



BOOK POST

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Karvy Computershare Pvt. Ltd.,

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Yuken India Limited
Annual Report

2016-17

Ready for
the big leap

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipates’, ‘estimates’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties occur, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Corporate information

BOARD OF DIRECTORS

Mr. Hideharu Nagahisa
Chairman

Mr. Koichi Oba

Mr. R Srinivasan

Capt. N S Mohanram

Dr. Premchander

Mr. C P Rangachar
Managing Director

Mrs. Vidya Rangachar

CHIEF FINANCIAL OFFICER

Mr. H M Narasinga Rao

COMPANY SECRETARY

Ms. Sridevi Chintada

BANKERS

State Bank of India

Bank of Tokyo Mitsubishi UFJ Ltd.

Mizuho Bank Ltd.

HDFC Bank Ltd.

AUDITORS

M/s. Deloitte Haskins & Sells
Chartered Accountants

REGISTERED OFFICE

No. 16-C,
Doddanekundi Industrial Area,
II Phase, Mahadevapura,
Bangalore – 560 048.

CORPORATE OFFICE &
HYDRAULIC DIVISION

P B No. 5,
Koppathimmanahalli Village,
Malur-Hosur Main Road,
Malur Taluk, Kolar District,
Karnataka – 563 130.

No. 6/13, Industrial Area,
Kirti Nagar, New Delhi – 110 015.

FOUNDRY DIVISION

(Up to 30th September, 2016)
No. 16-C,
Doddanekundi Industrial Area,
II Phase, Mahadevapura,
Bangalore – 560 048.

Sy No. 52, Khatha No. 84/171, 85/172,
Hedegabanahalli Village,
Madivala Post, Malur Taluk,
Kolar Dist – 569 130.

SALES OFFICES

26 A, Community Centre,
Mayapuri, New Delhi – 110 064.

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

H-4, Ansa Industrial Premises,
Sakivihar Road, Sakinaka,
Andheri(E), Mumbai – 400 072.

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

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At Yuken
India Limited,
we have
consistently
believed in
stable, secure
and sustainable
growth.

The result is that we have remained cash-positive even through the most challenging slowdowns.

The time has come to capitalise on opportunities arising in the manufacturing sector, shift gears and climb into a higher trajectory.

A proactive Yuken India Limited intends to protect its market share while venturing into large and growing contiguous spaces.

As the business climate becoming increasingly exciting, Yuken India Limited is readying for the big leap.

The background of the slide features a complex, abstract graphic. It includes a large, dark grey circular element on the left side, which resembles a cross-section of a mechanical component like a pump or valve. Overlaid on this and the rest of the slide are various white and grey lines, some solid and some dashed, along with several white arrows pointing in different directions. The overall aesthetic is technical and modern.

The Company in a snapshot

Yuken India Limited.

Built strong relationships
with customers based
on reliability and
trustworthiness.

Possessing decades of
domain expertise.

Delivering total hydraulics
solutions to customers.

Our background

Yuken India Limited was born in 1976, in technical and financial collaboration with Yuken Kogyo Company Limited, Japan (YKC), global leaders in oil hydraulic equipment.

Our portfolio

The Company addresses three product categories:

Our business

The Company manufactures hydraulic components like pumps, valves, cylinders and package system catering to various industrial sectors for more than four decades. The Company possesses precision manufacturing technologies, modern equipment and robust quality systems.

A consistent focus on R&D had resulted in some of our products emerging as best-selling across the years.

YIL is getting Industry 4.0-ready.

The Company comprises an active marketing team with a network of dedicated distributors, servicing various capital equipment industries machine tools, steel plants, power plants, plastics machinery, material handling and construction machinery.

The Company's strong spares and service backbone delights customers.

Our management

The Company's business is headed by Mr. C P Rangachar, Managing Director, under the guidance of the Board of Directors. The senior management is also assisted by qualified and experienced professionals.

Components

Pumps: The Company offers a wide range of piston, vane and gear pumps. Pump exports to the US, Europe and other countries have increased over the last decade.

Their quality, performance, low noise and easy maintainability have led to their adoption by mission-critical industries like power generation, steel mills and cement plants.

Valves: The Company has a comprehensive Valves portfolio- Direction Controls, Pressure Controls, Flow Controls, Modulators, Cartridges, Proportionals, Servos and variants.

Hydraulic

Package Systems:

The Company manufactures power packs from micro systems for photo-voltaic arrays to mammoth 20,000 litre units for heavy engineering units addressing the power, steel, cement sectors and everything in between. Its energy saving solutions address increasing demand.

Equipment for the environment

YIL pioneered the production of Kiriko chip compactors, under licence from Yuken, Japan. It facilitates viable recycling and helps protect the environment.

YIL's subsidiaries and associate companies

Subsidiaries

- Grotek Enterprises Private Limited manufacturing precision ferrous castings
- Coretec Engineering India Private Limited manufacturing solenoids, precision ground spools, and tooling for the Foundry
- Yuflow Engineering Private Limited specialist in Cylinder manufacturing, which has been merged with Coretec

Associate companies

- Kolben Hydraulics Limited, servicing all hydraulic products
- SAI India Limited, manufacturing hydraulic motors
- Bourton Consulting (India) Private Limited, engaged in lean manufacturing consulting

YIL acquired a foundry in 1986 for producing high quality castings. The foundries are located in Whitefield, Bangalore and Malur, Karnataka, with an aggregate capacity of around 1000 tons per month. Castings are exported to leading hydraulic component manufacturers in Europe and indirectly to USA.



Our locations

The Company is headquartered in Bangalore and conducts all its manufacturing operations in India. The main plant was shifted last year to a new location near Malur on the Malur Hosur Road.

