

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



CLUTCH AUTO LIMITED



27TH ANNUAL REPORT
1997-98



**BOARD OF DIRECTORS :**

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

HEAD-CORPORATE AFFAIRS & COMPANY SECRETARY :

R.S. Jhanwer

AUDITORS :

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

BANKERS :

Punjab National Bank
Canara Bank

REGISTERED OFFICE :

702, Sahyog
58, Nehru Place,
New Delhi-110019

WORKS & ADMN. OFFICE

Plot No. 1-A, Sector 27-D,
12/4, Mathura Road,
Faridabad - 121003

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NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the TWENTY SEVENTH ANNUAL GENERAL MEETING of the Members of Clutch Auto Limited will be held on **Wednesday, the 30th September, 1998 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 1997-98

To receive, consider and adopt the audited Balance Sheet as at 31st March, 1998 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 the audited Balance Sheet of the Company as on 31st March, 1998 and the Profit & Loss Account for the year ended on that date, together with the Reports of the Company Auditors and Directors thereon, be and are hereby adopted".

2. To declare a Dividend

3. To appoint a Director in place of Shri B.A. Hathikhanavala who retires by rotation and is eligible for reappointment

To consider and, if thought fit and proper, to pass, with or without modification(s), the following resolution: "RESOLVED THAT Shri B.A. Hathikhanavala, 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".

Your Directors feel that the reappointment of Mr Hathikhanavala will be in the interest of the Company and the Board commends the resolution for approval. No director other than Mr B A Hathikhanavala is interested in the resolution.

4. To appoint a Director in place of Smt. Veena Mehta who retires by rotation and is eligible for reappointment

To consider and, if thought fit and proper, to pass, with or without modification(s), the following resolution: "RESOLVED THAT Smt. Veena Mehta, who retires by rotation at the ensuing Annual General Meeting and who being eligible offers herself 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".

Your Directors feel that the reappointment of Mrs Mehta will be in the interest of the Company and the Board commends the resolution for approval. No director other than Mr V K Mehta, VCMD of the Company being a close relation and Mrs V Mehta is interested in the resolution.

5. Reappointment of Statutory Auditors

To consider and, if thought fit and proper, to 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 28th Annual General Meeting on a remuneration of Rs. 1,00,000/- plus out of pocket expenses as in the preceding year."

SPECIAL BUSINESS

6. Mortgage of Fixed Assets of the Company :

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

"RESOLVED THAT in terms of the provisions of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956, consent be and is hereby accorded to the Board of Directors of the Company to create mortgages and/or Charges in addition to the existing mortgages and charges, with the right to extend the same at any point of time, on all or any of the movable or immovable properties of the Company present and/or future - wherever situated and/or whole of the undertaking of the Company together with power to take over the management of the Company in certain events in such forms and manner as may be deemed fit, for the purpose of securing Foreign Currency Term Loan/ Working Capital Term Loans as detailed below :

A. By way of First Charge for :

- (i) Foreign Currency Term Loan (FCTL) for ITL 2107 mn. (approx. equivalent to Rs. 490 Lakhs) lent/to be lent/advanced by Export Import Bank of India (EXIM Bank).
- (ii) Placement of Non Convertible Debentures (NCD)/Working Capital Term Loan (WCTL) for Rs. 500 Lakhs lent/to be lent/advanced by the Industrial Investment Bank of India (IIBI)/All India Development Financial Institutions/ Bank(s).
- (iii) Term Loan/Working Capital Term Loan upto Rs. 700 Lakhs to be lent/advanced by All India Development Financial Institutions/Commercial Bank(s).

B. By way of Second Charge for :

Additional Fund Based and Non Fund Based Working Capital facilities to the extent of Rs. 500 lakhs under various heads provided/to be provided by Punjab National Bank (PNB)/ Canara Bank (CB)/other Commercial Bank(s). Interest, additional interest, costs, charges, expenses



and other monies payable in respect of the above FCTL/WCTL/TL and working capital facilities.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise the arrangements with the said Exim Bank/IIBI/Other Financial Institutions/PNB/CB and any other Commercial Bank(s) for creating aforesaid mortgage and/or Charge and to do all such acts and things as may be necessary for giving effect to this resolution."

Regd. Office : By Order of the Board,
702, Sahyog,
58, Nehru Place,
New Delhi-110019
Dated : 21st August, 1998

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 to 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 Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the Special business as set out above is annexed hereto.
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 28th September, 1998 to 30th September, 1998 (both days inclusive).
6. The dividend as recommended by the Board of Directors, if approved at the General 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 30th September, 1998.
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-110019.
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.
10. Members may also kindly note that there will be no gifts at the time of the Annual General Meeting.

ANNEXURE TO THE NOTICE

ITEM NO. 6

EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956

In view of the increased competition in the domestic as well as international market and especially with the entry of MNCs in the automobile sector in India, it has become essential for the Company to induct most modern technology in its manufacturing processes and product-mix. To achieve this aim, the Company has undertaken an expansion-cum-modernisation project in consultation with its technical collaborators viz. Automotive Products Italia SpA., Italy. To fund the project, the Company has approached All India Development Financial Institutions and Banks for requisite financial assistance. In this context, the Export Import Bank of India has sanctioned a Foreign Currency Term Loan of ITL 2107 mn. (approx. equivalent Rs. 490 lakhs) and the matter is also under negotiation with other financial institutions and banks for the remaining funds for financing of the project. The Industrial Investment Bank of India, Calcutta, has also agreed to extend financial assistance for long term requirement by way of placement of Non Convertible Debentures/Working Capital Term Loan upto Rs. 500

lakhs towards this project subject to certain conditions. Additional Working Capital Facilities upto Rs. 500 lakhs, are also being arranged/availed of with PNB/CB/other Commercial Banks for normal working funds of the Company. The FCTL/NCD/WCTL/Working Capital Facilities will have to be secured by way of charge/mortgage on the immovable and movable properties of the Company, both present and future, and will rank *pari passu* with the respective existing mortgage/charge created in favour of the said Banks/Financial Institution(s) and the participating Financial Institutions to cover the outstanding balances of loans already availed of from them.

In terms of Section 293(1) (a) of the Companies Act, 1956, consent of Shareholders in General Meeting is required for authorising the Board of Directors of the Company for mortgaging of its immovable and movable properties in favour of the said Banks/Financial Institution(s).

None of the directors is interested in the resolution.



DIRECTORS' REPORT TO THE MEMBERS

Dear Members,

Your Directors have pleasure in presenting the 27th Annual Report and the accounts for the financial year ended 31st March 1998.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	1997-98	1996-97
Turnover	7793.08	6650.55
Profit before Depreciation	406.19	374.85
Less : Depreciation	133.88	106.23
Net Profit before Tax	272.31	268.62
Provision for Tax	45.74	54.50
Net Profit after Tax	226.57	214.12
Balance of Profit brought forward	221.91	90.99
Provision for Dividend & Tax written back	60.98	—
Surplus available for appropriation	509.46	305.11
APPROPRIATION :		
Transferred to Specific Reserves	22.22	22.23
Proposed Dividend & Tax thereon	63.60	—
Surplus carried forward to the		
Balance Sheet	423.64	282.89

SHARE CAPITAL

During the year under report, the 1371400 warrants were converted into 1371400 Equity Shares of Rs. 10/- each issued (Party Paid) at a premium of Rs. 2.50 per Share. Accordingly, Equity Share Capital of the Company has increased to Rs. 814.48 lacs.

DIVIDEND FOR THE YEAR 1997-98

It may be recalled that based on the recommendation of your Directors, the Members had approved the proposal for payment of a dividend for the last year (1996-97) @7.5% (pro-rata) subject, however, to the approval of the Financial Institutions (FIs) and Banks. Although the Financial Institutions had not raised any objection, yet our concerned Banks did not approve of the proposal on the ground of the 'current ratio' of the Company as on 31.3.1997 being less than the RBI's prescribed norms. Nevertheless, the members in the last A.G.M. had approved of the proposal subject again, to the approval of the Banks for which the management was advised to make another approach. A strong bid was accordingly made again but, unfortunately, the bank again refused to be persuaded to change their views due to the same "current ratio" problem. As a result, as already indicated in our circular letter dated 1.2.98 to the Members, the Company had no option but to withdraw the proposal for payment of dividend for the year 1996-97.

In respect of the subsequent financial year ended March, 1998 for which the requirement of 'current ratio' has been duly fulfilled, the Directors are now facing another problem from the participating FIs/Banks due to their insistence on the "right of recompense" for the so-called "earlier financial sacrifices" when your Company was sick and under BIFR umbrella and was allowed concessional financial assistance from those bodies. This is being discussed with them.

All the same, your Directors feel optimistic that the FIs/Banks may eventually agree to declaration of a maiden dividend of 7.5% (pro-rata) on 88,20,082 equity shares of Rs. 10/- each which, if approved by the AGM, will be paid to all the equity shareholders whose names appeared on the Register of Members as on 30th September, 1998.

DOMESTIC OPERATIONS

You are aware of the current deep recession in the Automotive Industry particularly in the commercial vehicles segment. It will not be out of place to mention at this stage that even Maruti Udyog Ltd. (MUL) one of our most important customers which had a lion's share in the passenger vehicles segment is also now facing increasing competition from their rivals in this segment, and we fear that any diversion of their market share to other parties may impact our share in this segment. The gloomy conditions in the auto-market and the state of general economy are distressing factors which are to be reckoned with squarely.

