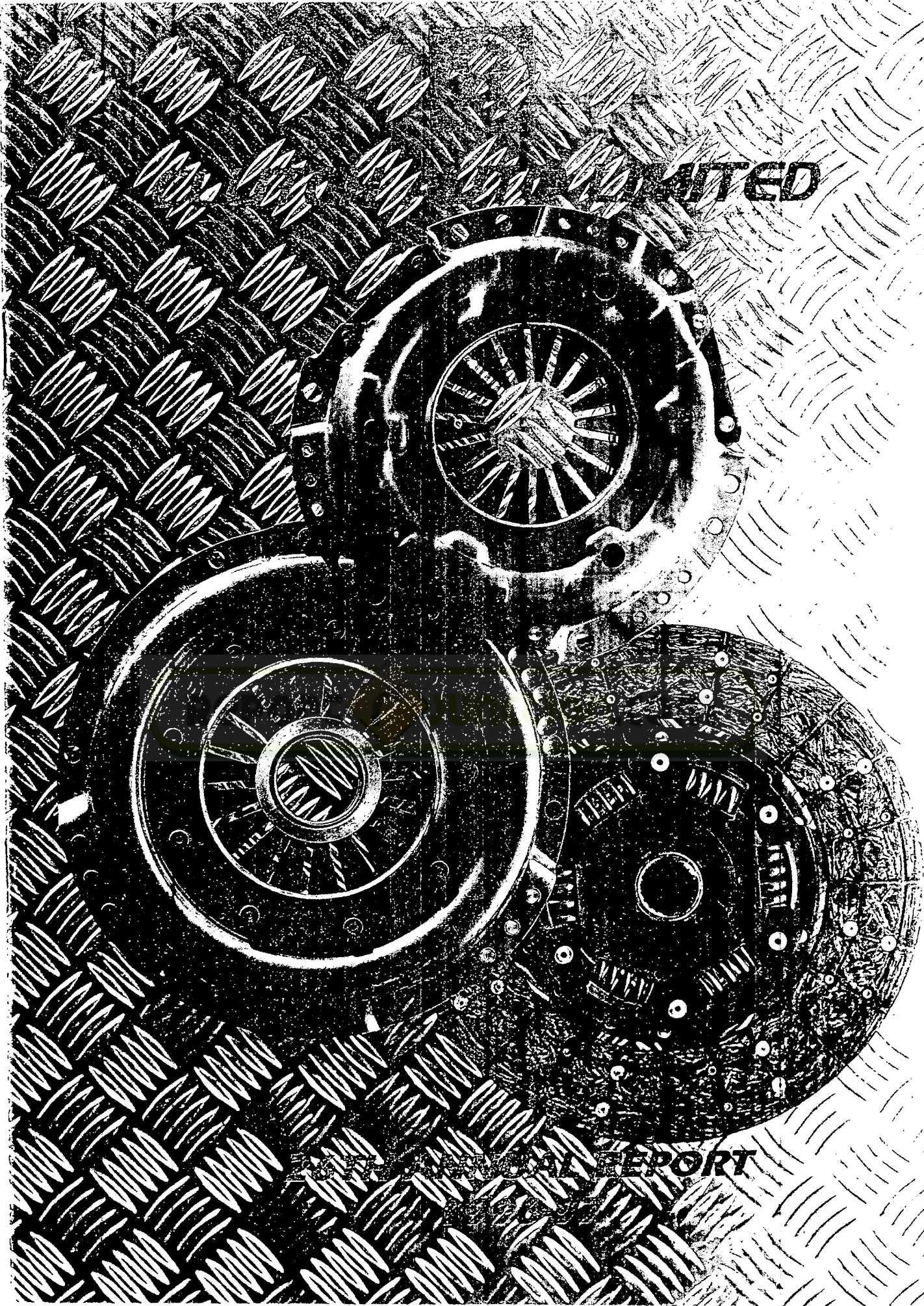
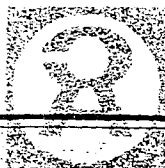


