



CLUTCH AUTO LIMITED

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28TH ANNUAL REPORT
1998-99

BOARD OF DIRECTORS :

K.S. BHATNAGAR	Chairman
V.K. 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.)
S.G. MANI	Executive Director
ANUJ MEHTA	Executive Director

GM - CORPORATE AFFAIRS & COMPANY SECRETARY :

R.S. JHANWER

AUDITORS :

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

BANKERS

Punjab National Bank
Canara Bank

REGISTERED OFFICE :

2E/14 (1st Floor)
Jhandewalan, Extn.
New Delhi - 110 055

WORKS & ADMN. OFFICE

Plot No. 1-A, Sector 27-D,
12/4, Mathura Road,
Faridabad - 1210 03

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NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the **TWENTY EIGHTH ANNUAL GENERAL MEETING** of the Members of Clutch Auto Limited will be held on **Saturday, the 18th September, 1999 at 11.00 A.M. at Sapru House, Barakhamba Road, New Delhi** to transact the following business :

ORDINARY BUSINESS

1. Adoption of Annual Accounts for the year 1998-99

To receive, consider and adopt the audited Balance Sheet as at 31st March, 1999 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, 1999 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 consider declaration of dividend.

3. To appoint a Director in place of Shri K S Bhatnagar 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 K S Bhatnagar, Director 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 re-appointment of Shri K S Bhatnagar [who has also been the Chairman of the Company for more than a decade] will be entirely in the interest of the Company and the Board commends the resolution for your approval. No Director other than Shri K S Bhatnagar is interested in the resolution.

4. To appoint a Director in place of Shri K K Taneja 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 K K Taneja, Director 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 Shri K K Taneja will be entirely in the business interests of the Company and the Board commends the resolution for your approval. No Director other than Shri K K Taneja 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 29th Annual General Meeting on a remuneration of Rs.1 lakh plus out of pocket expenses as in the preceding year."

SPECIAL BUSINESS

6. Reappointment of Shri V K Mehta as Vice Chairman-cum-Managing Director

To consider and, if thought fit and proper, 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, 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force), and subject to the approval of the concerned Financial Institutions, the Company hereby approves the re-appointment of and remuneration payable to Shri V K Mehta, Vice Chairman-cum-Managing Director of the Company for a period of 3 years w.e.f. 26th May, 1999 on the terms and conditions including remuneration as are set out in the draft agreement to be entered into between the Company and Shri V K Mehta, copies whereof are placed before this meeting and are hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said draft agreement (including any statutory modification or re-enactment thereof, for the time being in force or any amendments or modifications that may hereafter be made thereto by the Central Government), as may be agreed to between the Board of Directors and Shri V K Mehta.

RESOLVED FURTHER THAT wherein any financial year closing on and after 26th May, 1999, the Company has no profits or its profits are inadequate, the Company may pay Shri V K Mehta remuneration by way of salary, perquisites and other allowances as set out in the draft agreement as minimum remuneration.

RESOLVED FURTHER THAT in the event of any statutory amendment or modification or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, the Board of Directors be and is hereby authorised to vary or increase the remuneration, including salary, commission, perquisites and other allowances within such prescribed limit or ceiling and the aforesaid agreement between the Company and Shri V K Mehta be suitably amended to give effect to such modification, relaxation or variation without any further reference to the Company in general meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary, proper or expedient to give effect to this resolution."

7. Appointment of Shri S G Mani as Executive Director

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

"RESOLVED THAT subject to the provisions of section 269, 198, 309 & 311 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the Company hereby



approves the appointment of Shri S G Mani as an 'Executive Director' of the Company on a rotational basis initially for a period of three years w.e.f. 18th January, 1999 on the following remuneration:

- i) Salary : Rs. 31,000 per month in the pay scale of Rs. 25,000 – 3,000 – 40,000
- ii) Perquisites : As set out below – as Part 'A', 'B' & 'C' but shall not exceed to annual salary or Rs. 4,50,000 per annum, whichever is less as per the provisions of the Companies Act.

