



# **CLUTCH AUTO LIMITED**

**India's No 1 Clutch**

For CLUTCH AUTO LIMITED

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R S Jhanwer

GM-Corporate Affairs & Co.Secretary

## **31st ANNUAL REPORT 2001-2002**

**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
V.K. SHARMA	(Nominee of IIBI)
G. ANUPAMA	(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 THIRTY FIRST ANNUAL GENERAL MEETING of the Members of Clutch Auto Limited will be held on Monday, the 23<sup>rd</sup> September, 2002 at 11.00 A.M. at FICCI Auditorium, Tansen Marg, New Delhi-110 001 to transact the following business:

### ORDINARY BUSINESS

#### 1. Adoption of Annual Accounts for the year 2001-2002

To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2002 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, 2002 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 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, Director, 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 Smt. Veena Mehta will be entirely in the business interests of the Company and the Board commends the resolution for approval by the General Body. No director other than Smt. Veena Mehta, her husband Shri V.K. Mehta and her son Shri Anuj Mehta is interested in the resolution.

#### 3. 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 32<sup>nd</sup> Annual General Meeting on a remuneration of Rs.1,30,000 (plus out of pocket expenses)."

### SPECIAL BUSINESS

#### 4. To consider, and if thought fit and proper, to pass, with or without modification(s), the following

resolution as an ORDINARY RESOLUTION:

#### Reappointment of Shri V K Mehta as Vice Chairman & Managing Director

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 or any modifications thereof and subject to the approval of the Central Government, if required, the Company hereby approves the reappointment and remuneration payable to Shri V K Mehta as Vice Chairman & Mg. Director of the Company for another term of three years w.e.f. 26<sup>th</sup> May, 2002 on the following package of remuneration and on such terms and conditions as set out in the draft agreement to be entered into between the Company and Shri V K Mehta, copy whereof is placed before this meeting and is 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.

Salary : Rs. 100000/- in the scale of  
Rs. 100000 - 10000 - 120000.

Commission : On the net annual profit of the Company not exceeding 1%

Perquisites : As set out below-as Part 'A', 'B' & 'C' but shall not exceed to annual salary.

### PART-'A'

- Housing – Not exceeding 60% of the salary of which 10% shall be borne by the VCMD, where the company does not provide accommodation. Where accommodation in the form of a company owned house is provided, VCMD shall pay back @ 10% of the salary to the Company by way of rent.
- Reimbursement on account of Electricity, Water, Gas and furnishing shall not exceed 10% of Salary and will be valued as per Income Tax Rules from time to time
- Medical expenses for self and dependent family members not exceeding one month salary in every year or three months salary in a block of three years.
- LTA as per rules of the Company (at present one month's salary).
- Personal Accident Insurance – the premium not to exceed Rs. 4000/- per annum.
- Bonus, if any, as per Company rule.
- Club Fees not exceeding 2 Clubs, but no life membership fee and/or admission fee shall be paid.

### PART 'B'

- 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 only.  
b) Telephone at the residence with the condition that any long distance personal call shall be billed by the company.

RESOLVED FURTHER THAT wherein any financial year closing on and after 26<sup>th</sup> May 2002, 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."

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

#### Reappointment of Shri S.G. Mani as Executive Director

"RESOLVED THAT subject to the provisions of Sections 269, 198, 309 & 311 and other applicable provisions of the Companies Act, 1956, the Company hereby approves the reappointment of Shri S G Mani as 'Executive Director' of the Company for a further term of 3 years w.e.f. 18<sup>th</sup> January, 2002 on the following remuneration:

Salary : Rs. 50000/- p.m. in the pay scale of Rs. 50000-5000-60000.

Perquisites : As set out below-as Part 'A', 'B' & 'C' but shall not exceed to annual salary payable to him as per the applicable provisions of the Companies Act.

#### PART-'A'

- a) Housing – Not exceeding 50% 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 but when a Company-owned house is provided, he shall pay back to the Company @10% of the salary by way of Rent.

- b) Reimbursement on account of Electricity, Water, Gas and furnishing shall not exceed 10% of Salary and will be valued as per applicable Income Tax Rules from time to time  
c) 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. LTA as per rules of the Company (at present one month's salary).  
d) Personal Accident Insurance – the premium not to exceed Rs. 4000/- per annum.  
e) Bonus as per Company rule.  
g) 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 only. Any non-official use of the Car shall be billed by the Company  
b) Telephone at the residence with the condition that any long distance personal call 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.

#### 6. Appointment of Representative Abroad

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

i) "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 Government and Reserve Bank of India, if so required, the appointment as 'Representative' of the following parties be and is hereby approved on such terms and conditions, as detailed below:

#### Name & Address of the Representative:

(a) Baxter&Byron Corporation 11308 NW, 51<sup>st</sup> Terrace, Miami, Florida 33178, USA.

