



30th annual report 2005-06

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FALCON TYRES LTD.





CONTENTS

Sl.No.	Particulars	Page Nos.
1.	Five Years Summary	3
2.	Notice of the Meeting	4 - 8
3.	Report of the Directors	9 - 27
4.	Auditor's Report	28 - 31
5.	Balance Sheet, Profit & Loss Account and Schedules	32 - 49
6.	Company's General Business Profile	50 - 51
7.	Cash Flow Statement	52
8.	Auditor's Report for Consolidated Accounts	53
9.	Consolidated Balance Sheet, Profit & Loss Account and Schedules	54 - 67
10.	Consolidated Cash Flow Statement	68



FALCON TYRES LIMITED

BOARD OF DIRECTORS

Mr. P.K. Ruia, Chairman
Mr. A. Sadasivam, Managing Director
Mr. Prakash. M. Nene
Mr. S. Badrinathan
Mr. Tarun Gandhi
Mr. Ambuj Kumar Jain

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)
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

Annual Report 2005 - 2006**FIVE YEAR SUMMARY**

(Rs. in lakhs)

PARTICULARS	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
SHARE CAPITAL	600.00	568.09	568.09	568.09	568.09
RESERVES & SURPLUS	1565.74	1960.55	2025.91	2054.05	2254.67
NET WORTH (Including Revaluation Reserve)	2475.54	2798.64	2854.31	2872.56	3063.50
TOTAL CAPITAL EMPLOYED	3131.51	3625.06	3799.61	5273.91	5658.57
GROSS FIXED ASSETS*	4371.83	4896.71	5090.90	5211.42	5404.74
NET FIXED ASSETS*	2277.41	2620.84	2501.84	2477.47	2413.83
TURNOVER	14480.15	18246.99	18042.45	21985.81	25563.42
OTHER INCOME	146.04	103.13	168.61	163.46	227.02
PRODUCTION (NOS):					
TYRES	3940326	4722334	4309110	5112104	5421409
TUBES	3477794	3869838	4261847	6090750	6829701
PROFIT BEFORE INTEREST & DEPRECIATION	965.78	1429.30	614.31	540.11	958.67
PROFIT BEFORE TAX	567.31	1086.78	258.40	156.42	512.42
PROFIT AFTER TAX	352.06	519.72	161.49	92.37	362.56
EARNINGS PER SHARE (Rs.)	5.87	8.71	2.84	1.63	6.38
DIVIDEND	90.00	96.58	85.21	56.81	142.02
RATE OF DIVIDEND	15%	17%	15%	10%	25%

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



NOTICE TO MEMBERS

Notice is hereby given that the 30th Annual General Meeting of the Company will be held at Hotel Woodlands (Pvt.) Ltd., No. 5, Raja Rammohan Roy Road, Bangalore - 560 025 on Monday the 31st July, 2006 at 11.30 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, 2006 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. Prakash M Nene, 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 Ordinary Resolutions:-

Appointment of Directors under Article No. 191

- a) "RESOLVED THAT Mr. A.Sadasivam, who was appointed as Director of the Company in the casual vacancy arising on resignation of Mr. Niranjana M Thakur with effect from 24th November, 2005 and holds office upto the date of this Annual General Meeting in terms of Sec. 262 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".
- b) "RESOLVED THAT Mr. P.K.Ruia, who was appointed as Additional Director of the Company with effect from 31st January, 2006 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".
- c) "RESOLVED THAT Mr. S. Badrinathan, who was appointed as Additional Director of the Company with effect from 31st January, 2006 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".
- d) "RESOLVED THAT Mr. Tarun Gandhi, who was appointed as Additional Director of the Company with effect from 30th May, 2006 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,

Annual Report 2005 - 2006

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".

- e) "RESOLVED THAT Mr. Ambuj Kumar Jain, who was appointed as Additional Director of the Company with effect from 30th May, 2006 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) **Authority to Directors to Borrow in excess of Paid-up Capital and Free Reserves**

"RESOLVED that the approval be and is hereby accorded under the provisions of section 293(1)(d) of the Companies Act, 1956, to the Board of Directors of the Company to borrow from time to time all such sums of money as they may deem requisite for the purpose of the business of the Company notwithstanding that money to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not so set apart for any specific purpose, provided that the total amount up to which moneys may be borrowed by the Board of Directors (apart from the temporary loans obtained from the Company's Bankers) shall not exceed Rs. 100 Crores outstanding at anytime".



By order of the Board

Bangalore
30th May, 2006

S. Badrinarayanan
Vice President - Finance
& 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 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 24th July, 2006 to 31st July, 2006 (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.



ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SEC. 173 (2) OF THE COMPANIES ACT, 1956

ITEM NO. 5 (a), (b), (c), (d), (e)

Mr. P.K. Ruia and Mr. S. Badrinathan were appointed as Additional Directors of the Company on 31st January, 2006. Mr. Tarun Gandhi, and Mr. Ambuj Kumar Jain were appointed as Additional Directors on 30th May, 2006. Mr. A. Sadasivam was appointed as Director on 24th November, 2005 in the casual vacancy arising on resignation of Mr. Niranjan M. Thakur. The above said Directors hold office upto the date of the forthcoming Annual General Meeting and are eligible for appointment. The Company has received notices in writing from members proposing their candidature for Directors under the provisions of Sec. 257 of the Companies Act, 1956, along with requisite deposit inter alia, for considering their appointment pursuant to Section 260, 265 of the Companies Act and Article 191 of the Articles of Association of the Company and accordingly the Directors Commend there resolutions for consideration and approval of the members.

Details regarding the persons proposed to be appointed as Directors and their brief resume have been given in the annexure attached to the Notice. Keeping in view the experience and expertise of these persons, their appointment as Directors of the Company is recommended.

Each of the Directors may be deemed to be interested in the Resolution relating to his own appointment.

ITEM NO.6.

The sanction of the shareholders is sought to permit the Board to borrow moneys in excess of the Company's capital and free reserves. This is permissible under section 293(1)(d) of the Companies Act, 1956, if the shareholders approve. With the Company's plans for expansion and diversification, your Board thinks it necessary to acquire this power and commend passing of this resolution.

None of the Directors is in any way concerned or interested in this Resolution proposed to be passed.

By order of the Board

Bangalore
30th May, 2006

S. Badrinarayanan
Vice President - Finance
& Company Secretary

Annual Report 2005 - 2006**Details of Directors Seeking Appointment at this Annual General Meeting**

1. Name of Director **Mr. Prakash M. Nene**
 Age 42 Years
 Qualification M B A
 Experience Having vast experience in Industries in top Management Positions
 Date of appointment 12th February, 2000
 Other Directorships 1) Mather & Platt Pumps Ltd.
 2) Mather & Platt Fire Systems Ltd.

Chairman / Member of the
Committees of Directors of other
Companies of which he is a Director

Name of the Company	Audit Committee Grievances Committee	Shareholder/ Investors	Remuneration Committee
NA	Nil	Nil	Nil

No. of Equity Shares held in the Company : Nil

2. Name of Director **Mr. A. Sadasivam**
 Age 49 Years
 Qualification B.Com (Honors), AICWA
 Experience 28 Years Experience in Senior Positions in various Limited Companies
 Date of appointment 24th November, 2005
 Other Directorships 1. Jessop & Co Ltd.
 2. Kamalapur Sugar & Industries Ltd.
 3. India Tyre & Rubber Co (India) Ltd.
 4. Spices Valley Estates Ltd.

Chairman / Member of the
Committees of Directors of other
Companies of which he is a Director

Name of the Company	Audit Committee Grievances Committee	Shareholder/ Investors	Remuneration Committee
NA	Nil	Nil	Nil

No. of Equity Shares held in the Company : Nil

3. Name of Director **Mr. P.K. Ruia**
 Age 47 Years
 Qualification B.Com. (Hons), AICWA, FCA, LL.B, AASM, MIIA (USA)
 Experience More than 21 years in running Business and Industries
 Date of appointment 31st January, 2006
 Other Directorships 1) Kamalapur Sugar & Industries Ltd.
 2) Dunlop India Ltd.
 3) Jessop & Co Ltd.
 4) Ruia Hospital & Educational Research Institution

Chairman / Member of the
Committees of Directors of other
Companies of which he is a Director

Name of the Company	Audit Committee Grievances Committee	Shareholder/ Investors	Remuneration Committee
Jessop & Co Ltd.	Member	Member	Nil

No. of Equity Shares held in the Company : Nil



4. Name of Director **Mr. S. Badrinathan**
 Age 61 Years
 Qualification B.A. (Economics), MBA
 Experience Having 30 years experience in Tyre Industry including top Management Positions and 5 years in an Academic Institution.
 Date of appointment 31st January, 2006
 Other Directorships Nil

Chairman / Member of the
Committees of Directors of other
Companies of which he is a Director

Name of the Company	Audit Committee Grievances Committee	Shareholder/ Investors	Remuneration Committee
NA	Nil	Nil	Nil

No. of Equity Shares held in the Company : Nil

5. Name of Director **Mr. Tarun Gandhi**
 Age 48 Years
 Qualification B.Com (Honors), C.A.
 Experience Over 26 years experience with Multinationals in India & Abroad in Finance, Treasury & Internal Audit
 Date of appointment 30th May, 2006
 Other Directorships I G Petro Limited

Chairman / Member of the
Committees of Directors of other
Companies of which he is a Director

Name of the Company	Audit Committee Grievances Committee	Shareholder/ Investors	Remuneration Committee
NA	Nil	Nil	Nil

No. of Equity Shares held in the Company : Nil

6. Name of Director **Mr. Ambuj Kumar Jain**
 Age 74 Years
 Qualification M.A.
 Experience Retired Accountant-General, vast experience in Auditing, Accounting & Finance.
 Date of appointment 30th May, 2006
 Other Directorships 1) Jessop & Co Ltd.
 2) Satia Papers Ltd.

Chairman / Member of the
Committees of Directors of other
Companies of which he is a Director

Name of the Company	Audit Committee Grievances Committee	Shareholder/ Investors	Remuneration Committee
Jessop & Co Ltd.	Member	Nil	Nil

No. of Equity Shares held in the Company : Nil

Annual Report 2005 - 2006**REPORT OF THE DIRECTORS**

Your Directors have pleasure in presenting the 30th Annual Report of the Company together with the Audited Accounts for the Financial Year ended 31st March, 2006.

SUMMARISED FINANCIAL RESULTS

(Rs. in lakhs)

	2005-2006	2004-2005
Profit before interest and Depreciation	958.67	540.11
Less: Interest	199.22	139.29
Depreciation	247.03	244.40
	446.25	383.69
Profit before Tax	512.42	156.42
Tax Provision for the year	167.80	81.43
Fringe Benefit Tax Provision	19.80	-
Deferred Tax Provision	-37.74	-17.38
Profit after Tax	362.56	92.37
Balance brought forward from previous year	90.82	162.68
	453.38	255.05
Appropriation :-		
Less : Transfer to		
General Reserve	250.00	100.00
Proposed Dividend	142.02	56.81
Corporate Dividend Tax	19.92	7.42
	411.94	164.23
	41.44	90.82

REVIEW OF OPERATIONS

Your Company recorded a turnover of Rs. 256 crores and a net profit of Rs. 3.63 crores during the Financial Year 2005-2006, despite severe competition in the industry.

An all-round increase in input costs and inability to pass on such increase in full to customers had impacted the performance of the Company during the financial year under review. The above satisfactory results was achieved by focusing on cost cutting measures undertaken from time to time.

Production of Tyres & Tubes during the year 2005-2006 stood at 20876 M.T. as against 19381 M.T. in 2004-2005. Necessary infrastructure and additional capacities were created during the year to cater to the marketing requirements. New patterns and designs of tyres introduced during the year were well received by the customers. The Company has increased its presence in all the markets viz. OE, Replacement & Exports

Your Company continues to be a major supplier to manufacturers of two/three-wheelers. In the last few years, efforts put in by the Company to increase its presence in the Replacement segment has started yielding results and the Company now has a significant market share in this segment. The Company also improved its share in export business. Your Company's tyre & tube sales in quantity had increased by 8% and 12% respectively during the year.