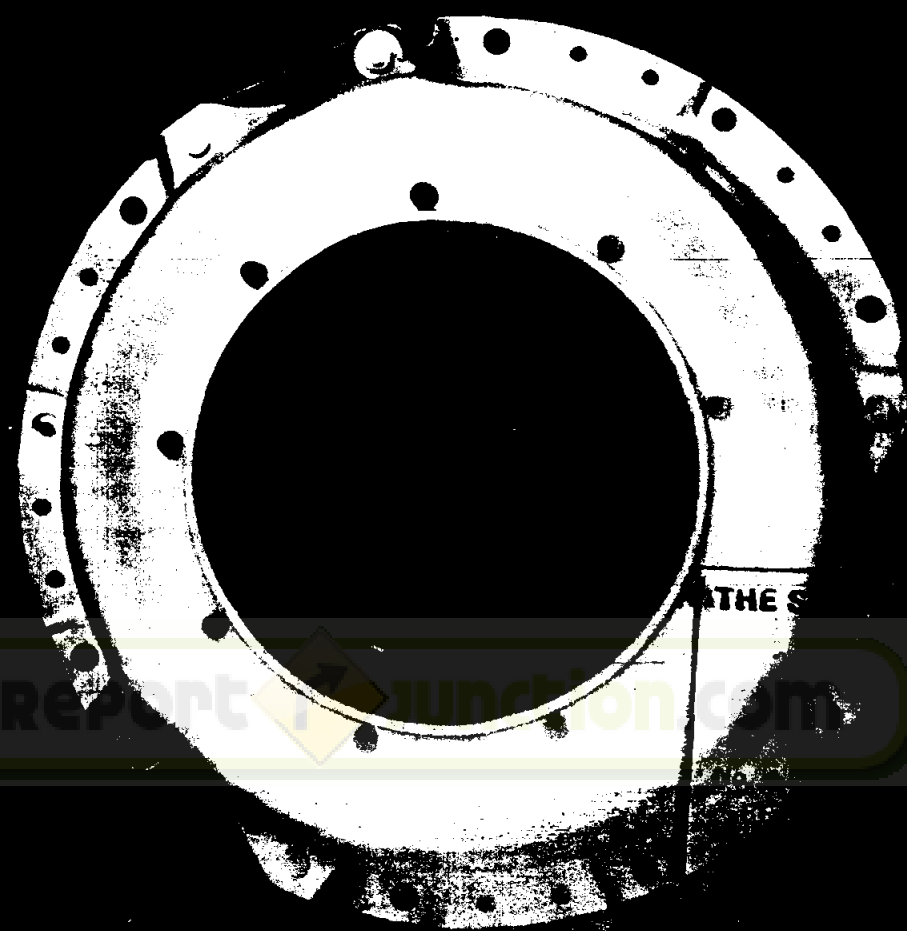




**India's No 1 Clutch**



**30TH ANNUAL REPORT  
2000-2001**

**BOARD OF DIRECTORS:**

K.S. BHATNAGAR	Chairman
V.K. MEHTA	Vice Chairman-cum-Managing Director
VEENA MEHTA	Director
B.A. HATHKHAVALA	Director
K.K. TANEJA	Director
T. MATHEWS	(Nominee of IIBI)
P.S. ASTHANA	(Nominee of PNB) [Withdrawn w.e.f. 30.11.2000]
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  
202/203, Satyam Cinema Complex,  
Ranjit Nagar Commercial Complex  
New Delhi - 110 008

**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 - 121003

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## NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 30<sup>th</sup> ANNUAL GENERAL MEETING of the Members of Clutch Auto Limited will be held on Saturday, 22nd September, 2001 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 2000-2001**

To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2001 and the Profit and 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 31<sup>st</sup> March, 2001 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 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 larger interests of the Company and the Board commends the resolution for approval by the General Body. No director other than Shri K.K. Taneja is interested in the resolution.

**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, Chairman & 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.S. Bhatnagar will be entirely in the interests of the Company and the Board commends the resolution for approval by the General Body. No director other than Shri K.S. Bhatnagar is interested in the resolution.

**4. 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 31<sup>st</sup> Annual General Meeting on a remuneration of Rs.1,10,000 (plus out of pocket expenses) as in the preceding year."

### SPECIAL BUSINESS

**5. 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 terms of the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, consent of the shareholders 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 takeover the management of the Company in certain events in such forms and manner as may be deemed fit, for the purpose of securing Term Loan/Working Capital Loan as detailed below :



A. By way of First charge for :

Line of Credit Loan of Rs.250 lakhs from Haryana State Industrial Development Corporation Limited (HSIDC).

B. By way of Second Charge for :

Additional Fund Based and Non-fund Based Working Capital facilities to the extent of Rs. 991 lakhs under various heads provided/to be provided by Punjab National Bank (PNB) / Canara Bank (CB).