(b) Track Automotive Inc., 117, Barnett Road, D.D.O., Quebec H9G 1W7, Canada.

**Area:** Sell and promote Company's products in the territory where Company is not selling directly or indirectly and solicit new accounts.

**Commission:** 7.5% on the sales made.

**Term of Agreement:** 3 years with 3 months notice for termination. If not terminated, automatic renewal for another year.

RESOLVED FURTHER THAT Shri V K Mehta, Vice Chairman & Mg. Director and Shri Anuj Mehta,



Executive Director of the Company be and are hereby severally authorized to sign the Agreement/s and to give effect to such modifications in the said Agreement/s 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 Representative, within the ambit of the applicable law, rules & provisions.

**FINNALLY 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."

ii) "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 Government and Reserve Bank of India, if so required, the appointment as 'Representative' of the following party be and is hereby approved on such terms and conditions, as detailed below:

**Name & Address of the Representative**

Heavy Duty Marketing, 620, James Drive, Richardson, Texas 75080, USA

**Area :** Texas, Oklahoma, Arkansas, Louisiana, Mississippi & Western Tennessee.

**Commission:** 7% on the net sales made.

**Term of Agreement:** 1 year with 3 months notice for termination. If not terminated, automatic renewal for another year.

**RESOLVED FURTHER THAT** Shri V K Mehta, Vice Chairman & Mg. Director and Shri Anuj Mehta, Executive 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 Representative, within the ambit of the applicable law, rules & provisions.

**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  
Dated: 21<sup>st</sup> August, 2002

By Order of the Board

**R.S. JHANWER**  
GM-Corp. Affairs &  
Co. Secretary

**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 Saturday, 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 19.9.2002 to 23.9.2002 (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. MAS Services Pvt. Ltd., AB 4, Safdarjung Enclave, New Delhi-29 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 Extn., 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.4

#### **Reappointment of Shri V K Mehta, as Vice Chairman & Managing Director**

Shri V K Mehta was re-appointed by the Board of Directors as Vice Chairman & Managing Director of the Company at its meeting held on 27<sup>th</sup> April 2002 for a period of 3 years w.e.f. 26<sup>th</sup> May 2002 subject to the provisions of sections 198, 269 & 309 and other applicable provisions of the Companies Act, 1956 and approval of shareholders in the General Meeting. Shri V K Mehta is eligible for re-appointment as Vice Chairman & Managing Director.

Shri V K Mehta is having 40 years of experience in manufacturing, trading and other business activities, out of which he has spent about 31 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 keep the Company maintain with the same spirit & pace against its Competitors in this deep recession.

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 recommended by the Remuneration Committee at its first meeting held on 26<sup>th</sup> March 2002 and the same was approved by the Board of Directors at its meeting held on 27<sup>th</sup> April 2002.

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

Salary	: Rs.1,00,000/- in the scale of Rs.100000 – 10000 – 120000
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 utilization 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 to by the Board of Directors.

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 except Saturday 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.4 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. 4 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 resolution.

### ITEM NO.5

#### **Reappointment of Shri S G Mani as Executive Director**

Shri S G Mani was re-appointed by the Board of Directors as Executive Director of the Company at its meeting held on 27<sup>th</sup> April 2002 for a period of 3 years subject to the provisions of Sections 269, 198, 309 and 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 3 years w.e.f. 18<sup>th</sup> January 2002. Shri S G Mani is eligible for re-appointment as Executive Director.

Shri S G Mani has a track record of 37 years spanning various technical and general management functions. He has been playing an important role in corporate planning, OEM and export marketing, total quality function, human resource development, all technical and also imports activities of the Company. In recognition of his vast and rich experience, the Board of Directors of the Company in its meeting held on 27<sup>th</sup> April 2002 endorsed the reappointment of Shri S G Mani as recommended by the Remuneration Committee in its meeting held on 26<sup>th</sup> March 2002.

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 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 except Saturday 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.5 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.6

##### Appointment of Representatives abroad

The Company is proposed to appoint M/s Baxter & Byron Corporation, 11308 NW, 51<sup>st</sup> Terrace, Miami, Florida 33178, USA and M/s Track Automotive Inc., 117, Barnett Road, D.D.O., Quebec H9G 1W7, Canada as 'Representatives' for a period of three years w.e.f. 1.4.2002 M/s Heavy Duty Marketing, 620, James Drive, Richardson, Texas 75080, USA as 'Representative' for a period of one year w.e.f. 21.4.2002 (shall be automatically renewed each year for one additional year, unless terminated by one of the parties) for the areas as mentioned in the aforesaid resolutions for promoting export business of Company's products. 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 resolutions.

