

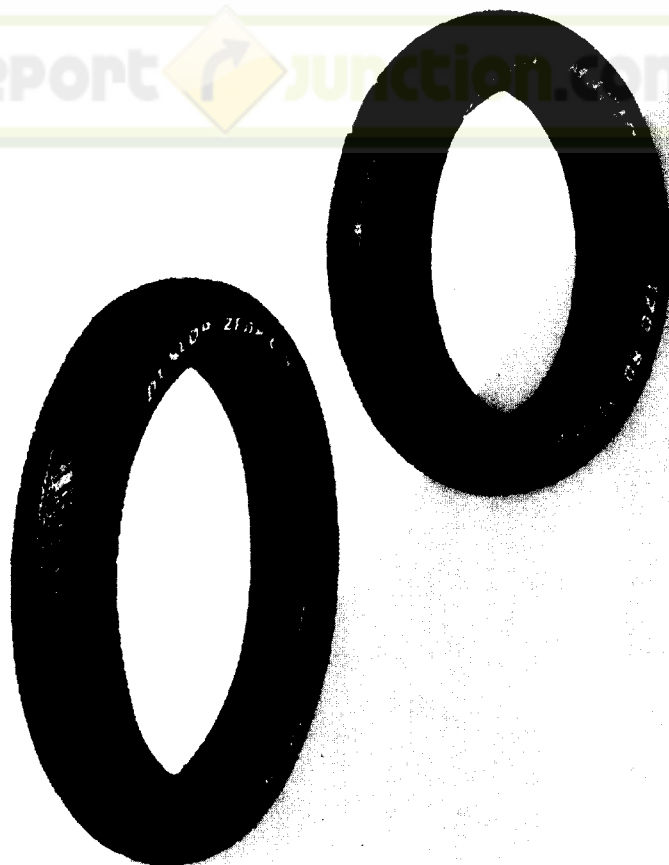


FALCON TYRES LTD.

29th Annual Report

2004-2005

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BOARD OF DIRECTORS

Mrs. Vidya Manohar Chhabria - Chairperson
Mr. Deepak Chaudhuri - Executive Director
Mrs. Komal C. Wazir
Mr. Niranjana Thakur
Mr. Mohan M. Thakur
Mr. Prakash M. Nene
Mr. Ravindra Pal Bhatia

**VICE PRESIDENT - FINANCE
& COMPANY SECRETARY**

Mr. S. Badrinarayanan

REGISTERED OFFICE

Gold Towers,
50, Residency Road
BANGALORE - 560 025

FACTORY

Metagalli, K R S Road
MYSORE - 570 016

BANKERS

1. Syndicate Bank
2. Punjab National Bank
3. State Bank of India

AUDITORS

M/s. Lodha & Co.,
14, Government Place (East)
KOLKATA - 700 069

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

Annual Report 2004 - 2005**FIVE YEAR SUMMARY**

(Rs. in lakhs)

PARTICULARS	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
SHARE CAPITAL	600.00	600.00	568.09	568.09	568.09
RESERVES & SURPLUS	1590.36	1565.74	1960.55	2025.91	2054.05
NET WORTH (Including Revaluation Reserve)	2544.92	2475.54	2798.64	2854.31	2872.56
TOTAL CAPITAL EMPLOYED	3529.96	3131.51	3625.06	3799.61	5273.91
GROSS FIXED ASSETS *	4017.24	4371.83	4896.71	5090.90	5211.42
NET FIXED ASSETS *	2157.70	2277.41	2620.84	2501.86	2477.47
SALES & OTHER INCOME	10520.89	14626.19	18350.12	18211.06	22562.78
PRODUCTION (NOS):					
TYRES	2967216	3940326	4722334	4309110	5112104
TUBES	2605348	3477794	3869838	4261847	6090750
PROFIT BEFORE INTEREST & DEPRECIATION	664.33	965.78	1429.30	614.31	540.11
PROFIT BEFORE TAX	284.20	567.31	1086.78	258.40	156.42
PROFIT AFTER TAX	167.78	352.06	519.72	161.49	92.37
EARNINGS PER SHARE (Rs.)	2.80	5.87	8.71	2.84	1.63
DIVIDEND	**71.15	90.00	96.58	85.21	56.81
RATE OF DIVIDEND	15%	15%	17%	15%	10%

