

# 22nd Annual Report 1997 - 98

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**FALCON** TYRES LTD.



## Message From The Chairman

Dear Shareholder,

*The financial year under review has been a difficult year for the Indian industry with a majority of the core sectors including automobile sector. This year the industrial growth rate was down to 4.2% as compared to 7.1% last year. Major companies were forced to cut down their production levels due to the declining demand. Corporate India has been further crippled by political uncertainties coupled with the South East Asian currency crisis.*

*Against the back drop of this general economic slowdown, your company has been able to perform much better than the previous year. Through optimal utilisation of inputs like Brand, machinery, technology, marketing and Manpower, your company increased its turnover by 14%, pre tax profits by 45%. The Company has also been able to increase its market share in its product categories. At present your company enjoys the status of a major Two/Three Wheeler tyre manufacturer and has emerged as the preferred supplier of tyres to all leading auto makers.*

*As a part of its strategic goal of attaining a dominant status in the rural and semi urban segments of the tyre industry, it has been decided to focus on three main product lines namely Two/Three Wheeler tyres, Cycle tyres and Farm Tyres. Your Company has drawn an ambitious 3 year business plan to achieve this objective. During this year your Company is increasing its capacity from 3,00,000 tyres per month at present to 3,50,000 tyres per month.*

*Improvement in customer relations and product quality would remain the major thrust areas of your company. We are also enhancing our R&D facilities for quality improvement and product design. Having already established a sizeable market share in the OEM segment, the company is now striving for an increased focus in the Replacement and Export segment of the Two/Three Wheeler tyre business which besides generating additional volumes, would also contribute to higher value addition.*

*It is therefore with a sense of satisfaction that I present you the annual report and Accounts of your Company for the year ended 1997-98. It has been the constant endeavour of the management to enhance shareholder's return on investment. In line with the growth in turnover and profitability, dividend has been increased by 10% from Rs 2 per share to Rs 2.20 per share.*

*I wish to place on record my sincere appreciation and gratitude for the support and co-operation that we have received from our employees, bankers, customers, dealers, suppliers and our shareholders for having stood by us and look forward to their continued support in the days ahead.*

Thank you

M.R. Chhabria

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**Annual Report 1997-98**

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**BOARD OF DIRECTORS**Mr. M.R. Chhabria, *Chairman*

Mr. P.J. Rao

Mrs. Komal C. Wazir

Mr. M.H. Godhwani

Mr. M.K. Guha

Mr. S. Badrinathan

**COMPANY SECRETARY**

Mr. P.K. Ghosh

**REGISTERED OFFICE**Mohan Towers  
50, Residency Road  
Bangalore - 560 025.**FACTORY**Metagalli  
KRS Road  
Mysore - 570 016**BANKERS**

Union Bank of India

Syndicate Bank

Canara Bank

**AUDITORS**Fraser & Ross  
Maarut Complex  
25/5, Lavelle Road  
Bangalore - 560 001.**LEGAL ADVISERS**King & Partridge  
48, Lavelle Road  
Bangalore - 560 001.

*A Member desirous of getting any information on the Accounts of the Company, is requested to forward his/her queries to the Company Secretary at least ten days prior to the Meeting enabling the Management to keep the information ready*



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## Annual Report 1997-98

### NOTICE TO MEMBERS

NOTICE is hereby given that the 22nd Annual General Meeting of Falcon Tyres Limited will be held at Hotel Le Meridien, 28, Sankey Road, Bangalore - 560 052 on Tuesday, 8th September, 1998 at 11.00 A.M. to transact the following business :

#### Ordinary Business :

1. To receive, consider and adopt Balance Sheet as at 31st March' 98 and the Profit & Loss Account for the period ended on the said date along with the Report of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. P.J. Rao who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint the Auditors and fix their remuneration.

#### Special Business :

5. To consider and if thought fit to pass with or without modification the following resolutions :

- i) As an ordinary resolution

"RESOLVED THAT pursuant to the relevant provisions of the Companies Act, 1956, Mr. M.K. Guha be and is hereby appointed as a Director of the Company".

- ii) As an ordinary resolution

"RESOLVED THAT pursuant to the relevant provisions of the Companies Act, 1956, Mr. S. Badrinathan be and is hereby appointed as a Director of the Company".

