

**FINANCIAL
ACCOUNTS
2010-11**

NOTICE

NOTICE is hereby given that the 35th Annual General Meeting of the members of Falcon Tyres Limited will be held on Friday the 23rd December, 2011 at 12.30 P.M. at Golden Landmark Resort, 45/A, K.R.S. Road, Metagalli, Mysore – 570 016 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 30th September, 2011, the Profit & Loss Account for the year ended on the said date, along with the Report of Board of Directors and Auditors thereon.
2. To declare Dividend on equity shares.
3. To appoint Director in place of Mr. Tarun Ghandi, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Director in place of Mr. S. Ravi, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint M/s K.N.Gutgutia & Company, 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.

SPECIAL BUSINESS:

To consider and, if thought fit to pass, with or without modification(s), the following Resolution as Special Resolution.

6. “RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 read together with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the Company hereby approves the re-appointment of Mr. Sunil Bhansali as a Whole Time Director designated as

Executive Director of the Company for a period of 3(three) years w.e.f. 30th September'2011 to 29th September'2014 on the terms and conditions as set out in the explanatory statement annexed and form part of this notice subject to the approval of the Central Government, if required.

“RESOLVED FURTHER THAT subject to Section 255 of the Companies Act, 1956 and Article 96(a) of Articles of Association of the Company, Mr.Sunil Bhansali will not be liable for retirement by rotation.

“RESOLVED FURTHER THAT the Board of Directors of the Company or a Committee thereof be and is hereby authorised to vary and / or revise the terms and Conditions of Appointment and / or remuneration of the said Executive Director within the overall limits specified under Schedule XIII of the Companies Act, 1956, or any statutory modification(s) or re-enactment thereof.

“RESOLVED FURTHER THAT the Board of Directors of the Company ("the Board", which expression shall also include a duly constituted committee thereof) be and is hereby authorised to do all such acts, deeds and things and to delegate all or any of the powers vested in the Board to any Director(s) or Company Secretary of the Company as may be required to give effect to the above Resolution."

Date: 07th November 2011

By the order of the Board

Registered Office:
K.R.S. Road, Metagalli,
Mysore – 570 016,
Karnataka, India.

M.C.Bhansali
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 ON POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED

NOT BE A MEMBER OF THE COMPANY. PROXY FORM DULY FILLED AND SIGNED MUST BE RECEIVED BY THE COMPANY AT THE REGISTERED OFFICE NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

2. The relative explanatory statement pursuant to section 173(2) of the Companies Act, 1956, in respect of the business under item No.6 set out above are annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 19.12.2011 to 23.12.2011 (both days inclusive).
4. Members/ Proxies are requested to bring their copies of the attendance slip duly filled in along with Annual Report and the Admission slip to the meeting.
5. Members are requested to furnish bank details, change of address, if any to the Company's Registrars and share transfer Agent, Integrated Enterprises (India) Limited, Bangalore, so as to reach them latest by 19.12.2011 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.
6. All documents referred to in the notice and accompanying 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.

7. Dividend, which remains unclaimed over a period of 7 years from the date of declaration, shall be transferred to the Investor Education and Protection Fund. Pursuant to Section 205A(5) of the Companies Act, 1956, the unpaid/unclaimed dividends for the year 2003-04 and unpaid debenture redemption amount due from the year 2003-04 was transferred to the Investor Education and Protection Fund.

Shareholders who have not yet encashed their dividend warrants for the year 2004-05 to 2009-10 may approach the Company/ Company's Registrars and Share Transfer Agents for re-validation, issue of duplicate warrants etc.,

8. GREEN INITIATIVE: IMPORTANT COMMUNICATION TO THE MEMBERS

The Ministry of Corporate Affairs has taken a “Green Initiative in the Corporate Governance” by allowing paperless compliance by the Companies and has issued circulars stating that service of notice / documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register the same with Integrated Enterprises (India) Limited, Bangalore, Registrars & Transfer Agents.

Kindly note, the annual report is also available on the Company's website www.falcontyres.com/financial.php

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956.

ITEM NO.6

Consider the re-appointment and revision in remuneration of Mr. Sunil Bhansali as Whole Time Director designated as Executive Director of the company for a period of three years w.e.f. 30th September, 2011 to 29th September, 2014

The Board of Directors has reappointed Mr. Sunil Bhansali as Whole Time Director being designated as Executive Director of the Company for a period of 3 (three) years w.e.f. 30th September, 2011 to 29th September, 2014 on the terms of remuneration set out hereunder subject to the approval of shareholders and if required, Central Government.