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

** Includes Prorata dividend on Preferential Equity issue



NOTICE TO MEMBERS

Notice is hereby given that the 29th Annual General Meeting of the Company will be held at Hotel Woodlands (Pvt.) Ltd., No. 5, Raja Rammohan Roy Road, Bangalore - 560 025 on Tuesday, the 30th August, 2005 at 12.30 p.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, 2005 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. Mohan M. Thakur, 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

"RESOLVED THAT Mr. Ravindra Pal Bhatia who was appointed as Additional Director of the Company with effect from 6th June, 2005 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 with or without modification, the following resolutions as a Special Resolution:-
'RESOLVED THAT pursuant to provisions of Sec. 198, 269, 309 and 310 read with Sec. B of Part II of Sch XIII as amended and other applicable provisions of the Companies Act, 1956 and also pursuant to Article 96(a) and other applicable provisions of the Articles of Association of the Company, Mr. Deepak Chaudhuri be and is hereby appointed as Executive Director for a period of 3 years effective from 6th June, 2005 on the terms and conditions as stated in the explanatory statement annexed to this Notice'.

By order of the Board

S. Badrinarayanan
Vice President - Finance
& Company Secretary

Mumbai
6th June, 2005

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 22nd August, 2005 to 30th August, 2005 (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 2004 - 2005**ANNEXURE TO NOTICE****EXPLANATORY STATEMENT PURSUANT TO SEC. 173 (2) OF THE COMPANIES ACT, 1956****ITEM NO. 5**

The Board of Directors have co-opted Mr. Ravindra Pal Bhatia as Additional Director on 6th June, 2005. 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. Ravindra Pal Bhatia for the office of Director under the provisions of Sec. 257 of the Companies Act, 1956.

Mr. Ravindra Pal Bhatia 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. Ravindra Pal Bhatia is appointed as a Director of the Company.

None of the Directors, except Mr. Ravindra Pal Bhatia is interested in the above said resolution.

ITEM NO. 6

Consequent to the resignation of Mr. T.C. Goel, Executive Director, the Board felt the need for appointing a wholtime Director to manage the affairs of the Company. The Board was informed that the Company has received a letter from M/s. JWHL under Article 190 (b) of the Articles of Association of the Company, nominating Mr. Deepak Chaudhuri as a Director of the Company in the casual vacancy arising on resignation of Mr. T.C. Goel, not liable to retire by rotation, under Section 265 of the Companies Act, 1956 with effect from 6th June 2005, pursuant to provisions of Sec. 198, 269, 309 and 310 and other applicable provisions of the Companies Act, 1956 and subject to approval of the Central Government for a remuneration and terms and conditions as set out below.

- i) Salary and Allowances:
 - a) Basic Salary of Rs. 1,36,800/- (Rupees One Lakh Thirty Six Thousand Eight Hundred only) per month
 - b) Allowance of Rs. 1,36,800/- (Rupees One Lakh Thirty Six Thousand Eight Hundred only) per month
- ii) Perquisites:
 - a) In addition to the salary, Mr. Deepak Chaudhuri shall also be entitled to perquisites like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, subject to a maximum of 60% of basic salary.
 - b) Medical: One month basic salary per annum.
 - c) Leave Travel Assistance: One month basic salary per annum.
 - d) Telephone at the residence and provision of a cell phone for official use.
- iii) Leave
He shall be entitled to 28 days paid leave in a year.
- iv) Retiral Benefits
 - a) Provident Fund / Superannuation Fund
He shall be a member of the Company's Provident Fund and Superannuation Fund as per their respective rules.
 - b) Gratuity
He shall be entitled to gratuity in accordance with the Company's staff Gratuity Fund rules, as applicable.
- v) Mediciam policy including spouse and dependants as per rules of the Company, subject to premium ceiling of Rs. 5,000/- per annum.
- vi) Notice period
His appointment may be determined by either party (i.e., either by the Company or the Executive Director), giving to the other one month notice in writing.