Copies of Agreements proposed to be entered into with the said 'Representatives' are available for inspection at the Registered Office of the Company on any working day except Saturday during office hours between 11.00 a.m. and 1.00 p.m. prior to the date of the meeting. Your Directors recommend the resolutions for your approval in the larger interest of your Company's export drive.

None of the Directors is interested in the resolution.



## DIRECTORS' REPORT

### DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 31<sup>st</sup> Annual Report along with the Audited Statement of Accounts for the year ended 31<sup>st</sup> March 2002.

### FINANCIAL RESULTS

(Rs in lakhs)

	2001-02	2000-01
Turnover (Inclusive of Excise)	7447.45	9397.48
Profit before Depreciation	361.17	507.37
Less: Depreciation	324.56	266.82
Net Profit before Tax	36.61	240.55
Provision for Tax (for earlier years)	11.45	23.89
Net Profit	25.16	216.66
Less: Extra ordinary items	15.81	-
Deferred tax liability	447.00	-
(incl. Earlier years)		
Balance	(527.65)	216.66
Balance of Profit brought forward	669.93	703.27
Surplus carried forward	142.28	919.93
<b>APPROPRIATIONS:</b>		
Debentures Redemption Reserve	43.90	(250.00)
(Transfer) / written back		
<b>Surplus carried forward to the</b>	<b>186.18</b>	<b>669.93</b>
<b>Balance Sheet</b>		

### OPERATIONS

The performance of the Company during the year under report was rather unsatisfactory in the backdrop of a sluggish year for the country's economy as a whole and more particularly in the auto sector. The demand and supply factors of the economy both suffered during the year 2001-02 and the industrial growth which continued to be plagued by over-capacity and lack of demand ended the year at around 3.3%. Likewise, the Index of growth of Industrial Production @2.7% was the lowest in the last 10 years.

### DOMESTIC

During the year while in the domestic market, the sales of Commercial Vehicles declined by around 3%, those of the sales of medium and commercial vehicles somewhat recovered with a marginal growth of 2.3%. However, the sales

of Light Commercial Vehicles declined sharply by about 12% to bring down the over-all market volumes to their lowest levels in the last nine years. Consequently, the demand for Company's products was also adversely affected due to which our total turnover during the year came down by about 20%. The Company's turnover which was Rs.9397 lakhs in the last year fell to Rs.7447 lakhs this year despite our best efforts to check-mate the erosion in our volumes.

### EXPORTS

On export front, due to a number of serious international developments, country's exports were lower than those in the previous year. The recession in the global demand in the aftermath of 11<sup>th</sup> September 2001 calamity in USA adversely affected the country's overall export performance, which declined by 1.3% against a growth of 20.8% in the previous year. Your Company's export turnover for the year was Rs.1125 lakhs as compared to Rs.1804 lakhs during the previous year.

### RESEARCH & DEVELOPMENT (R & D)

R & D Centre of your Company, recognized by the Department of Science and Technology, Govt. of India, since 1986, has now been shifted to a new building where Special Data Acquisition System, suitable for all vehicle applications; viz. Cars, LCVs, HCVs & Tractors, with 2 Ultra High Speed and 8 Analogue Channels within 'On Board Analysis facility', has been installed during the year under report and is operating successfully.

### PRODUCT AND BRAND PROMOTION

As informed in the last meeting, your Company enjoys an excellent brand image in the domestic as well as international market. Your Company got registered its products and designs for patents and brands in India and USA and applications for Trade Mark have been filed in USA to secure wider safety and acceptability of our brands at international level. The brands already registered include 'CA MADE IN INDIA' INTERLOCK CLUTCH, ECOCLUTCH & EZ n LITE CLUTCH.

During the year under report, India Brand Equity Fund Trust of the Ministry of Commerce, Government of India, released financial assistance to the tune of Rs.350 lakhs to your Company on soft terms to support our above-said activities.

To meet growing requirements of new generation heavy and light commercial vehicles and tractors, etc. with long life





period, your Company has developed Ceramic Clutches with the financial assistance of Rs.450 Lakhs sanctioned by Technology Development Board (TDB). This hopefully will give us an edge over our competitors and is expected to result in substantial business increase in the years to come. During the year, the Company also carried out an extensive design and development of products including manufacture, testing and evaluation of proto-types, samples and field trials.

#### **COST CONTROL MEASURES**

The Company focussed its thrust on cost reduction which has yielded significant economies in fixed and variable costs, with reduction in the breakeven point of the Company's products and during the year under report, your Company was able to achieve substantial cost reduction on all possible areas of its business activities.

