



India's No. 1 Clutch

CLUTCH AUTO LIMITED

33rd

ANNUAL REPORT

2003-2004

BOARD OF DIRECTORS:

K S BHATNAGAR

Chairman

V K MEHTA

Vice Chairman & Mg. Director

K K TANEJA

Director

V K SHARMA

Director (Nominee-IIBI)

S G MANI

Executive Director

ANUJ MEHTA

Executive Director

J L GUGLANI

Director (Nominee-HSIDC)

AUDITORS:

V Sankar Aiyar & co.

Chartered Accountants

202/203, Satyam Cinema Complex,

Ranjit Nagar Commercial Centre,

New Delhi – 110 008


BANKERS:

Punjab National Bank

Canara Bank

REGISTERED OFFICE:

2E/14, (1st Floor)

Jhandewalan Extn.,

New Delhi – 110 055

Tel. : 011-23670501

WORKS & ADMN. OFFICE:

Plot No.1A, Sector 27D,

12/4, Mathura Road,

Faridabad – 121 003.

Tel. : 0129-2275246

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NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the **THIRTY THIRD ANNUAL GENERAL MEETING** of the Members of Clutch Auto Limited will be held on **Thursday, the 30th September 2004** at **3.00 P.M.** at **FICCI Golden Jubilee Auditorium, Tansen Marg, New Delhi** to transact the following business:

ORDINARY BUSINESS**1. Adoption of Annual Accounts for the year 2003-2004**

To receive, consider and adopt the audited Balance Sheet as at 31st March, 2004 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 31st March, 2004 and the Profit & Loss Account for the year ended on that date, together with the Notes, Schedules and Report of the Company Auditors and Board of Directors thereon be and are hereby adopted."

2. 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 34th Annual General Meeting on a remuneration including out of pocket expenses as may be considered fit and proper by the Board of Directors".

SPECIAL BUSINESS**3. 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 Anuj Mehta as Executive Director**

"RESOLVED THAT 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 the Central Government and Shareholders in the General Meeting and such other approvals, if any, as may be necessary, Shri Anuj Mehta, Director be and is hereby re-appointed as an 'Executive Director' of the Company for a period of five years w.e.f. 18th January 2004 on the following remuneration and subject to review of his emoluments after expiry of three years from 01.04.2004:

- i) Salary : Rs.50,000/- per month in the pay scale of Rs.50,000 – 5000 – 60,000/-
- ii) Perquisites : As set out below – as Part 'A', 'B' & 'C' but shall not exceed annual salary payable to him as per the applicable provisions of the Companies Act, 1956.

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

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

By Order of the Board

V K Mehta
Vice Chairman & Mg. Director

Dated: 23rd August, 2004

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 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(2) 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 28.09.2004 to 30.09.2004 (both days inclusive) for the purpose of AGM.
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) Ltd. 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. Securities & Exchange Board of India (SEBI) vide its circular dt.27th December'2002 directed the Companies to appoint a common agency for share registry work both in physical and demat mode. Accordingly the Company has entered into an agreement on 1st April'2003 with its Registrar & Share Transfer Agent (R & T Agent), M/s. MAS Services Pvt. Ltd., AB 4, Safdarjung Enclave, New Delhi 110 029 and handed over all the Share Registry work to the R & T Agent. Copy of the agreement executed with R & T Agent is available for inspection by members at the regd. office of the Company. The shareholders may send their requests for transfer, transmission, transposition, deletion of name, demat, remat, change of address etc. at the above mentioned address of the R & T Agent. The requests received at the regd. Office of the Company will also be forwarded to the R & T Agent.
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 bring their copies of Annual Report to the Meeting as such copies may not be available at the Annual General Meeting.

10. 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.
11. Copy of the Resume of Shri Anuj Mehta is enclosed for information of the shareholders.
12. Members may also kindly note that there will be no gifts at the Annual General Meeting.