Interest, additional interest, costs, charges, expenses and other monies payable in respect of the above Term Loan/Working Capital facilities.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to finalise the arrangements with the said HSIDC/PNB/CB 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."

**6. Appointment of Sole Selling Agents abroad**

To Consider and, if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Section 294, 294AA and other applicable provisions, if any, of the Companies Act 1956 and subject to the approval of the Central Govt. and Reserve Bank of India, if so required, the appointment as 'Selling Agent' of the following party be and is hereby approved on such terms and conditions as detailed below :-

Name & Address of the Agent -

JAYSON HORGAN OF HEAVY DUTY SALES & MARKETING, WAYZATA, MN, USA

Area -

U.S.A. in the territory of NAVISTAR INTERNATIONAL TRUCK AND ENGINE CO. AND PACCAR INC. for their Kenworth Trucks, Peterbilt Trucks and Paccar Parts and also for shipment to their subcontractors/fabricators of parts and components.

Commission

- i) 5% of the net billing invoiced by the Company on orders obtained by the Agent and accepted by the Company.
- ii) US\$ 5000 as retainer fee. If the commission exceeds this amount in the first six months, then this amount would be refunded to the Company.

Period

Five years w.e.f. 1<sup>st</sup> May 2001 till 30<sup>th</sup> of April 2006.

RESOLVED FURTHER THAT Shri V K Mehta, Vice Chairman & Mg. Director and Smt. Veena Mehta, Director of the Company be and are hereby severally authorized to sign the Agreement and to give effect to such modifications in the said Agreement as may be approved by Central Govt. and Reserve Bank of India and as may be negotiated between Shri V K Mehta, Vice Chairman & Mg. Director and the said Foreign Selling Agent within the ambit of the applicable laws, rules & provisions.

FURTHER RESOLVED THAT the Common Seal of the Company be affixed on such Agreement if so required, in the presence of any of the above-said two Directors who will sign in token of their presence.

FINALLY RESOLVED THAT Shri V K Mehta, Vice Chairman & Mg. Director and Shri R S Jhanwer, GM-Corp Affairs & Co. Secretary of the Company be and are hereby severally authorised to make necessary applications and sign all papers, documents, deeds and things to be filed with Central Govt. / Reserve Bank of India and pursue the said matter."

Regd. Office  
2E/14 (1<sup>st</sup> Floor)  
Jhandewalan Extn.  
New Delhi 110 055

By Order of the Board

**R.S. JHANWER**  
GM-Corporate Affairs &  
Company Secretary

Dated: 28<sup>th</sup> July, 2001

**NOTES:**

1. A Member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of himself/herself. A proxy needs 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 15.9.2001 to 22.9.2001 (both days inclusive)
6. The Company has admitted its Equity Shares in the Depository System of National Securities Depository Limited (NSDL) as well as Central Depository Services (India) Limited (CDSL) and has offered investors the facility to hold shares in demat form and to carry out scripless trading of these shares as per the prescribed procedure.
7. Transfer activity in respect of shares held in physical form continues to be in-house. However, in respect of shares held in demat form, the Company has appointed M/s. SRG Infotec Limited, "Devraha House", A-256, Industrial Area, Phase I, Okhla, New Delhi 110 020, as Registrars. The Register of Members continues to be maintained at the Registered Office of the Company.
8. Pursuant to the provisions of Section 109A of the Companies Act, 1956, shareholders may file Nominations in respect of their respective shareholdings. Any shareholder willing to avail of this facility may submit to the Company the prescribed form 2B, if not already filed.
9. Members are requested to intimate change of their addresses, if any, to Clutch Auto Limited, 2E/14, (1<sup>st</sup> Floor), Jhandewalan Ext., New Delhi - 110 055.
10. 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.
11. 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 at the designated counter near the entrance of the Meeting Hall.
12. Members may also kindly note that there will be no gifts at the Annual General Meeting.

**ANNEXURE TO THE NOTICE  
EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956**

**ITEM NO.5**

To fund the additional capital investment for the successful implementation of the Company's ongoing expansion-cum-modernization project, the Company had approached Haryana State Industrial Development Corporation Ltd. (HSIDC) and other financial institutions for financial assistance. Accordingly, HSIDC has sanctioned a Line of Credit of Rs.250 lakhs to the Company. For additional working capital facilities, the bankers of the Company viz. Punjab National Bank and Canara Bank are extending the financial assistance to the extent of Rs. 991 lakhs. The TL/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 Financial Institutions / Banks 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 Financial Institution(s) / Banks.

None of the directors is interested in the Resolution.