6. To consider and if thought fit to pass with or without modification the following resolutions as Special Resolution :

" RESOLVED THAT pursuant to the provisions of Section 81 and other applicable provisions (if any) of the Companies Act, 1956 and relevant provisions of the Memorandum and Articles of Association of the Company and the Listing agreements entered into by the Company with the Stock Exchanges and subject to any necessary approval, consent, guidelines, permission and / or sanction of the Government of India, FIPB, Reserve Bank of India, Securities and Exchange Board of India and any other appropriate authorities and subject also to such conditions, alterations and modifications as may be prescribed by them or any of them and accepted by the Board of Directors of the Company (herein after referred to as the "Board") / Rights or Preference Issue Committee (herein after referred to as the "Committee"), appointed by the Board, be and is hereby authorised to offer, allot and issue equity shares of Rs. 10/- each ("Rights Shares") for cash at a premium of Rs. 6/- per share aggregating to Rs. 2,50,10,000 (15,63,125 equity shares of Rs. 10/- each aggregating to Rs. 1,56,31,250) and premium of Rs. 93,78,750) to the members of the Company whose names appear on the Register of Members of the Company on such date as may be determined by the Board / Committee ("Record Date") in the ratio of 1:2 i.e. for every two shares held Rights share will be offered or on preferential basis to the existing promoters of the Company and/or their associates and subsidiaries on such terms and conditions as may be decided and deemed applicable by the Board at the time of issue."

"RESOLVED FURTHER that in the event of issue of shares on Rights basis, consent be and is hereby accorded to the Board/ Committee to offer, allot and issue such equity shares of the Company in the manner and upon the terms as follows :

- a. The offer of the Rights Shares be made by a Letter of offer stating the number of Rights Shares being offered to each member and the terms of offer including inter alia that the offer, if not accepted within such time specified in the Letter or as may from time to time be extended by the Board / Committee, shall be deemed to have been declined.
- b. The members shall have the right to renounce the offer of Rights Shares, wholly or partly in favour of any person or persons provided that the Board / Committee shall have the absolute discretion to reject any such renouncee (s) without assigning any reason therefor.
- c. The members who accept all the Rights Shares offered to them shall be entitled to apply for additional Rights Shares available for allotment and in the event of the shares offered above remaining unsubscribed, the Board / Committee shall have the discretion to allot or dispose of the same in such manner as the Board / Committee may consider equitable.



- d. The Board / Committee shall have the discretion to make such conditions, alterations or modifications, including variations, if any, in the amount of premium per share, revise and / or adjust the issue price and / or number of the New Equity Shares to be issued and / or the proportion in which the New Equity Shares to be issued and terms of payment and also the timing of the aforesaid issue.
- e. The Board / Committee shall have the discretion to make such further conditions, alterations or modifications and also to accept such further conditions, alterations and modifications in the proposed terms of the offer as may be imposed by the authorities and the Lead Manager (s) as the Board / Committee deemed fit.
- f. The Board / Committee shall have the discretion to make standby arrangement or to underwrite the issue as may be required."

"RESOLVED FURTHER that in the event of issue of shares on preferential basis, consent be and is hereby accorded to the Board / Committee to offer, allot, issue on Preferential basis 15,63,125 equity shares at a price of Rs. 16/- each (face value of Rs. 10/-) to the promoter Company viz. Jumbo International Holdings Limited and / or its associates and subsidiaries viz. Dunlop Rim and Wheels Ltd., Mauritius, Dunlop India Limited, India Tyre and Rubber Company (India) Ltd, Hindustan Dorr Oliver Limited, Mather & Platt (I) Ltd, Harshit Finlease and Investments Limited, Patel Filters Limited, Gilbert Investments Limited and Dandavati Investments and Trading Company (Pvt) Ltd., as determined by the Board / Committee at the time of issue, the price of the shares being subject to the guidelines of SEBI dated August 4, 1994 and certification by the Statutory Auditor of the Company, M/s Fraser and Ross, Chartered Accountants, and such certification as placed before the meeting and taken note of by the members."

"RESOLVED FURTHER that such new equity shares shall rank pari passu with the existing equity shares of the Company, except that they shall not rank for dividend, if any, declared or paid in respect of any financial year of the Company prior to the financial year in which they are allotted and shall rank for dividend pro rata from the date of their allotment in respect of the financial year in which they are allotted."