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

ITEM NO.3

Shri Anuj Mehta is B.Com., MBA (Vanderbilt University, USA), aged 35 years, son of Shri V K Mehta, Vice Chairman & Mg. Director of the Company and was approved by the Board for reappointment as an Executive Director of the Company for a period of five years w.e.f. 18th January, 2004 subject to final approval of the General Body.

Shri Anuj Mehta is a close relative of Vice Chairman & Mg. Director of the Company, and hence the re-appointment is required to be approved by the General Body in terms of Section 314 of the Companies Act, 1956.

Shri Anuj Mehta started his career as Executive (Co-ordination) on 1st July, 1993 and his appointment was approved by the Board of Directors in the meeting held on 23rd August, 1993 and by the Shareholders in their 22nd AGM held on 27th September, 1993.

Shri Anuj Mehta has performed his duties efficiently in all areas of the Company's activities like Finance, Purchase, Marketing, Administration, Production and Quality Control etc. and has contributed a lot in bringing about a clear improvement in the overall functioning of the Company for a better productivity. Keeping in view his overall performance he was appointed as 'Executive Director' of the Company w.e.f. 18th January, 1999.

The Board of Directors in the meeting held on 20th March'2004, has approved the re-appointment as an Executive Director for a further period of 5 years subject to approval of the Shareholders and Central Government.

The Board of Directors recommend the resolution set out at item No.3 of the Notice for approval of the shareholders.

None of the Directors of the Company apart from Shri V K Mehta, Vice Chairman & Mg. Director is, in any way, concerned with or interested in the said resolution.

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

By Order of the Board

V K Mehta
 Vice Chairman & Mg. Director

Dated: 23rd August, 2004

BRIEF RESUME OF SHRI ANUJ MEHTA, EXECUTIVE DIRECTOR - CLUTCH AUTO LTD.

1. Name : Shri Anuj Mehta
2. Father's Name : Shri V K Mehta
3. Date of birth : 1.10.1969
4. Educational Qualification : B.Com. from Delhi University
5. Professional Qualification : M.B.A. from Vanderbilt University, Nashville, Tennessee, USA.
6. Experience : He is an Executive Director of Clutch Auto Ltd. and member of Promoter group. He joined Clutch Auto Ltd. in the year 1993 and since then actively involved in all areas of the Company's activities like Finance, Purchase, Marketing, Administration, Production and Quality Control.

He is Promoter Director of Raybestos Pvt. Ltd. engaged in manufacturing and trading of automotive components for supplies to OEMs, Aftermarket, Defence applications & Exports since 1993. He is also Director on the Board of Anuj Holding Pvt. Ltd.

DIRECTORS' REPORT

Dear Shareholders,
Your Directors have pleasure in presenting the 33rd Annual Report along with the Audited Statement of Accounts for the year ended 31st March 2004.

FINANCIAL RESULTS

	(Rs in Lakhs)	
	2003-04	2002-03
Turnover (Inclusive of Excise)	8201.31	7499.57
Profit before Depreciation	485.15	521.73
Less : Depreciation	441.36	403.60
Net Profit before Tax	43.79	118.13
Provision for Tax*	2.39	101.50**
Net Profit	41.40	16.63
Less: Extra ordinary items		
Deferred tax liability (for current year)	80.00	75.00
Net Profit after tax	(38.60)	(58.37)
Profit brought forward	171.71	186.18
Surplus carried forward	133.11	127.81
APPROPRIATIONS:		
Debentures Redemption Reserve		
written back	-	43.90
Surplus carried forward to the		
Balance Sheet	133.11	171.71

* {as per profit & loss account and note 2(ii) }

** includes Rs 92 lacs relating to earlier year 1994-95

OPERATIONS

The performance of the Company for the year 2003-04 has shown improvements in its turnover despite the adverse effects of steep increase in cost of steel and pig iron during the year. The heavy interest burden coupled with liquidity constraints on account of late recovery of debts during the year also act as hampering factors. All the same the Company has continued to pursue up-gradation in technology and the quality of goods produced.