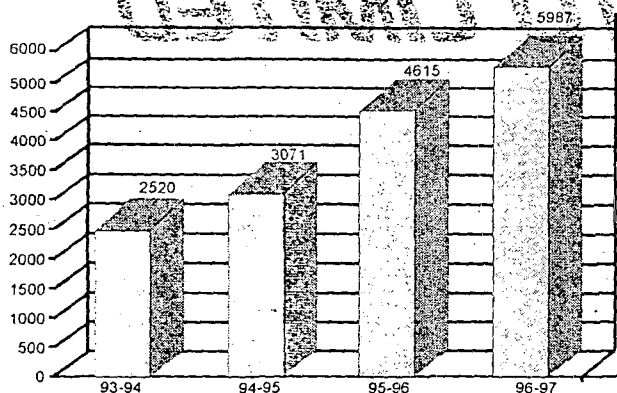
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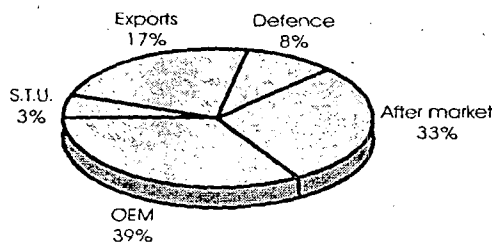
REPORT



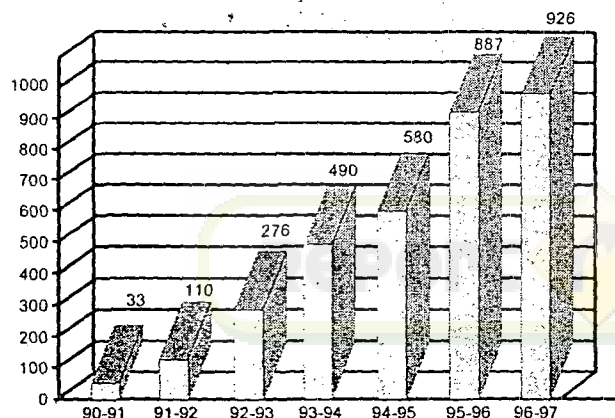
NET SALES TURNOVER (Rs. LACS)



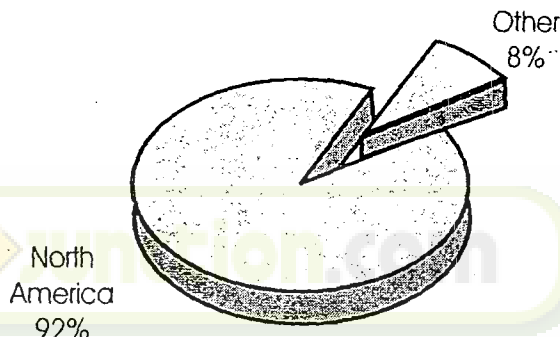
MARKET SEGMENTS



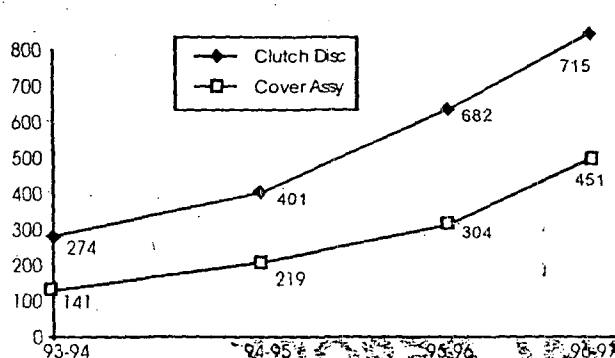
EXPORT TURNOVER (FOB VALUE Rs. LACS)



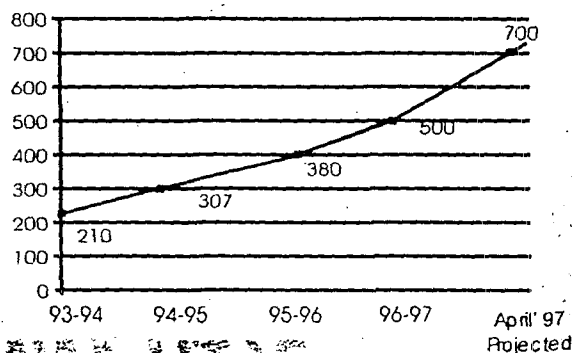
EXPORT SEGMENTS



PRODUCTION OF CLUTCH DISC & COVER ASSEMBLIES (000 UNITS)



PRODUCTION AVERAGE PER MONTH (Rs. LACS)



CLUTCH AUTO LIMITED

**BOARD OF DIRECTORS :**

K.S. BHATNAGAR	Chairman
VIJAY MEHTA	Vice Chairman-cum-Managing Director
VEENA MEHTA	Director
B.A. HATHIKHANAVALA	Director
T. MATHEWS	(Nominee of IIBI)
P.S. ASTHANA	(Nominee of PNB)
REVA NAYYAR	(Nominee Haryana Govt.)
K.K. TANEJA	Additional Director

HEAD-CORPORATE AFFAIRS & COMPANY SECRETARY :

R.S. Jhanwer

AUDITORS :

V. Sankar Aiyar & Co., Chartered Accountants, New Delhi.

BANKERS :Punjab National Bank
Canara Bank

MD	✓		BKC	✓
CS	✓		DPY	ND
RO	✓		DIV	✓
TRA	NA		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		

REGISTERED OFFICE :702, Sahyog
58, Nehru Place,
New Delhi - 110 019**WORKS & ADMN. OFFICE**Plot No. 1-A, Sector 27-D,
12/4, Mathura Road,
Faridabad - 121 003**Contents**

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Auditor's Report
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Annual Accounts



NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the **TWENTY SIXTH ANNUAL GENERAL MEETING** of the Members of Clutch Auto Limited will be held on **Saturday, the 27th September, 1997 at 11.00 A.M. at Sapru House, Barakhamba Road, New Delhi 110 001** to transact the following business:

ORDINARY BUSINESS

1. Adoption of Annual Accounts for the year 1996-97

To receive, consider and adopt the audited Balance Sheet as at 31st March, 1997 and the Profit & Loss Account of the Company for the year ended on that date, together with the Reports of the Directors and Auditors thereon and to pass, if agreed, the following resolution:

"RESOLVED THAT audited Balance Sheet of the Company as on 31st March, 1997 and Profit & Loss Account for the year ended on that date, together with the Reports of Auditors and Directors thereon be and are hereby adopted".

2. To Declare Dividend

To consider and, if thought fit, pass, with or without modification(s), the following resolution:

"RESOLVED THAT a dividend @ 7.5% (Pro-rata) subject to approval of the concerned Financial Institutions and Banks be approved for the year 1996-97."

3. Reappointment of Directors

To consider and, if thought fit and proper, to pass, with or without modification(s), the following resolution:

"RESOLVED THAT Shri K S Bhatnagar, who retires by rotation at the ensuing Annual General Meeting and who being eligible offers himself for reappointment, be and is hereby reappointed as Director of the Company for a further term vide Section 255 & 256 of the Companies Act, 1956".

4. Reappointment of Statutory Auditors

To consider and, if thought fit, pass, with or without modification(s), the following resolution:

"RESOLVED THAT M/s V. Sankar Aiyar & Co., Chartered Accountants, New Delhi, who are eligible to be so appointed and whose consent is available, be and are hereby reappointed as Statutory Auditors of the Company for the period from the conclusion of this Meeting to the conclusion of 27th Annual General Meeting on such remuneration as may be fixed in its behalf by the Board of Directors of the Company".

SPECIAL BUSINESS

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

"RESOLVED THAT Mr K K Taneja whose term of office

as an Additional Director of the Company expires at this Annual General Meeting and in respect of whom the Company has received a notice under section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of a Director in the Company be and is hereby appointed as a Director of the Company whose period of office will be liable to determination by rotation"

6. To consider and if thought fit, to pass with or without modification, the following Resolution as Special Resolution:

"RESOLVED THAT pursuant to the Provisions of Section 294 and 294AA and any other applicable provisions of the Companies Act, 1956 and subject to the approval of the Central Government, the Company hereby approves the appointment of the following parties as Selling Agents for selling the products of the Company for the period and the geographical areas set out against each in the table appended below on the terms and conditions recorded in the respective agreement to be entered into with them and that the Board of Directors be and is hereby further authorised to effect such modifications in the terms and conditions in the said agreements as may be approved by the Central Government and be agreed to mutually by the Board and the said Selling Agents :