PART 'A'

- a) Housing – Not exceeding 60% of the salary of which 10% shall be borne by the Executive Director if the Company does not provide residential accommodation for the Executive Director and when a Company-owned house is provided, the Executive Director shall pay back to the Company by way of Rent @10% of the salary.

Reimbursement on account of Electricity, Water, Gas and furnishings shall not exceed 10% of salary and will be valued as per the applicable Income Tax Rules from time to time.

- b) Medical expenses for self and dependent family members not exceeding one month's salary in every year or three months salary in a block of three years.
- c) LTA as per rules of the Company (at present one month's salary).
- d) Personal Accident – the premium of which shall not exceed Rs. 4,000 per annum.
- e) Bonus as per Company rule.
- f) Club Fees not exceeding 2 Clubs, but no Life Membership Fee and Admission Fee shall be paid.

PART 'B'

- a) Contribution to Provident Fund not exceeding 12% of the salary.
- b) Contribution to Gratuity not exceeding half month's salary for every completed year of service.

PART 'C'

- a) Provision of Car for self for official purposes. Any non-official use of the Car shall be billed by the Company.
- b) Telephone at the residence but any long distance personal calls shall be billed by the Company.

RESOLVED FURTHER THAT even in the event of inadequacy or absence of profits in any year, the Executive Director may still be paid the above remuneration as "minimum remuneration".

8. Appointment of Shri Anuj Mehta as Executive Director

To consider and, if thought fit and proper, to pass, with or without modification(s), the following resolution as a **Ordinary Resolution** :-

"RESOLVED THAT subject to the provisions of Sections 269, 198, 309, 311 & 314 read with Schedule XIII and other

applicable provisions of the Companies Act, 1956, the Company hereby approves the appointment of Shri Anuj Mehta as an 'Executive Director' of the Company for a period of five years w.e.f. 18th January 1999 on the following remuneration:

- i) Salary : Rs. 25,000 per month in the 'Executive Director' pay scale of Rs. 25,000 – 3,000 – 40,000
- ii) Perquisites : As set out below – as Part 'A', 'B' & 'C' but shall not exceed to annual salary or Rs. 4,50,000 per annum, whichever is less as per the provisions of the Companies Act.

PART 'A'

- a) Housing – Not exceeding 60% of the salary of which 10% shall be borne by the Executive Director if the Company does not provide residential accommodation for the Executive Director and when a Company-owned house is provided, the Executive Director shall pay back to the Company by way of Rent @10% of the salary.

Reimbursement on account of Electricity, Water, Gas and furnishings shall not exceed 10% of salary and will be valued as per the applicable Income Tax Rules from time to time.

- b) Medical expenses for self and dependent family members not exceeding one month's salary in every year or three months salary in a block of three years.
- c) LTA as per rules of the Company (at present one month's salary).
- d) Bonus as per Company rules.
- e) Personal Accident – the premium of which shall not exceed Rs.4000/- per annum.
- f) Club Fees not exceeding 2 Clubs, but no Life Membership Fee and Admission Fee shall be paid.

PART 'B'

- a) Contribution to Provident Fund not exceeding 12% of the salary.
- b) Contribution to Gratuity not exceeding half month's salary for every completed year of service.

PART 'C'

- a) Provision of Car for self for official purposes. Any non-official use of the Car shall be billed by the Company.
- b) Telephone at the residence but any long distance personal calls shall be billed by the Company.

RESOLVED FURTHER THAT in the event of inadequacy or absence of profits in any year, the Executive Director may still be paid the above remuneration as minimum "remuneration".

Regd. Office :
2E/14, Jhandewalan Extn.
New Delhi - 110 055

By Order of the Board,

R.S. JHANWER
GM - Corporate Affairs & Co. Secretary

Dated : 12th August, 1999

**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 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 Member and Transfer Books shall remain closed from 15th September, 1999 to 18th September, 1999 (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 to those shareholders, whose names appear in the Company's Register of Members as on 18th September, 1999.
7. Members are requested to intimate change of their address, if any, to the Company Secretary, Clutch Auto Limited, 2E/14, Jhandewalan Extn., New Delhi 110 055.
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**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956****ITEM NO. 6****Reappointment of Shri V K Mehta as Vice Chairman-cum-Managing Director**

Shri V K Mehta was re-appointed by the Board of Directors as Vice Chairman-cum-Managing Director of the Company at its meeting held on 26th April 1999 w.e.f. 26th May, 1999 for a period of 3 years subject to the approval of shareholders at the Annual General Meeting in terms of Schedule XIII to the Companies Act, 1956. Shri V K Mehta is eligible for re-appointment as Vice Chairman-cum-Managing Director.

