



FALCON TYRES LTD

27th Annual Report 2002-2003



AN ISO 9001:2000 COMPANY



MEMBER JUMBO GROUP

ANY OTHER TYRE IS A COMPROMISE



CHAIRPERSON'S ADDRESS

Dear Shareholder,

It gives me pleasure to see the growth at Falcon Tyres despite the prevailing tough economic conditions.

Even as the tyre industry grapples with a sharp increase in input prices and a highly competitive market for its products, your company attained a 26 per cent growth in turnover. It was on account of a sustained cost control as well as a creditable volume growth that your company reported an increase in profits as well.

Traditionally, Falcon is known as a leading original equipment supplier for two and three wheeler tyres. Consistent efforts of your company in tapping the replacement market have yielded good results. The replacement segment has now grown to account for a substantial 44 per cent of the aggregate sales of your company.

At the same time, Falcon has further consolidated its status as an original-equipment manufacturer by introducing new patterns and designs of tyres for new-generation vehicles. The new products have met with an enthusiastic response from the customers.

Growing demand during the year necessitated investments in capacity expansion. Production went up by 21 per cent. Capacity utilisation was maintained at more than 100 per cent throughout the year, significant by any standards.

New Horizons

Having established a clear lead in core two-wheeler and three-wheeler tyres business, your company is working on plans to diversify into new areas like Car, LCV, Jeep and Tractor Front tyres. Necessary infrastructure and investments are being marshalled for an effective entry into these new segments.

The year 2002-03 has also been the year when business processes and management practices of your company won a coveted international certification. The implementation of Quality Management Systems resulted in your company winning the prestigious ISO 9001: 2000 certification in the month of March, 2003.

Future Outlook

The tyre industry is up against challenging times. While there is no significant growth expected in the overall demand, competition in the market place is growing. An increase in natural rubber prices a few months ago has further impacted margins and profits.

Your company is gearing up to face the future successfully. New strategies are being devised to improve productivity and efficiency of operations for sustained profitable growth.

Your patronage and co-operation has encouraged the management team and the workers to give their best. They remain committed to deliver value and achieve growth in the face of all challenges.

With best wishes,

V. M. CHHABRIA

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BOARD OF DIRECTORS

Mrs. Vidya Manohar Chhabria - Chairperson
Mr. T.C. Goel - Executive Director
Mrs. Komal C. Wazir
Mr. Niranjana Thakur
Mr. Mohan M. Thakur
Mr. H.N. Nanani
Mr. Prakash M. Nene
Mr. Suresh Kumar Dadlani

COMPANY SECRETARY

Mr. S. Badrinarayanan

REGISTERED OFFICE

Cha Che Towers
50, Residency Road
BANGALORE - 560 025

FACTORY

Metagalli, K R S Road
MYSORE - 570 016

BANKERS

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

AUDITORS

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

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



FIVE YEAR SUMMARY

(Rs. in lakhs)

Particulars	1998-99	1999-00	2000-01	2001-02	2002-03
SHARE CAPITAL	468.94	468.94	600.00	600.00	568.09
RESERVES & SURPLUS	1370.19	1428.91	1590.36	1565.74	1960.55
NET WORTH (Including Revaluation Reserve)	2281.52	2297.17	2544.92	2475.54	2798.64
TOTAL CAPITAL EMPLOYED	3101.78	3015.25	3529.96	3131.51	3625.06
GROSS FIXED ASSETS *	3784.00	3892.68	4017.24	4371.83	4896.71
NET FIXED ASSETS *	2130.75	2228.02	2157.70	2277.41	2620.84
SALES & OTHER INCOME	10355.63	10412.94	10520.89	14626.19	18350.12
PRODUCTION (NOS):					
TYRES	3130007	3044367	2967216	3940326	4722334
TUBES	2784959	2711907	2605348	3477794	3869838
PROFIT BEFORE INTEREST & DEPRECIATION	1036.88	919.02	664.33	965.78	1429.30
PROFIT BEFORE TAX	526.11	400.30	284.20	567.31	1086.78
PROFIT AFTER TAX	351.11	173.14	167.78	352.06	519.72
EARNINGS PER SHARE(Rs.)	7.49	3.69	2.80	5.87	8.71
DIVIDEND	**91.17	93.79	**71.15	90.00	96.58
RATE OF DIVIDEND	24%	20%	15%	15%	17%

* Fixed Assets exclusive of Revaluation Addition (Gross & Net)

** Includes Prorata dividend on Preferential Equity issue

Annual Report 2002-2003**NOTICE TO MEMBERS**

Notice is hereby given that the 27th Annual General Meeting of the Company will be held at Hotel Woodlands, No.5, Raja Rammohan Roy Road, Bangalore - 560 025 on Wednesday, the 17th September, 2003 at 11.00 a.m. to transact the following business:-

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2003 and the 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 a Director in the place of Mr. Suresh Kumar Dadlani, who retires by rotation and being eligible offers himself for re-appointment.
- 4) To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration. M/s. Lodha & Co., Chartered Accountants, Kolkata, retire and are eligible for re-appointment.

