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CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
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AGM	<input checked="" type="checkbox"/>		SH	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>

ANNUAL REPORT



1997



DUNLOP INDIA LIMITED

BOARD OF DIRECTORS

Mr. M R Chhabria
Chairman

Mr. P J Rao
Managing Director

Mr. B S Mehta
Mr. K Tozawa
Mr. M H Godhwani
Mr. T S Shettigar
Air Marshal P K Puri
Mr. R N Tripathi

ALTERNATE DIRECTORS

Mrs. Komal C Wazir
(Alternate to Mr. M R Chhabria)

Mr. R A Shah
(Alternate to Mr. K Tozawa)

Dr. R N Chakraborty
Company Secretary & Chief Legal Officer

Registered Office
'Dunlop House'
57B Mirza Ghalib Street
Calcutta 700 016

Bankers

State Bank of India
United Bank of India
Citibank NA
Standard Chartered Bank
Allahabad Bank
The Hongkong & Shanghai
Banking Corporation
The Bank of
Tokyo-Mitsubishi Ltd
The Catholic Syrian Bank Ltd
The Federal Bank Ltd

Auditors

Lodha & Co
Chartered Accountants

Solicitors

Mukherjee & Biswas



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DUNLOP INDIA LIMITED**HOLDING OF EQUITY SHARES**

	Equity Shares No.	31.12.97 held %	Equity Shares No.	31.03.97 held %
Non-resident	75,60,886	39.82	75,62,069	39.82
Financial Institutions	63,32,024	33.34	63,33,924	33.36
Resident & Others	50,96,387	26.84	50,93,304	26.82
Total	<u>1,89,89,297</u>	<u>100.00</u>	<u>1,89,89,297</u>	<u>100.00</u>

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TEN YEAR SUMMARY

		1997 9months	1996-97 12months	1995-96 15months	1994 12months	1992-93 18months	1991-92 15months	1990-91	1989-90	1988-89	1987-88
Income	Rs. Crores	207.77	562.99	824.03	751.82	884.35	711.43	608.95	585.89	417.98	430.26
Operating Profit/(Loss)	Rs. Crores	(44.06)	33.19	68.79	45.71	47.93	37.69	41.36	41.53	43.09	50.84
Profit before Tax	Rs. Crores	(231.84)	5.80	39.00	12.56	13.18	5.11	14.29	14.05	18.81	26.76
Profit after Tax	Rs. Crores	(231.84)	5.14	39.00	12.56	7.67	2.43	5.34	8.15	9.99	14.01
Earning per Equity Share	Rs.	—	1.67	20.54	6.61	4.01	1.25	2.79	4.25	5.24	7.36
Dividend per Equity Share	Rs.	—	1.00	2.00	2.00	2.00	1.00	3.00	3.00	3.00	3.05
Net Worth per Equity Share	Rs.	110.91	232.90	234.10	177.21	184.39	129.37	134.12	92.14	93.95	94.79
Net Assets Employed	Rs. Crores	294.90	532.85	542.81	446.59	448.08	349.82	344.72	260.37	250.72	233.88
Shareholders' Funds	Rs. Crores	210.60	442.25	444.53	336.50	350.13	246.37	255.39	175.67	179.17	180.73
Gearing	%	24.34	20.49	22.11	32.72	28.00	42.00	34.90	48.20	39.90	30.20



REPORT OF THE DIRECTORS

Your Directors present the 71st Annual Report of the Company together with the audited accounts for the 9 Month period from 1st April 1997 to 31 December 1997.

Summarised Financial Results	Rs. in Crores	Rs. in Crores
Gross Profit/(Loss)		(44.06)
Less :		
Financing Charges	14.51	
Depreciation	4.01	18.52
Profit/(Loss) Before Tax		(62.58)
Taxation (Minimum Alternate Provision)		—
Profit/(Loss) After Tax		(62.58)
Less :		
Extraordinary Items :		
Cancellation of Real Estate sale		169.26
Net Profit/(Loss) for the year		(231.84)

CURRENT STATUS

Industrial growth during 1997-98 had fallen to 3.5% from 7.5% during the previous year. The infrastructural sector was in the grip of a severe recession and as a result the Indian automobile industry had been experiencing a major slowdown and pressure on an already sluggish demand to high stock levels and consequent cut-down of production. This has severely affected the Company's performance during the period under review.

Moreover at Rs.22 per kg of output, the Company's manpower costs are by far the highest in the industry where the average level is only Rs.6 per kg. Productivity in terms of output per employee is also the lowest for the Company at 4 MT per annum which is much lower than the industry average. These factors have made the Company inherently noncompetitive in its core business which need to be corrected through a programme for rationalisation of manpower resources.

The key objective of reviving the Company is to achieve significant improvements in productivity and conversion efficiency to levels at least at par with industry norms.

For attaining this objective, a manpower rationalisation programme has been chalked out envisaging reduction of 3000 surplus employees on an all India level. This will be done through a VRS Scheme at an estimated total outflow of Rs.45 crores.

Since 1975, though the turnover has grown by 400 times, the banking facilities have merely increased by only 70%, which imply a very poor inflow of working capital over the last few years.

Our endeavours to augment working capital through leveraging of NPAs had been severely affected as the title deeds for all the real estate properties were wrongfully held back by ANZ Grindlays Bank and were not made available to us until the matter was referred to RBI. However, all our endeavours for leveraging NPAs suffered a serious setback due to sharp fall in real estate prices and lack of demand/availability of funds for large real estates.

As a result of the above, the Company's financial health had been gradually deteriorating and in 1997 the net worth of the Company became negative making it a sick industrial company within the meaning of Sick Industrial Companies (Special Provisions) Act 1985. In view of this, the Company applied to the Board for Industrial and Financial Reconstruction (BIFR) for registration and at the hearing held on 31 March 1998, the Board appointed the Industrial Development Bank of India (IDBI) as operating agency to scrutinise the accounts of the company to look into the matter regarding sickness and report back to BIFR. Operations at Company's Sahaganj Unit were temporarily suspended on 7 February, 1998 consequent to incidents of intimidation, forcible interruption with loading operation and disruption in work by a section of the workforce obstructing despatch of production and preventing plant's administration from discharging

their normal duties and a day later, the Company suspended operations at its Ambattur unit where similar situation caused disruption of normal operations.

EXTERNAL COMMERCIAL BORROWING

The Company obtained in principle approval from the Ministry of Finance in October 1997 for external commercial borrowings (ECB) of US \$ 25 million (Rs. 95 Crores approximately) to finance Rs. 66 Crores towards general corporate objectives including working capital and balance for import of capital goods.

However the foreign lenders are taking a hard look on their exposure in this region due to South East Asian currency problems. Further ECBs need Bank Guarantees from a local Bank/Financial Institution which are now difficult to obtain in the current situation. As such funding from ECB can come through only after the situation stabilises.

RIGHTS ISSUE

The Company also proposes to raise at least Rs. 40 Crores through issue of Rights shares. The parent company DIL Rim & Wheel Corporation Limited has given an undertaking to subscribe to any further shares due to undersubscription of other shareholders.

FINANCIAL YEAR

The factories were operating at a very low level since November 1997 besides there were labour unrest leading to stoppage of production, blockage of road, incidents of intimidation, forcible interruption with loading operation and confinement of Plant Personnel, abusive sloganeering and physical threats which resulted in temporary suspension of operation at Company's Sahaganj Unit on 7 February 1998 and similar incidents caused the temporary suspension of operation at its factory at Ambattur, a day after suspending operations at its West Bengal unit. For carrying out Accounts closing and Audit for the period ended March 1998, it would have been necessary to access records at the factories. As the factories are closed, this could have resulted in indefinite delay in finalisation of the March '98 Accounts.

Moreover BIFR directed the Company to submit provisional accounts as on 31 December, 1997. Accordingly it was necessary to consider the above closure of Accounts on that date. It was therefore decided to change the financial year of the Company and close the Accounts on 31 December 1997 and thereafter every year pursuant to provision of sub-section 4 to Section 210 of the Companies Act, 1956.

DIVIDEND

In view of the poor performance of the Company, your Directors regret that they are unable to recommend payment of dividend in respect of the period under review.

PUBLIC DEPOSIT

Fixed Deposits totalling Rs. 90,79,000/- due for repayment on or before 31 December 1997 were not claimed by the depositors as on date. An amount of Rs. 64,11,000/- has been received by your Company towards fresh and renewed deposit during the period under review as per the Companies (Acceptance of Deposits) Rules 1975. Outstanding deposits amount to Rs. 5,45,74,000/- as on 31 December 1997.

