



BEYOND GOOD ENOUGH



ANNUAL REPORT 08|09

BOARD OF DIRECTORS

Mr Pawan Kumar Ruia, Chairman
Mr S Ravi, Director
Mr Kokkarne Natarajan Prithviraj, Director
Mr Tarun Gandhi, Director
Mr Prakash P Mallya, Director
Mr Ambuj Kumar Jain, Director
Mr Sunil Bhansali, Executive Director

COMPANY SECRETARY

Mr M C Bhansali

REGISTERED OFFICE & FACTORY

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Mysore - 570 016
Tel: + 91 821- 258 2453/2055;
Fax: + 91 821 - 258 2321

REGISTRAR & SHARE TRANSFER AGENT

Alpha Systems Private Limited
30, Ramana Residency, 4th Cross
Sampige Road, Malleswaram
Bengaluru - 560 003
Tel: +91 80 - 2346 0815;
Fax: +91 80 - 2346 0819

BANKERS

1. Syndicate Bank
2. Punjab National Bank
3. State Bank of India
4. Oriental Bank of Commerce
5. Central Bank of India

STATUTORY AUDITORS

M/s K N Gutgutia & Company
Chartered Accountants
6C, Middleton Street
Flat No. 23 (2nd Floor)
Kolkata - 700 071

A Member desirous of getting any information on the Accounts of the Company, is requested to forward his/her queries to the Secretarial Department at Registered Office, at least 30 days prior to the Meeting for enabling the Management to keep the information ready.

BEYOND
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At Falcon our endeavour has always been to get past the "good enough." A willingness to explore the unknown. A readiness to challenge conventional wisdom.

We are on the constant lookout for undiscovered market space, untainted by competition. Driven by a belief that demand is created rather than fought over. That there is ample opportunity for growth that is both profitable and rapid.

In a manner of speaking, competition is irrelevant because the rules of the game are waiting to be set. We are constantly searching the wider, deeper potential of market space that is not yet explored.

