

FALCON TYRES LTD.

24th
Annual Report
1999-2000





CHAIRMAN'S ADDRESS

The past few years have been challenging ones, both for the Indian economy as well as the Indian Industry, when the Indian economy very bravely withstood the global recession. This is attributable to an accelerated reform process within the Indian economy making it globally competitive and thereby attracting commensurate investment.

Change is happening all around us. And it is happening faster than ever before. Organisations that move swiftly to capture the momentum, turning change into opportunities will thrive.

Changing times for 2/3 wheeler industry in post liberalisation era demonstrated many new products, competition, updated technology, market penetration, cost effectiveness and quality.

This enlarged market in the past decade created a robust and growing replacement market for 2/3 wheeler tyres. Like any other consumer durable like colour TV, the 2/3 wheeler tyre market in replacement segment has spread from cities to towns and from towns to smaller towns and villages.

The Indian middle class - constituting over 200 million people especially when a very large fraction of it is young clearly indicates a very strong long-term outlook for our products even though short/intermediate term outlook reflect temporary variations occasionally.

Based on the above scenario, your company has developed its strategy, which creates sustainable competitive advantage viewed in terms of changes in market realities, core competency, opportunities and vulnerabilities.

Over the years, the company developed a competency of serving the demanding requirements of timeliness, cost, quality, communication and product development for the OE segment. This strength is reflected in the fact that one out of every five tyres fitted in all 2/3 wheelers manufactured, comes from your company. The company has also stood the test of latest international names in terms of quality and technological standards.

Stretching this core competency to conquer the vast opportunity in replacement market - comparatively less volatile - would create for the company a sustainable growth for future.

Without diluting its focus on OE market where the company is striving to protect and grow its market share, the company has currently undertaken in replacement market a task of creating a field force, multichannel distribution, logistics improved asset management and brand development that would seek to generate quick and better value to stakeholders.

The multi-channel distribution system that is being pursued creates customized focus for important market segments to offer products and services to serve their specific needs.

The Jumbo Group has ownership of valuable brands of tyres. The Company plans to work with multiple brands to serve a widened market base. The company is building widely spread, strongly motivated and well-trained field force that can attend to the growing needs and opportunities of this vast country. The company has placed high priority to this important task.

As the Company works on cost control simultaneously with the market and product, we look forward to a solid strong future for your company.

I take this opportunity to thank our valued shareholders for their continued support and trust that they have placed in the company. My sincerest thanks and gratitude to our bankers, customers, dealers, vendors and the employees of the company for the co-operation and the support extended by them.

M.R. Chhabria

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FALCON TYRES LTD.

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BOARD OF DIRECTORS

Mr.M.R.Chhabria, Chairman
Mr. S. Bhattacharya, Managing Director
Mrs.Komal C. Wazir
Mr.Y.C.Lumba
Mr.Satish G.Pillai
Mr.Prakash M. Nene
Mr.T.S.Shettigar
Mr.Suresh Kumar Dadlani

COMPANY SECRETARY

Mr.S.Badrinarayanan

REGISTERED OFFICE

Chache Towers
50, Residency Road
BANGALORE - 560 025

FACTORY

Metagalli
KRS Road
MYSORE - 570 016

BANKERS

1. Union Bank of India
2. Syndicate Bank
3. Canara Bank
4. The Dhanalakshmi Bank Ltd.

AUDITORS

M/s. Lodha & Co.,
14, Government Place (East)
CALCUTTA - 700 001

LEGAL ADVISERS

M/s.King & Partridge
48, Lavelle Road
BANGLORE - 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.