Name of the Agent	Geographical area	Period	Commission
Supreme Auto Agency 5, Jalan, Midah Timor Taman Midah, 56000 Kuala Lumpur Malaysia		01-06-97 to to 31-05-2002	7.5% on CIF value
Ganton Sales International Inc. 3346, Commercial Drive, Northbrook IL 60062 USA	G.M. (USA, Mexico & Brazil)	01-06-97 to 31-05-2002	5% on FOB value
	Rockwell Beck Arnley Mexico		

Regd. Office:

702, Sahyog
58, Nehru Place
New Delhi 110 019

Dated : 20th August, 1997

By Order of the Board,

R.S. JHANWER

Head-Corporate Affairs &
Company Secretary

NOTES :

1. A Member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of himself. A proxy need not be a member of the Company.
2. The proxy to be effective should be duly stamped and deposited at the Registered Office of the Company not less than forty eight (48) hours before the commencement of the Annual General Meeting.



3. The relevant explanatory Statement/s pursuant to section 173(2) of the Companies Act, 1956 in respect of items under Special Business is annexed and forms part of the notice.
4. All documents referred to in the accompanying notice and explanatory statements are open for inspection at the Registered Office of the Company on all working days, except holidays, between 11.00 A.M. and 1.00 P.M. upto the date of the Annual General Meeting.
5. The Register of Members and Transfer Books shall remain closed from 16th September, 1997 to 27th September, 1997 (both days inclusive).
6. The dividend as recommended by the Board of Directors, if approved at the Meeting, will subject to the provisions of section 206A of the Companies Act, 1956 be payable pro-rata to those shareholders, whose names appear in the Company's Register of Members as on 27th September 1997.
7. Members are requested to intimate change of their address, if any, to the Company Secretary, Clutch Auto Limited, 702, Sahyog, 58, Nehru Place, New Delhi 110 019.
8. Members are requested to bring their copies of Annual Report to the Meeting as such copies will not be available at the Annual General Meeting.
9. Members are requested to put their signatures at the space provided in the Attendance sheet annexed to the proxy form and hand over the same to the designated counter at the entrance of the Meeting Hall.

ANNEXURE TO THE NOTICE

Explanatory Statement in respect of Special Business items pursuant to section 173(2) of the Companies Act, 1956

ITEM NO. 5 :

Appointment of Additional Director

Mr K K Taneja was appointed as Additional Director of the Company w.e.f. 20th August, 1997 and in accordance with the provisions of section 260 of the Companies Act, 1956 and Article 109 of the Articles of Association of the Company, he holds such office upto the date of this Annual General Meeting. Mr Taneja is a former Dy. Director General (Techn. Development), Ministry of Industries, Government of India and is having over 35 years of experience in various fields of economic activities. He has also had a tenure with Clutch Auto Limited as a nominee Director of IFCI and is fully conversant with the professional functioning of the Company. With his rich and varied experience, the Company hopes to profit immensely in its current aims and objectives.

Your Directors recommend that the aforesaid appointment be approved.

Except Mr K K Taneja, no other Director is interested in this resolution.

ITEM NO. 6 :

Appointment of Foreign Selling Agents

The Company has appointed M/s Supreme Auto Agency, 5 Jalan Midah Timor, Taman Midah, 56000 Kuala Lumpur, Malaysia and Ganton Sales International Inc., 3346, Commercial Drive, Northbrook, IL 60062 USA as Selling Agents of the Company for promoting exports of its products in their respective territories on the terms and conditions and for the periods as detailed in the proposed Resolution. These appointments require approval of the General Body and the Central Government in terms of section 294 & 294AA of the Companies Act, 1956. Members are requested to approve of these appointments.

Copies of Agreements proposed to be entered with Foreign Selling Agents will be open for inspection at the Registered Office of the Company on any working day during office hours prior to the date of the meeting. Your Directors commend the Resolution for your approval in the larger interest of Company's Exports.

None of the Directors is interested in the resolution.