"FURTHER RESOLVED that authority be and is hereby granted to the Board to decide on either of the options to be adopted as described above i.e. Rights or Preference for further issue of Capital."

"RESOLVED FURTHER that Board / Committee be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, at its discretion deem necessary or desirable."

By order of the Board

Place : Bangalore  
Dated : 22nd July, 1998.

**P.K. Ghosh**  
Company Secretary

#### NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT THE REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Register of Members and Share Transfer Books will remain closed from 1st September, 1998 to 8th September, 1998.
3. Pursuant to Section 205 A of the Company Act, 1956, the unclaimed dividend for the financial year 1994-95 (i.e. from 1.4.94 to 31.3.95) will be transferred to the General Revenue Account of the Central Government on or around 2nd week of November, 1998 as per the statutory requirement.
4. Members are requested to bring their copies of the Annual Report and the Admission Slip to the Meeting. Annual Reports will not be distributed at the Meeting.
5. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, is furnished hereinafter.

**Annual Report 1997-98****ANNEXURE TO NOTICE****EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.****ITEM NO 5 (i)**

Mr. M.K. Guha was appointed as an Additional Director of the Company by the Board with effect from 17th February, 1998. Pursuant to Section 260 of the Companies Act, 1956, Mr. M.K. Guha will hold office as Director upto the date of the ensuing Annual General Meeting. The Company had received a notice in writing from a member proposing the candidature of Mr. M.K. Guha for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

In the opinion of the Board it will be beneficial to the Company, if Mr. M.K. Guha is appointed as a Director of the Company.

None of the Directors, except Mr. M.K. Guha is concerned or interested in the said resolution.

**ITEM NO 5 (ii)**

Mr. S. Badrinathan was appointed as an Additional Director of the Company by the Board with effect from 17th February, 1998. Pursuant to Section 260 of the Companies Act, 1956, Mr. S. Badrinathan will hold office as Director upto the date of the ensuing Annual General Meeting. The Company had received a notice in writing from a member proposing the candidature of Mr. S. Badrinathan for the office of Director under the provisions of section 257 of the Companies Act, 1956.

In the opinion of the Board it will be beneficial to the Company, if Mr. S. Badrinathan is appointed as a Director of the Company.

None of the Directors, except Mr. S. Badrinathan is concerned or interested in the said resolution.

**ITEM NO. 6**

The Board of Directors of the Company at its meeting held on 29th June 1998 considered and approved the proposal for further issue of capital by way of allotment of shares on "Rights" basis. Further on 22nd July 1998, the Board at its meeting has recommended and approved the further issue of 1 Share for every 2 shares held in the Company at a premium of Rs. 6 per share to the Share holders whose names will appear in the Register of members on the "Record Date" to be fixed by the Board/Committee appointed by the Board.

As an alternative option to the aforesaid Rights Issue the Board at its meeting held on 22nd July, 1998 recommended and approved issue of 15,63,125 numbers of equity shares at a price of Rs. 16/- per share on preferential basis to the promoter company and its associates and subsidiaries as mentioned in the resolution. The price of Rs. 16/- per share is subject to necessary guidelines of Securities and Exchange Board of India and certification by the Statutory Auditor, M/s Fraser and Ross, Chartered Accountants.

Such further issue of Capital is required to meet the Additional Working Capital requirement for expanding the activities of the Company.

Presently the paid-up share capital of the Company is Rs. 3,12,62,500 divided into 31,26,250 Equity Shares of Rs. 10/- each. The paid-up Share Capital after the proposed Rights Issue would be Rs. 4,68,93,750 divided into 46,89,375 Equity Shares of Rs. 10/- each.

The Authorised Capital of the Company is Rs. 23,50,00,000 divided into 2,35,00,000 Equity Shares of Rs. 10/- each and hence the paid up Share Capital after the proposed Rights Issue will be well within the limit of the present Authorised Capital of the Company.

Pursuant to Sec 81 (1A) of the Companies Act, 1956, the proposal for further issue of Capital is required to be approved by the Shareholders at the General Meeting of the Company.

Your Directors recommend passing of the resolution.

None of the Directors of the Company are concerned or interested in the said resolutions, except Mr. M.R. Chhabria to the extent of his shareholding in Jumbo International Holdings Limited.

