

# **ZF STEERING GEAR (INDIA) LTD.**



## **23RD ANNUAL REPORT 2002-2003**







## BOARD OF DIRECTORS

### Chairman

A. H. Firodia

### Managing Director

Dinesh Munot

### Jt. Managing Director

J. H. Munot

### Non-executive Directors

B. N. Deshmukh

D. S. Bomrah

Dr. Wolfgang Zeltz

Abhay Firodia

Manish Motwani

Werner Speier

Dr. Dinesh Bothra

Walter Salvason

### Audit Committee

Manish Motwani (Chairman)

D. S. Bomrah

Dr. Dinesh Bothra

### Shareholders Grievance Committee

Dr. Dinesh Bothra

### Remuneration Committee

D. S. Bomrah (Chairman)

Manish Motwani

### AUDITORS

M/s. N. F. Karnavat & Co.

Chartered Accountants

Pune.

### BANKERS

Bank of Maharashtra

Canara Bank

ABN-Amro Bank N. V.

HDFC Bank Ltd.

### REGISTERED OFFICE & WORKS

Gat Nos. 1242 & 1244

Village Vadu Budruk,

Taluka Shirur, Dist. Pune - 412 216

Maharashtra.

Telephones:(02137) 252223/252459/252433

E-mail: zfindia@vsnl.com.

### CORPORATE OFFICE / Secretarial Dept.

Eden Hall, 6th Floor,

Near Deep Bunglow Chowk,

Shivajinagar, Pune 411 016

Telephones : 020-5663271-74

E-mail : zf-sec@zfindia.com

Fax : 020-5663275

### Company Secretary

Satish Mehta

**NOTICE**

NOTICE is hereby given that the Twenty-Third Annual General Meeting of the Members of ZF STEERING GEAR (INDIA) LIMITED will be held as scheduled below:

Day : Wednesday

Date : July 30, 2003

Time : 4.30 P.M.

Place : Regd. Office of the Company

Gat Nos. 1242/44, Village- Vadu Budruk,

Tal. Shirur, Dist. Pune - 412 216.

The Agenda for the Meeting will be as under:

**ORDINARY BUSINESS:**

1. To receive and adopt the Directors' Report and Audited Balance Sheet and Profit and Loss Account for the year ended March 31, 2003 together with the Auditors' Report thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Abhay Firodia, who retires by rotation, and is eligible for re-appointment.
4. To appoint a Director in place of Mr. B. N. Deshmukh, who retires by rotation, and is eligible for re-appointment.
5. To appoint a Director in place of Mr. D. S. Bomrah, who retires by rotation, and is eligible for re-appointment.
6. To appoint Auditors and to authorize the Audit Committee of Directors to fix their remuneration.

**SPECIAL BUSINESS:**

7. To consider and, if thought fit, to pass, with or without modification/s, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Walter Salvasohn, who was appointed as a Director of the Company by the Board of Directors of the Company, to fill in the casual vacancy on the Board, caused by the resignation of Dr. Hermann Strecker and who holds office up to the date of this Annual General Meeting by reason of Section 262 of the Companies Act, 1956, and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, subject to retirement by rotation."

8. To consider and, if thought fit, to pass, with or without modification/s, the following resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Company hereby approves the re-appointment of Mr. J. H. Munot as Joint Managing Director of the Company for a period of five years with effect from April 1, 2003 on the terms and conditions those relating to including remuneration as set out under Item No. 8 of the Explanatory Statement annexed to this Notice."

9. To consider and, if thought fit, to pass, with or without modification/s, the following resolution as a Special Resolution:

"RESOLVED THAT in pursuant to the provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the necessary

approvals, if any, consent be and is hereby accorded to Mr. Piyush Munot, son of Mr. J.H. Munot, Jr. Managing Director of the Company, to hold and continue to hold an office or place of profit in the Company with effect from June 1, 2003 on the following terms and conditions:

(a) Designation : Manager-Projects

(b) Grade: M05

(c) Salary:

Basic Rs.11,500/-per month with such annual increments admissible under the Grade.