DIRECTORS' REPORT TO THE MEMBERS

Dear Members,

Your Directors are pleased to present the twenty sixth Annual Report alongwith Audited Accounts of the Company for the year ended 31st March, 1997.

FINANCIAL RESULTS

	(Rs. in lacs)	
	1996-97	1995-96
Turnover	6650.55	5140.08
Profit before Depreciation	374.85	309.77
Less: Depreciation	106.23	82.02
Net Profit before Tax	268.62	227.75
Provision for Tax	54.50	Nil
Net Profit after Tax	214.12	227.75
Profit/(Loss) Brought Forward from the previous year	90.99	(36.53)
Surplus available for appropriation	305.11	191.22
APPROPRIATION		
Transferred to Specific Reserves	22.23	100.23
Proposed Dividend	55.43	Nil
Additional Tax @ 10% on proposed dividend	5.55	Nil
Surplus Carried Forward to the Balance sheet	221.90	90.99

The performance of your Company during the year under review has been encouraging. The turnover during the year was Rs. 6650 lacs as against Rs. 5140 lacs in the previous year, registering an increase of about 29.40 per cent and the Profit before Tax was Rs. 268.62 lacs against Rs. 227.75 lacs in the previous year registering a growth of about 18 per cent. However, due to provision of Rs. 54.50 lakhs for Income Tax during the year (Nil in the previous year) the Profit after Tax at Rs. 214.12 lacs is marginally lower as against Rs. 227.75 lacs for the last year.

DIVIDEND

Your Directors have pleasure in proposing subject to the approval of the Financial Institutions, Banks and General Body of Shareholders, a maiden dividend at Re.0.75 per share (pro-rata) for the year under report. In terms of the current Income Tax provisions, this dividend will be tax free in the hands of the Shareholders, but your Company shall pay additional tax @ 10%. The total outgo on this account will, therefore, be Rs 60.98 lakhs.

DOMESTIC OPERATIONS

Your Company continues to serve domestically major OEMs such as TELCO, Maruti Udyog, BEML, Eicher, Punjab Tractors, Escorts, etc. Bajaj Auto, Mahindra & Mahindra and Ashok Leyland have been the recent additions to the list of distinguished OEMs receiving regular suppliers of Clutches from your Company. Negotiations with TAFE are on for development of single and dual clutches and we hope that these activities may fruitify during the current year.

It is a matter of immense pleasure to us to share with you the news that your Company has since been selected as a source for supply of Clutches to Daewoo Motors and is vigorously working on development of appropriate Clutches for CEILO range of Vehicles.

Development work for production of clutches for ZEN & ESTEEM for Maruti Udyog is in full swing. Your Company is actively exploring all possible business opportunities available to it in the country and abroad. Sales in the replacement market have registered a 50% growth during this period and we have also received substantial orders from the Ministry of Defence to be executed over the next two years.

Your Directors are happy to inform that in terms of the new policy of Haryana State Government, your Company becomes eligible for Sales Tax Deferment of Rs.223.64 lakhs - being 90% of eligible capital investment in the fixed assets w.e.f. 2nd April, 1996.

EXPORTS

Your Company has been able to maintain its share of export business globally and has registered Sales of Rs. 926 lacs (FOB) during the year as against Rs. 887 lacs last year showing a growth of 4.40%. It has been able to secure its first overseas OE order from M/s. General Motors, USA of US \$ 0.50 million. This hopefully opens up a new vista for Company's exports in the international market. Your Company has also finalised export orders worth \$ 1.50 million with M/s. Rockwell International, a fortune 500 Company, and the supplies have started in this financial year. It is also presently having negotiations with M/s. Volkswagen, Germany, General Motors, Brazil and Samsung Motors, Korea for supply of Clutches to these potential customers. This is in pursuance of Company's long term strategy to carve out a niche for itself in the global Auto Ancillary market.

FUTURE OUTLOOK

Your Company hopes to increase its turnover substantially during the current and subsequent years and is confident of a major breakthrough in the export front, particularly in the OEM segment. In the domestic OEM, your Company has been trying to push up its sales and diversify into additional ranges of products and hopes to do well despite the prevailing recessionary trends in the market. Furthermore, appreciative of the dire need to catch up with the technological gaps and inadequacies in its product mix, your Company continues to negotiate with some of the leading concerned manufacturers in Germany and Italy to have a stable arrangement for technological upgradation.