By order of the Board

Place : Bangalore  
Dated : 22nd July, 1998.

P.K. Ghosh  
Company Secretary





## REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting the 22nd Annual Report of the Company together with Audited Accounts for the Financial Year ended 31st March 1998.

### SUMMARISED FINANCIAL RESULTS :

(Rs. in Lakhs)

		1997-98	1996-97
Profit before Interest and Depreciation		1048.08	748.66
Less :			
Interest	414.37		281.94
Depreciation	<u>138.77</u>		<u>124.93</u>
		553.14	406.87
Profit from operation of the year		<u>494.94</u>	<u>341.79</u>
Profit before Tax		494.94	341.79
Tax provision		<u>238.88</u>	<u>130.00</u>
Profit after Tax from which is deducted		256.06	211.79
Balance brought forward from last year		<u>111.09</u>	<u>118.08</u>
		367.15	329.87
Appropriations ;			
Transfer to :			
General Reserve		<u>200.00</u>	<u>150.00</u>
		167.15	179.87
Proposed Dividend		68.78	62.52
Corporate Dividend Tax		<u>6.88</u>	<u>6.26</u>
Balance carried to Balance sheet		<u>91.49</u>	<u>111.09</u>

### REVIEW OF OPERATIONS :

Your Directors are happy to report that though the growth of the Automobile Industry was on the decline during the whole year under review, your Company was able to achieve a turnover of Rs. 98 crores as compared to the turnover of Rs. 85 crores in the previous year.

Your company has earned a profit before tax of Rs. 4.95 crores.

### FUTURE PROSPECTS :

Your Company was able to achieve its production target of 3,00,000 tyres per month, as estimated earlier.

Your Company is on its way of implementing its plan as made earlier of increasing its existing production capacity in respect of two and three wheeler tyres from 3,00,000 to 3,50,000 tyres per month, which is expected to be over by March 1999.

Besides the above, your Company is very much optimistic regarding their plan of entering into the production of Cycle and Farm tyres, to cater the needs of our rural sector.

### DIRECTORS :

Mr. S Badrinathan and Mr. M.K. Guha were co-opted as Additional Directors on the Board of Directors of the Company on 17th February, 1998 and shall hold office upto the date of the ensuing Annual General Meeting of the Company.



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**Annual Report 1997-98**

Mr. S Badrinathan and Mr. M K Guha, being eligible, offer themselves for appointment as Directors at the ensuing Annual General Meeting of the Company.

In terms of the provisions of the Companies Act, 1956, and Articles of Association of the Company, Mr. P J Rao would retire by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

**DIVIDEND :**

Your Directors recommend payment of Dividend at the rate of Rs. 2.20 per equity share, for the year ended 31st March 1998.

**AUDITORS :**

M/s Fraser and Ross, Chartered Accountants will retire at the conclusion of the forthcoming Annual General Meeting of the Company, and being eligible offer themselves for re-appointment.

**AUDITORS' REPORT :**

With reference to the comments made in para 2 d of the Auditors Report, your Directors would like to mention that your erstwhile Holding Company, Dunlop India Limited has been declared a Sick Industrial Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

Your Company, with respect to the sum due as mentioned in the said clause of the Auditors' Report, will be treated as pressing creditors of Dunlop India Limited and is proposed to be included in their revival package for due consideration by the operating agency.

**HUMAN RESOURCES :**

Your company continues to retain the best talent in the industry, who are professionals from the country's well esteemed institutions.

**PARTICULARS OF EMPLOYMENT :**

As required under the provision of Section 217 (2A) of the Companies Act, 1956, read with the Rules framed thereunder, a statement of particulars of the employees has been annexed to this report and marked as Annexure I.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :-**

Information pursuant to Section 217 (1) (c) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is furnished in Annexure II.

**ACKNOWLEDGMENT :**

Your Directors convey their sincere thanks to the Government, Financial Institutions, Banks, Depositors, Shareholders and customers for their continued support extended to the Company at all times.

The Directors further express their deep appreciation to all the employees for commendable team work, high degree of professionalism and enthusiastic effort displayed by them during the year.

on behalf of the Board of Directors

Place : Bangalore  
Dated : 22nd July, 1998.

**P.J. Rao**  
Director

**S. Badrinathan**  
Director