During the year under report, the automobile sector had shown improvement in its production and sales over the previous year. The sales of Company's products have also shown reasonable improvement both in the domestic as well as international market.

The Turnover of the company during 2003-04 was Rs. 8201.31 lakhs as compared to Rs. 7499.57 lakhs during the previous year.

During the year under report, the production of Clutch Plates/Discs was 641709 nos., Clutch Cover Assemblies 442636 nos., Clutch Repair Kits 62655 nos. and Metallic

Clutch Plates/Discs 12456 nos. respectively as compared to the previous year production of Clutch Plates/Discs 584822 nos., Clutch Cover Assemblies 411674 nos., Clutch Repair Kits 57150 nos. and Metallic Clutch Plates / Discs 9313 nos. respectively.

DOMESTIC

On domestic front the Company's turnover was of the value of Rs. 66.55 crores against Rs. 61.07 crores in the previous year.

EXPORTS

There is great potential in the export market both in USA and other countries like Iran, UAE, UK, Bosnia and Pakistan. The potential is 2-3 times of the current level of exports. The American market has great potential for Clutches for Heavy Duty Vehicles. Exports in American markets are expected to increase from Rs. 8 crores last year to Rs. 20 crores in the current year. In Iran the Company has found potential OEM purchasers with main thrust to export Clutches for Mercedes Benz, Massey Ferguson and Passenger Car Clutches such as Paykan, Peugeot, Kia Pride etc. UAE market has potential for annual export worth Rs. 4 crores. The Company is confident to explore USA market as OE supplier also. The demand projections from UK, Bosnia and Pakistan is substantial and the Company is exploring feasibility to augment exports to these countries. Export outlook for the year 2004-05 is bright.

RESEARCH & DEVELOPMENT (R&D)

During the year, your R&D facility with capability of Testing under Multi Environment Over Stressed Testing (MEOST) have been assessed by major OEMs and approved the facility. The future development Clutches will not be tested by the OEMs and will rely upon our test results. This is a big step towards recognition of our capability. To strengthen our R&D we are in process of establishing NVH facility which is one of the exclusive facility in India. We had provided NVH solution to few of our valued customers. Our valued engineered design (VE) clutches with cost benefit has been introduced by our prestigious manufacturers like Maruti and Bajaj Auto Ltd.

DIRECTORS

During the year Shri Anuj Mehta has been re-appointed Executive Director (Commercial) for a further term of 5 years w.e.f. 18th January, 2004 in the Board meeting held on 20th March, 2004. He is an MBA from Vanderbilt University, USA and associated with the Company for more than a decade and contributed a lot in the fields of marketing and finance. An application for approval of his re-appointment is under consideration of the competent authority – Department of Company Affairs.

Mrs. Veena Mehta, Director of the Company having expressed her desire to quit this Board on grounds of prolonged ill-health, the Board reluctantly agreed to accept her resignation after placing their deep appreciation of the invaluable services rendered during her incumbency and wished her God speed in her full recovery.

COST CONTROL MEASURES

The Company continued to put in sustained efforts to keep the cost of production under control. Various steps were taken to control variable and fixed costs. Steps are being taken to swap the high interest bearing loans into soft loans to reduce the interest burden. Efforts are also being put to improve the productivity to control cost of production and remain competitive in the market.

CORPORATE GOVERNANCE

Your Company has always strived to incorporate appropriate standards for good Corporate Governance. The Company has taken adequate steps to ensure compliance of all mandatory provisions of Corporate Governance as prescribed under the amended Listing Agreements of the Stock Exchanges, with which your Company is listed.

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

PERSONNEL

Industrial relations between Management, Labour and Staff continued to be cordial and harmonious during the year under report. The Board wishes to place on record its deep appreciation of the excellent work done and co-operation extended by the employees of your Company at all levels in accomplishing the Company's assigned tasks and the goals.

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 ACCOUNTING RECORDS

The Company is maintaining proper Cost Accounting Records as required under the Law.