SPECIAL BUSINESS:

- 5) To consider and, if thought fit, to pass, with or without modification, the following resolutions as an Ordinary Resolutions:-

Appointment of Directors under Article No.191:

- i) **"RESOLVED THAT** Mr. P.M. Nene who was appointed as Additional Director of the Company with effect from 28th March, 2003 and holds office upto the date of this Annual General Meeting in terms of Sec 260 of the Companies Act, 1956 and in respect of whom the company has received a notice under Sec 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company for a period of three years, effective from the date of the Annual General Meeting, pursuant to Sec 265 read with Sec 255 and other applicable provisions of the Companies Act, 1956 and under Article 191 of the Articles of Association of the Company".
 - ii) **"RESOLVED THAT** Mr. H.N. Nanani who was appointed as Additional Director of the Company with effect from 19th November, 2002 and holds office upto the date of this Annual General Meeting in terms of Sec 260 of the Companies Act, 1956 and in respect of whom the company has received a notice under Sec 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company for a period of three years, effective from the date of the Annual General Meeting, pursuant to Sec 265 read with Sec 255 and other applicable provisions of the Companies Act, 1956 and under Article 191 of the Articles of Association of the Company".
 - iii) **"RESOLVED THAT** Mr. Niranjana Thakur who was appointed as Additional Director of the Company with effect from 28th February, 2003 and holds office upto the date of this Annual General Meeting in terms of Sec 260 of the Companies Act, 1956 and in respect of whom the company has received a notice under Sec 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company for a period of three years, effective from the date of the Annual General Meeting, pursuant to Sec 265 read with Sec 255 and other applicable provisions of the Companies Act, 1956 and under Article 191 of the Articles of Association of the Company".
- 6) To consider and if thought fit to pass the following resolution with or without modification as Special Resolutions :
 - i) **"RESOLVED** that in terms of Sec 310 and Part II, Sec II (B) of Schedule XIII as amended of the Companies Act, 1956, and any other applicable provisions of the Companies Act, 1956 and pursuant to any other statutory regulations, subject



to the approval of the Central Government, shareholders approval be and is hereby accorded to increase/restoration of the payment of remuneration to Mr. T. C. Goel as Wholetime / Executive Director of the Company for the balance period of 01.04.2003 to 27.04.2006 on the terms and conditions as set out in the explanatory statement annexed to the notice and forming part of this notice".

- ii) **"RESOLVED THAT** approval be and is hereby granted for payment of remuneration to Mrs. Komal C. Wazir from 01.10.2002 to 31.03.2003 as set out in the explanatory statement, annexed to the notice and forming part of this notice which is in accordance with the limits prescribed Under Schedule XIII Sec.I of Part.II of Sch.XIII i.e., 5% of Net Profits of the company as computed pursuant to Section 198 of the Companies Act, 1956".

"FURTHER RESOLVED that in terms of Sec 310 and Part II, Sec II (B) of Schedule XIII as amended of the Companies Act, 1956, and any other applicable provisions of the Companies Act, 1956 and pursuant to any other statutory regulations and subject to approval of Central Government (DCA), approval be and is hereby accorded to increase/restoration of the payment of remuneration to Mrs. Komal C Wazir as Executive Director (Corporate Affairs) of the Company for the period of 01.04.2003 to 30.06.2003 on the terms and conditions as set out in the explanatory statement annexed to the notice and forming part of this notice".

By order of the Board

S. BADRINARAYANAN

Asst. Vice President - Finance
& Company Secretary

Mumbai
25th July, 2003

NOTES:

1. A member entitled to attend and vote at the Meeting is also entitled to appoint a proxy to attend and vote and 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 10th September, 2003 to 17th September, 2003 (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.
5. Attention of the members is invited to Sec.205 A of the Companies Act, 1956 read with Investors Education and Protection (Awareness and protection of Investors) Rules 2001 whereby the unclaimed dividends pertaining to the year 1996 will be transferred to the Investor Education and Protection fund.

Annual Report 2002-2003**ANNEXURE TO NOTICE****EXPLANATORY STATEMENT PURSUANT TO SEC 173(2) OF THE COMPANIES ACT, 1956****ITEM NO. 5 (i)**

The Board of Directors have co-opted Mr. P.M.Nene as Additional Director on 28th March, 2003 on expiry of his tenure as Director on 27th March 2003. As per Section 260 of the Companies Act, 1956, the above said Additional Director holds office upto the date of this Annual General Meeting and is eligible for appointment as Director. The Company had received a notice in writing from a member proposing the candidature of Mr. P.M.Nene for the office of Director under the provisions of Sec 257 of the Companies Act, 1956.

Mr. P.M. Nene, is an expert in the field of Finance and Corporate affairs and in the opinion of the Board it will be beneficial to the Company, if Mr. P.M. Nene is appointed as a Director of the Company.