Shri V K Mehta is having 37 years of experience in manufacturing, trading and other business activities, out of which he has spent about 24 years in the field of Clutch manufacturing. It was by dint of his sheer hard work, sincerity and devotion to duties that Shri V K Mehta was able to turn around the Company and brought to its present happy stage.

Yours directors are strongly of the view that it would be entirely in the interest of the Company if Shri V K Mehta continues to guide the Company for the period in question and is given adequate remuneration for his valuable services.

The remuneration payable to Shri V K Mehta was decided by the Board of Directors at its meeting held on 26th April 1999.

The draft agreement proposed to be entered into by the Company with Shri V K Mehta, in respect of his re-appointment, inter alia, contains the following terms and conditions:-

Salary	:	Rs. 70,000 in the pay scale of Rs. 70,000 – 5000 – 80000/-p.m.
Commission	:	On the net annual profit of the Company not exceeding 1%

PERQUISITES AND ALLOWANCES :

In addition to salary and commission, Shri V K Mehta shall be entitled to perquisites and allowances like accommodation (furnished

or otherwise) or House Rent Allowance in lieu thereof, House Maintenance Allowance together with reimbursement of expenses/allowances for utilisation of gas, electricity, water, furnishing and repairs, medical reimbursement, education allowance, leave travel concession for self and his family including dependants, club fees, premium for medical insurance and all other payments in the nature of perquisites and allowances as agreed by the Board of Directors upto Rs.4,50,000/- per annum subject to overall ceiling of remuneration stipulated in Sections 198 and 309 of the Companies Act, 1956.

The terms and conditions as set out in the draft agreement may be altered and varied from time to time by the Board of Directors of the Company as it may, at its discretion deem fit, (including any statutory modifications or re-enactment thereof, for the time being in force) or any amendments made thereto.

The Agreement may be terminated by either party by giving to the other party six months' notice. The above may be treated as an abstract of the draft agreement proposed to be entered into between the Company and Shri V K Mehta, pursuant to Section 302 of the Companies Act, 1956.

The draft agreement proposed to be entered into between the Company and Shri V K Mehta, is available for inspection by the Members of the Company at the Registered Office of the Company on any working day excluding Saturdays upto the date of the ensuing Annual General Meeting between 11.00 a.m. and 1.00 p.m.

The Directors recommend the resolution set out at item No. 6 of the Notice for approval of the shareholders.

Shri V K Mehta is deemed to be concerned or interested in the resolutions set out at item No. 6 of the Notice as it pertains to his reappointment and remuneration payable to him. Further, Smt



Veena Mehta, wife of Shri V K Mehta and Shri Anuj Mehta, son of Shri V K Mehta are deemed to be concerned or interested in the resolutions.

None of the other Directors of the Company is, in any way, concerned or interested in the said resolutions.

ITEM NO. 7

Appointment of Shri S G Mani as Executive Director

Shri S G Mani is B.E. Mech. & D.B.M. aged 55 years and having a successful career track record of 34 years spanning various technical and general management functions. Before his appointment as Executive Director, he was Vice President of the Company for about 10 years. He has been playing an important role in Corporate planning, O.E.M. & Export Marketing, Total Quality functions, Human Resource development, all technical and also imports activities of the Company. Earlier, he had worked as General Manager (Works) from 1981 to 1986. Shri Mani has been one of the key persons who led the company's successful turn around. In recognition of the vast & rich experience, the Board of Directors of the Company in its meeting held on 18th January, 1999, has appointed Shri S.G. Mani as an Executive Director of the Company subject to the provisions of section 269, 198, 309 & 311 and other applicable provisions of the Companies Act, 1956 and subject to the approval of Shareholders in the General Meeting for a period of three years w.e.f. 18th January 1999.