AUDITORS

M/s V. Sankar Aiyar & Co., Chartered Accountants & Statutory Auditors of the Company retire at the conclusion of forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment. The Board recommends their re-appointment for a further tenure on such terms and conditions including emoluments which the Board, as usual, may fix for the assignment.

AUDITORS OBSERVATION

With reference to Auditors' Report the management submits its clarification as under:

The observations are explained in the note referred in to the Report. Besides, it is submitted that due to severe liquidity constraints, the Company could not clear off the outstandings in respect of Provident Fund and Sales Tax dues upto 31st March, 2004 within the prescribed time. However, outstanding provident fund dues have since been cleared. As regards Sales Tax dues, the same is expected to be cleared by 31st March, 2005.

The Company has been trying to settle the dues of Financial Institutions as agreed under One Time Settlement package. The delays were beyond control. It is expected that these dues would be paid shortly well before closing of the current financial year 2004-05.

DIRECTORS' RESPONSIBILITY STATEMENT

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 along with proper explanation in relation to the material departures;
- ii) appropriate accounting policies have been selected and applied consistently, and Directors 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 31st March, 2004 and the profit / loss of the Company for the year ended 31st March, 2004;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- iv) the annual accounts had 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.

Management Discussion & Analysis Report

(a) Industry structure and Development.

Automobile Industry as a whole has shown upward trend over the previous year both in terms of production and sales. Auto-Ancillary Industry too has now started picking up which should also improve its performance in the coming years both in the domestic and export markets.

(b) Opportunities and threats.

Clutch Auto Ltd. is keeping abreast of its competitors in the manufacture of NVH and Ceramic Clutches and has improved its performance both in the internal and external markets.

(c) Segmentwise or productwise performance.

The Company's primary business is manufacturing of Clutch Plate and Clutch Assembly and it has only one segment of business.

(d) Outlook.

Outlook for Automobile Industry being quite bright, the Company as a leading ancillary and component producer is expected to do very well in the coming years.

(e) Risks and concerns.

Since over the next 5-11 years the present product range developed by the Auto & Auto Ancillary Industries would continue to be prevalent, not much risk is foreseen in the near future. We are confident that an indigenously developed industry like ours which is always striving at technological improvements and innovations can take any competition including from MNC's in its stride with confidence and success.

(f) Internal Control Systems and their adequacy.

Both production and accounting systems are commensurate with the current level of operations.

(g) Discussion on financial performance with respect to operational performance.

The Company has been able to improve its turnover during the current year over the previous year. With the up-gradation of technology and various improvements effected in the marketing of its products, the performance of the Company both in terms of production and financial results is expected to improve over the coming years.

(h) Material developments in Human Resources/ Industrial Relations front, including no. of people employed.

Industrial relations have been cordial and there were no Industrial disputes during the year 2003-04. The Company had on its rolls 678 employees inclusive of its managerial cadre as at 31st March, 2004.

ACKNOWLEDGEMENT

Your Directors would like to thank the Financial Institutions, Banks, Central & State Governments, our dear Shareholders for all their help, assistance and cooperation extended to the Company from time to time during the year under report. They also wish to convey their deep appreciation to all its employees for their enormous personal efforts as well as their collective contribution, which enabled the Company meet squarely the challenges set before it.

For and on behalf of the Board

Place : New Delhi
Date : 23rd August, 2004

K S BHATNAGAR
Chairman.

ANNEXURE TO DIRECTORS' REPORT

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

None of the employees of the Company have drawn remuneration above the limits stipulated u/s 217(1)(e) of the Companies Act, 1956 during the year under report.

A. Conservation of Energy

The consumption of electricity increased during the year due to trial run of Diaphragm Spring manufacturing machines, a critical component used in assembling of Clutch Cover Assembly. Diaphragm Springs are being procured from outside vendors. This will enable the Company to produce Diaphragm Springs at reduced cost. Company is taking initiatives to reduce the power consumption by installation of energy saving Drives and Soft Starters for heavy duty Motors in the Equipments.

Power & Fuel Consumption		2003-04	2002-03
a)	Electricity purchased Units(KWH)	4407025	3362900
	Total Amount (Rs.)	18398712	14055914
	Rate/Unit (Rs. KWH)	4.18	4.18
b)	Own Generation through Diesel		
	Generators Units (KWH)	371611	492634
	Total Amount (Rs.)	2480688	2951194
	- Diesel oil per litre (Rs.)	20.16	18.09
	- Cost per unit (Rs.)		
	(Diesel cost only)	6.67	5.99
B. Foreign Exchange Earnings and Outgo		Amount in Rs.	
		2003-04	2002-03
1.	Foreign Exchange Earnings	154559287	139294238
2.	Foreign Exchange Outgo:		
i)	Raw Materials (CIF)	35009210	35705905
ii)	Travel	4746871	2120011
iii)	Others	1478007	1416119
		41234088	39242035

CORPORATE GOVERNANCE REPORT

(A) COMPANY PHILOSOPHY

Your Company has adopted sound corporate governance practices as per the listing agreement requirements of the Stock Exchanges and recent guidelines of the Securities and Exchange Board of India (SEBI). Your Company has complied with and given effect to all mandatory corporate governance requirements. The philosophy of the management with respect to corporate governance is to provide to the Shareholders of the Company all the relevant information. The management of the Company is acting in a very transparent, ethical and accountable manner eventually for the purpose of enhancing Shareholders value. The relevant information as mentioned above is given hereunder:

(B) BOARD OF DIRECTORS**(1) Composition**

- (a) The current Board comprises of seven Directors including a Non-Executive Chairman, an Executive Vice Chairman cum Managing Director, two Executive Directors and three Non-Executive Directors. Out of the three Non-Executive Directors, Shri Vijay Kumar Sharma is the Nominee of Industrial Investment Bank of India Ltd. and Shri Jawahar Lal Guglani is the Nominee of Haryana State Industrial Development Corporation Ltd. Thus as required under the Listing Agreement with Stock Exchanges, more than one third of the Directors are independent.
- (b) None of the Directors holds Chairmanship of more than 5 committees or membership in more than 10 committees of public limited companies.
- (c) During the financial year, there was no material pecuniary relationship or transactions between the Company and its Non-Executive Directors.

(2) Board Meetings

- (a) The Board of Directors meetings are held as per the legal requirements to transact such business as may be required including the business required to be transacted at a Board meeting. During the financial year under review, 6 Board meetings were held on 28.4.2003, 18.6.2003, 31.7.2003, 24.10.2003, 19.1.2004, 20.3.2004.
- (b) The details of attendance of directors at the Board meetings, directorship held by the directors in other companies and membership/ chairmanship held by directors in committees are as follows:

Names of Directors	Category of Directors*	Board Meetings attended	Attendance at the last AGM	No. of other Directorships held	Total No. of Committees of Board in which he/she is a member or a Chairman
K S Bhatnagar (Chairman)	NEDI	6	Present	2	5
V K Mehta (VC&MD)	WTD	6	Present	1	1
Anuj Mehta (Executive Director)	WTD	4	Present	None	None
S G Mani (Executive Director)	WTD	3	Present	None	None
K K Taneja	NEDI	6	Present	1	5
V K Sharma (Nominee – IIBI)	NEDI	4	Present	None	1
Veena Mehta	NEDI	Nil	Absent	1	1
Jawahar L al Guglani (Nominee – HSIDC)	NEDI	1	N.A.	4	1

Note: For the purpose of considering the limit of the Committees on which a director can serve, only directorship of public limited Companies are considered.

* NED – Non-Executive Director

WTD – Whole-time Director

* NEDI – Non-Executive Director (Independent)

Smt. Veena Mehta resigned from the Board of Clutch Auto Ltd. w.e.f. 15th March, 2004 and accepted by the Board in the meeting held on 20th March, 2004.