The above amount has been included in the proposed revival package as submitted to BIFR.

AUDITORS' REPORT

With reference to the comments in paras 2 to 4 and item iii of the Auditors' Report attention is drawn to the Accounting policies and other Notes to the Accounts (Schedule17) which are self-explanatory.

DIRECTORS

Mr Kalyan K Chattopadhyay ceased to be a Director on his resignation effective 27 December 1997. Mr P J Rao's appointment as an Additional Director was

DUNLOP INDIA LIMITED

approved by the Shareholders at the Annual General Meeting held on 25 September 1997. He became Managing Director of the Company with effect from 22 November 1997. The proposal for his appointment as Managing Director and remuneration payable to him is being placed before the members at this Annual General Meeting for approval. Mr R N Tripathi was invited to join the Board in place of Mr S N Sundaresan and was appointed a Director on 22 November 1997 in the casual vacancy caused by Mr Sundaresan's resignation. Mr. Tripathi will retire by rotation at this Annual General Meeting as Mr Sundaresan would have retired at this Meeting had he continued in office. A notice under Section 257 of the Companies Act, 1956 has been received from a member proposing his candidature as a Director.

Mr B S Mehta will retire from the Board by rotation at this Annual General Meeting pursuant to Article 89 of the Articles of Association of your Company and being eligible offers himself for re-appointment.

AUDITORS

M/s Lodha & Company, Chartered Accountants, the Auditors, will retire at this Annual General Meeting and being eligible offer themselves for re-appointment. In terms of Section 224(1B) of the Companies Act, 1956 a Certificate signifying their willingness for re-appointment, if considered, has been submitted with your Company.

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

As required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules

1988, the particulars are given in Annexure I, which forms part of the Directors' Report.

PERSONNEL

The relationship with employees was strained consequent to incidents of intimidation and forcible interruption followed by irregular and unruly acts which caused temporary suspension of operation at both the factories of the Company.

The particulars required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) (Amendments) Rules 1994 and forming part of this Directors' Report are furnished in Annexure II.

SUPPLIERS & CUSTOMERS

Your Directors wish to place on record their sincere appreciation for the immense and continued support, co-operation and confidence, received from suppliers and customers of the Company.

SUBSIDIARY COMPANIES

Attached to the Balance Sheet of the Company are the Reports & Accounts of Dunlop Investments Limited and the statement as required under Section 212(5) in respect of India Tyres & Rubber Company (India) Ltd. and Falcon Tyres Ltd.

For and on behalf of the Board

M R Chhabria
Chairman

Dated : 22nd May, 1998

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ANNEXURE - I

Information as per Section 217 (1)(e) of the Companies Act, 1956.

Read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, forming part of the Directors' Report for the 9 Months period ended 31 December 1997.

A. Conservation of Energy :

(a) Energy conservation measures taken during the period under review.

1. Overhauling coal fired boilers by refurbishment of stoker and combustion chamber and providing new higher efficiency burners for oil-fired boilers.
2. Continuous action on minimising line loss by eliminating redundant piping.
3. Continuous drive on Coal calorific value, including liaison work with Coal India and visits to pit heads.
4. Increased usage of local higher efficiency package chiller plants.
5. Introduction of additives to fuel oil for enhanced Combustion Efficiency.
6. Introduction of Natural Spray Pond prior to mechanized Cooling Tower.
7. Reduced live LP steam usage by going in for increased Flash Steam Usage.

(b) The following additional investments are being implemented for further reduction in Energy Consumption :

1. Replacement of economiser tubes for boilers and refurbishment of condensate recovery system.
2. Refurbishment of captive diesel generators to improve specific fuel consumption. To improve power factor through usage of required capacitors.
3. Refurbishment and efficient operation of compressor systems for High Pressure air supply.
4. Provision of desuperheater facilities on the steam supply Main & branch lines to further improve thermal efficiency.
5. Replacement of Heat Exchangers & Boiler Tubes.

(c) Impact of the measures (A) and (B) above for reduction of energy consumption and consequent impact on cost of production of goods.

Energy conservation measures taken have reduced consumption of power, furnace oil, coal etc. However, the impact on cost of production has not been commensurate owing to limited production.

B. Technology absorption : Please refer to Form 'B' stated hereinafter.

C. Foreign Exchange Earnings and Outgo : Earnings Rs. 22.06 Crores on account of export etc. Outgo Rs. 12.24 Crores on account of imports, dividend etc.

FORM A

Disclosure of Particulars with respect to Conservation of Energy

(A) Power & Fuel Consumption :

	Unit	31.12.97 (9 months)	31.03.97 (12 months)
1. Electricity			
a) Purchased :			
Unit	MWH	13737	32297
Total Amount	Rs. Lakh	609.23	1090.37
Rate/Unit	Rs./KWH	4.435	3.376
b) Own Generation :			
(i) Diesel Gen. Unit	MWH	3001	7982
Units/Ltr of Diesel oil	KWH/Ltr	3.251	3.323
Cost/Unit	Rs./KWH	2.537	2.365
(ii) Furnace Oil Gen. Unit	MWH	9227	14756
Units/Kg of Furnace Oil	KWH/Kg	3.754	3.694
Cost/Unit	Rs./KWH	1.928	1.945
2. Coal			
Quantity	Ton	16987	37082
Total Cost	Rs. Lakh	319.02	620.92
Average Rate	Rs./Ton	1878	1674
3. Furnace Oil			
Quantity	Ton	5152.9	10804.9
Total Amount	Rs. Lakh	376.81	752.56
Average Rate	Rs./Kg	7.313	6.965
4. Others/Int. Gen (D.Oil)			
Quantity	K. Ltr	943	2429
Total Amount	Rs. Lakh	78.02	190.83
Rate/Unit	Rs./Ltr	8.27	7.856

	Unit	31.12.97 (9 months)	31.03.97 (12 months)
(B) Consumption /Ton of Production			
Purchased	MWH	13737	32297
Generated	MWH	12228	22738
Electricity	KWH/Ton	2268	1653
F.Oil (Elec.Gen.) - Qty	Ton	2441	3970.9
F.Oil -Elec.Gen	Kg/Ton	213	119
F.Oil (Steam Gen.) - Qty	Ton	2712	6834
F.Oil - Steam. Gen.	Kg/Ton	237	415
Coal (Steam Gen.)-Qty	Ton	16987	37082
Coal : Steam Gen.	Kg/Ton	1484	2205
D.Oil (Elec.Gen.) - Qty	K.Ltr	943	2429
D.Oil - Elec. Gen.	Ltr/Ton	82	73

FORM B

Disclosure of Particulars with respect to Technology Absorption, Research and Development (R&D)

Technology Absorption :

Research & Development (R&D)

1. Specific areas in which R&D carried on by the Company : Company's R&D activities in this period include the following :

- i) New Product design and development.
- ii) Material/Energy conservation and import substitution.
- iii) Product development for export market.

2. Benefits derived as a result of the above R&D :

- i) Cost containment through material and process changes.
- ii) Development of Main Wheel tyre/tube for TU 142 Aircraft for Indian Air Force.
- iii) Development of heavy duty bush for high traction locomotive for Indian Railways.
- iv) Development of 2500 wide Steel Cord Conveyor belt for export.
- v) Commercial production of Superior Abrasion Resistant (SAR) steel cord conveyor belt for export.
- vi) Commercial launch of R1-AT, R2-AT High Pressure Hoses as per SAR.

3. Future Plan of Action :

- i) Relocation of R&D centre for supporting subsidiary company's product development activities.
- ii) Design and development of new size aircraft tyres/tubes for Sea-Harrier for Indian Navy.
- iii) Development of new tyre pattern for scooter tyres.
- iv) Development of high speed motorcycle tyres.

4. Expenditure on R&D

	April'97-Dec'97 (Rs. in crores)
i) Capital	—
ii) Recurring	1.87
iii) Total	1.87
iv) Total R&D Expenditure as a percentage of total turnover	0.91%

Technology Absorption, Adaptation and Innovation :

1. Efforts made towards technology absorption, adaptation and innovation are as follows :

Building technological capability for product failure mode analysis, energy and material cost reduction, new product and process development.

2. Benefits derived as a result of the above efforts :

Improved brand image and product reliability.

DUNLOP INDIA LIMITED**ANNEXURE - I**

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) :

Technology imported	Year of import	Has Technology been fully absorbed	If not fully absorbed a) areas where this has not taken place b) reasons therefor c) future plan of action	iii) Aircraft tyres & tubes	since 1986 on going	No	c) Subject to fund availability. a) New tyre design for aircraft b) Approval of aircraft tyres is a lengthy process c) Subject to fund availability.
i) Automotive tyres & tubes—cross ply	since 1985 on going	No	a) Improved manufacturing practices b) Modernisation of manufacturing plants depends on capital expenditure which was deferred due to financial constraints c) Subject to fund availability	From : Dunlop Ltd. U. K.	1986 on going	No	a) Expansion of product range to include timing & banded belts b) improvements to technology affected by financial constraints c) Subject to fund availability
From : Sumitomo Rubber Industries Japan.				iv) Cut edge variable speed timing and banded power transaction vee belts : Industrial & automotive	since 1986 on going	No	
ii) Passenger car Radial	since 1987 on going	No	a) Steel belted construction b) Progress of project for passenger car steel belted radial tyre has been affected by financial constraints.	From : Mitsuboshi Belting Limited Japan.	1987/97	Yes	—
From : Sumitomo Rubber Industries Japan				v) Steelcord Conveyor Belting			
				From : B T R Belting Ltd. U.K.			

ANNEXURE - II

Statement under Sub-Section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) (Amendment) Rules 1994 and forming part of the Directors' Report for the period ended 31 December, 1997.

Name	Age	Designation/ Nature of Duties	Qualifications	Remuneration (Rs.)	Date of Commencement of Employment	Working Experience (Years)	Previous Employment
1	2	3	4	5	6	7	8
Mr.S. Badrinathan	52	Sr. VP-Marketing	B.A., PGDBM	11,38,109	01/08/87	31	Nirlon India Ltd.
Mr.Ajoy Kumar Bandyopadhyay	50	GM-Industrial Products-Sahaganj	B.E. (Mech.)	2,94,769	09/02/81	17	Durgapur Steel Plant
Mr.Barun Banerji	46	GM-Public Relations	M.A.	4,07,541	14/11/94	20	Tata Iron & Steel Co. Ltd.
Mr.R. N. Banerjee	55	AVP-Co-ordination	B.A.	3,94,046	07/09/64	33	First Employment
Mr.Surajit Banerjee	45	DGM-Finance (Ambattur)	B.Com., C.A.	2,28,584	01/07/91	20	Pricewater House Associates
Mr.Tarit Kanti Bhattacharya	54	GM-Salaries & Insurance Administration	M.Com., LLB AIII	2,96,929	09/04/73	34	India Reinsurance Corp. Ltd.
Mr.P. K. Bhattacharjee	48	DGM -Tyres	B.E. (Mech.)	2,36,392	15/12/78	26	Bata India Ltd.
*Dr. R. N. Chakraborty	51	Co. Secretary & Chief Legal Officer	M.Com., LLB FICWA, GDCS, FCS MBIM (Lond) Ph.D	3,52,450	18/06/97	29	BOC India Ltd.
Mr.Sandip Kumar Chakraverti	47	AVP-Aero	M.Sc.	3,21,597	01/02/75	24	Jay Engineering Ltd.
Mr.T. K. Chandra	44	GM-Conveyor Belting	B.Sc.	3,13,153	16/06/89	27	Andrew Yule & Co. Ltd.
*Mr.Kalyan K. Chattopadhyay	50	Director	B.Sc. (Hons.) ACA, AICWA ACIS (London)	13,04,996	28/04/97	28	Ranbaxy Ltd.
Mr.Suresh Chaurasia	41	AVP-Materials	B. Com (Hons.)	3,46,828	15/12/80	17	First Employment
*Mr. S. R. Choudhury	60	Advisor-Projects	B.M.E.	2,72,313	03/04/96	19	Indian Reconstruction Corp. of India
*Mr. D. K. Das	55	Head, Project Engineering Works	B.Sc., B.Tech.	1,81,533	01/09/95	29	J. K. Industries Ltd.
*Mr.Ashoke Dasgupta	58	GM-Industrial Products	B.Sc., M.O.T	2,04,304	03/05/71	35	India Steamship Co. Ltd.
Mr.Kusal Dasgupta	41	DGM-Systems	B.E., M.E.	2,37,412	16/07/80	17	First Employment
Mr. Anthony Durairaj	53	VP-Operations (Sahaganj)	M.Sc.	5,83,431	01/09/66	30	First Employment