The terms and conditions as set out in the draft agreement may be altered and varied from time to time by the Board of Directors of the Company as it may, at its discretion deem fit, so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) or any amendments made thereto.

The Agreement may be terminated by either party by giving to the other party six months' notice. The above may be treated as an abstract of the draft agreement proposed to be entered into between the Company and Shri S.G. Mani, pursuant to Section 302 of the Companies Act, 1956.

The draft agreement proposed to be entered into between the Company and Shri S.G. Mani, is available for inspection by the Members of the Company at the Registered Office of the Company on any working day excluding Saturdays upto the date of the ensuing Annual General Meeting between 11.00 a.m. and 1.00 p.m.

The Board of Directors recommends the resolution set out at Item No.7 of the Notice for approval of the shareholders.

Except Shri S G Mani, no other director is deemed to be interested in this resolution.

ITEM NO. 8

Appointment of Shri Anuj Mehta as Executive Director

Shri Anuj Mehta is B.Com., MBA (Vanderbilt University), USA, aged 29 years, son of Shri V K Mehta, Vice Chairman-cum-Managing Director and Smt. Veena Mehta, Director of the Company has been appointed as an Executive Director w.e.f. 18th January, 1999.

Since Shri Anuj Mehta is a relative of two Directors of the Company, the appointment has to be approved by the General Body in terms of the provisions of section 314 of the Companies Act, 1956.

Shri Anuj Mehta was appointed as 'Executive (Co-ordination)' on probation w.e.f. 1st July'93 and the same was approved by the Board in the meeting held on 23rd Aug'93 and subsequently by the Shareholders u/s 314(1B) of the Companies Act, 1956 at the 22nd AGM held on 27th Sept.'93.

Since his appointment, Shri Anuj Mehta turned out over all excellent performance in all areas of the Company's wide range of activities including Administration, Production, Purchase, Finance, Quality Control, etc. and contributed a good lot in effecting substantive improvements in the over all functioning of the Company and in ensuring better productivity of the work force. As per appraisal report over the years, his performance was rated as 'Excellent' and he was recommended accelerated promotion and adequate salary package. Accordingly, he was promoted to General Manager (Commerce).

Having crossed 5 years of excellent record of service in the assigned areas of development of marketing strategy, Shri Anuj Mehta has been appointed as 'Executive Director' of the Company subject to the provisions of section 269, 198, 309, 311 & 314 and other applicable provisions of the Companies Act, 1956 and subject to the approval of Shareholders in the General Meeting for a period of five years w.e.f. 18th January, 1999.

The terms and conditions as set out in the draft agreement may be altered and varied from time to time by the Board of Directors of the Company as it may, at its discretion deem fit, so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) or any amendments made thereto.

The Agreement may be terminated by either party by giving to the other party six months' notice. The above may be treated as an abstract of the draft agreement proposed to be entered into between the Company and Shri Anuj Mehta, pursuant to Section 302 of the Companies Act, 1956.

The draft agreement proposed to be entered into between the Company and Shri Anuj Mehta, is available for inspection by the Members of the Company at the Registered Office of the Company on any working day excluding Saturdays upto the date of the ensuing Annual General Meeting between 11.00 a.m. and 1.00 p.m.

The Board of Directors recommend the resolution set out at Item No.8 of the Notice for approval of the shareholders.

Apart from Shri Anuj Mehta, Shri V K Mehta, Vice Chairman-cum-Managing Director and Smt. Veena Mehta, Director of the Company being in relations, are deemed to be concerned or interested in the resolution.

None of the other Directors of the Company is, in any way, concerned or interested in the said resolution.