**ITEM NO.6**

The Company has appointed Shri. Jayson Horgan of Heavy Duty Sales & Marketing, Wayzata, MN., USA as Selling agents for a period of five years w.e.f. 1<sup>st</sup> May 2001 for the territory as mentioned in the aforesaid resolution for promoting export business of Company's products for application in the heavy duty Trucks and other vehicles on such terms and conditions as mentioned in the resolution. This appointment requires 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 this resolution.

Copy of Agreement proposed to be entered into with Foreign Selling Agent 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 interests of your Company's Export drive.

None of the Directors is interested in the resolution.



## DIRECTORS' REPORT

Dear Shareholders,

Your directors have pleasure in presenting the 30<sup>th</sup> Annual Report of Clutch Auto Limited along with the audited statement of final accounts for the year end 31<sup>st</sup> March, 2001.

### FINANCIAL RESULTS

(Rs in lacs)

	2000-2001	1999-2000
Turnover (Inclusive of Excise)	<b>9397.48</b>	9208.44
Profit before Depreciation	<b>507.37</b>	562.94
Less: Depreciation	<b>266.82</b>	239.55
Net Profit before Tax.	<b>240.55</b>	323.39
Provision for Tax	<b>23.89</b>	21.22
Net Profit	<b>216.65</b>	302.17
Balance of Profit brought forward	<b>703.27</b>	588.14
Surplus available for appropriation	<b>919.92</b>	783.92
<b>APPROPRIATIONS:</b>		
Transferred to Specific Reserves	<b>250.00</b>	-
Proposed Dividend & Tax thereon	-	80.65
<b>Surplus carried forward to the Balance Sheet</b>	<b>669.92</b>	703.27

### OPERATIONS

During the year under report, barring the motorcycle segment, all other segments of the Automobile Industry registered a negative growth. Car segment registered a negative growth of 7.5% (as against sale of 6.39 lacs units sold in the fiscal 1999-2000, only 5.91 lacs units were sold in 2000-2001), LCV and multi-utility vehicle segment almost stagnated and tractors segment also registered a negative growth of 9.5%. However, despite this dismal scene, your Company could still surpass last year's turnover with OE sector registering a growth of 20% (approx.). On the export front, your Company again registered a 50% growth with export sales but performance in the replacement market was not satisfactory. The net profit after tax fell by about 24% due to pressure on margins and increased market competition. This trend is likely to endure in the near future and most of the automobile, tractor and auto-component manufacturers have been forced to carry forward huge inventories. There is thus a slump in the Auto industry as a whole and production levels have been drastically slashed by most of our valued clients. This has also led into a severe liquidity constraint in the industry. The fact that there was no offtake of T-72

Tank Clutches by HVF Avadi (Defence Department) for the second year in succession has further aggravated our problems and, as stated earlier, we are rather sceptical about the business picture turning out much brighter in the near future.

### DIVIDEND

In view of position explained above, your Directors regret their inability to recommend any dividend for the year under review as the Company's financials have been very adversely affected due to depressing trends in the sales and profitability of Auto Industry as a whole and the ever deepening liquidity constraint being faced by us.

### DEPOSITORY SYSTEM

As you might be aware, by the Notification No.SMDRP/POLICY/CIR-23/2000 dated 29<sup>th</sup> May 2000 issued by Securities Exchange Board of India (SEBI), the trading in the equity shares of your Company has come under compulsory Demat category w.e.f. 30<sup>th</sup> October 2000. Your Company, in line with its philosophy of extending better services to its esteemed shareholders, has already entered into tripartite agreements with Government designated National Security Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and appointed M/s SRG Infotec Limited, New Delhi as connectivity Agents, early in August 2000 to enable our Members to get their shares dematerialised expeditiously. As of date, a total of 2081657 equity shares of the Company amounting to around 23.61% of its total Equity Capital have already gone over to Electronic System. Other Shareholders are also advised, in their own interest, to get their shareholding dematerialised as soon as possible. The International Security Identification Number allotted to your Company's shares is INE779B01019.

### BRAND PROMOTION AT INTERNATIONAL LEVEL

Your Company enjoys excellent brand image in the domestic market and in a bid to boost its brand image at the international level, it has got registered its several products and designs for patents and brands in India and USA. You will be glad to know that your Company's efforts have also been recognized by Govt. of India, Ministry of Commerce, and they have sanctioned to your Company financial assistance to the tune of Rs.3.5 crores under India Brand Equity Fund (IBEF) Trust for brand promotion in the US market. The brands already registered include 'CA MADE IN INDIA', 'CA' Plus, ECOCLUTCH & EZ n LITE CLUTCH



## RESEARCH & DEVELOPMENT (R & D)

Your Company's R & D activities are customer-oriented with focus on product application and process development. The R & D Centre of your Company continues to develop innovative processes and products. The Centre works for continuous improvement to maximize product features, minimise environment hazards and optimize cost of manufacture in the form of Value Analysis and Value Engineering (VA & VE).