(d) Commission: Nil

(e) Perquisites:

- Conveyance Allowance : Rs. 3,600/- per month.
- House Rent Allowance : Rs. 3,450/- per month.
- Medical Reimbursement : Rs. 1,300/- per month.
- Education Allowance : Rs. 1,600/- per month.
- Misc. Allowance : Rs. 600/- per month.
- Leave Travel Allowance : Rs. 1,200/- per month.
- Bonus : Rs. 500/- per month.
- Provident Fund & Gratuity : as applicable under the Grade M05."

"FURTHER RESOLVED THAT the allowances and perquisites referred above be and are hereby authorized to be paid and allowed to Mr. Piyush Munot in accordance with the relevant schemes/ rules as applicable to the Grade M05, as may be in force from time to time."

Pune  
May 30, 2003

By Order of the Board of Directors  
Satish Mehta  
Company Secretary

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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 INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Explanatory Statement setting out the material facts in respect of the special business under item Nos.7 to 9 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, July 26, 2003 to Wednesday, July 30, 2003 (both days inclusive), for payment of dividend. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished by the Depositories for this purpose.
4. 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 can be made available at the Meeting.



5. Members are requested to notify immediately change in their address. If any, to the Company at its registered office specifying therein the Pin Code Number.
6. The Company has transferred Unpaid dividend up to the financial year ended March 31, 1995 to General Revenue Account of Central Government in accordance with section 205A (5) of the Companies Act, 1956. Those Members who have so far not claimed or collected their dividend up to the aforesaid financial year may claim their dividend from the Registrar of Companies, Maharashtra, PMT Building, Deccan Gymkhana, Pune-411004. In case any assistance is required, please write to the Company.
7. Pursuant to provisions of Section 205A (5) of the Companies Act, 1956, as amended with effect from October 31, 1998 dividends for the financial year ended March 31, 1996 and thereafter, which remain unpaid or unclaimed for a period of 7 years from the date of transfer of the same under sub-section (1) of the Section, will be transferred to the Investor Education and Protection Fund of the Central Government established under Section 205C of the Act.  
Accordingly, the Unpaid/ Unclaimed dividend, to begin with, for the year with 1995-96 shall become transferable to the said fund in October 2003, followed by the transfers of the amount of Unpaid/ Unclaimed dividend every year in respect of the dividends for the subsequent years. No claim shall lie against the said fund or the Company for the amounts of dividend so transferred nor shall any payment be made in respect of such claim.
8. Under the provisions of the Companies Act, 1956 as amended with effect from October 31, 1998, Members may file Nomination Forms in respect of their shareholdings. Any Member willing to avail of this facility may submit to the Company the prescribed Form 2B.
9. Members are advised to avail of the facility of Electronic Credit of Dividend.

#### INFORMATION REQUIRED TO BE FURNISHED UNDER THE CORPORATE GOVERNANCE CODE

##### Appointment/ Re-appointment of Directors

At the ensuing Annual General Meeting, Mr. Abhay Firodia, Mr. B. N. Deshmukh and Mr. D. S. Bomrah, retire by rotation and are eligible for re-appointment. Mr. Walter Salvasohn is being appointed as Director liable to retire by rotation. Mr. J. H. Munot is being reappointed and re-designated as Joint Managing Director of the Company for 5 years with effect from April 1, 2003. The information/ details to be provided for the aforesaid Directors under the Corporate Governance Code are as under:

- (a) **Mr. Abhay Firodia, 58, is B.A., (Hons.).** Mr. Abhay Firodia is Chairman and Managing Director of Bajaj Tempo Ltd. He has been associated with various industry/ commerce bodies as their President / Committee-Member/ Member such as Indo-German Chamber of Commerce (IGCC), National Council of Confederation of Indian Industry (CII), Association of Indian Automobile Manufacturers (AIAM), Automotive Research Association of India (ARAI), Maharashtra Chamber of Commerce &

Industries (MCCI), Automotive Components Manufactures Association (ACMA), Indian Institute of Management (IIM) Indore, Pune Stock Exchange (PSE), Die Casting Society of India, Member-Advisory Council for the Vehicle Research & Development Establishment (VRDE), Union Ministry of Defence, New Delhi and Regional Committee of the Employers' Federation of India (EFI).