The appointment of Executive Director and payment of remuneration shall be subject to approval of members at the Annual General Meeting as well as subject to approval of the Central Government pursuant to the provisions of Sec. 269 of the Companies Act, 1956. In the event of any modification of the terms of remuneration as may be suggested by Central Government and agreed to by the Company / the Executive Director, then the remuneration as so modified shall become payable to the Executive Director in terms of the approval as may be granted by the Central Government.

In the event of loss or inadequacy of profits in any Financial Year during the period of Mr. Deepak Chaudhuri's appointment, he will be paid or provided the salary, the allowances, and the perquisites as set out in the foregoing notwithstanding the fact that such remuneration is in excess of limits set out in Sec. 198 and 309 of the Companies Act, 1956 or in Sec. II of Part II of Schedule XIII to Companies Act, 1956 and subject to approval from Central Government.

Mr. Deepak Chaudhuri is a Bachelor of Arts graduate from India's premier Institution St. Stephens College, Delhi University and was with Harvard University Graduate School of Business Management. Mr. Deepak Chaudhuri has the necessary professional knowledge and expertise in his area of activity.

The Company will be submitting an application in this regard to the Central Government seeking its approval for the payment of remuneration as proposed by the Board of Directors.

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.

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 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 CL (A) or CL (B) of Sec. II of part II of Sch. XIII as amended.

CL (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

- i) payment of remuneration is approved by a resolution passed by the Remuneration Committee:
- ii) 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.
- iii) a special resolution has been passed at the general meeting of the company for payment of remuneration for a period not exceeding three years:
- iv) 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.

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Accordingly the company is furnishing the information as under:

General Information:

1. Nature of industry : To manufacture, vulcanise, retread, re-pair, develop, improve, sell, export, import or otherwise deal in all tyres and tubes of every description for all types of vehicles
2. Date or expected date of commencement of commercial production : 29th November, 1973
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus : Not Applicable

4. Financial performance based on given indicators : (Rs. In crores)

Year	Turnover	Net Profit
2004-05	224.00	156.42
2005-06	240.00	250.00

However, the recessionary trend set in the industry if perpetuated in reality may have adverse impact on the financial position.

5. Export performance and net foreign exchange collaborations : Past trend is very encouraging. The management is also planning entry into new market of other international zones, though the competition is very severe.

6. Foreign investments or collaborators, if any : NIL

II. Information about the appointee:

1. Background details : Mr. Deepak Chaudhuri is a Graduate from India's premier Institution St. Stephens College, Delhi University and was with Harvard University Graduate School of Business Management. Mr. Chaudhuri has 27 years of experience
2. Past remuneration : Rs. 49.90 lakhs per annum in Shaw Wallace & Company Limited.
3. Recognition or awards : NIL
4. Job profile and her suitability : Since he was a Joint President in his earlier appointment, the Board considered him suitable to appoint him as Executive Director, in-charge of General Management, manufacturing and marketing of the organisation.
5. Remuneration proposed : Rs. 49.90 lakhs per annum .
6. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin) : The Company is highly ranked among the two and three wheeler tyre industry. Though no immediate comparison could be taken in the identical scenario, the managerial personnel of other competitive tyre companies are being paid remuneration commensurate with the industry. The remuneration paid hitherto and being proposed are in consonance with the competitive industry.



- 7 Pecuniary relationship directly or indirectly with the : Nil
Company, or relationship with the managerial
personnel, if any

III. Other information:

- | | | | |
|---|--|---|---|
| 1 | Reasons of loss or inadequate profits | : | Severe competition and excess supply over demand situation, continues to affect the profitability in the future years. Also increase in basic raw material prices like Natural Rubber, Butyl etc., had huge impact on the cost of production. |
| 2 | Steps taken or proposed to be taken for improvement | : | The Company is making all out efforts to reduce the material cost by importing materials from various countries and also to increase the sales realisation prices. Efforts are being taken to increase its share of business in all segments like OE, Replacement and Export. |
| 3 | Increase in productivity and profits in measurable terms | : | The installed production capacity will be achieved at the year end and the benefit will start accrue from financial year 2005-06. |

The remuneration as mentioned in Sl.No.5 above has also been approved by the remuneration committee as prescribed.

The Company therefore proposed to pay the remuneration not exceeding Rs. 49.90 lakhs per annum in the aggregate, excluding the contributions towards Provident Fund, Superannuation and Gratuity as setout to Mr. Deepak Chaudhuri for a period of 3 years effective from 6th June, 2005 as stated about subject to the approval of the Central Government and shareholders approval as required by Sec. 310 (b) and Sch. XIII of the Companies Act, 1956 by way of a special resolution. Hence this resolution is placed before the members for their approval. The information furnished as above may also be treated as compliance as required under Sec. 302 of the Companies Act, 1956. The Company is making necessary application to Central Government in due course, seeking its approval for the proposed remuneration to the managerial personnel.

None of the Directors except Mr. Deepak Chaudhuri, is deemed to be directly or indirectly concerned or interested in the special resolution.

By order of the Board

S. Badrinarayanan
Vice President - Finance
& Company Secretary

Mumbai
6th June, 2005

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Information about Directors seeking appointment or re-appointment at the ensuing Annual General Meeting as required to be furnished under Clause 49 VI.A. of the Listing Agreement

- | | | |
|----|--|--|
| 1. | <p>Name of Director</p> <p>Age</p> <p>Qualification</p> <p>Experience</p> <p>Date of appointment</p> <p>Other Directorships</p> <p>Chairman / Member of the</p> <p>Committees of Directors of other</p> <p>Companies of which he is a Director</p> | <p>Mr. Mohan M. Thakur</p> <p>55 years</p> <p>B.Com</p> <p>32 years of experience in various levels</p> <p>23rd October, 2001</p> <p>Nil</p> <p>Audit Committee - Nil</p> <p>Shareholders / Investors Grievances Committee - Nil</p> <p>Remuneration Committee - Nil</p> |
| 2. | <p>Name of Director</p> <p>Age</p> <p>Qualification</p> <p>Experience</p> <p>Date of appointment</p> <p>Other Directorships</p> <p>Chairman / Member of the</p> <p>Committees of Directors of other</p> <p>Companies of which he is a Director</p> | <p>Mr. Ravindra Pal Bhatia</p> <p>53 years</p> <p>B.E. (Mech)</p> <p>30 years of experience in various fields</p> <p>6th June, 2005</p> <p>1) Mather & Platt Pumps Ltd.</p> <p>2) Mather & Platt Fire Systems Ltd.</p> <p>3) Narmada Gelatines Ltd.,</p> <p>Audit Committee:</p> <p>1) Mather & Platt Fire Systems Ltd.</p> <p>Remuneration Committee - Nil</p> <p>Shareholders / Investors Grievances Committee:</p> <p>1) Mather & Platt Pumps Ltd.</p> <p>2) Mather & Platt Fire Systems Ltd.</p> |
| 3. | <p>Name of Director</p> <p>Age</p> <p>Qualification</p> <p>Experience</p> <p>Date of appointment</p> <p>Other Directorships</p> <p>Chairman / Member of the</p> <p>Committees of Directors of other</p> <p>Companies of which he is a Director</p> | <p>Mr. Deepak Chaudhuri</p> <p>53 years</p> <p>B.A, Business Management from Harvard University Graduate School</p> <p>27 years of experience in various levels</p> <p>6th June, 2005</p> <p>1) Shaw Wallace Spirits Ltd.</p> <p>2) Narmada Gelatines Ltd.</p> <p>3) SWAL Corporation Ltd.</p> <p>4) Universal Pestochem (I) Ltd.</p> <p>Audit Committee:</p> <p>1) SWAL Corporation Ltd. - Chairman</p> <p>2) Narmada Gelatines Ltd. - Member</p> <p>Shareholders / Investors Grievances Committee:</p> <p>1) Narmada Gelatines Ltd. - Chairman</p> <p>Remuneration Committee:</p> <p>1) Narmada Gelatines Ltd. - Member</p> |