board after subsequent deliberations and taking into account the provisions of Schedule XIII to the Act felt that the fixed remuneration could be structured in the manner laid down under Schedule XIII to the Act and that commission on net profits could be paid subject to the overall ceiling limit of 5% as permitted under the Act without restricting the same to twice the aggregate annual salary. The Board of Directors at its meeting held on 22.06.2006 approved and adopted the recommendation of the Remuneration Committee. Hence, the revised remuneration structure has been proposed, wherein the monthly salary and the commission on net profits alone have been revised with all other perquisites and benefits remaining the same. It may also be noted that in the event of absence or inadequacy of profits during any financial year, the remuneration is restricted to the limits prescribed under Schedule XIII, Part II, Section II, 1(B) to the Act, based on the effective capital of the company as at 31.03.2005. It may further be noted that the revised remuneration structure which is to take effect from 01.05.2005 is for a period of three years as stipulated under Schedule XIII to the Act, and the same requires the approval of the shareholders by means of a special resolution. Hence the Special Resolution is placed before you which the Board of Directors recommends for adoption.

Except Mr. C.P. Rangachar no other director is interested in the resolution.

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The information required to be provided under Schedule XIII, Part II, Section II, 1 (B) is set out herein below:

I General Information :

1. Nature of Industry : Manufacturing Industry -: **Oil Hydraulic Equipments.**
2. Date of Commencement of Commercial Production : **01/05/1978**
3. *In case of New Company* : **Not Applicable.**
4. Financial Performance based on given indicators :

	(Rs in Lakhs) Year ended 31st March 2004-05	2003-04
i) Total Revenues	6732	4820
ii) Profit/(Loss) Before Dep, Interest and Tax (PBDIT)	1161	639
iii) Less Interest	83	84
iv) Profit/(Loss) Before Depreciation and Tax (PBDT)	1078	555
v) Less Depreciation	133	107
vi) Profit/(Loss) After Tax (PAT)	636	281
vii) Dividend.	62	41

5. Export Performance and net foreign exchange collaborations

i) FOB Value of Sales	118	78
ii) Expenditure in FC	814	532
iii) Value of Import	661	524

6. Foreign investments or Collaborators, if any: **40% by Collaborators in the equity of the Company**

II. Information about the appointee:

1) *Background Details:* ***Mr Rangachar is an Electrical Engineer from BITS, Pilani. Had extensive training in Plastics in Europe, US & Japan. Involved in wide range of activities such as Technology Transfer and Collaborations.***

2) Past remuneration: 2004-05 Total Gross remuneration drawn : **Rs 3370828**

3) Recognition or awards: **CII-Award for Continuous Contribution.**

4) Job Profile and is suitability. **Mr Rangachar continues as the Managing Director right from inception of the Company (ie from the year 1976).**

5) Remuneration proposed : **as indicated in the Notice of AGM.**

6) *Comparative Remuneration:*

The Company comes under unique segment of Hydraulics and hence the comparative remuneration profile with respect to industry, size of the Company, profile of the position and persons are not available and hence not comparable. However, companies nearly similar to our size are paying its Managerial persons Rs 5 lakhs to Rs 6 lakhs per month.

7) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any.

Mr. C.P. Rangachar as an individual member and along with his family is holding less than 1%of the Companies shares.

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III. Other Information:

1. Reasons of loss or inadequate profits : **N/A**
2. Steps taken or proposed to be taken for improvement : **N/A**
3. Expected increase in productivity and profits in measurable terms : **N/A**

IV. Disclosures:

1. Shareholders of the Company shall be informed of the remuneration package of the managerial person.- **incorporated in the notice.**
2. The following disclosures shall be mentioned in the Board of Directors' Report under the heading "Corporate Governance" attached to the Annual Report.

- all elements of remuneration package } **incorporated**
- details of fixed component and performance linked incentives. }
- Service contract, notice period }
- Stock option details , if any. }

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 29/08/2006 to 31/08/2006 (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 04/09/2006.
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 :
PB 16, Whitefield Road
Whitefield, Bangalore 560 066

By order of the Board

S. ANTONY CRUZ
Company Secretary.

Place: Bangalore
Date: 22.06.2006

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DIRECTORS' REPORT

To the Members

Your Directors are pleased to present the 30th Annual Report of the Company together with the audited Accounts for the year ended 31st March 2006.

