

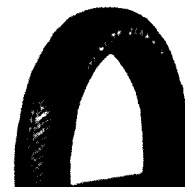
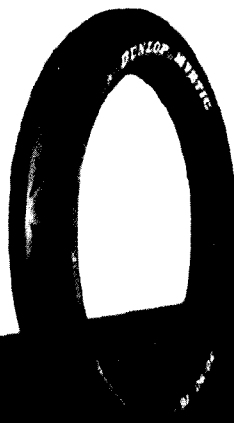
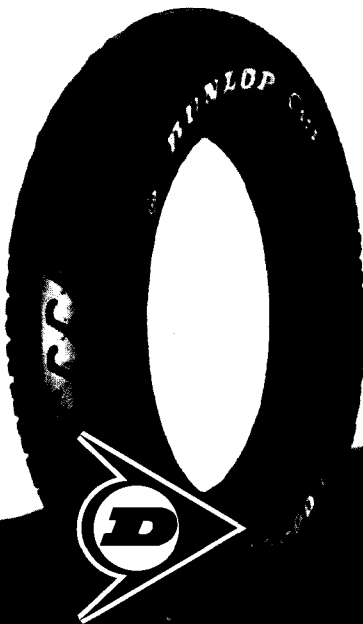


32nd Annual Report 2007-08



FALCON TYRES LTD.

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FALCON TYRES LIMITED

BOARD OF DIRECTORS

Mr.Pawan Kumar Ruia, Chairman
Mr.Umesh Bhargava, Managing Director
Mr.Tarun Gandhi
Mr.Ambuj Kumar Jain
Mr.Kokkarne Natarajan Prithviraj
Mr.Arvind K.Joshi
Mr.Vinai Raj Singh Hudda

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
4. Oriental Bank of Commerce

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 Secretarial dept., at Registered office, atleast ten days prior to the Meeting for enabling the Management to keep the information ready

FIVE YEAR SUMMARY

	(Rs. In Lakhs)				
PARTICULARS	2003-04	2004-05	2005-06	2006-07	2007-08
SHARE CAPITAL	568.09	568.09	568.09	568.09	568.09
RESERVES & SURPLUS	2025.91	2054.05	2254.67	2451.59	2787.87
NET WORTH (Including Revaluation Reserve)	2854.31	2872.56	3063.50	11931.73	11905.68
TOTAL CAPITAL EMPLOYED	3799.61	5273.91	5658.57	26509.78	29588.06
GROSS FIXED ASSETS *	5090.90	5211.42	5404.74	7157.57	8819.41
NET FIXED ASSETS *	2501.84	2477.13	2413.83	3880.19	4818.71
TURNOVER	18042.45	21985.81	25563.42	32178.63	49559.05
OTHER INCOME	168.61	163.46	227.02	350.85	400.15
PRODUCTION (NOS):					
TYRES	4309110	5112104	5421409	6248879	6962658
TUBES (INCLUDES Job Work)	4261847	6090750	6829701	8116982	8712770
PROFIT BEFORE INTEREST & DEPRECIATION	614.31	540.11	958.67	1251.46	2064.17
PROFIT BEFORE TAX	258.40	156.42	512.42	591.12	803.60
PROFIT AFTER TAX	161.49	92.37	362.56	396.31	563.59
EARNINGS PER SHARE (Rs.)	2.84	1.63	6.38	6.98	9.92
DIVIDEND AMOUNT	85.21	56.81	142.02	170.43	198.83
RATE OF DIVIDEND	15%	10%	25%	30%	35%

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



NOTICE TO MEMBERS

Notice is hereby given that the 32nd Annual General Meeting of the Company will be held at Woodlands Hotel Pvt. Ltd. No. 5 Rajaram Mohan Roy Road, Bangalore 560 025 on 30th September 2008 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 2008 and the Profit and Loss Account for the period ended on the said date, along with the Report of Directors and Auditors thereon.
- 2) To declare Dividend.
- 3) To appoint Director in the place of Mr. Ambuj Kumar Jain, 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.
- 5) To consider and, if thought fit, to pass, with or without modification, the following resolutions as Ordinary Resolutions:

Appointment of Directors under Article: 191

- a) "RESOLVED THAT Mr. Vinai Raj Singh Hudda, who was appointed as the Additional Director of the Company with effect from 24th May 2008 and holds office upto the date of this Annual General Meeting, in terms of Section: 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section: 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 Section:265 read with Section:255 and other applicable provisions of the Companies Act,1956 and under Article:191 of the Articles of Association of the Company, and will be liable to retire by rotation".
- b) "RESOLVED THAT Mr. Arvind Kumar Joshi, who was appointed as the Additional Director of the Company with effect from 24th May 2008 and holds office upto the date of this Annual General Meeting, in terms of Section: 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section: 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 Section:265 read with Section:255 and other applicable provisions of the Companies Act,1956 and under Article:191 of the Articles of Association of the Company, and will be liable to retire by rotation".
- c) "RESOLVED THAT Mr. Kokkarne Natarajan Prithviraj, who was appointed as the Additional Director of the Company with effect from 28th June 2008 and holds office upto the date of this Annual General Meeting, in terms of Section: 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section: 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 date of the Annual Meeting, pursuant to Section:265 read with Section:255 and other applicable provisions of the Companies Act,1956 and under Article:191 of the Articles of Association of the Company, and will be liable to retire by rotation".
- d) "RESOLVED THAT Mr. Umesh Bhargava, who was appointed as additional director of the Company with effect from 28th June 2008 and holds office upto the date of this Annual General Meeting, in terms of Section: 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section: 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 28-06-2008, on the term and conditions pursuant to Section:265 read with Section:255 and other applicable provisions of the Companies Act,1956 and under Article:191 of the Articles of Association of the Company.

SPECIAL BUSINESS:

TO BE PASSED AS SPECIAL RESOLUTIONS

- 6) To consider and, if thought fit, to pass, with or without modification, the following resolution as 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, subject to the approval of Central

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Government and other applicable provisions of the Articles of Association of the Company, Mr. Umesh Bhargava, has been appointed as Managing Director of the Company effective from 30.7.08 to 27.06.2011 on the terms and conditions as stated in the explanatory statement annexed to this notice".

"RESOLVED FURTHER THAT Mr. Umesh Bhargava, in his capacity as the Managing Director, be paid remuneration as may be fixed by the Board, from time to time within the limits approved by the members.

7. To consider and if thought fit, to pass with or without modification, the following resolution as special resolution.

"RESOLVED THAT pursuant to the provisions of Section 372A and all other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals, as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors of the Company for Investments of the Company's funds to acquire Equity Shares by subscription, purchase or otherwise of the following Company".

Rs. in crores

Name of the Company	(a) Investment not exceeding Rs.
MONOTONA TYRES LIMITED	100

notwithstanding that the aggregate of the loans and investments so far made in or to be made in and the Guarantees or Securities so far given or to be given to all the Bodies Corporate may exceed the limits prescribed under the said section.

"FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to such investment, to settle all matters arising out of and incidental thereto and to sign and execute all deeds, applications, documents and writings that may be required to be signed on behalf of the company in connection with such investment and generally to do all such acts, deeds and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid resolution".

By order of the Board

Umesh Bhargava
Managing Director

Kolkata
30th July'2008

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 20.09.2008 to 30.09.2008 (both days inclusive)
3. Members/ Proxies are requested to bring their copies of the Attendance Slip duly completed along with Annual Report and the Admission slip to the Meeting. Annual Reports will not be distributed at the Meeting.
4. Members are requested to furnish bank details, change of address, if any, to the Company's Registrars and share transfer Agents Alpha Systems Pvt. Ltd., Bangalore, so as to reach them latest by September 12, 2008 in order to take note of the same. In respect of members holding shares in electronic mode, the details as would be furnished by the depositories as at the close of the aforesaid date will be considered by the Company/ Company's Registrars and share transfer Agents.
5. All documents referred to in the accompanying notice and the Explanatory statement are open for inspection at the Registered office of the Company on all working days, except Saturdays, between 11.00 a.m and 1.00 p m, upto the date of the Annual General meeting.
6. Pursuant to Section 205A(5) of the Companies Act, 1956, the unpaid dividends that are due for transfer to the Investor Education and Protection Fund are as follows and members who have not encashed their dividend warrants pertaining to the aforesaid years should approach the Company/ Company's Registrars and share transfer Agents for obtaining payments thereof:

Dividend For the year ended	Date of declaration	Due for transfer on
31.03.2001	18.10.2001	01.12.2008



ANNEXURE TO NOTICE

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION: 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 5 (a)

The Board of Directors have co-opted Mr. Vinai Raj Singh Hudda, as Additional Director on 24.05.2008. 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. Vinai Raj Singh Hudda, for the office of Director under the provisions of Sec.257 of the Companies Act, 1956.

Mr. Vinai Raj Singh Hudda, is a M.E. Chemical Engineer and have rich experience with various tyre industries and in the opinion of the Board it will be beneficial to the Company, if Mr. Vinai Raj Singh Hudda, is appointed as a Director of the Company.

None of the Directors, except Mr. Vinai Raj Singh Hudda, is interested in the above said resolution.

ITEM NO. 5 (b)

The Board of Directors have co-opted Mr. Arvind Kumar Joshi, as Additional Director on 24.05.08. 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. Arvind Kumar Joshi, for the office of Director under the provisions of Sec.257 of the Companies Act, 1956.

Mr. Arvind Kumar Joshi is a Chartered Accountant and 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. Arvind Kumar Joshi is appointed as a Director of the Company.

None of the Directors, except Mr. Arvind Kumar Joshi, is interested in the above said resolution.

ITEM NO. 5 (c)

The Board of Directors have co-opted Mr. Kokkarne Natarajan Prithviraj, as Additional Director on 28.06.2008. 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. Kokkarne Natarajan Prithviraj, for the office of Director under the provisions of Sec.257 of the Companies Act, 1956.

Mr. Kokkarne Natarajan Prithviraj, an Economist and have good exposure in the field of Finance and Corporate affairs and in the opinion of the Board it will be beneficial to the Company, if Mr. Kokkarne Natarajan Prithviraj, is appointed as a Director of the Company.

None of the Directors, except Mr. Kokkarne Natarajan Prithviraj, is interested in the above said resolution.

ITEM NO. 5 (d)

The Board of Directors have co-opted Mr. Umesh Bhargava, as Additional Director on 28.06.2008. 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. Umesh Bhargava, for the office of Director under the provisions of Sec.257 of the Companies Act, 1956.

Mr. Umesh Bhargava 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. Umesh Bhargava is appointed as a Director of the Company.

None of the Directors, except Mr. Umesh Bhargava, is interested in the above said resolution

ITEM NO. 6**APPOINTMENT OF MR. UMESH BHARGAVA AS MANAGING DIRECTOR**

Consequent to the resignation of Mr. A.Sadasivam, Managing Director, Board of Directors have appointment Mr.Umesh Bhargava, as Managing Director effective from 30th July 2008 to 27th June 2011.

Mr.Umesh Bhargava 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.Umesh Bhargava is appointed as the Managing Director of the Company. The Board of Directors have fixed the remuneration package payable to the Managing Director and the other terms and conditions of the appointment of Mr.Umesh Bhargava, as Managing Director of the Company which are briefly set-out as under:

The Managing Director shall carry out such functions, exercise such powers and perform such duties as the Chairman/ Board of Directors of the Company (hereinafter called "The Board") shall from time to time determine and entrust to him. Subject to the superintendence, control and direction of the Board, the Managing Director shall have the general control and will be responsible inter-alia for the manufacturing facilities of the Company with powers to enter into contracts on behalf of the Company in the ordinary course of business and to do and perform all other acts and things which in the ordinary course of such business he may consider necessary or proper in the best interests of the Company.

The Managing Director shall report to the Chariman / Board and shall be responsible for all his actions to the Chairman / Board. It is hereby expressly agreed and declared that the Management of the whole or substantially the whole of the affairs of the Company shall vest with the Managing Director.

i) Salary and Allowances:

- a) Basic Salary of Rs. 206,660/- (Rupees Two Lacs six thousand six hundred and sixty only) per month, with such increase as decided by the Board from time to time.
- b) Other allowances/reimbursements of Rs.127,977/- (Rupees One lacs Twenty seven thousand nine hundred and seventy seven only) per month with such increase as decided by the Board from time to time. Include allowances/reimbursement for Executive Assistant wages, Business Promotion, Professional Pursuit, Children's Education, Uniform, Special allowance etc.
- c) Ex-gratia: Ex-gratia payment in accordance with the rules of the Company subject to a ceiling of Rs.206,670/- (Rupees Two lacs six thousand six hundred seventy only) per annum.

ii) Perquisites:

- a) In addition to the salary, Mr. Umesh Bhargava, shall also be entitled to perquisites like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, subject to a maximum of Rs. 103,330 (Rupees One lac three thousand three hundred thirty only) per month being 50% of basic salary.
- b) Medical allowance/reimbursement : Subject to a limit of Rs. 15,000/- (Rupees Fifteen thousand only) per annum.
- c) Leave Travel Assistance: For self and family once in a year incurred in accordance with the rules specified by the Company subject to a ceiling of Rs. 398,330 (Rupees Three lacs ninety eight thousand three hundred thirty only) per annum.
- d) Telephone at the residence and provision of a cell phone for official use.
- e) Reimbursement of car expenses incurred by him for the purpose of Company's business subject to a maximum of Rs.50,000/- (Rupees Fifty Thousand only) per month.



iii) **Leave:**

He shall be entitled to 28 days paid leave in a year.

iv) **Retiral Benefits:**

a) **Provident Fund**

He shall be a member of the Company's Provident Fund as per the rules of the Fund and the Company will contribute 12% of the basic salary towards Employer's Contribution 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) **Mediclaime policy including Spouse and dependants as per rules of the Company.**

vi) **Notice Period**

His appointment may be determined by either party (i.e., either by the Company or by the Managing Director), giving to the other not less than forty five days notice in writing.

vii) **Other terms and conditions**

He shall be reporting to the Chairman / Board on a regular basis.

In the event of loss or inadequacy of profits in any financial year during the period of Mr. Umesh Bhargava's appointment he will be paid or provided the salary, the allowances, and the perquisites as set in the foregoing part of this resolution as the 'minimum remuneration' notwithstanding the fact that such remuneration is in excess of the limits set out in Section 198 and 309 of the Companies Act, 1956 or in Section II of Part II of Schedule XIII to the Companies Act, 1956 and subject to approval from Central Government".

The Board recommends the payment of remuneration as mentioned herein above. The agreement between Company & Mr. Umesh Bhargava will be open for inspection by the members as explained above.

None of the Directors, except Mr. Umesh Bhargava is interested in above said resolution.

ITEM NO. 7

Your Company is taking major steps towards its objective of leveraging the logistical benefits of having plants in different parts of the country and to serve customers of different geographical locations at an economically faster speed. The Company is in the process of acquisition by way of purchase of shares of "MONOTONA TYRES LIMITED" a Company located in the state of Maharastra.

As per section 372A of the Companies Act, 1956, a Company cannot make investment, give loan or gurantee or provide any security in excess of the limits set out therein unless it is previously authorised by a special resolution. Hence, it is necessary to obtain approval for the same from the Members by passing a resolution. Regarding guarantee and providing securities as contemplated in Sec.372A, the Company has already obtained the approval of the members by way of a postal ballot and this resolution is intended to seek the approval of the members for the proposed investment.

The Board recommends the approval of the above resolution.

None of the Directors of the Company, in any way, directly or indirectly concerned or interested in the said resolution.

By Order of the Board

Kolkata
30th July 2008

Umesh Bhargava
Managing Director

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting the 32nd Annual Report and Audited Statements of Account of the Company for the year ended 31st March 2008.

SUMMARISED FINANCIAL RESULTS

(Rs. in lakhs)

	2007-08		2006-07	
Profit before interest and Depreciation		2064.17		1251.46
Less: Interest	898.56		378.98	
Depreciation	362.01	1260.57	281.27	660.25
Profit before Tax		803.60		591.21
Tax Provision for the year	218.07		80.80	
Fringe Benefit Tax Provision	24.67		13.23	
Deferred Tax Provision	103.91		109.98	
Excess Provision of Earlier Year				
Written Back (Net)	-106.64	240.01	-9.11	194.90
Profit after Tax		563.59		396.31
Balance brought forward from previous year		38.36		41.44
		601.95		437.75
Appropriation :-				
Less: Transfer to				
General Reserve	200.00		200.00	
Proposed Dividend (35%)	198.83		170.43	
Corporate Dividend Tax	33.79	432.62	28.96	399.39
		169.33		38.36

REVIEW OF OPERATIONS

Your Company's turnover for the year 2007-08 at Rs. 496 Crores represents an increase of 54% over the previous year's turnover at Rs.322 Crores. Profit Before interest, depreciation and taxes at Rs. 20.64 Crores represented an increase of 65% over the previous year. However, the steep increase in Raw-material prices resulted in a Profit Before Tax at Rs. 8.04 Crores, resulting in an increase of 36% only over the previous year. Profit After Tax was Rs.5.63 Crores as against Rs.3.96 Crores for the previous year.

Production of Tyres and Tubes during the year 2007-08 stood at 27518 M.T. as against 24397 M.T. in 2006-07. Additional capacities created during the year catered to the market requirements. The company has partnered with Original Equipment Manufacturers and has kept pace by developing Tyres for newer models in a short span of time.

Your company has made its presence felt in a big way in OE, Replacement and Export Segments in the Current year. Concerted efforts towards an ambitious plan bore fruitful results in these segments.

In view of the steep increase in the input cost, margins were under pressure in the financial year 2007-08. Your Company is able to pass reasonable price increase to the customers. The cost reduction measures and productivity improvement programs have also been taken up to partially offset the impact of increase in input cost. However, the increasing costs and the inflationary trend is expected to impact the profitability in the coming year.