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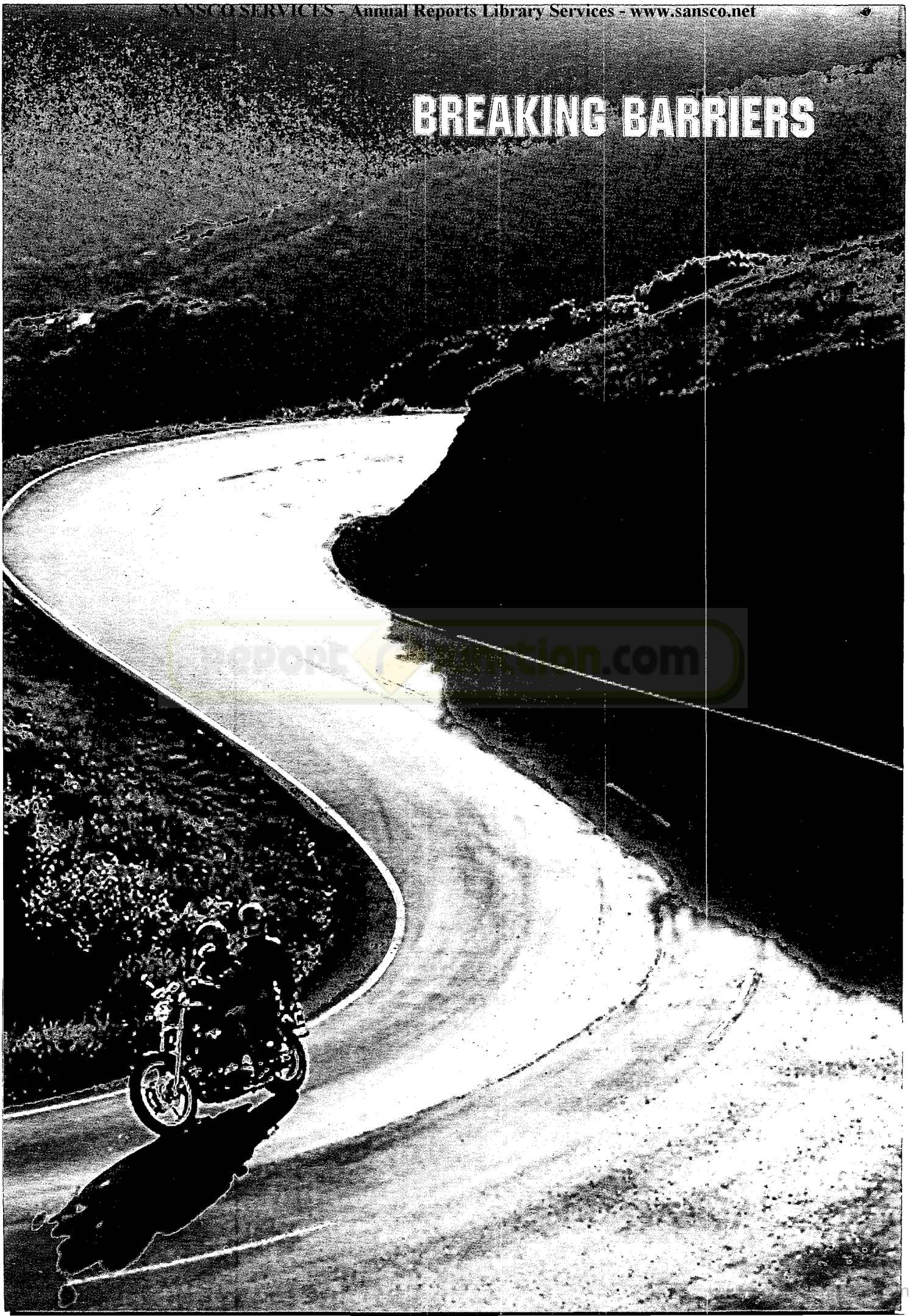
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Falcon exemplifies growth. Incorporated in 1973, Falcon Tyres Ltd was taken over by the Ruia Group in November 2005, when professionalism in every sense of the word was infused into the company resulting in all round growth. Through these years the production capacity of its state-of-the-art plant at Mysore has risen from 250,000 tyres and same number of tubes a month to 900,000 tyres and 450,000 tubes a month. Sold under the DUNLOP brand, Falcon's products have carved out a strong reputation in the market.

To sustain themselves in the marketplace, most companies focus on building advantages over the competition, usually by assessing what competitors do and striving to do it better. Here, grabbing a bigger share of a finite market is seen as a zero-sum game in which one company's gain is achieved at another company's loss. At Falcon we recognize that market boundaries exist only in managers' minds, and they do not let existing market structures limit their thinking. To us, extra demand is out there, largely untapped. The crux of the problem is how to create it. This, in turn, requires a shift of attention from supply to demand, from a focus on competing to a focus on creating innovative value to unlock new demand. This is something we achieve via the simultaneous pursuit of differentiation and low-costs.

BREAKING BARRIERS



CHAIRMAN'S MESSAGE

Dear Shareholders,

A difficult year has gone by. Today, there is reason for cheer. The recession that rocked the world and sent economies into total tailspins is waning. The process of recovery is slowly but stealthily under way. China and India have been leading the recovery process globally. Other Asian countries, too, have been faring much better than their counterparts in Europe and America. Many economies like Hong Kong, Malaysia, the Philippines, Singapore, South Korea, Taiwan, and Thailand have snapped back to sharply positive growth in the second quarter of the current year after large output declines in the preceding two. Indonesia has resurged on the upswing. In China, the estimated quarter-on-quarter annualized GDP growth rate, which fell to a decade-low of about 4 percent at the end of 2008, picked up nearly four times in the second quarter of this year.