The Remuneration Committee has recommended a payment of revised remuneration, which was approved by the Board of Directors at their meeting on 07th November, 2011.

Broad particulars of the terms of re-appointment and remuneration payable to Mr. Sunil Bhansali are as under:

- i) The Executive Director shall carry out such functions, exercise such powers and perform such duties as determined and entrusted from time to time by the Executive Chairman of the Company (hereinafter called “**EC**”) / the Board of Directors of the Company (hereinafter called “**The Board**”) subject to the superintendence, control and direction of the EC / Board, the Executive Director shall have the general control and will be responsible inter – alia for the manufacturing activities 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 and proper in the best interests of the Company.

ii) Basic Salary and Allowances:

- a) Rs.1,25,000/- (Rupees One Lakh Twenty Five Thousand Only) per month, with such increase as may be decided by the Board / Committee from time to time.
- b) Other Allowances / Remuneration / Reimbursement of Rs.67,333/- (Rupees Sixty Seven Thousand Three Hundred and Thirty Three Only) per month, with such increase as may be decided by the Board / Committee from time to time, including allowances / reimbursement for Executive Assistant wages, Business Promotion, Professional Pursuit, Children's Education, Uniform, Special Allowances etc.,
- c) Ex-Gratia: Ex-Gratia in accordance with the rules of the Company, subject to a ceiling of 8.33% of annual basic per annum.

iii) Perquisites:

- a) In addition to the salary, Mr. Sunil Bhansali, shall also be entitled to monthly perquisites like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, subject to a maximum of 30% of basic salary per month.
- 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. 1,85,000/- (Rupees One Lakh Eighty Five Thousand Only) per annum.
- d) Telephone at the residence and provision of a cell phone for official use.
- e) Travelling Expenses - on actual
- f) Reimbursement of car expenses incurred by him for the purpose of Company's Business subject to a maximum of Rs. 58,500/- per month (Rupees Fifty Eight Thousand Five Hundred Only) and with such increase as may be decided by the Board / Committee from time to time.

iv) Leave:

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

v) Retirement 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.

b) Gratuity:

He shall be entitled to gratuity in accordance with the Company's Staff Gratuity Fund Rules, as applicable.

c) Superannuation fund:

Mr.Sunil Bhansali shall be member of the Superannuation fund as per the rules of the fund and the Company contributes 15% of the basic salary to the fund.

vi) Mediclaim policy including Spouse and dependents as per Rules of the Company.**vii) Notice Period:** The terms and conditions of appointment and remuneration are set out in the agreement. Either party can terminate agreement by giving fortyfive days notice in writing or salary in lieu thereof.**viii) Other terms and conditions:**

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

In the event of loss or inadequacy of profits in any financial year during the period of Mr. Sunil Bhansali'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 the Central Government.

None of the Directors except Mr. Sunil Bhansali are interested in the above resolution.

Date: 07th November 2011

By the order of the Board

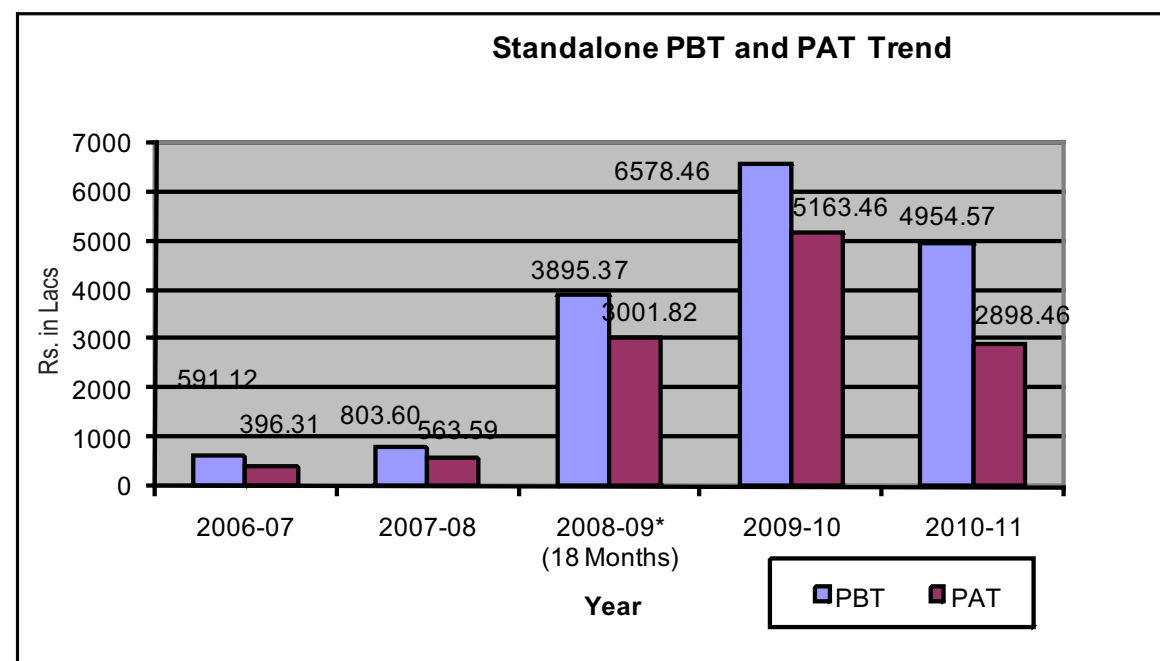
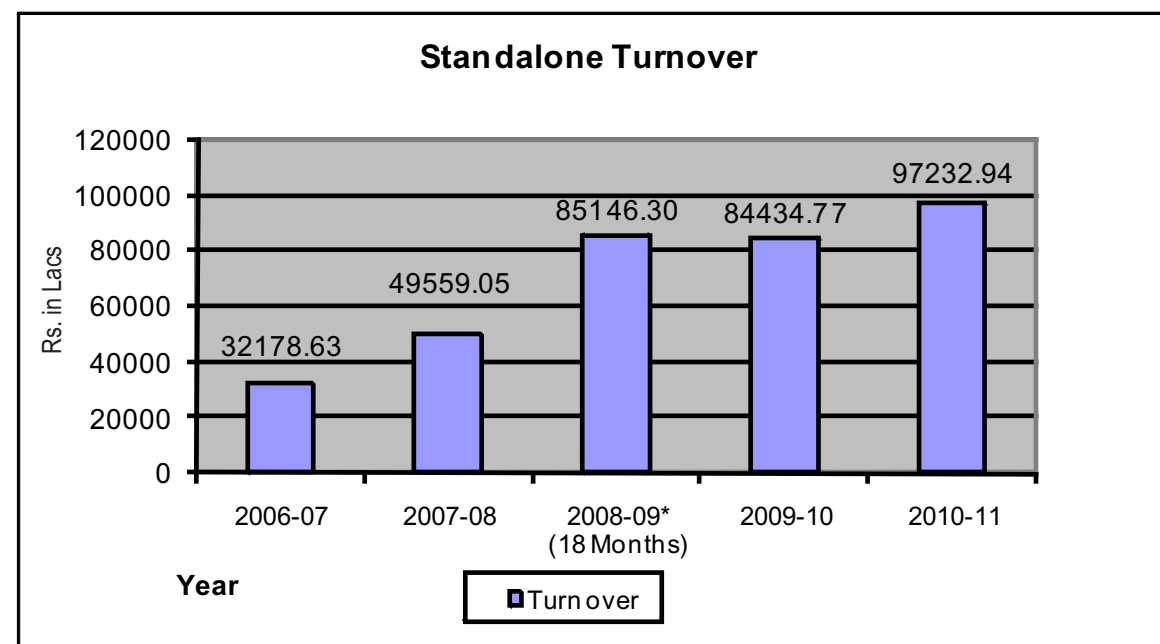
Registered Office:
K.R.S. Road, Metagalli,
Mysore – 570 016,
Karnataka, India.

M.C.Bhansali
Company Secretary

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 35th Annual Report and Audited Accounts of the Company for the year ended 30th September, 2011

Your Company has achieved the highest ever Standalone Turnover of Rs. 972.33 Crores with Profit before Tax at Rs. 49.55 Crores and Profit after Tax at Rs. 28.98 Crores.