By Order of the Board,

R.S. JHANWER

GM - Corporate Affairs & Co. Secretary



DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting you the 28th Annual Report together with the Audited Accounts for the financial year ended on 31st March, 1999.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	1998-99	1997-98
Turnover	7,388.04	7,793.08
Profit before Depreciation	436.55	406.19
Less : Depreciation	185.60	133.88
Net Profit before Tax	250.95	272.31
Provision for Tax	40.07	45.74
Net Profit after Tax	210.88	226.57
Balance of Profit brought forward	423.64	221.91
Provision for Dividend & Tax written back	63.60	60.98
Provision for Depreciation for early years	15.73	—
Surplus available for appropriation	682.39	509.46

APPROPRIATION :

Transferred to Specific Reserves	22.23	22.22
Proposed Dividend & Tax thereon	72.02	63.60
Surplus carried forward to the Balance Sheet	588.14	423.64

SHARE CAPITAL

During the year under report, your Company has received Rs. 64.62 lacs on account of Call money on partly paid equity shares. Accordingly Equity Share Capital of the Company has increased to Rs.877.27 lacs.

DIVIDEND

It may be recalled that the members had approved in the last AGM a proposal in principle for payment of dividend for the year ended March 1998 @ 7.5% (pro-rata), but due to the insistence on the "Right of Recompense" for the financial sacrifices made by the Banks and Financial Institutions during the period when the Company was sick and under BIFR umbrella, the proposal was not found acceptable by the concerned Banks and the proposal could not be proceeded with at appropriate time. Even for the current financial year the participating Banks have again stipulated that dividend should not be paid without their specific approval and that too only when the "current ratio" of 1.33 has been achieved. Due to continued liquidity problems and heavy capital investments (which had become absolutely essential in view of the current market compulsions), your directors are once again facing considerable difficulties in setting aside requisite funds for declaring even a token dividend. They nevertheless recommend to the General Body a modest dividend @ 7.5% for the year ended March 1999 and are confident to securing the necessary approvals in this regard with due compliance of the prescribed minimum current ratio.

OPERATIONS

Though the automobile industry has witnessed a severe recessionary trend during the last two and half years, yet your Company continuous to maintain its leadership in the market in its product ranges. All the same, there has been a structural change in the market segment as depicted in the following statemet:

	1996-97	1997-98	1998-99
OE	39%	28%	27%
Aftermarket Sales	33%	46%	42%
Defence	8%	9%	15%
State Transport Undertakings	3%	3%	2%

In the OEM segment, while the sales fell steeply from 39% of Turnover during 1996-97 to 27% during 1998-99, the sales in the aftermarket have increased appreciably from 33% in 1996-97 to 46% in 1997-98 and to 42% in 1998-99. In the Defence segment, the sales have registered increase from 8% in 1996-97 to 15% in 1998-99.

On the export front, despite tough competition in the US automotive market, your Company has been able to hold its own and is constantly exploring newer possibilities to further accentuate its export efforts.

FUTURE OUTLOOK

Your Company has installed sophisticated Italian equipment and a full-fledged in-house testing facility to ensure quality of its product to the global standards. The Company has also reinforced its Tool Room which has helped it to minimise response time in tooling. With technical support under License and Technical Assistance Agreement and active involvement of three world renowned specialist consultants, the Company has been able to meet the increasing requirements of the customers towards the quality and performance of its products and development of new innovative products for further needs. The Company has successfully launched lead-free asbestos clutch facings under brand name of "Cockroach" in the Indian market with support from Raybestos Industrie-Produkte GmbH, Germany. The product has been well accepted in the market which should help the Company to increase its turnover in domestic and export markets and in turn, profitability. The Company has also signed a letter of intent with Raybestos, Germany to manufacture non-asbestos clutch facings under a Joint Venture arrangement. The Company has also undertaken to manufacture diaphragm springs, a critical input for Clutch Assembly, in-house.

MODERNISATION CUM EXPANSION PROJECT

During the year under report, your Company invested a sum of Rs.886 lakhs on the on-going expansion-cum-modernisation project. This equipment has been installed and the relative commercial production is likely to start soon with benefits accruing in the coming years. With these improvements, your Directors feel confident to meet adequately the competitive challenges in the coming millenium.

DIRECTORS

During the year under report, your Board has re-appointed Shri V K Mehta as Vice Chairman-cum-Managing Director for a period of 3 years w.e.f. 26th May, 1999. The Board has also appointed Shri S G Mani and Shri Anuj Mehta – both Senior Executives of the Company – as Executive Directors on the Board of the Company