#### **DIRECTORS**

In terms of Section 256 of the Companies Act, 1956, Smt. Veena Mehta retires by rotation and being eligible, offers herself for re-appointment. Your Board recommends her reappointment for a further tenure which will be in the larger business interests of your Company.

Smt. G.Anupama, I.A.S., Additional Director, Industries, Haryana Govt. has been nominated as Director on the Board of the Company by Haryana Govt. w.e.f. 24/5/02 in place of Smt.Reva Nayyar, I.A.S. who has since been withdrawn by the State Government.

#### **CORPORATE GOVERNANCE**

Your Company has always strived to incorporate appropriate standards for good Corporate Governance. Although your Company will cover under the code of Corporate Governance mandatorily upto 31<sup>st</sup> March 2003, it has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as prescribed under the amended Listing Agreements of the Stock Exchanges, with which your Company is listed, are complied with.

A separate report on Corporate Governance is included in the Annual Report.

#### **PERSONNEL**

During the year under report, an exercise on rationalization of manpower was undertaken resulting in considerable improvement in manpower deployment and productivity.

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 excellent work done and co-operation extended by the employees at all levels in accomplishing the Company's tasks and goals under trying conditions..

None of the employees of the Company come under the amended provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

#### **COST AUDIT**

As per the requirement of the Central Government and pursuant to Section 233B of the Companies Act, 1956, your Company is required to carry out an audit of Company's cost accounts records. Accordingly, the Company has appointed M/s Aggarwal Ashwani K. Associates, Delhi to audit the cost accounts records for the current financial year (2002-03) subject to the approval of the Central Government.

#### **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 on such terms which the Board, as usual, may fix for the assignment.

#### **DIRECTORS' RESPONSIBILITY**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors of your Company, to the best of their knowledge and belief confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) appropriate accounting policies have been selected and applied consistently, and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March 2002 and the profit of the Company for the year ended 31<sup>st</sup> March 2002;
- iii) 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 fraud and other irregularities;



- iv) the annual accounts have been prepared on a going concern basis.

### 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 and forms part of this Report.

### ACKNOWLEDGEMENT

Your Directors wish to convey their deep appreciation to all

of the employees of the Company of their enormous personal efforts as well as their collective contribution, which enabled the Company meet squarely the challenges set before it in the current difficult industrial scenario. Your Directors would also like to thank the Financial Institutions, Banks, Central & State Governments and the Shareholders for their assistance, guidance and cooperation extended to the Company from time to time during the year under report.

For and on behalf of the Board

Place : New Delhi  
Date : 21<sup>st</sup> August, 2002

**K S BHATNAGAR**  
Chairman

## ANNEXURE TO DIRECTORS' REPORT

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

### A. Conservation of Energy

The Company has always been conscious of the need for conservation of energy. The Company has implemented various recommended conservation measures which are aimed at effective management and utilization of energy resources and have resulted in cost savings for the Company. Even after increase in the power supply rate announced by HSEB last year, the Company could reduce the overall expenditure and per unit cost by improving the power factor in excess of 0.95.

Power & Fuel Consumption		Current	Previous
a)	Electricity purchased Units (KWH)	3116575	3078425
	Total Amount (Rs.)	13036443	13122091
	Rate/Unit (Rs. KWH)	4.18	4.26
b)	Own Generation through Diesel Generators Units (KWH)	529825	755912
	Total Amount (Rs.)	2579415	3673423
	- Diesel oil per litre (Rs.)	14.80	14.60
	- Cost per unit (Rs.)	4.87	4.86
	(Diesel Cost only)		

### B. Technology Development & Absorption

Company has developed long lasting Ceramic Clutches for domestic & export markets for commercial vehicles and tractors with financial assistance from Technology

Development Board, Department of Science & Technology, Government of India. Ceramic buttons can withstand higher temperatures and reduce their wear rate extending the life of clutches. While your Company was awarded 9 Design Patents by Patents Authorities during the year under review, its application for Patents for Ez n lite Clutches are under consideration with Patents Authorities in USA, Australia, Mexico, Iran as well as in India.

### C. Foreign Exchange Earnings and Outgo

	2001-02	2000-01
	Rs.	Rs.
1. Foreign Exchange Earnings	103123188	168887058
2. Foreign Exchange Outgo:		
i) Raw Materials (CIF)	2431956	35821755
ii) Capital Goods (CIF)	14695855	2600600
iii) Marketing Expenses (Commission)	13971	122044
iv) Sales Promotion & Brand Development	19770619	-
v) Travel	4955999	4027425
vi) Others	6603453	8652045
	48471853	51223869

USA till recently was the major export market of your Company, but due to a deep slow down in their off-take in the post September 2001 period, your Company is making special efforts in diversifying its focus to other markets and a suitably altered product mix.