India has fought the downturn with great gallantry. Indeed, the robust Indian economy with deep roots in its huge domestic consumer base, has balanced an extremely difficult tightrope walk with élan. The government has handled the crisis with prudence. Besides infusing money in the system, it has ventured to revive demand, liquidity and credit in the domestic market. It has renewed focus on inclusive growth in its domestic economy. Alongside, it has revved up new projects, reworked its IT strategies and refocused on infrastructure as a prime generator of employment, income and demand. The infrastructure sector has been earmarked as a prime generator of employment, income and demand in the next five years. In the last five years, the GDP of the Indian economy had grown at an average of 8.5 percent p.a. This year, despite the setbacks and challenges, it has been targeted to achieve a GDP rate of around 6.7 percent.

What is most encouraging is that the Indian auto market holds enormous promise. Domestic auto sales grew at no less than 20 percent year-on-year in September 2009. The passenger cars segment grew at around 24 percent in generic terms. Profitability peaked. The unprecedented jump in auto sales resulted in a scenario of excess demand relative to the aggregate supply capacity. While prolonged excess demand may actually trigger some cost push inflation in the immediate future, there is no denying that the industry has huge opportunities waiting to be tapped. It has generally been performing well despite high raw material prices. The potential for growth in the next five years is immense. With vigorous industrial growth plans in place, more and more new roads and highways will be imperative which, in turn, will augur better and brighter business prospects for the auto, tyres and auto ancillaries sectors.

In a year fraught with challenges your Company performed brilliantly. The Falcon story, very simply, was one of never giving up in the face of adversity. It was a story of courage and human endeavour, of will and tenacity way beyond the ordinary. A crisis – I had read long ago - is like a double-edged sword. You can either let it kill you or you can grip it hard and make it your winning weapon. Falcon did the second.



It seized the opportunities latent in the crisis with some prudent planning and bold innovative decisions. It adopted a contrarian approach to product pricing and marketing to ensure a healthy balance between its OEM customers, the replacements segment and exports. It reworked at leveraging the redoubtable Dunlop brand. Alongside, it revisited its policies for raw materials, inventories, R&D and human resources. The focus, concurrently, was on quality, delivery and customer service. Together, they made the business mantra - the best possible quality at the best possible price – a mantra that pervaded the collective consciousness of Falconites like men possessed. I can affirm with conviction that Falcon, in the year ahead, will remain firmly committed to its OEM, replacement and international customers to deliver the finest quality products at competitive prices with speed, efficiency and proactivity.

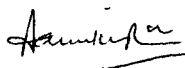
The future holds promises aplenty for your Company. A major capacity expansion program is on the anvil. It will enhance the present production capacity by over 50%. The recent strategic acquisitions will ensure effective backward integration and further capacity augmentation. Above all - the will, drive and determination of its people will turn its dreams to palpable reality.

The market will remain buoyant. Over the next few years, the two-wheeler segment will continue to be very competitive as more and more rural and semi-urban youth get inducted into industrial employment. Low-cost cars and hatchbacks, too, will enjoy significantly enhanced market shares. It gives me great pride to envision a young and jubilant India riding on the wheels of Falcon. To all of us, it will be hugely rewarding to see Falcon emerge big and strong – a frontrunner in the two and three-wheeler tyres industry. Many of us will be fortunate enough to see in our lifetimes the transition of rural India from survivors to consumers of definitive identity.

We, at Falcon, will embrace challenges with confidence as we have always done. We will continue to view our business not just in terms of rising top and bottom lines but as greater opportunities to serve society the best way we can. Our commitment to our corporate social responsibilities will continue to form the ethical, moral and spiritual fabric of our business operations.

As a corporation thriving on the strength of its core values your Company would emerge an active player as India transits itself from a developing to a developed nation by 2020. It is not crystal ball-gazing. It is a firm, deep-rooted conviction emanating from an organization whose people have a very clear vision of the road ahead and the resolve to make it happen through commitment, effort and steely resolve.

Yours sincerely,



Pawan K. Ruia
Chairman