

YUKEN INDIA LIMITED



31st Annual Report 2006 - 07

YUKEN INDIA LIMITED**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 LTD.
 MIZUHO CORPORATE BANK LTD.

AUDITORS

M/S DELOITTE HASKINS & SELLS
 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.

CONTENTS

1. NOTICE	1
2. DIRECTORS REPORT	2
3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT	8
4. REPORT ON CORPORATE GOVERNANCE	11
5. AUDITORS REPORT TO THE MEMBERS	24
6. BALANCE SHEET	27
7. PROFIT AND LOSS ACCOUNT	28
8. CASH FLOW STATEMENT	29
9. SCHEDULES	30
10. ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	36
11. FINANCIAL INFORMATION OF SUBSIDIARIES	52
12. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE	54
13. AUDITORS REPORT ON CONSOLIDATED FINANCIAL STATEMENTS	55
14. CONSOLIDATED BALANCE SHEET	56
15. CONSOLIDATED PROFIT AND LOSS ACCOUNT	57
16. CONSOLIDATED CASH FLOW STATEMENT	58
17. CONSOLIDATED SCHEDULES	59
18. ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS	64

YUKEN INDIA LIMITED

NOTICE is hereby given that the Thirty First 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 Tuesday the 4th September 2007 at 10.00 am to transact the following business:

A. ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Balance Sheet as at 31st March 2007 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 a Director in place of Capt N.S. Mohanram, 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, the retiring auditors be and is hereby appointed as the auditors of the Company from the conclusion of this Annual General Meeting upto the conclusion of next Annual General Meeting on a remuneration to be fixed by the Board of Directors in consultation with the auditors."

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NOTES

1. 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.
2. 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.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 28/08/2007 to 31/08/2007 (both days inclusive)
4. Any dividend approved at the meeting will be paid only to those members whose names appear in the register of members as on 04/09/2007
5. 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.
6. 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

Place: Bangalore
Date: 08.06.2007

By order of the Board

S ANTONY CRUZ
Company Secretary.

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

Your Directors are pleased to present the 31st Annual Report of the Company together with the audited Accounts for the year ended 31st March 2007.

FINANCIAL RESULTS**(Rs in Lakhs)**

Particulars	Year ended 31.03.2007	Year ended 31.03.2006
Total Income	8603.91	7145.56
Total Expenditure	7543.48	6346.20
Profit before Interest Depreciation & Tax	1060.43	799.36
Interest	225.89	207.23
Depreciation	183.89	181.76
Excess provision for depreciation of earlier years written back.	48.70	7.07
Profit Before Tax	699.35	417.45
Provision for Taxation(net of deferred tax)	257.50	175.48
Profit After Taxation	441.85	241.97
Appropriations:		
Proposed Dividend	75.00	54.00
Tax on Proposed Dividend	12.75	7.57
Transfer to General Reserve	50.00	50.00

RESULTS OF OPERATIONS

The Company achieved a turn over of Rs 8604 Lakhs compared to Rs 7146 Lakhs in 2006. The operations of the Company for the year under review have resulted in a net profit of Rs 443.52 Lakhs.

DIVIDEND

Your Directors are pleased to recommend a dividend of 25% on the equity shares of the Company for the year ended 31st March 2007, subject to approval 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.

HUMAN RESOURCE MANAGEMENT

YIL strongly believes that the employees make the difference and it has been the Company's continuous endeavor to create an environment where people excel and feel a sense of achievement. To support the expanding business, attracting talent at all levels has been a focus area of the Company.

In addition, we are building a team of future leaders through training and sponsoring them for higher education and other related courses.

The regular Kaizen Events develop a positive attitude, team working and analytical skills.

YUKEN INDIA LIMITED**INDUSTRIAL RELATIONS**

The relationship with the union has remained cordial.

We deeply appreciate the Employees' commitment and particularly their yeoman efforts which enabled your company to significantly improve its Production and Sales in the last two months.

CORPORATE GOVERNANCE

Good CORPORATE GOVERNANCE is a basic policy of your company. The Board of Directors regularly monitor compliance with all Statutory Regulations, provisions of the listing agreement with the stock exchanges etc.

In addition to the basic governance issues, the Board laid a strong emphasis on transparency, accountability and integrity.

A certificate of Auditors of your Company regarding compliance of the condition 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.

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

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	3893813	BE MIE	64	1978.05.01	42	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**

DIRECTORS

Under Section 256(1) of the Companies Act, 1956, and article 116 of the Articles of the company, Mr. S. Yamanoi and Capt. N.S. Mohan Ram, Directors are liable to retire by rotation at this Annual General Meeting. They are eligible and offer themselves for re-appointment.

Particulars of Directors**I. Mr. S. Yamanoi**

Mr. S. Yamanoi is an Engineer, currently the Manager - International Business Department. He has rich knowledge in the field Hydraulics. He was part of the Japanese team and an Engineer assisting the Company at the initial stages.

YUKEN INDIA LIMITED**II. Capt. N.S. Mohan Ram**

Capt. N.S. Mohan Ram is B.Tech. (hons) in Naval Architecture from IIT, Kharagpur. Also Post Graduate in Warship Design (U.K.). An MBA (Faculty of Management of Studies), New Delhi. Work Experience include both in Indian Navy and Industries. In Indian Navy he had developed India's first indigenous major Warship INS Godhavari for which he was awarded **Vishist Seva Medal** by the President of India. In industry, he was Head of Divisions in Mukand Group, President in TVS - Suzuki Ltd., Director (Projects), TVS - Suzuki Ltd. He is a recipient of many awards including **VKRV RAO** Gold Medal.

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 2007, 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 2007 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 2007 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.

Subsidiary Companies :

Your Company has the following subsidiary Companies viz. 1. Yuflow Engineering Pvt. Ltd., Chennai, 2. Coretec Engineering India Pvt. Ltd., Bangalore, 3. Sriplas Engineering Pvt. Ltd., Bangalore, 4. Prism Hydraulics Pvt. Ltd., Belgaum.

Consolidated Financial Statements:

An Application has been made under section 212(8) of the Companies Act 1956 to Ministry of Company Affairs, Government of India seeking exemption from publishing the Annual Accounts of the subsidiary Companies and the related detailed information for the year ended March 31, 2007.

YUKEN INDIA LIMITED**CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Your Company is committed to its Corporate Social Responsibilities. One scheme provides Chemical free organic vegetables to the Canteen for the benefit of employees. The surplus vegetables are sold to Employees at subsidized rates.

A small medicinal plants garden aids a pollution free atmosphere, with an invigorating aroma.

Water is precious. We have established rain water harvesting system covering the entire Factory premises. Trenches along contour lines further assist ground water recharge.

Visually impaired persons have been employed, to earn their lively hood.

The H.R. Department takes pro-active interest in the welfare of the employees and their families.

ENVIRONMENT, HEALTH & SAFETY (E.H.S.)

All manufacturing locations remained fully compliant with Environmental Regulations. High emphasis was placed on the productive use of raw materials, natural resources, energy and on reducing wastes. With no reportable injuries during the year, we are too committed to enhancing occupational health and safety. We believe that a sustainable organization can be built only with the highest standards of performance on economic, social and environmental parameters.

Disclosure of particulars under section 217(1)(e) of the Companies Act, 1956

Energy conservation is a consistent focus area for the Company both from a cost control and a social responsibility perspective. Energy conservation is a consistent endeavor of your Company.

INFORMATION UNDER SECTION 217 (1)(e) OF THE COMPANIES ACT 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988:

1. Conservation of Energy:

The operations of Your Company are not energy intensive. However, necessary care is being taken to conserve energy by various measures.