##### Chairmanship / Directorship held in other Companies are:

- ☛ Jaya Hind Industries Limited (Chairman)
  - ☛ Bhandari Industries Limited (Chairman)
  - ☛ Bharat Hotels Limited.
  - ☛ Dhoot Industrial Finance Limited.
  - ☛ Dhoot Compack Limited.
- (b) **Mr. B. N. Deshmukh, 85, M.A., LL.B,** retired as Chief Justice of Bombay High Court. Mr. Deshmukh has been actively associated with various educational and cultural activities. He is the founder member and Chairman-Advisory Committee of Symbiosis Law College beside the President to the Maharashtra Technical Education Society and Walchand College of Engineering at Sangli. He is the Executive Chairman of Dnyanprabodhini, Pune. He is not holding the position of Director in any other Company.
  - (c) **Mr. D. S. Bomrah, 67, is a Mechanical Engineer.** He is the Member of the Society of Engineers - U.K, and SAE International.  
He has vast knowledge and experience in Automobile Engineering. He has held Senior Positions in well known Indian Industry like Telco, Hindustan Motors, Machine Tools India, Jayahind Sciaky, Kinetic Engineering, Kinectic Motor Company. Presently, Mr. Bomrah is the Chairman in Ravjeet Engineering Specialities Pvt. Ltd.  
He is not holding Directorship in any other Company.
  - (d) **Mr. J. H. Munot, 51, is BE (MIE).** He has also obtained Masters of Science degree in Mechanical Engineering from University of Washington, U.S.A. He was Executive Director of the Company and now re-designated as Joint Managing Director from April 1, 2003. He has more than 25 years of experience in the automobile industry in various capacities.  
**Directorship held in other Companies are:**
    - ☛ The Modern Foundry & Machine Works Ltd.
    - ☛ Jaya Hind Investments Pvt. Ltd.
  - (e) **Mr. Walter Salvasohn, 45, nominee-director from ZF Germany,** the foreign collaborator, holds an Engineering degree. He joined ZF Germany in 1986. Mr. Salvasohn has held many senior positions including Managing Director of ZF-Malaysia and also worked at Japan and Korea. Presently he is 'Manager-Corporate Development / International Co-ordination' at ZF Lenksysteme Schwabisch Gmund.

#### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 Item No. 7:

The Board of Directors of the Company appointed Mr. Walter Salvasohn as a Director of the Company on





June 16, 2001 to fill the casual vacancy caused by resignation of Dr. Hermann Strecker. As per the provisions of Section 262 of the Companies Act, 1956, he holds office up to the date of ensuing Annual General Meeting. None of the Directors of the Company, except Mr. Walter Salvasohn is interested in this Resolution.

**Item No. 8:**

Mr. J. H. Munot fulfils the conditions specified in part I and part II of schedule XIII of the Companies Act, 1956. The Board of Directors of the Company at their meeting held on January 31, 2003, re-appointed and re-designated him as Jt. Managing Director of the Company for a period of 5 years with effect from April 1, 2003.

Approval of the Shareholders under Section 269 read with Schedule XIII of the Companies Act, 1956, is required for appointment / re-appointment of Joint Managing Director and for payment of remuneration to him. Hence, the Board of Directors commends Resolution No. 8 for your approval.

**Details of Remuneration:**

**Remuneration:**

**(a) Salary:**

Rs.1,10,000/- (Rupees One Lakh Ten Thousand) per month, with annual increment of 10% effective April, 1 each year.