Your Company has, however, managed to fight the depressing trends in the commercial vehicle segment by concentrating on segments like Tractors and also getting into new accounts. In this regard, it may be stated that your Company has been able to establish new useful business relationship with Mahindra & Mahindra Ltd. and TAFE. We are increasingly entering into Tractor segment to partially make up for the loss of business in OEM market, and luckily the domestic replacement market sales have also picked up.

EXPORT

During the year under report, despite cut throat global competition and recessionary trend in the US market, your Company has managed to export of Rs. 920 Lacs worth of goods almost around the same as in the last year.

FUTURE OUTLOOK

Your Company despite the daunting domestic scenario hopes to increase its turnover during the current year with a major break through on the Export front. It is also actively engaged in the development of Clutch assemblies for the new versions of cars being manufactured in the country or for the export market.

Your Company is working on a strategy to meet the competition from some international clutch manufacturers who have recently set up joint ventures in the country. To keep abreast in this matter, apart from acquiring latest technical know-how from M/s. Automotive Products, Italy, a renowned International Clutch Company, your Company has also had the benefit of interfacing with a couple of International Consultants to bring up the level of our technical expertise to the global standard in the near future. We have already started reaping the benefit from improvements in our technology with the help of these consultants and with the new equipments already installed. Your Company is confident of not only being able to meet the challenges from International Players in the domestic market but also to become very shortly a world class supplier of these ancillaries in the OEM Markets.

Your Company, which is already an ISO 9002 Company is now preparing for certification under QS 9000 which will enable it to freely supply its products to international giants (OEMs) all over the world. In this regard, the Company has recently had a pre-assessment drill completed and looks forward hopefully to achieve the requisite accreditation during the current year. The Exim Bank has also agreed, in principle, to partially fund the expenses for the QS 9000 exercise by way of a grant.



MODERNISATION CUM EXPANSION PROJECT

As you know the automobile sector is going through very tough times. More and newer ranges of vehicles are being rapidly introduced in the country. To reach up to the exacting demands and expectations of the manufacturers and their customers, your Company has initiated action to modernise its production-capability with a modernisation-cum-expansion project involving an investment of approx. Rs. 16 Crores mainly with help from Exim Bank. This Bank has already sanctioned a Foreign Currency Term Loan of ITL 2107mn. (equivalent of Rs. 490 Lakhs) and the Industrial Investment Bank of India has also agreed to extend a Term Loan of Rs. 500 Lakhs to meet the long term working fund requirements of the project. Furthermore, your Company is also negotiating with All India Development Financial Institutions and Commercial Banks for a term loan of Rs. 700 Lakhs to part finance the project which envisages import of sophisticated equipment from Italy in close cooperation with Automotive Products Italia SpA, Italy with a view to upgrade its existing production capability & infrastructure.

You may be aware that your Company has entered into a technical collaboration with Automotive Products Italia SpA, Italy (a group company of AP Borg & Beck) for the manufacture of improved versions of Clutches. A Technology Assistance Agreement for Diaphragm Springs - a critical component for manufacture of Clutches - is under negotiation. We have, meanwhile, started receiving sophisticated/modern technology to better and upgrade our manufacturing processes.

Your Company has signed a letter of intent with M/s. Raybestos Industrie - Produkte GmbH, Morbach, Germany for marketing and manufacture of non asbestos Clutch Facings to be used as a component in our Clutches for supply to OEMs, aftermarket and exports. In this regard, your Company proposes to enter into a joint venture with Raybestos, Germany on mutually acceptable terms.

PERFORMANCE AGAINST PROJECTIONS IN THE PROSPECTUS

In terms of clause 43 of the Listing Agreement, the required information is given hereunder for the year 1997-98

	(Rs. in Crores)	
	As per Prospectus	Actual (audited)
Gross Sales	63.88	77.93
Net Sales	57.50	71.15
PBT	3.28	2.72
PAT	2.00	2.27
Dividend	1.26	0.64
EPS (Rs.)	2.27	2.94

It will be observed from the "Actual" audited results that the Company has crossed the projected levels of performance in terms of sales, profits and EPS and this is no mean achievement in the severely depressed market conditions.

DIRECTORS

In accordance with the requirement of Section 256 of the Companies Act, 1956 and the Articles of Association of your Company, Shri B.A. Hathikhanavala and Smt. Veena Mehta, Directors, retire by rotation and being eligible offer themselves for re-appointment. Your Board recommends their reappointment which will be in the interests of your Company.

PERSONNEL

The Board wishes to place on record its deep appreciation of the contribution made by its employees at all levels enabling the Company to put forth a creditable level of performance and growth during the year despite severe operational constraints of financials and liquidity. As stated earlier, your Company has appointed two foreign engineering consultants for imparting modern technical training to our employees for sharpening and developing their skills, thus achieving corporate goals and providing opportunities for professional development of its technical personnel. The progress in this direction is very satisfactory. Relations between the Management and employees during the year were harmonious and cordial.