Manufacturing locations:

Location	Number of plants	Business segment
Bangalore	5	Castings , Cylinders, Power Packs, Gear Pumps and South Zone Sales Office
Malur	2	Pumps, Valves, Power Packs, Chip Compacting Machines and Castings
Mumbai	1	West Zone office and Power Packs
New Delhi	2	North Zone office and Power Packs

Our manufacturing capacities

The Company commenced its pump and valve operations with a capacity of 40,000 units per annum in 1978. Presently, the capacity is 420,000 units per annum.

The foundry has a capacity to manufacture 12,000 TPA of castings across two facilities.

Pumps

60,000
units per annum

Valves

360,000
units per annum

Power packs

12,000
units per annum

Foundry

12,000
TPA

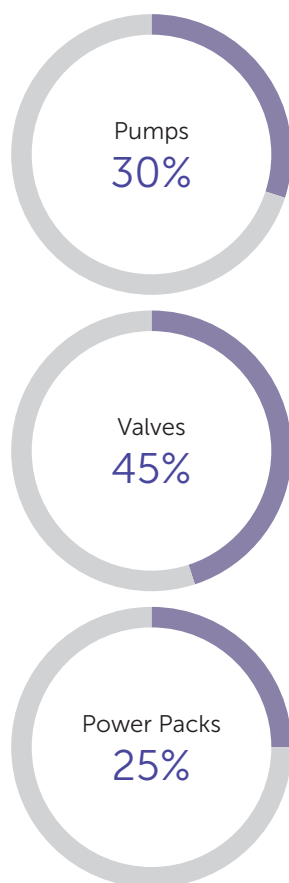
Our quality policy

We will strive to meet the customer's expectations by providing world-class hydraulic products, components, castings and services through total employee commitment and continual improvement.

Our strengths

The Company possesses rich resources in terms of manufacturing assets, technical expertise and technology, research and development, laboratories, infrastructure and utilities (captive power generation, communication, de-mineralising plants, effluent treatment plants, transportation etc) across all manufacturing locations. The Group's marketing network comprises an effective sales team, distributors and logistics across the country.

Revenues, FY17



The Company is equity-light in a capital-heavy business

The Company remained cash-positive even in the most challenging market cycles, validating its competitiveness

The Company's business has grown consistently from inception, except for a few economically challenging years.

Our listing:

The Company is listed on the BSE Limited.

Customers

52.50%

Promoters' holding
(March 31, 2017)

47.50%

Public holding
(March 31, 2017)

₹3150 million

Market capitalisation,
March 31, 2017

₹3150 million

Enterprise Value,
March 31, 2017

1970

Government of India invites entrepreneurs to set up hydraulics enterprises

1971

M Parthasarathy and Mr. CP Rangachar get a Letter of Intent to set up a company to make hydraulic equipment

1976

Yuken India Limited incorporated; agreement between YKC and YIL

1978

Commercial production starts (solenoid valves, pumps, pressure controls, flow controls etc.)

Milestones

1979

Supplied first power unit to HMT for K130 Grinder

1986

Acquired foundry

1991

Public issue of YIL, oversubscribed 40 times

Sai India comes into existence for manufacturing radial piston motors

1993

Coretec comes into existence for manufacturing iron cores

2000

Launch of Gemba Kaizen and TPM

2001

Yuflow set up for manufacturing industrial cylinders

2005

Gear Pumps division set up in Hyderabad

2012

Foundry Unit 2 commissioned in Hedaginabele, Malur, Kolar District

2016

Executed Joint Development Agreement of Whitefield land with Brigade Enterprises, Bangalore

2016-17

Relocated the plant from Whitefield, Bangalore, to Koppalthimmanahalli, Malur-Hosur Main Road, Kolar District



Yuken. Rapidly transforming its personality

<p>01 Yuken used to be a company that reported growth in line with the industry average</p> <p>Yuken is a company driven by the need to outperform the sectoral average</p>	<p>02 Yuken used to be a company that focused on growth coming out of a handful of sectors</p> <p>Yuken is a company that intends to seek growth coming out of several additional sectors</p>	<p>03 Yuken used to be a company that had large unrealised asset value on its books</p> <p>Yuken is a company that seeks to monetise large assets for shareholder benefit</p>
<p>04 Yuken was a company that nursed a long lead time to create a profitable business</p> <p>Yuken is a company that has created an SBU to divest and enhance business focus</p>	<p>05 Yuken was a company that focused on maintaining market share in existing spaces</p> <p>Yuken is a company that intends to carve out a large share in sunrise business spaces</p>	<p>06 Yuken was a company that graduated from product sales to solutions</p> <p>Yuken is reinforcing its spares and services backbone to enhance customer delight</p>
		<p>07 Yuken was a company with a stable long-serving senior management</p> <p>Yuken is a company with a youthful senior team propelled by the need for change</p>

Founder's perspective

Yuken India has endured and grown across the last four decades because it selected to do business in a different way.

This difference was influenced by the circumstances in which the Company was founded. Yuken India was the last of the entrants in the country's hydraulic equipment sector; needed to stand up to giants with meagre capital.

A culture of frugality and austerity was woven into our organisational fabric from the beginning, reflecting in the way we travelled, the decor and the location of our office – not in an up-market urban location but in industrial areas home to our customers.

Faced with challenges, Yuken India selected the road less travelled.

For instance, we stocked and marketed products directly from our offices in the industrial pockets of metros, helping moderate distribution costs. The spin-off upside was that we were perceived as accessible, which helped widen our clientele. The modesty of our interiors, born out of circumstances, when viewed from the customer's perspective, helped enhance our approachability.

The Comprises three pillars:

Strong employee commitment

Distinctive technology and research focus

Uncompromising customer-centricity.