Annual Report 1999-2000**FIVE YEAR SUMMARY**

(Rs in lakhs)

Particulars	1995-96	1996-97	1997-98	1998-99	1999-2000
Share Capital	312.63	312.63	312.63	468.94	468.94
Reserves & Surplus	1279.62	1377.68	1513.48	1812.58	1828.23
Net Worth	1592.25	1690.31	1826.11	2281.52	2297.17
Total Capital Employed	2943.27	2721.29	2768.60	3101.78	3015.25
Gross Fixed Assets *	3215.14	3543.38	3853.21	4226.39	4292.00
Net Fixed Assets *	2227.65	2480.90	2431.88	2573.14	2627.34
Sales & other Income	8392.90	8660.46	9864.67	10378.63	10448.72
Production (Nos) :					
Tyres	2306812	2228569	2693543	3130007	3044367
Tubes	1164713	1489635	2198357	2784959	2711907
Profit before Depreciation and Interest	995.58	748.66	1048.08	1013.88	883.24
Profit before tax	630.98	341.79	494.94	526.11	400.30
Profit after tax	610.98	211.79	256.06	351.11	173.14
Earning per Share (Rs.)	19.54	6.77	8.19	7.49	3.69
Dividend Amount	62.52	62.52	68.78	**91.17	93.79
Rate of Dividend	20%	20%	22%	24%	20%

* Fixed Assets includes Revaluation cost (Gross & Net)

** Prorata dividend on Right issue



NOTICE TO MEMBERS

Notice is hereby given that the 24th Annual General Meeting of Falcon Tyres Limited will be held at Hotel Woodlands (P) Ltd., No.5, Raja Rammohan Roy Road, Bangalore - 560 025 on Friday, 22 September, 2000 at 10.00 A.M. to transact the following business:

ORDINARY BUSINESS :

- 1) To receive, consider and adopt Balance Sheet as at 31st March, 2000 and Profit and Loss Account for the period ended on the said date alongwith the Report of Directors and Auditors thereon.
- 2) To declare Dividend.
- 3) To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

- 4) To consider and if thought fit to pass with or without modification, the following resolution :

- i) As an Ordinary resolution

"RESOLVED THAT pursuant to Article 191 of the Articles of Association of the Company and Section 265 read with 255 and other applicable provisions of the Companies Act, 1956, Mr. Satish G Pillai be and is hereby appointed as a Director of the Company for a period of three years effective from the conclusion of this meeting"

- ii) "RESOLVED THAT pursuant to Article 191 of the Articles of Association of the Company and Section 265 read with 255 and other applicable provisions of the Companies Act, 1956, Mr. Suresh Kumar Dadlani be and is hereby appointed as a Director of the Company for a period of three years effective from the conclusion of this meeting"

By order of the Board

S. BADRINARAYANAN
General Manager - Finance
& Company Secretary

Mumbai
28th July, 2000

NOTES :

- 1) A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote on 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 the Share Transfer register will remain closed from 15th September 2000 to 22nd September 2000 (both days inclusive).
- 3) 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.
- 4) Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, is furnished hereinafter.

Annual Report 1999-2000**ANNEXURE TO NOTICE****EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956.****ITEM NO. 4(i & ii)**

Appointment of Mr.Satish G Pillai and Mr.Suresh Kumar Dadlani as Directors of the Company pursuant to Article 191 of Articles of Association of the Company read with sec 265 and other applicable provisions, of the Companies Act, 1956.

Mr. Satish G. Pillai and Mr.Suresh Kumar Dadlani were appointed as additional Directors pursuant to the provisions of Section 260 of the Companies Act 1956, with effect from 12th February, 2000 and 28th July, 2000 respectively.

The insertion of new article 191, which was approved by the members in the EGM held on 27th March, 2000 provides for appointing upto two third of Directors subject to retirement by rotation to be made under the provisions contained in sec 265 of the Act and shall be covered by the principle of proportional representation basis. Any appointment made pursuant to the said Article 191 shall be made for a period of three years and shall be subject to the provisions of Sec 265 and other applicable provisions of the Act read with other provisions contained in the Articles of Association of the Company.

Mr.Satish G.Pillai is a Mechanical Engineer having 22 years of Experience in Engineering Industry. He was holding responsible positions during his tenure in different Companies and has necessary Professional knowledge & expertise. The Directors consider that Mr.Satish G Pillai's knowledge and experience will be very valuable and helpful to the Company.

Mr. Suresh Kumar Dadlani is a B.E.(Hons) DMS, AMP, (Harvard University) having rich experience in various fields. Considering his professional knowledge and experience your directors feel that his appointment as a director of the company will be much more helpful to the functioning of the Company.

In terms of provisions of Section 260 of the Act, the appointment of Mr.Satish G Pillai and Mr.Suresh Kumar Dadlani made by Board of Directors is valid only upto the conclusion of the ensuing General Meeting. The company had received notices from members proposing the candidature of Mr. Satish G Pillai and Mr. Suresh Kumar Dadlani as Directors of the Company under the provisions of Section 265 of the Act, as set out in the accompanying notice. In the opinion of the Directors, it will be beneficial to the Company if the said persons are appointed as Directors of the Company and hence the Directors commend the said resolutions for approval by members.

Each of the said Directors shall be deemed to be concerned or interested in the resolution as it relates to their own appointments as set out in the accompanying notice.

The notice received from members under Section 257 of the Companies Act, 1956 are available for inspection at the registered office of the Company between 10.00 a.m. to 12.00 noon on all working days.

By order of the Board

S. BADRINARAYANAN

General Manager - Finance
& Company Secretary

Mumbai
28th July, 2000



REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting the 24th Annual Report of the Company together with the Audited Accounts for the Financial Year ended 31st March 2000.

SUMMARISED FINANCIAL RESULTS :

	1999 - 2000	1998-1999
Profit before interest and Depreciation	883.24	1013.88
Less : Interest	300.78	332.03
Depreciation	182.16	155.74
	482.94	487.77
Profit from operation of the year	400.30	526.11
Profit before Tax	400.30	526.11
Tax provision for the year	166.12	175.00
Tax provision for the earlier years	61.04	—
Profit after Tax	173.14	351.11
Balance brought forward from last year	141.40	91.49
	314.54	442.60
Appropriation:		
Transfer to :		
General Reserve	50.00	200.00
Proposed Dividend	93.79	91.17
Corporate Dividend Tax	20.63	10.03
	164.42	301.20
Balance carried to Balance Sheet	150.12	141.40

REVIEW OF OPERATIONS :

Your company, which has crossed the turnover of Rs.100 crores in the year 98-99, is able to maintain the turnover at the level of Rs.103 crores in the current financial year, inspite of negative growth in the Scooter/Auto Segment of the Automobile Industry.

The Board of Directors have noted that lack of sales to OEMs and replacement market, increase in manpower cost and power & fuel are areas of concern.

The company has addressed these concerns. It has reorganised itself to grow in replacement market. The company is working on improvement of productivity in all its activities. The company has undertaken investment in energy management that would lead to improvement of power & fuel cost.

Your company's profit before tax stands at Rs.4 crores for the year under review.

Annual Report 1999-2000**FUTURE PROSPECTS :**

The company has created necessary infrastructure to enter the Replacement Market in a big way. New development activities are undertaken to cater to the growing needs of OE Segment, especially Motor Cycle Segment.

The Company currently has a small market share in replacement market. With international brand name of Dunlop, the company is implementing an intensive marketing programme that will increase its market reach substantially. The company seeks to obtain a respectable market share in segments like 3 wheeler as to rickshaws.

The company seeks to strengthen its position with 'Falcon' brand in appropriate segments.

DIRECTORS :

As shareholders are aware, at the extra-ordinary general meeting held on 27/03/2000, new set of Articles as Article 190 and 191 were inserted, inter alia, providing for power to appoint director as well as for appointment as directors under proportional representation systems. Besides the above, the shareholders have also approved the appointment of Mr.M.H.Godhwani , Mr.Y.C.Lumba, and Mr.S.Badrinathan as Directors for the period of three years from the date of said extra-ordinary general meeting i.e., 27/03/2000 .