2. Foreign Exchange Earnings and outgo

	(Rs)
Foreign Exchange Earnings:-	
Export sales	5,824,508
Others	179,099
Foreign Exchange outgo:	
i) Import of Raw materials Components	63,824,683
ii) Capital Goods	8,676,014
iii) Others	2,127,226
iv) Professional Charges	-
v) Royalty	70,244
vi) Interest on Foreign Currency Loan	11,713,755
vii) Dividend	2,160,000

YUKEN INDIA LIMITED**3. Research and Development (R&D)**

The Company continues to invest in R&D activities towards development of new products and applications, improvement in operating efficiencies and reduction in manufacturing costs.

a) Specific areas in which R&D carried out by the Company.

Development of larger size valves for process & steel industries, rugged vane pumps for special applications and development of high efficiency gear pumps are some of the areas where R&D was carried out by the Company.

b) Benefits derived as a result of above R & D efforts.

Special Products developed to meet specific requirements of customers, which enable your Company to develop niche markets for growth.

c) Future Plan of action:

- Development of additional range of products.
- Focus on process improvements to enable the Company to penetrate the Export market.
- Strong focus on employee involvement to eliminate waste in Operations through focused initiatives.

d) Expenditure on R & D.

There is a continuous increase on R & D expenditure as the scope of activities carried out goes on increasing. The exact amount spent has not been apportioned this year.

4) Technology Absorption, Adaptation and Innovation:**a) Efforts in brief, made towards technology absorption, adaptation and innovation.**

- Special models of pumps and valves have been designed to meet specific needs of customers and these have enabled us to extend our customer base to include a wider range of industries.
- Indigenisation is continuous, on going effort.

b) Benefits derived as a result of the above efforts.

- Reduction of material cost.
- Quality improvement and improvement in product performance characteristics.
- Ability to innovate and produce new products.

c) Information regarding technology imported during the last five Years reckoned from the beginning of the financial year.

i) **Technology imported :** For manufacture of ' Parison Controllers'

ii) **Year of Import :** 2002-03

iii) **Has technology been fully absorbed?** Yes

iv) **If not fully absorbed, are as where this has not taken place, reasons therefor and future plans of action:**
Not applicable.

AUDITORS

M/s Deloitte Haskins & Sells, Chartered Accountants, retiring at the ensuing annual general meeting, pursuant to the provisions of sec. 224 and other applicable provisions, if any of the Companies Act, 1956, be and are

YUKEN INDIA LIMITED

hereby re-appointed as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting of the Company on the yearly remuneration as may be mutually agreed upon plus their out of pocket expenses and such other fees which may be paid to them for certification and taxation matters.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that involve risks and uncertainties. When used in this Report, the words "anticipate", "believe", "estimate", "expect", "intend", "will" and other similar expressions as they relate to your Company and / or its business are intended to identify such forward-looking statements. Your Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. This report should be read in conjunction with the financial statements included herein and notes thereto.

ACKNOWLEDGEMENTS

Your Directors thank the members, employees, Collaborators, Bankers, Customers and Vendors during the year. Your Directors also wish to place on record their deep sense of appreciation of the contribution made by employees at all levels. The present growth is possible by their hard work, solidarity, co-operation and support.

For and on behalf of the Board of Directors,

(R. Srinivasan)

(V. Balaji Bhat)

(C.P. Rangachar)

Director

Director

Managing Director

Place: Bangalore

Date: 08/06/2007

AUDITOR'S CERTIFICATE

Rule 4 (a) of the Companies (Disqualification of Directors Under Section 274(1)(g) of the Companies Act, 1956) Rules, 2003

To

The Board of Directors of Yuken India Limited

In terms of Rule 4(a) of the Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956) Rules, 2003, we Deloitte Haskins & Sells, based on our examination of the books and records of the Company, carried out in accordance with the requirements of the Guidance Note on Section 227(3)(e) and (f) of the Companies Act, 1956, issued by the Institute of Chartered Accountants of India, do hereby certify that none of the directors of the Company, i.e., Yuken India Limited as on March 31, 2007 is disqualified for appointment as a director in the aforementioned company in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956 on the said date.

for **Deloitte Haskins & Sells**
Chartered Accountants

S. Ganesh

Partner

M.No. 204108

Place: Bangalore

Date: 8th June 2007.