MODERNISATION CUM EXPANSION PROJECT

As you are aware, to upgrade quality globally, your Company has drawn up a comprehensive programme for modernisation and expansion. The Export Import Bank of India has sanctioned a Foreign Currency Term Loan of Rs. US \$ 1.35 million (Rs. 4.86 crores) in this regard.

During the year under report, your Company made a capital investment of Rs. 312 lacs and an additional expenditure of Rs. 102 lacs is in the pipeline.

You will recall that your Company had come out with a Public Issue with convertible Warrants in September, 1995 which was quite successful. The Warrants relatable to this issue, which in terms of the prospectus were to be converted into Equity on 17-10-96, were eventually offered to the eligible Shareholders on 16-05-97 at reduced premium of Rs. 2.50 per share having regard to the changed scenario in the capital market and, of course, after

CLUTCH AUTO LIMITED



approval by the Members at the Extraordinary General Meeting held on 4-4-97. Due intimations in this regard were also sent to the Regulating Authorities in good time and the allotment process was completed on 28-06-97. Your Company is currently negotiating with some potential foreign parties for securing external commercial borrowings at more economical rates to enable it to raise requisite funds to finance business opportunities in export and domestic market and at the same time minimise tax burden.

PERFORMANCE AGAINST PROJECTIONS IN THE PROSPECTUS

In terms of clause 43 of the Listing Agreement, the required information is given hereunder:

	(Rs. in Crores)	
	As per Prospectus	Actual (audited)
Gross Sales	56.00	66.50
Net Sales	50.00	59.87
P B T	2.85	2.69
P A T	1.88	2.14
Dividend	15%	7.5%
E P S	2.13	2.88

It will be observed that by and large, your Company has surpassed the projected levels of performance in terms of sales, profits and EPS. However, the margins continue to be under severe pressure because of the competitive environment and recession in the automotive industry and the projected dividend could not be sustained due to liquidity crunch and inescapable capital requirements in the larger business interest of the Company and its shareholders.

DIRECTORS

During the year under review, Shri K K Taneja, nominee of IFCI and Shri Vijay Kumar, nominee of ICICI were withdrawn by the respective institutions and they do not propose to send their substitutes. Shri U Roy, nominee Director of Industrial Investment Bank of India Ltd (IIBI) was replaced by Shri T Mathews on 30.4.97. To keep the Board broadbased, your Board has appointed on 20th August 1997 Shri K K Taneja as on. Additional Director of the Company under section 260 of the Companies Act, 1956. It is proposed to continue Mr Taneja after his formal re-appointment as a director of the Company, whose term of office shall be determined by rotation. Shri K S Bhatnagar, Director and Chairman of the Company also retires by rotation at the conclusion of the 27th Annual General Meeting and being eligible offers himself for re-appointment. The Board recommends their re-appointments.

TOTAL QUALITY MANAGEMENT (TQM)

The Total Quality Management (TQM) movement spearheaded by the Vice Chairman-cum-Managing Director and has been well supported by the Functional Heads in the Company and employees' has been successfully deployed in strategic areas to help your Company gain a competitive edge.

PERSONNEL

Industrial relations between Management, Labour and Staff continued to be quite cordial during the year. The Board wishes to place on record its deep appreciation of the meaningful contribution made by all the employees towards

achievement of Company's aims and objects during the year.

Information in terms of Section 217 (2A) of the Companies Act, 1956 read with Companies (particulars of employees) rules 1975, is annexed and forms part of this report.

It is a matter of great satisfaction and pride that, during the year under report, your Company was awarded ISO 9002 by KPMG Quality Registrar, USA. Your Company has also initiated steps to achieve Quality Standard of QS 9000, which is a pre-requisite for supplies to be made to countries in North America including USA.

PUBLIC DEPOSITS

The Company did not accept any public deposits during the year under report. There are no outstanding deposits as on 31st March 1997 except some unclaimed amount.

AUDITORS' REPORT

The observations made in the Auditors' Report are self-explanatory and do not need any further comments from the Directors under section 217 of the Companies Act, 1956.