As a sequel, the terms of office of non-rotational directors shall be in accordance with the new Article 191 of the Articles of Association of the Company read with the provisions of Section 265 of the Companies Act, 1956.

The Board of directors of the Company have appointed additional directors pursuant to the provisions of Section 260 of the Companies Act, as detailed below, who shall hold their respective office of Director upto the date of the ensuing General Meeting:

Name of the Director	Date of Appointment
1. Mr.Satish G Pillai	12/02/2000
2. Mr.Prakash M. Nene	12/02/2000
3. Mr.T.S.Shettigar	29/04/2000
4. Mr.Suresh Kumar Dadlani	28/07/2000

Further, the members are also aware of the appointment of Mr.S.Bhattacharya, as the Managing Director of your Company, pursuant to resolution passed at the Extra-ordinary General meeting held on 27th March 2000.

In terms of the power conferred upon the Promoter Shareholders pursuant to Article 190 of the Articles of Association of the Company, your company has received notice from Jumbo International Holdings Limited, nominating Mr.M.R.Chhabria, Mr.K.C.Wazir to be covered as their nominee, not liable to retire by rotation. Like-wise your company had also received notice of nomination in respect of Mr.S.Bhattacharya from the said promoter company. As a sequel, these three directors shall not be liable to retire by rotation and shall be covered by the provisions by the Article 190 of the Articles of Association of the Company.

As regards payment of remuneration, to the Managing Director, your company is awaiting required approval to be accorded by Central Government pursuant to the provisions of Section 269 read with Section 198 and Section 309 of the Companies Act, 1956.

During the year under review, Mr. M.H.Godhwani, had resigned from the Board w.e.f. 28th July 2000. The Board wishes to place on record its appreciation for the services rendered by Mr. M.H.Godhwani.

During the year under review, Mr.S.Badrinathan, had resigned from the Board w.e.f. 28th July 2000. The Board wishes to place on record its appreciation for the services rendered by Mr. S.Badrinathan.

As a sequel, to the casual vacancy caused by the resignation of the Director Mr.M.H.Godhwani aforementioned, the Board of Directors have appointed Mr.Prakash M.Nene as director effective from the said date viz., 28th July 2000.

As a sequel, to the casual vacancy caused by the resignation of the Director Mr.S.Badrinathan aforementioned, the Board of Directors have appointed Mr.T.S.Shettigar as director effective from the said date viz., 28th July 2000.

Mr.P.U.K.Menon, resigned as Director with effect from 29.10.1999.

**DIVIDEND :**

Your Directors recommend payment of Dividend at the rate of Rs.2.00 per share for the year ended 31st March 2000.

AUDITORS :

M/s Lodha & Co., 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 in Para 2 of the Auditors Report attention is drawn to the Accounting Policies and other notes B(3), B(5), & B(10)(b)(2) to the Accounts (Schedule-18), which are self explanatory.

EMPLOYEES STOCK OPTION SCHEME :

During the year under review, your Company had not issued any shares to its employees under the ESOP scheme.

BUY-BACK OF SHARES SCHEME :

During the year under review, your Company had not made any scheme for buy back of its shares.

Y2K TRANSITION :

The transition was smooth and there was no disruption in any activities due to Y2K problem.

HUMAN RESOURCES :

The best talent in the industry are continued to be retained by your company, who are professionals from the country's well esteemed institutions.

SUBSIDIARY COMPANIES :

Attached to the Balance Sheet of the company are Reports and Accounts of "Jerom Trading & Investment Ltd" and the statement as required under sec 212(5) of the Companies Act, 1956.

PARTICULARS OF EMPLOYMENT :

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

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

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

ACKNOWLEDGEMENT :

The Directors convey their sincere thanks to the Government, Banks, Depositors, Shareholders, Suppliers & 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

Mumbai
28th July, 2000

S.BHATTACHARYA
Managing Director

Y.C.LUMBA
Director