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.

PUBLIC DEPOSITS

The Company did not accept any public deposits during the year under report. There are no outstanding deposits as on 31st March 1998 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 in terms of 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 being eligible, are available 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 reappointment as Company Auditors for the current financial year 1998-99 on the existing terms and conditions of their employment.

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.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the assistance and cooperation extended to the Company by Financial Institutions, participating Banks, Export Import Bank of India, Government of Haryana, Central Government, Shareholders, Customers and business associates and many others whose continued support has always been a source of cheer and strength to the Company. The Directors are appreciative of the willing cooperation and sincere efforts made by the Officers, Staff and other employees for their excellent performance. And while concluding, I will like to convey my personal thanks to all the concerned for showing understanding and reposing their faith in the Company during our difficult times and express the Management's optimism for a better future.

For and on behalf of the Board

Place : New Delhi
Dated : 21st August, 1998

K.S. BHATNAGAR
Chairman

**ANNEXURE TO DIRECTORS' REPORT**

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

No. of Units produced	1287369
Electricity Units consumed (KWH)	3574725
Energy Consumption/Unit (KWH)	2.77

CONSERVATION OF ENERGY**1. Measures taken :**

The Company has modified its furnaces in H.T. Department to have more capacity and to save fuel by replacing some of the outdated oil fired furnaces. It has also finalised modernisation for certain furnaces under Technical Assistance Agreement (TAA) with Automotive Products Italia SpA. These furnaces are fully under computer control thereby eliminating very considerable waste of energy. The Company has also installed automatic power factor correction system to eliminate loss of electrical energy in operating system.

2. Research & Development Technology Absorption

The Company has upgraded its R&D facility with the installation of a New Clutch Tester costing Rs. 85 lakhs which is a unique testing machine. The response time for new analysis has now been reduced considerably and the technical aspects of the product has also improved substantially. The Company is planning to reinforce its R&D facility further by adding the following machines :

1. Burst Testing Machine
2. Dynamic Actuation Testing Machine
3. Static Actuation Testing Machine

which are estimated to cost around Rs. 1 crore.

Energy Saving

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

FORM A**A) Power and Fuel Consumption**

	Current	Previous
a) Electricity purchased		
Units (KWH)	2285250	2184702
Total Amount (Rs.)	7688157	8713056
Rate/Unit (Rs. KWH)	3.36	3.99
b) Own Generation through Diesel Generators		
Units	1289475	1151860
- Diesel oil per litre (Rs.)	10.10	8.02
- Cost per unit (Rs.) (Diesel Cost only)	4.60	3.56

FOREIGN EXCHANGE EARNINGS AND OUTGO

Earnings and Outgo	1997-98 Rs.	1996-97 Rs.
a) Foreign Exchange Earnings	92070168	92555131
b) Foreign Exchange Outgo :		
(i) Raw Materials (CIF)	13582842	837680
(ii) Capital Goods (CIF)	13106294	3661800
(iii) Marketing Expenses (Commission)	-	115075
(iv) Travel	3470203	2948368
(v) Others	1253137	1297399
	123482644	8860322

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, 1998 AND FORMING PART OF THE DIRECTORS' REPORT**

Sl No.	Name of Employee	Age (Yrs)	Designation/ Nature of Duties	Gross Remuneration (Rs.)	Qualification	Experience (Years)	Date of Commencement of Employment	Name of the Company	Previous Employment Position held
A. Employees who were employed throughout the year and were in receipt of remuneration in aggregate of not less than Rs. 3,00,000/- per annum									
1.	Mehta V K	58	Vice Chairman-cum- Managing Director	1352707	B.E. (Mech.)	37	26.05.71	N.A.	N.A.
2.	Mani S G	54	Vice President	401331	B.E., DBM	34	03.07.89	Krishna Fabricators	General Manager
3.	Sharma S C	51	General Manager (Works)	337687	A.M.I.E.	30	0.1.06.85	Sirocco Auto (P) Ltd.	General Manager
B. Employees who were employed for a part of the year and were in receipt of remuneration in aggregate of not less than Rs. 25000/- per month.									
1.	Khandelwal K C	60	General Manager (Finance & Accounts)	116159	M.Com., FICWA	17	12.11.97	Lasser India (P) Ltd.	General Manager

- Note : 1. Gross remuneration comprises of Salary, Allowances, Medical reimbursement, Company's Contribution to Provident Fund and taxable value of perquisites, Gratuity and Superannuation Fund.
2. All appointments are non-contractual except in case of VCMD.
3. None of the employees named above is related to any of the directors of the Company.
4. Except Shri V.K. Mehta, none of the above employees alongwith his spouse and dependant children holds 2% or more of the equity shares of the Company.