AUDITORS

M/s V.Sankar Aiyar & Co., Chartered Accountants, Auditors of the Company, who retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. Requisite certificate under section 224(1B) of the Companies Act, 1956 has been received from them. The Board commends, for your favourable consideration, their re-appointment as Company Auditors for the current financial year 1997-98 on the terms and conditions to be mutually agreed. The Board, as in the past, may be empowered to finalise the formal understanding with the Auditors.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO

The information required in terms of section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 with respect to these matters is appended hereto and forms part of this report.

ACKNOWLEDGEMENT

Your Directors express their thanks to the Financial Institutions, participating Banks, Export-Import Bank of India, Govt of Haryana and Central Government for their continued help and assistance in the conduct of the affairs of the Company. They also express their gratitude to their valued customers for their continued support and patronage. Your Board is deeply appreciative of the devotion shown and willing co-operation extended by the officers, staff and other employees in helping the Company to keep up the growth momentum. And lastly, your Directors heartily thank you, dear Members, once again for showing understanding, patience and kindness during our difficult past and for being with us today to share this momentous occasion when your Company is able to declare a maiden dividend albeit not so exciting. But may I share a hope that the years ahead may be more rewarding.

For and on behalf of the Board

Place : New Delhi
Dated: 20th August, 1997

K S BHATNAGAR
Chairman



ANNEXURE TO DIRECTORS' REPORT

Information pursuant to section 217(1)(e) of the Companies Act, 1956.

CONSERVATION OF ENERGY

1. Measures taken:-

The Company has an active Energy Conservation Task Force which continuously monitors energy consumption and takes actions to reduce energy consumption through optimum utilisation of Plant & Machinery, D.G. Sets, Air Compressors and other utilities.

2. Additional investment

Proposals are on hand:-

- To study energy efficiency of various motors installed and formulate a replacement plan wherever possible.
- to install of energy saving devices to reduce consumption of energy in lighting fixtures, and
- to install of Sewage Treatment Plant whereby treated water can be re-cycled for gardening and irrigational purposes.

Energy Saving:

Your Company has registered considerable improvements in the area of energy saving as would be evident by the following:-

	1996-97
No. of Units produced	1225707
Electricity Units consumed (KWH)	3336562
Energy Consumption/Unit (KWH)	2.72

FORM A

A) Power and Fuel Consumption

	Current	Previous
a) Electricity purchased		
Units(KWH)	2184702	2489663
Total Amount(Rs.)	8713056	8194646
Rate/Unit (Rs.KWH)	3.99	3.29
b) Own Generation through Diesel Generators		
Units	1151860	1361960
- Diesel oil per litre (Rs.)	8.02	6.99
- Cost per unit (Rs.) (Diesel Cost only)	3.56	2.10

FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company's products continue to be well accepted in Overseas Markets and good progress has been achieved in the export front.

Earnings and Outgo

	1996-97 Rs.	1995-96 Rs.
a) Foreign Exchange Earnings	92555131	88707603
b) Foreign Exchange Outgo:		
i) Raw Materials (CIF)	837680	1753308
ii) Capital Goods (CIF)	3661800	7398986
iii) Marketing Expenses (Commission)	115075	246532
iv) Travel	2948368	3842717
v) Others	1297399	558142
	8860322	13799685

ANNEXURE TO DIRECTORS' REPORT

STATEMENT OF PARTICULARS UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES), RULES 1975 FOR THE YEAR ENDED 31ST MARCH, 1997 AND FORMING PART OF THE DIRECTORS' REPORT

Sl No.	Name of Employee	Age	Designation/ Nature of Duties	Gross Remuneration (Rs)	Qualification	Experi- ence (Years)	Date of Commercement of Employment	Previous Employment/ Position Held
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A. Employed throughout the Financial year

1.	Mehta V K	57	Vice Chairman-cum-Managing Director	1187097	B.E. (Mech.)	36	26.05.71	N.A.
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B. Employed for part of the Financial year - NIL

Note : Gross remuneration comprises of Salary, Taxable Allowances, Company's Contribution to Provident Fund and taxable value of perquisites.

CLUTCH AUTO LIMITED