FINANCIAL RESULTS **(Rs in Lakhs)**

Particulars	Year ended 31.03.2006	Year ended 31.03.2005
Total Income	**7145.56**	**6730.99**
Total Expenditure	6346.20	5570.30
Profit before Interest, Depreciation & Tax	799.36	1160.69
Interest	207.23	82.90
Depreciation	181.76	133.01
Excess provision for depreciation of earlier years written back.	7.07	-
Profit Before Tax	417.45	944.78
Provision for Taxation(net of deferred tax)	175.48	308.67
Profit After Taxation	241.97	636.11
Appropriations:		
Proposed Dividend	**54.00**	**54.00**
Tax on Proposed Dividend	**7.57**	**7.57**
Transfer to General Reserve (Including Rs. 14.71 lakh for previous year)	50.00	33.00

RESULTS OF OPERATIONS

The Company has been able to achieve a turn over of Rs. 7146 Lakhs compared to Rs. 6731 Lakhs in 2005. The Operations of the Company for the year under review have resulted in a net profit of Rs.241.97 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 2006 and the same will be payable, if approved by the Members at the ensuing Annual General Meeting. We would like to assure shareholders that this payout will not compromise the Company's need to strengthen its business and enhance the sustainability of its prospective profits.

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HUMAN RESOURCE MANAGEMENT

In today's competitive environment the 'war for talent' is intense. One of the biggest challenges before us is to retain and attract the best talent at all levels. We are confident that the best way to attract and retain talent is to ensure a conducive atmosphere for our associates to experience a sense of identity, important and development. It has been our endeavor to enhance employee engagement by providing them with a value based professional environment.

INDUSTRIAL RELATIONS

The relationship with the recognized union has remained cordial.

CORPORATE GOVERNANCE

Your Company continued to practice good governance. The Board of Directors supported the broad principles and the Company complied with all the mandatory provisions prescribed in the listing agreement with the stock exchanges. In addition to the basic governance issues, the Board laid a strong emphasis on transparency, accountability and integrity. A certificate of the Auditors of your Company regarding compliance of the conditions of Corporate Governance, as stipulated in Clause 49 of the listing agreement with the stock exchanges, along with the Management's Discussion & Analysis report are given in this Report.

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

Sl. No	Name	Designation	Gross Remu-neration (Rs)	Qualification	Age	Date of com-mence-ment of employ-ment	Experience (including previous years if any	Last employ-ment held/designa-tion/ organization
*1	C P Rangachar	MD	3044775	BE MIE	63	1978.05.01	41	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 200,000/- pm - **NIL**

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DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to section 217 (2AA) of the Companies Act, 1956 your Directors confirm that:

1. In the preparation of the accounts for the year ended 31st March 2006, the applicable accounting standards have been followed.
2. Such accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent made so as to give a true and fair view of the state of affairs of the Company at the financial year ended 31st March 2006 and of the profit of the Company for that year.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The accounts for the year ended 31st March 2006 have been prepared on a going concern basis.

CORPORATE GOVERNANCE & MANAGEMENT DISCUSSION AND ANALYSIS:

Pursuant to clause 49 of the Listing Agreements with the Stock Exchanges, a Corporate Governance Report, Management Discussion & Analysis and Auditors' certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.Further, the terms of appointment of Mr C P Rangachar as Managing Director is revised with effect from 01/05/2005 as per Part II, Section II, 1(B) of Schedule XIII to the Companies Act 1956. Accordingly he will be entitled for a salary of Rs. 2,705,100 and perquisites of Rs. 339,675.

Consolidated Financial Statements:

Pursuant to the exemption granted by Ministry of Company Affairs, Government of India vide letter no 47/211/2006-CL-III dated 16/05/2006, under section 212 (8) of the Companies Act 1956, the Company undertakes that the annual accounts of the subsidiary Companies viz

i) Yuflow Engineering Pvt.Ltd

ii) Coretec Engineering India Pvt Ltd

iii) Sriplas Engineering India Pvt Ltd

iv) Prism Hydraulics Pvt Ltd

and the related detailed information for the year ended March 31, 2006 will be made available to the Company's investors and subsidiary Company's investors seeking such information at any point of time. The annual accounts of the subsidiary Companies are also kept for inspection by any investor at the Registered Office of the Company.

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