**(b) Commission:** Mr. J. H. Munot shall be entitled to an annual performance related bonus as may be determined by the Board/ Remuneration Committee of Directors.

**(c) Perquisites:**

In addition to salary and commission, the following perquisites shall be paid to Mr. J. H. Munot:

**(i) Housing:**

60% of the Salary will be paid to Mr. J. H. Munot as Housing Allowance per month.

**(ii) Medical Reimbursement:**

Reimbursement of medical expenses including hospitalization and surgical charges incurred in India and abroad for Mr. J. H. Munot and his family as may be approved by the Board of Directors or as per the rules of the Company.

**(iii) Leave Travel Concession:**

Leave travel concession for Mr. J. H. Munot and family once in a year incurred in accordance with the rules specified by the Company.

**(iv) Club Fees:**

Reimbursement of membership fee up to 2 (two) clubs, including admission and life membership fee.

**(v) Personal Accident Insurance:**

Personal Accident Insurance Policy as per the rules of the Company.

**(vi) Contribution to Provident Fund, Superannuation Fund and Annuity Fund:**

Company's contribution to Provident Fund, Superannuation Fund and Annuity Fund as per the Schemes of the Company to the extent these either singly or put together are not taxable under the Income-tax Act, 1961.

**(vii) Gratuity:** Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.

**(viii) Leave:**

Leave will full pay or encashment as per the rules of the Company.

**(ix) Other Perquisites:**

Subject to overall ceiling on remuneration mentioned herein below, the Joint Managing Director may be given other allowances, benefits

and perquisites as the Board of Directors may from time to time decide.

**(d) Amenities:**

**(i) Provision of Car:**

The Company shall provide car/s with chauffeur for official as well as personal purposes.

**(ii) Communication facilities:**

Telephone / Telefax and other suitable communication facilities at the residence.

**(iii) Free gas, electricity, water, furnishings at the residence, as per the rules of the Company.**

Family shall include spouse, dependent children and parents of the appointee.

**Overall Remuneration:**

The aggregate of salary and perquisites in any financial year shall not exceed the limits prescribed from time to time under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, as may for the time being be in force.

**Minimum Remuneration:**

The minimum remuneration to be paid in the event of loss or inadequacy of profits in any financial year will be subject to the ceiling specified or such other ceiling as may be specified in Para A of Section II of Schedule XIII to the Companies Act, 1956 from time to time and subject to the approval of the Remuneration Committee, the Shareholders and the Central Government, if so required, in accordance with the provisions of the Act/ Schedule XIII thereto.

**Other Terms & Conditions:**

1. As long as Mr. J. H. Munot functions as Jt. Managing Director of the Company, no sitting fees will be paid to him for attending the Meeting of the Board of Directors or Committee thereof.

2. Notwithstanding anything to the contrary herein contained, either party shall be entitled to terminate the Agreement at anytime by giving to the other party 180 days notice in writing in that behalf or salary in lieu thereof.

None of the Directors, except Mr. J. H. Munot and Mr. Dinesh Munot is concerned or interested in this Resolution.

**Item No. 9:**

Mr. Piyush Munot was appointed as Manager-Projects with effect from June 1, 2003, by the Board in their meeting held on May 30, 2003.

Mr. Piyush Munot, 26, having qualification of Masters in Mechanical Engineering and International Sales Management from University of Konstans, Germany has worked with companies like Daimler Chrysler and BMW. He has also undertaken a project related to his line of specialization.

Mr. Piyush Munot is son of Mr. J. H. Munot - Joint Managing Director of the Company, and therefore, approval of the members under Section 314 of the Companies Act, 1956 is necessary for him to hold and to continue to hold office or place of profit in the Company on the terms and conditions of remuneration as proposed in the resolution.

None of the Directors, except Mr. J. H. Munot is concerned or interested in this Resolution.

By Order of the Board of Directors

Pune  
May 30, 2003

Satish Mehta  
Company Secretary

**DIRECTORS' REPORT**

To the Members,

The Directors have great pleasure in presenting the Twenty Third Annual report and Audited Accounts for the year ended March 31, 2003.

**FINANCIAL RESULTS**

	(Rs. in '000)	
	2002-2003	2001-2002
Sales and other Income	789,874	720,340
Profit before depreciation and tax	156,199	135,325
Depreciation	48,933	36,407
Provision for tax		
- Current Tax	27,000	7,650
- Deferred Tax	1,641	14,856
Net Profit	78,625	76,412
Less: Prior Period adjustment	11,160	--
Balance Brought Forward from Previous year	10,846	7,117
Amount available for appropriation	<u>78,311</u>	<u>83,529</u>

**APPROPRIATIONS**

General Reserve	50,000	50,000
Proposed dividend	22,683	22,683
Corporate Dividend Tax thereon	2,907	--
Balance Carried Forward	2,721	10,846
	<u>78,311</u>	<u>83,529</u>

**DIVIDEND**

The Directors recommend a dividend of Rs. 5.00 per share (50%) for the year ended March 31, 2003, which would be tax-free in the hands of the share-holders.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Your Company caters to the steering gear requirements of, mainly, the commercial vehicles, multi-utility vehicles and the tractors.

**Review of Operations**

During the year under review, your Company sold 34,193 Power Steering Gears compared to 28,589 in the previous year.

Commercial vehicles recorded a noticeable improvement in sales during 2002-2003, thereby sales of Power Steering Gears too, has increased.

To ensure Safety and Comfort in driving, fitment of Power Steering Gears is already a mandatory requirement for passenger-buses. The Central Motor-vehicles Rules (CMVR) Committee has recommended that all Multi-axle goods-carriers are also required to be fitted with Power Steering Gears. Over the past few years, the share of Multi-axle vehicles has gone up to almost 40% in the Medium & Heavy Commercial vehicles segment. Most operators are upgrading to higher tonnage commercial vehicles as business-economics are in favor of Multi-axle vehicles.

During the year, your Company sold 60,049 Mechanical Steering Gears compared to 80,981 in the previous year.

The negative growth recorded by Mechanical Steering Gears is mainly due to the fact that the Tractor Industry has been passing through a bad patch over the last 2-3 years. The total market for the Tractors has shrunk from 2.7 lac units in 1999-2000 to 1.7 lac units in 2002-2003. The industry expects Tractor sales to pick up only around 2004-2005.

**Wind Power Project**

The Company's three windmills stationed at Supa (Ahmednagar, Maharashtra) and Vankusavade (Satara, Maharashtra) generated 25 lac units of Power.

The Power so generated is captively consumed by the Company.

**ISO/TS 16949**

After accreditation in ISO 9001, your Company has obtained the coveted ISO / TS 16949 certification during the year. Your Company is the first Auto-ancillary company in Maharashtra

to be accredited with TS 16949 by TÜV Rheinland Berlin Brandenburg.

**Financial Performance of the Company****Sales**

The total sales (Net of Excise) amounted to Rs. 779 million as against Rs.703 million in the previous year.

The Company was able to register a growth of 10.8% in Sales. This was achieved in difficult circumstances of uneven demand and sluggish Tractor Industry.

**Other Income**

The major contributor during the year was windmills followed by the profits on sale of long-term investments. The Company follows the practice of regular booking of profits and re-investing the surplus funds depending upon the market conditions and future funds requirements of the Company.

**Profitability**

Profit Before Tax for the year was Rs. 107.27 million compared to Rs. 98.92 million in the previous year. The cash profits increased to Rs. 127.56 million from Rs. 112.82.

The operating margin improved from 12.35% to 11.57% due to increased volume of Power Steering Gears and better product-mix coupled with gains from productivity and effective cost-control measures.

Earnings Per Share (EPS) works out to Rs.17.33.

**Capital Expenditure**

Capital Expenditure during the year was Rs. 22 million, primarily as normal capital expenditure and in nature of improvement in process-capabilities and adding Balancing capacities in various cells.

**Debt Status**

The Debt: Equity ratio is a conservative 0.43 and most of the debt is interest-free being in the nature of sales-tax deferral. The actual interest paid during the year is less than Rs. 5 lac.

**Debtors**

Debtors have jumped up by 21% (from Rs. 122 million to Rs. 147 million) mainly due to delayed realizations from Tractor Industry and 22% of the total sales recorded in last two months of the financial year.

**Opportunities, threats, risks and concerns**

- With more and more acceptability/ awareness for Power Steering Gears, the Company can look forward to a reasonable rate of growth in next few years.
- The preference is shifting towards multi-axle/ Higher tonnage commercial vehicles, thereby restricting the numerical growth of commercial vehicles.
- The implications of globalization and easy entry of global players into the Indian Markets can not be under estimated.

## Outlook

The Company's future prospects are closely linked to the demand for commercial vehicles, multi-utility vehicles and tractors, which in turn very much depends upon the adequate and timely monsoon and revival of overall economy.

The Company has adequate internal control system commensurate with its size and nature of business for ensuring efficiency of operations and protection of the Company's assets.

### Human Resource Development

In the scenario of globalization and tough market conditions, better utilization of manpower through increase in their productivity, job-rotation, continuous training and updating of knowledge and skills has assumed immense importance for achievement of organizational goals of providing best product quality and after sales service.

The Company believes that continuous training and updating of knowledge and skills are pre-requisites of Human Resource Development and achievement of organizational goals. During the year, 18 training programmes (7 external and 11 internal) covering over 226 training man-days were organized. The effects of training are being felt and have resulted in higher morale and motivation. We expect to continue the customized development programmes to individual employees during the year as well.

Industrial relations continued to be cordial. The total number of employees as on March 31, 2003 was 459.

The Management & Discussion Analysis Report is a forward looking Statement based on the Company's projections, estimates and perceptions. These statements reflect the Company's current views with respect to the future events and are subject to risks and uncertainties. Actual results may vary materially from those projected here.

Your Company has not accepted any fixed deposit from public.

### CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND INNOVATION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The details as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure-I to this Report.

### DIRECTORS

Mr. J. H. Munot was re-appointed and re-designated as Jt. Managing Director of the Company for a period of 5 years with effect from April 1, 2003. Mr. J. H. Munot's appointment is placed before the shareholders for their approval at the ensuing Annual General Meeting.

Mr. Walter Salvasohn was appointed as a Director on June 16, 2001 to fill the casual vacancy caused by the resignation of Dr. Hermann Strecker and will hold office up to the date of forthcoming Annual General Meeting and he is eligible for re-appointment. Mr. Abhay Firodia, Mr. B. N. Deshmukh and Mr. D. S. Bomrah, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- That in the preparation of the accounts for the financial year ended March 31, 2003 the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- That the Directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- That the Directors have taken proper and sufficient care 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;
- That the Directors have prepared the accounts for the financial year ended March 31, 2003 on a 'going concern' basis.

## CORPORATE GOVERNANCE REPORT

Your Company has always striven to incorporate appropriate standards for good Corporate Governance. It has taken adequate steps to ensure that the provisions of Corporate Governance as prescribed under the Listing Agreements with the Stock Exchanges, are complied with.

A detailed report on Corporate Governance is appearing as Annexure-II to this Report along with the Auditors' Certificate on its compliance by the Company. General Shareholder Information is appearing as part of the said Annexure.

### AUDITORS

You are requested to appoint auditors for the current year. M/s N.F. Karnavat & Co., Chartered Accountants, Auditors of the Company, who retire at the ensuing Annual General Meeting, are eligible for re-appointment.

### PARTICULARS OF EMPLOYEES

Information as required under Section 217 (2A) of the Companies Act, 1956 and the Rules framed there under forms part of this Report. However, as per the provisions of Section 219 (1) (b) (iv) of the Act, the Report and Accounts are being sent to the members excluding the aforesaid information. Any member desirous of obtaining such particulars may write to the Company Secretary at the Company's Registered Office.

### ACKNOWLEDGEMENT

Your Directors record their gratitude for the co-operation and continued support extended by the Collaborators, Banks, Government Authorities, Customers, Suppliers and Members of the Company. Your Directors also wish to place on record their deep sense of appreciation for the devoted services of the Executives, staff and workers of the Company for its success.

FOR AND ON BEHALF OF  
THE BOARD OF DIRECTORS

Pune  
May 30, 2003

A.H.FIRODIA  
CHAIRMAN



**ANNEXURE-I TO THE DIRECTORS' REPORT**  
Conservation of Energy, Technology Absorption, Companies  
(Disclosure of particulars in the Report of Board of Directors)  
Rules, 1988.

**A. CONSERVATION OF ENERGY:**

- Machines' electrical circuits modified to reduce electrical power consumption.
- Wind energy operated ventilators are fitted on the roof to improve air circulation, which will save on energy used on electrical fans.
- Replacement of old Air Compressor with energy efficient one which has resulted into higher output and lower power consumption.
- Replacement of AC roof sheets with transparent sheets in the Machine Shop thereby reducing the electricity consumption.
- Replacement of conventional tube rods and chokes with energy efficient ones and electronic chokes.

**Wind Power Project**

3 windmills of aggregate 1.7 MW capacity which were installed during the previous year, generated 25 million units of electricity during the year under review.

Power generated by the windmills is fed into the MSEB grid and the units thus credited are adjusted against the monthly electricity bills for the Company's plant. This covers 79% of the current annual power requirements of the Company.

**B. TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT:**

**(1) Specific areas in which R & D has been carried out by the Company**

- a. New product development
- b. Import substitution
- c. Process/ equipment developments
- d. Value engineering and value analysis (VEVA)

**(2) Benefits derived as a result of above R & D**

The benefits to the company resulting from the above R & D are manifold.

These benefits have been reflected in terms of :

- a. Product quality and cost reduction
- b. Improvement in market share
- c. Indigenisation of various components
- d. Reduction in foreign exchange outgo

**(3) Future Plan of Action**

Effort is being made to make R & D more result oriented, in improving the design and quality of products and towards cost effective indigenisation of components.

Specific areas include development of new products (steering systems) for Escorts Tractors and Swaraj Mazda.

**(4) Benefits derived as a result of above efforts**

- a. Improvements in Manufacturing methods and quality standards.
- b. Aiming towards self sufficiency in engineering skills for manufacturing.
- c. Range of steering gears.
- d. Development of cost effective, high performance engineering products.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

- |                                 |                  |
|---------------------------------|------------------|
| a. Earnings in Foreign Exchange | Rs. 20.28 lakh   |
| b. Foreign Exchange used        | Rs. 1044.74 lakh |

**FOR AND ON BEHALF OF  
THE BOARD OF DIRECTORS**

Pune  
May 30, 2003

**A. H. FIRODIA**  
CHAIRMAN

**ANNEXURE-II TO THE DIRECTORS' REPORT**

**CORPORATE GOVERNANCE**

**1. Company's Philosophy on Code of Governance:**

The Company believes in adopting the Best Practices in the area of Corporate Governance and follows the principles of full transparency and accountability, thereby protecting the interests of all its stakeholders.

ZF INDIA has been practicing the broad principles of Corporate Governance over the years. In addition to the basic governance issues, your Company lay strong emphasis on trusteeship, transparency, accountability and integrity, in all facets of its operations, and in all its interactions with its shareholders, employees, the government and its customers.

ZF INDIA believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value, over a sustained period of time.

**2. Board of Directors:**

The Board of Directors consists of 11 Directors of whom 2 are Executive and 9 are Non-executive. The Non-executive Directors are eminent professionals with experiences in various fields. The Company has no nominee Director from any bank or financial institution.

**Number of Board Meetings held and the dates on which held**

4 Board Meetings were held during the year, as per the statutory requirement of the meetings. The dates on which the meetings were held are as follows: June 11, 2002, July 31, 2002, October 16, 2002, January 31, 2003.

Details of Composition of the Board, category, attendance of Directors, number of other committee memberships are given below :



Sr. No.	Name of the Director	Category of Directorship	Attendance Particular		No. of other Directorships and Committee Member / Chairmanship		
			Board Meetings	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
1	Mr. A. H. Firodia (Chairman)	Non-Executive	4	Yes	12	None	None
2	Mr. Dinesh Munot (Managing Director)	Executive	4	Yes	4	1	None
3	Mr. J. H. Munot (Jt. Managing Director)	Executive	4	Yes	2	None	None
4	Dr. Wolfgang Zeitz	Non- Executive	None	No	2	None	None
5	Mr. Werner Speier	Non-Executive	None	No	None	None	None
6	Mr. Walter Salvasohn	Non-Executive	2	Yes	None	None	None
7	Mr. B. N. Deshmukh	Non-Executive, Independent	4	Yes	None	None	None
8	Mr. D. S. Bomrah	Non-Executive, Independent	3	Yes	1	None	None
9	Mr. Abhay Firodia	Non-Executive	None	No	11	None	None
10	Mr. Manish Motwani	Non-Executive, Independent	3	Yes	6	None	None
11	Dr. Dinesh Bothra	Non-Executive, Independent	3	Yes	6	None	None

### 3. Audit Committee:

During the year under review, the following Directors were the members of the Audit Committee:

Members: Mr. Manish Motwani, Mr. D. S. Bomrah and Dr. Dinesh Bothra.

All the members of the Committee are Non-Executive Directors. The Internal Auditors attend the meetings of the Committee. The role, powers and functions of the Audit Committee are as stated in Clause 49 of the Listing Agreement. The Committee reviews the financial statements before they are placed before the Board.

During the period under review, the Committee met two times on June 7, 2002 and September 30, 2002. The attendance record of the members of the Audit Committee is given below:

Sr. No.	Members	Meetings attended
1.	Mr. D. S. Bomrah	2
2.	Mr. Manish Motwani	2
3.	Dr. Dinesh Bothra	2

### 4. Remuneration Committee:

During the year under review, the following Directors were the members of the Remuneration Committee :

Members: Mr. D. S. Bomrah and Mr. Manish Motwani

The Remuneration Committee has been constituted to recommend to the Board the amount of commission payable to each Whole-time Director and periodically review and suggest revision of the remuneration package of the Managing/ Whole time Directors, based on performance of the Company, Statutory guidelines etc.

During the financial year, the Committee met twice on June 7, 2002 and January 17, 2003 where all the members of the Committee were present at the meeting.

The remuneration policy is directed towards rewarding performance, based on review of achievements on a periodical basis. The remuneration policy is in consonance with the existing industry practice.

Details of remuneration paid to Wholetime Directors for the year ended March 31, 2003 are as under:

Name	Salary (Rs.)	Perquisites (Rs.)*	Commission (Rs.)**	Total (Rs.)	Period of Contract From - To
Mr. Dinesh Munot	19,80,000	21,61,593	20,00,000	61,41,593	5 years, Dec. 14, 2001 - Dec. 13, 2005
Mr. J. H. Munot	7,02,768	8,15,114	20,00,000	35,17,882	5 years, Apr. 01, 2003 - Mar. 31, 2008

\* Includes Company's Contribution to Provident and Superannuation Fund.

\*\* Payable after approval of annual accounts by Shareholders at the forthcoming Annual General Meeting to be held on July 30, 2003.