None of the Directors, except Mr. P.M. Nene is interested in the above said resolution.

ITEM NO. 5 (ii)

The Board of Directors have co-opted Mr. H.N. Nanani as Additional Director on 19th November, 2002. As per Section 260 of the Companies Act, 1956, the above said Additional Director holds office upto the date of this Annual General Meeting and is eligible for appointment as Director. The Company had received a notice in writing from a member proposing the candidature of Mr. H.N. Nanani for the office of Director under the provisions of Sec 257 of the Companies Act, 1956.

Mr. H.N. Nanani is an expert in the field of Marketing and General Management and in the opinion of the Board it will be beneficial to the Company, if Mr. H.N. Nanani is appointed as a Director of the Company.

None of the Directors, except Mr. H.N. Nanani is interested in the above said resolution.

ITEM NO. 5 (iii)

The Board of Directors have co-opted Mr. Niranjn Thakur as Additional Director on 28th February, 2003. As per Section 260 of the Companies Act, 1956, the above said Additional Director holds office upto the date of this Annual General Meeting and is eligible for appointment as Director. The Company had received a notice in writing from a member proposing the candidature of Mr. Niranjn Thakur for the office of Director under the provisions of Sec 257 of the Companies Act, 1956.

Mr. Niranjn Thakur is an expert in the field of Marketing, Corporate Administration and General Management and in the opinion of the Board it will be beneficial to the Company, if Mr. Niranjn Thakur is appointed as a Director of the Company.

Mrs. Vidya Manohar Chhabria, Mrs. Komal C. Wazir, Mr. Mohan M. Thakur and Mr. Niranjn Thakur are interested in the above said resolution.

ITEM NO. 6 (i)

INCREASE/RESTORATION OF REMUNERATION TO MR. T.C. GOEL AS WHOLETEIME/EXECUTIVE DIRECTOR FOR THE REMAINING PERIOD FROM 01.04.2003 TO 27.04.2006.

Mr.T.C.Goel was appointed as a Wholetime Director of the company for a period of 5 years with effect from 28.04.2001 to 27.04.2006 on a remuneration of Rs.9,42,000/- per annum and perquisites including allowances and commission subject to a maximum of Rs.25,11,628/- per annum. This appointment and remuneration was approved by the shareholders in the Annual General Meeting held on 18.09.2001. This remuneration was also approved by the Dept. of Company Affairs vide their letter No.1/241/2001/CL- VII dated 14.05.2002.



The Sch.XIII was amended on 16.01.2002 (came into force w.e.f. 23.01.2002) by which the remuneration payable to managerial personnel could be fixed by selecting any one of the three options by the companies having profits or no profits or inadequacy profits.

The remuneration of a managerial personnel in a Limited company is governed either by Section. I of Part II which provides that subject to the provisions of Sec.198 and 309, the company having profits in a financial year may pay any remuneration by way of salary, Dearness allowance, perquisites, commission and other allowances which shall not exceed 5% of its net profits for one such managerial personnel and if there is more than one such managerial personnel, 10% for all of them together.

As a sequel to this, the said appointee Mr. T.C. Goel was paid remuneration within the ceiling limit prescribed under the revised Schedule XIII as per the following details for the financial year 2002-03.

		(Rs.)
SALARY	:	16,82,400
<u>PERQUISITES</u>		
Allowances	:	13,22,700
Medical	:	1,40,200
Leave Travel Assistance	:	1,40,200
Special Pay (not exceeding)	:	7,00,000
		<hr/>
		23,03,100
		<hr/>
	Total	39,85,500
		<hr/>

(Contributions to Provident Fund, Superannuation and Gratuity Fund as per Schemes of the Company, remitted but excluded from the above remuneration).

Further notwithstanding anything contained in this Part, wherein any financial year during the currency of tenure of the managerial person, a company has no profits or its profits are inadequate, it may pay remuneration to managerial person by way of salary, dearness allowance, perquisites and any other allowances either according to Clause (A) or Clause (B) of Sec II of part II of Sch. XIII as amended.

Clause (B) of amended Sch. XIII provided that the remuneration of managerial personnel can be fixed based on the effective capital of the Company which in the present case falls between Rs.5 crores and Rs.25 crores and the monthly remuneration entitlement is Rs.2,50,000/- per month inclusive of all perquisites. Further the limit prescribed under the said Clause shall apply if.

- payment of remuneration is approved by a resolution passed by the Remuneration Committee:
- the company has not made any default in repayment of any of its debts (including public deposits) or debentures or interest payable thereon for a continuous period of thirty days in the preceding financial year before the date of appointment of such managerial person.
- a special resolution has been passed at the general meeting of the company for payment of remuneration for a period not exceeding three years:
- a statement along with a notice calling the general meeting referred to in clause (iii) is given to the shareholders containing information as mentioned in Sch. XIII

Accordingly the company is furnishing the information as under: