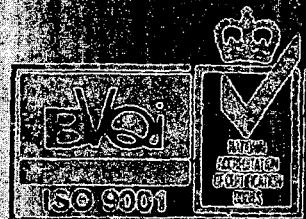


ZF STEERING GEAR (INDIA) LTD.

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**18th
ANNUAL
REPORT
1997-98**



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BOARD OF DIRECTORS

ARUN FIRODIA

(Chairman)

DR. HERMANN STRECKER

DR. WOLFGANG ZEITZ

ANDREAS HARTMANN

ABHAY FIRODIA

D. AHUJA

B. N. DESHMUKH

D. S. BOMRAH

G. C. CHOADHARY

MANISH MOTWANI

DINESH MUNOT

(Managing Director)

J. H. MUNOT

(Executive Director)

Report  junction.com

Auditors

M/S. N.F. KARNAVAT & CO.
CHARTERED ACCOUNTANTS
PUNE.

Bankers

BANK OF MAHARASHTRA
CANARA BANK

Registered Office

MUMBAI-PUNE ROAD,
AKURDI, PUNE 411035.

Works

GAT NO. 1242 & 1244
VILLAGE VADU BUDRUK,
TALUKA SHIRUR,
DIST. PUNE-412216
MAHARASHTRA.





NOTICE

NOTICE is hereby given that EIGHTEENTH ANNUAL GENERAL MEETING of the Members of ZF STEERING GEAR (INDIA) LIMITED will be held on Wednesday, the 23rd day of September, 1998 at 11.00 a.m. at Rotary Club of Pimpri 20, G-Block, Opposite Kamalnayan Bajaj School, Chinchwad, Pune-411019 to transact the following business :

ORDINARY BUSINESS :

- 1) To consider and adopt the Directors' Report and Audited Balance Sheet and Profit and Loss Account for the year ended March 31, 1998 together with the Auditor's Report thereon.
- 2) To declare a Dividend.
- 3) To appoint a Director in place of Mr. Abhay Firodia who retires by rotation being eligible, offers himself for reappointment.
- 4) To appoint a Director in place of Mr. B.N. Deshmukh who retires by rotation being eligible, offers himself for reappointment.
- 5) To appoint a Director in place of Mr. D.S. Bomrah who retires by rotation being eligible, offers himself for reappointment.
- 6) To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS :

- 7) To consider and if thought fit to pass, with or without modification the following Resolution as Special Resolution :

"RESOLVED that in accordance with the provisions of Section 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act consent of the Company be and hereby accorded to the re-appointment and payment of remuneration and perquisites and giving of benefits and amenities

as set out herein after to Mr. J H Munot as Executive Director of the Company for a period of five years w.e.f. 1st April, 1998.

REMUNERATION :

The Executive Director shall be paid a salary of Rs. 40,000/- per month, with an annual increase of 10% thereon every year.

PERQUISITES :

In addition to the above, the Executive Director shall be entitled to the following perquisites restricted to an amount equal to the annual salary. Unless the context otherwise requires, Perquisites are classified into three categories 'A', 'B' and 'C' as follows :

CATEGORY 'A'

This will comprise house rent allowance, leave travel concession, medical reimbursement, fees of clubs and personal accident insurance. These will be provided for as under:

(I) Housing I :

The expenditure by the company on hiring furnished accommodation for the Executive Director will be subject to the following ceiling :

Sixty per cent of the salary, over and above ten percent payable by the Executive Director.

Housing II :

In case the accommodation is owned by the Company, ten percent of the salary of the Executive Director shall be deducted by the Company.

Housing III :

In case no accommodation is provided by the Company, the Executive Director shall be entitled to house rent allowance subject to a ceiling laid down in Housing I.



Explanation :

The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to a ceiling of ten percent of the salary of the Executive Director.

(ii) Medical reimbursement :

Expenses incurred for the Executive Director and the family subject to the ceiling of one months salary in a year or three month's salary over a period of three years.

(iii) Leave Travel Concession :

For the Executive Director and his family once in a year incurred in accordance with any rules specified by the Company.

(iv) Club Fees :

Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fee.

(v) Personal Accident Insurance :

Premium not to exceed Rs. 4,000/- per annum.

Explanation :

For the purpose of category 'A', 'family' means the spouse, the dependent children and dependent parents of the Executive Director.

CATEGORY 'B'

- i) Contribution to provident fund, superannuation fund and annuity fund will not be included in the computation of ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, Gratuity payable will not exceed half a month's salary for each completed year of service.

- ii) Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

CATEGORY 'C'

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Executive Director.

COMMISSION :

Remuneration by way of commission will also be allowed in addition to salary and perquisites. The amount of it, based on the net profit of the Company in a particular year, shall be such sum as may be decided by the Board of Directors subject to the overall ceilings laid down in section 198 and section 309 of the Companies Act, 1956.

Notwithstanding anything herein, where in any financial year, during the currency of tenure of the Executive Director the company has no profits or its profits are inadequate, the company will pay him remuneration by way of salary and perquisites specified above.

OVERALL REMUNERATION

The aggregate of salary, perquisites and commission in any financial year shall not exceed the limits prescribed from time to time under relevant Sections and other applicable provisions of the Companies Act read with relevant Schedules for the time being, be in force.

- 8) To appoint a Director in place of Mr. Manish Motwani, who was appointed as an Additional Director of the Company on 23-06-98 and who under Section 260 of the Companies Act, 1956 holds office upto the ensuing Annual General Meeting but, who is eligible for appointment and in respect of whom



the Company has received a notice in writing proposing his candidature for the office of the Director signifying intention to move the following Resolution as an Ordinary Resolution :

"RESOLVED that Mr. Manish Motwani be and is hereby appointed as a Director of the Company."

- 9) To change the Registered Office of the Company from Pune-Mumbai Road, Akurdi, Pune-411035 to its Administrative Office and Works at Gat Nos 1242/44, Vadu Budruk, Tal. Shirur, Dist. Pune-412216 for administrative convenience.

"RESOLVED that pursuant to Section 16 and other applicable provisions of the Companies Act, 1956 if any, the Registered Office of the Company be shifted from Mumbai-Pune Road, Akurdi, Pune-411035 to Gat Nos 1242/44, Village Vadu Budruk, Tal. Shirur, Dist. Pune."

NOTES :

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- 2) The Register of Members and share Transfer Books of the Company will be closed from Monday, the 7th day of September, 1998 to Wednesday, the 23rd day of September, 1998 (both days inclusive).
- 3) Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to the Company so as to reach it at least ten days before the date of the Meeting, so that information may be made available at the Meeting.
- 4) The explanatory statement setting out material facts concerning the special business mentioned in items No. 7 to 9 of the Notice as required under Section

173 of the Companies Act, 1956 is annexed hereto.

- 5) Dividend, if declared, will be paid to those members, whose names appear in the Register of Members of the Company on 23-09-1998.
- 6) The unclaimed Dividend upto the Company's financial year 1993-94 has been transferred to the General Revenue Account of the Central Government.
- 7) Members are requested to advise the Company immediately of any change in their address.

By Order of the Board of Directors
For **ZF STEERING GEAR (INDIA) LIMITED**

PUNE

DATE : JUNE 23, 1998.

DINESH MUNOT
MANAGING DIRECTOR



EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

ITEM NO. 7

Mr J H Munot is B.E. (Mech), M.S. (Mech) USA, AMIE (INDIA). He was General Manager of this company for two years and at present Executive Director from 2nd November 1994. He has more than 20 years experience in Automobile Industry in various capacities.

In the opinion of the Board, it would be in the interest of the Company to avail the services of MR J H Munot as a Executive Director at a revised remuneration.

The Board of Directors by their resolution dated March 27, 1998 reappointed him as Executive Director at a revised salary for a period of five years w.e.f. April 1st, 1998 subject to the necessary approvals.

The remuneration, perquisites, benefits and amenities to be given to Mr J H Munot as set out in the Notice are within the limits and in accordance with the provision of Schedule XIII to the Companies Act, 1956.

As per the provision of Part III of the said Schedule XIII, approval of the shareholders is required to his appointment and payment of remuneration. Hence, this resolution.

Mr J H Munot is a brother of Mr Dinesh Munot. None of the Directors except Mr J H Munot and Mr Dinesh Munot is concerned or interested in the resolution.

ITEM NO. 8

Board of Directors of the Company appointed Mr Manish Motwani as an Additional Director on 23-06-98. As per the provision of Section 260 of the Companies Act, 1956 Mr Manish Motwani ceases to hold office of a Director at the ensuing Annual General Meeting of the Company.

Mr Manish Motwani has completed his Masters' in

Computer Engineering from University of Hawaii at Manoa. He has also completed Bachelor of Engineering in Electronics and Communication from Osmania University, Hyderabad. He has also received Stanford Certificate in Engineering Management Sciences (EMS) from Stanford University. So it is in the interest of the Company to get benefit of his experience and knowledge as Director of the Company. The Company has received a Notice from a member proposing candidature of Mr. Manish Motwani for the Office of the Director.

None of the Directors except Mr Manish Motwani and Mr Arun Firodia are interested in this resolution.

ITEM NO. 9

The Administrative Office and Works of the Company is situated at Vadu Budruk whereas the Registered Office is situated at Akurdi. As such your Directors felt it necessary to shift the Registered Office of the Company at Vadu Budruk for administrative convenience.

None of the Directors are interested in this resolution.

By Order of the Board of Directors
For **ZF STEERING GEAR (INDIA) LIMITED**

PUNE

DATE : JUNE 23, 1998.

DINESH MUNOT
MANAGING DIRECTOR



DIRECTORS' REPORT

Your directors have pleasure in presenting their Eighteenth Annual Report and Audited Accounts for the year ending 31st March, 1998.

1. FINANCIAL RESULTS

	1997-98 (Rs. Lacs)	1996-97 (Rs. Lacs)
Profit before depreciation and taxation	472.02	742.50
Depreciation	356.96	396.86
Provision for taxation	35.54	135.10
Net profit	79.52	210.54
Less : Income Tax related to earlier years	5.21	[1.87]
(Add)		
Balance Brought Forward from Previous Year	100.69	89.87
Investment allowance written back	3.25	36.25
Amount available for appropriation	178.25	338.53
Debenture Redemption Reserve	5.00	5.00
Proposed Dividend and Tax thereon	49.90	74.84
Transfer to General Reserve	31.42	158.00
Surplus in Profit and Loss account	91.93	100.69

2. DIVIDEND :

The Board of Directors recommend a dividend of Re.1.00 per share on 45,36,650 equity shares of Rs.10/- each

3. GENERAL REVIEW OF THE YEAR :

The year under review was very disappointing. The commercial vehicle production in India dropped sharply. Heavy and Medium Commercial vehicles production dropped by 39% compared to previous year and the Light Commercial vehicle production dropped by 23% compared to the previous year.

This resulted into drop of sales of Power Steering Gears supplied by your Company.

During the year under review company sold 9435 Nos. of Power Steering Gears as compared to 15085 Nos. and 68762 Nos. of Mechanical Steering Gears as compared to 63613 Nos. in previous year. Sale of Power Steering Gears has decreased by 37.45% while sale of Mechanical Steering Gears increased by 8.09%.

Profit before depreciation and taxation decreased from Rs.742.50 lacs to Rs.472.02 lacs. Net profit has decreased from Rs.210.54 lacs to Rs.79.52 lacs.

4. FUTURE OUTLOOK :

Looking at the production and sales of various segments of the automotive industry in the first two months of the current financial year, recovery in the near future seems improbable at least in the first half of 1998-99.

Unless the efforts to kick start the economy materialise, the management do not foresee any improvement in performance of the Company. The company has to face burden of 4% additional duty and the burden of higher cost of imports due to prevailing adverse exchange rate.



5. FINANCE :

Recession has resulted into slow recovery of dues thereby increasing debtors outstanding. However with better utilisation of funds Company could bring reduction in cost of funds.

6. CONSERVATION OF ENERGY :

The Company considers energy as a precious reserve and has taken steps for its conservation.

- a. Continuous power factor correction capacitors have been installed to monitor the power factor more effectively.
- b. Equipments are continuously monitored to avoid leakage of compressed air.

7. RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND INNOVATION :

Research and Development and innovation is a continuous ongoing process.

As such keeping pace with development in automotive industry and introduction of new vehicles in the country, your Company is endeavouring R & D efforts to upgrade existing Steering Gears and to develop new fitments of Steering Gears for the new range of vehicles under separate R & D wing under control of expert technicians.

Your Company has successfully developed a twin arm Mechanical Recirculating Ball and Nut Steering Gear for the additional tractor applications.

All revenue expenditure related to such activities are debited to respective revenue heads. In current year Company has not incurred any capital expenditure in this regard.

Technology imported from ZF FRIEDRICHSHAFEN AG has been absorbed. Still continuous interaction with collaborators is in progress to develop improved versions of steering gears and upgrade manufacturing technology.

8. FOREIGN EXCHANGE EARNINGS AND OUTGO :

Exports during the year under review was Rs.5.50 lacs. Efforts are continued to explore foreign markets for Company's products. Regarding foreign exchange earnings and outgo your attention is invited to notes No. 10 to 13 of schedule "Q" being notes forming part of accounts.

9. ASSISTANCE FROM COLLABORATORS :

The Board of Directors place on record their appreciation for the continued technical assistance and co-operation given to your Company by the collaborators, ZF FRIEDRICHSHAFEN AG, GERMANY.

10. FIXED DEPOSITS :

Company has not accepted any fixed deposits from public.

11. INDUSTRIAL RELATIONS :

The relation with employees at all levels were cordial. The Board of Directors place on record their appreciation of sincere and dedicated contribution of all employees. In the current year management has successfully negotiated three & half years wage accord with workers union.