The R & D Centre of your Company was recognized by the Department of Science and Technology, Govt. of India in 1986. Currently your Company is working on the project of Development & Commercialization of Ceramic Clutches for which Technology Development Board under the same Department is actively considering extension of financial support.

## CORPORATE GOVERNANCE

The Company has initiated steps towards implementation of the requirements of Corporate Governance, as recently recommended by Kumarmangalam Birla Committee and incorporated in the SEBI's directives. While these become formally applicable to your Company only with effect from the next financial year (2002-03), we have already initiated steps to incorporate the important features of these recommendations in our actual functioning.

The Company has constituted an Audit Committee of Directors in accordance with the amended provisions of Companies Act. The scope of this Committee which consists of 4 Directors covers all aspects of financial management and internal control mechanism, as suggested by SEBI. Further, your Company has also enlarged the scope of functioning of the Shares Servicing Committee to cover redressal of investors' grievances etc and it is our pleasure to report to you that we now hardly have any complaints on these issues from the Stock Exchanges, SEBI or Department of Company Affairs, and the very few emanating from our Members are attended to with due care and promptitude.

Your Company has also recently constituted a Complaint Committee for its women employees to look after the special problems of our lady employees and their general welfare.

## INTERNAL CONTROL SYSTEM AND ITS ADEQUACY

The Company has put in place adequate internal control systems to safeguard its assets against unauthorised use and maintain proper accounting records to ensure reliability of financial and other statements etc.

It also made use of the external services of the professionals in the related areas of expertise from time to time to review the systems, etc. with a view to secure their valued opinion on its adequacy and effectiveness.

Company's assets are adequately taken care of by comprehensive insurance coverage. Risk Management is adequate and inspections and safety audits are carried out periodically to plug the loopholes, if any, at the earliest.

## DIRECTORS' RESPONSIBILITY

Pursuant to section 217 (2AA) of the Companies (Amendment) Act 2000, your Directors hereby confirm that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed.
- b) appropriate accounting policies have been selected and applied consistently, and judgements have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the year under report.
- c) proper and sufficient care has been taken 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 frauds and other possible irregularities and;
- d) the Annual Accounts have been prepared on a "going concern" basis.

## COST CONTROL

The Management has put into effect several measures to contain costs. As a result, in the areas of procurement of raw materials and supply chain management, significant cost reductions have been achieved. These measures are being pursued further and their scope being widened to secure more economy in the operating costs.

## MODERNIZATION CUM EXPANSION PROJECT

Modernization cum expansion project is proceeding smoothly and as per the existing time schedule, the project is expected to be completed during the current financial year.

## DIRECTORS

During the year under report Punjab National Bank has withdrawn the nomination of Sh. P.S. Asthana w.e.f. 30.11.2000

In terms of Section 256 of the Companies Act, 1956, Shri



K.K. Taneja and Shri K S Bhatnagar retire by rotation and being eligible, offer themselves for re-appointment. Your Board recommends their reappointment for a further tenure which will be in the larger business interests of your Company.

#### PERSONNEL

Development of Human Resources and a work culture based on Company's Core Values continue to receive Management's serious attention. Our personnel and corporate concepts and practices combine well to provide the driving force towards achievement of your Company's basic business goals and objectives. During the year under report, a series of training programmes were undertaken to upgrade professional capabilities and skills of the employees in their respective fields of duties and operations.

We are working on "Continuous Improvements" and "Total Productivity Management" concepts as basic tools for enhancing our technical capabilities and administrative skills with enthusiastic participation by the concerned employees. Several hundred useful Kaizens / TPM suggestions thrown up by them are under implementation.

Employee Relations throughout the year continued to be cordial and harmonious and on behalf of your Board, I would like to express its appreciation of the good work done and co-operation extended by the employees at all levels in accomplishing the Company's tasks and goals under very trying conditions.

The statement of particulars of employees, as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, is annexed and forms part of this Report.

#### AUDITORS

Your Company's Statutory Auditors M/s V Sankar Aiyar & Co., Chartered Accountants retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommends their reappointment for a further term.

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

Information in regard to these matters in terms of provisions of Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules 1988 is annexed hereto and forms part of this Report.

#### ACKNOWLEDGEMENT

Your Directors wish to place on record their thanks for the assistance, guidance and cooperation extended to them from time to time by the Financial Institutions, Banks, Central & State Governments and the Shareholders during the year under report. They also wish to express their deep appreciation of the loyal and devoted services rendered by the Executives, Staff and other employees of the Company for the period under report.

For and on behalf of the Board

Place : New Delhi  
Date : 28<sup>th</sup> July, 2001

**K S BHATNAGAR**  
Chairman

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