FINANCIAL RESULT - STANDALONE

Rs. In Lacs

Sl No.	Particulars	For the Year ended September 30,	
		2010-11	2009-10
i)	Gross Turnover	97232.94	84434.77
ii)	Net Turnover	90072.77	78810.41
iii)	Other Income	763.08	566.33
iv)	Total Revenue	90835.85	79376.74
v)	Profit before Interest, Depreciation & Taxation (EBIDTA)	7493.57	9008.23
vi)	Interest	1686.67	1652.11
vii)	Depreciation	852.33	777.66
viii)	Profit before Taxation & Exceptional Item	4954.57	6578.46
ix)	Exceptional Items	--	--
x)	Profit before Taxation (PBT)	4954.57	6578.46
xi)	Tax including Deferred Tax	2056.11	1415.00
xii)	Profit after Taxation (PAT)	2898.46	5163.46
xiii)	Profit brought forward from previous year	872.40	205.90
xiv)	Amount available for Appropriation	3770.86	5369.36
xv)	Appropriations		
	Transfer to General Reserve	1000.00	3500.00
	Proposed Final Dividend	596.49	852.14
	Corporate Dividend Tax	94.23	144.82
xvi)	Balance carried to Balance Sheet	2080.14	872.40

Some of the Key Performance ratios on standalone basis are furnished below:

Description	UOM	For the Year ended September 30,		Last 10 Years Average
		2011	2010	
EBITDA/ GROSS TURNOVER	%	7.7	10.7	7.0
PROFIT BEFORE TAX / GROSS TURNOVER	%	5.1	7.8	4.3
PROFIT AFTER TAX / GROSS TURNOVER	%	3.0	6.1	3.0
RETURN ON CAPITAL EMPLOYED	%	5.1	15.7	7.0
EARNINGS PER SHARE AT A FACE VALUE OF RS. 5/- PER SHARE	Rs.	8.50	15.15	7.41*

*Prorated for Rs. 5/- per share only

STANDALONE PERFORMANCE

Your Company has achieved highest ever turnover of Rs. 972.33 Crores for the year under review posting an increase of 15% over the previous year turnover of Rs. 844.35 Crores. Profit before Interest, Depreciation and Taxes stood at Rs. 74.94 Crores as against the previous

year figure of Rs. 90.08 Crores. The Profit before Tax is at Rs. 49.55 Crores as against the previous year figure of Rs. 65.78 Crores. Profit after Tax is at Rs. 28.98 Crores as against the previous year figure of Rs. 51.64 Crores. During the year under review the profit was down due to sluggish market conditions.

Production of Tyres and Tubes, during the year under review stood at 37144 MT against 37660 MT in the previous year. The Company has partnered with Original Equipment Manufacturers and has kept pace by developing Tyres for newer models. Production was slightly down due to change in product mix, increase in value added products like Tubeless Tyres etc.

Your Company maintained its leadership position in OEM and Export market segment in the period under review. The replacement market was marginally down due to sluggish market conditions and cut-throat competition due to over-supply in the market.

EXPANSION

Your Directors are happy to inform you that the Expansion plan of the Company at Mysore is in full swing and the production from the expansion plant is expected to start from 1st Quarter of 2012.

ACQUISITION

Your Directors are happy to inform you that your

Particulars	For the year ended 30/09/2011	For the period 21/05/2010 to 30/09/2011
Capital	720.00	720.00
Reserves	5226.11	6731.37
Total Assets	16699.37	17506.97
Total Liabilities	10753.26	10055.60
Investments	-	-
Turnover	14868.55	7189.85
EBIDTA	334.23	712.77
EBDT	(572.42)	276.43
Profit Before Taxation	(1011.00)	(309.66)
Provision for Taxation including Deferred Tax	(28.47)	-
Profit after Taxation	(982.53)	(309.66)
Proposed Dividend Including Corporate Dividend Tax	16.85	-

Pursuant to Accounting Standard – 21 (AS – 21) prescribed by the Institute of Chartered Accountants of India /Companies (Accounting Standards) Rule 2006, the accounts of the subsidiary company are consolidated with the accounting of the Company and Consolidated Accounts forms part of this report.

Company has acquired 100% shares of M/s Chamundi Plasto Sacks Private Limited, a Company adjacent to your Company with approx 6 acres of Land on 19th of October'2011. This will be used for the expansion plans of your Company.

CUSTOMERS FIRST

Your Company is having a policy of “Customers First” and due to this we have been able to continue to be associated with major Automobiles Company (OE's) and enjoying the privileged position with all the OE's. The most conservative OE's also recognizes our Services and Quality and we are becoming, a significant suppliers for them.

SUBSIDIARY

Monotona Tyres Limited (MTL) become subsidiary of the Company w.e.f. 21st of May, 2010. The Financial position and performance of the subsidiary during the period under review was as follows:

As per general circulation No. 2/2011 and Notification No. 51/12/2007-CL-III dated 08/02/2011, the account of the subsidiary Company has not been attached to the accounts of your Company.

The copy of the Annual Report of the Subsidiary Company will be made available to shareholders on request and will also be kept for inspection by any shareholder at the registered office of your company and it's subsidiary company.

APPROPRIATIONS**DIVIDEND**

Your Directors recommend a Dividend of Rs. 1.75 per equity share (i.e. 35%) for the financial year ended 30th September, 2011. The proposed dividend together with Corporate Dividend Tax will absorb Rs. 6.91 Crores. The dividend if approved, shall be payable to shareholders registered in the books of the Company and to the beneficial owners furnished by the depositories as determined with reference to the book closure from 19th December, 2011 to 23rd December, 2011 (both days inclusive).

The total outflow on account of Equity Dividend together with Corporate Dividend Tax will be Rs. 6.91 Crores, vis a vis Rs. 9.97 Crores paid for fiscal 2009-10.

TRANSFER TO GENERAL RESERVE

The Board has recommended a transfer of Rs. 10 Crores to the General Reserve.

QUALITY MANAGEMENT SYSTEM

Your Company has been confirmed with certifications by M/s TUV, SUDD, South Asia Pvt. Ltd., with respect to the following:

- ISO 9001:2008 & ISO / TS16949: 2009 for Quality Management System which were re-certified in Feb 2010 and valid till Feb 2013
- ISO 14001:2004 & OHSAS 18001:2007 for Environment, Occupational Health & Safety Assessment Series Management Systems, which were recertified during July 2011 and June, 2009 and valid till July 2014 and June 2012 respectively.

DIRECTORS

In accordance with the Companies Act, 1956 read with the Articles of Association of the Company, Mr. Tarun Gandhi & Mr. S. Ravi,

Directors of the Company will retire by rotation at this meeting and being eligible offers themselves for re-appointment.

Your Board recommends their re-appointment.

During the year under review Mr. Vijay Vaid has resigned w.e.f. 24th May, 2011 as Director. The Board place on record it's appreciation for the contribution made by him during his tenure.

None of the Director is disqualified under section 274(1)(g)

AUDITORS

M/s. K.N. Gutgutia & Co., Chartered Accountants auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and have expressed their willingness to act as auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Companies Act. The observations of the Auditors in their Report on Accounts read with the relevant notes are self-explanatory.

COST AUDIT

Complying with the Provision of Section 233(B) of the Companies Act, 1956, the Board of Directors have appointed Mr. T.L.Sangameswaran, Cost Accountant, Mysore to carry out Audit of the Cost Accounts of the Company relating to the manufacture of Tyres & Tubes for the period ended 30th September 2011 in compliance with the Central Government Order in this regard and the cost audit report will be submitted to the Ministry of Corporate affairs, Government of India.

FIXED DEPOSITS

During the year under review, your Company has neither invited nor accepted any deposits from the public.

PARTICULARS OF EMPLOYMENT

As required under the provisions of Sec. 217(2A) of the Companies Act, 1956, read with the Rules framed thereunder, a statement of particulars of the employees has been annexed to this report and included as Annexure-I.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Sec. 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, is furnished in Annexure-II.

INDUSTRIAL RELATIONS

During the year 2009-10, your Company has finalized 3.3 years long term wage agreement with permanent workers union. The Company maintained harmonious and cordial Industrial Relations during the period under review. However there was a small issue with a section of Badli workers. A regular system of holding bi-partite discussion with the recognized Union regarding the issue of common interest of all employees was adopted.

SAFETY

Your Company has a well-defined Safety Management System. Continuous endeavor is made to create safety awareness among the employees. As part of this, forums like Works Committee, Plant Safety Committee are functioning for taking up necessary preventive/corrective actions wherever required and to create awareness among the employees on Safety and Health. Your Company has also appointed a Safety Officer for the purpose. Safety Day has been observed in the Company.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Company is pro-active to its Corporate Social Responsibility. The following are few of the activities organized by your Company during the period under review:

- i) **Ganesh Festival:** The Company has joined hand with the employees to celebrate the Ganesh Festival, which is one of the biggest festival in Karnataka and observed ritual and festivity with equal fervor.

- ii) **May Day Celebration:** 1st May of the year is being observed as workers day. Your Company also joins hands with Employees and their family in observing the day where Company sponsored various sports and cultural activities are performed. Winner of the sports event are rewarded with the prizes and sweets were distributed.

- iii) **Green Revolution:** The Company has developed a green belt in and around the Company premises for better environment. During the year under review. The Company has planted more than 1000 plants.

- iv) **Training to School/ College Students:** Your Company is regularly providing training to engineering students and management trainees of various institutes and colleges.

- v) **Sports Prize Sponsorship:** During the year under review the Company has sponsored prizes of sports in local community.

- vi) **Merit Award:** Your Company has distributed Cash Award to the Meritorious children's of the Employees during the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Sec. 217 (2AA) of the Companies Act, 1956, with respect to Director's Responsibility Statement, it is hereby confirmed:

- (i) That in the preparation of the accounts for the financial year ended 30th September, 2011 the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30th September' 2011 and of the profit or loss of the Company for the year ended on that date;

- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (iv) That the Directors have prepared the accounts for the financial year ended 30th September, 2011 on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis is given separately and forms part of this Annual Report

CORPORATE GOVERNANCE

The report of Board of Directors of the Company on Corporate Governance is given as a separate section titled "Corporate Governance Report" which forms part of this Annual Report.

Certificate of the Statutory Auditors of the Company regarding compliance with the Corporate Governance requirement as stipulated in clause 49 of the Listing Agreement with the stock exchange is annexed with the Corporate Governance Report.

APPRECIATION & ACKNOWLEDGMENT

Your Directors acknowledge the continued support and co-operation from the Financial Institutions, Banks, Customers, Vendors, Dealers and Government Authorities during the year under review. Further your Directors thank the Shareholders for their continued confidence in the Company. The Board also places on record its appreciation for the devoted and dedicated contribution made by the employees at all levels in achieving these results.

On behalf of the Board of Directors

Place: Bangalore
Date: 7th November, 2011

Sunil Bhansali **S. Ravi**
Executive Director Director

ANNEXURE - I

Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forming part of the Directors Report for the period ended September 30, 2011

Sl. No	Name of the Employee	Designation	Remuneration (Rs.)	Qualification and Experience	Date of Commencement of Employment	Age	Last Employment held
1	Mr. Pawan Kumar Ruia	Executive Chairman	6,07,20,000	B.Com (Hons), AICWA, FCA, LL.B, AASM, MIIA (USA) 27 Years	01.04.2007	52	
2	Mr. Sunil Bhansali	Executive Director	24,59,602	B.Com, FCA	04.07.2008	47	Sujana Metal Products Ltd.

ANNEXURE - II

Statement Pursuant to Sec.217 (1) (e) of the Companies Act, 1956

A. CONSERVATION OF ENERGY

a) Energy conservation / Modification measures taken

- 1) Optimization of Utility services in Tyre Curing section reducing the CCW/ECW pumps capacities and motors.
- 2) Introduced Temperature control systems to cooling towers.
- 3) Design changes in tyre curing press to replace high HP Motors by optimum size motors
- 4) Installation of Turbo fans for cooling and ventilation in place of motorized exhaust fans.

b) Impact of measures taken

- 1) Increase in productivity with less power
- 2) Savings in Electricity/ Power consumption

c) Additional investments / modifications proposed

- 1) Introduction of Air Ducts by elimination of Pedestal Fans
- 2) Introduction of Fan less natural cooling tower in replacement of Fan type cooling towers.
- 3) Introduction of additional capacitors for improving the Power Factor.

d) Impact of proposed measures

- 1) Savings in Power, water and fuel Cost
- 2) Increase in productivity with quality

FORM-A

Disclosure of Particulars with respect to Conservation of Energy:
POWER AND FUEL CONSUMPTION

Description	For the Year ended September 30,	
	2011	2010
1. Electricity		
a. Purchased:		
- Total Units	8628960	2371880
- Total Amount (Rs.in lakhs)	508.63	178.65
- Rate per unit (Rs.)	5.89	7.53
b. Own Generation:		
- Units Generated	10081510	15420366
- Total Diesel/Coal Cost (Rs.Lacs)	621.78	667.75
- Cost per unit (Rs.)	6.17	4.33
2. Fuel :		
a) Biomass,Coal & Others -Quantity (M.T.)	22359	19931
- Total Cost (Rs.Lacs)	1018.57	807.18
- Fuel Rate per Kg. (Rs.)	4.56	4.05
- Fuel Cost/Kg. on Production (Rs.)	2.81	2.20
3. Consumption per Kg.of -		
- Production of Tyre & Tube:-		
- Electricity (Units/Kg.)	0.515	0.486
- Coal & Other Fuels (Kgs./Kg.)	0.616	0.544

FORM - B

A. TECHNOLOGY ABSORPTION:

1. Research & Development:

- a) Developed Nylon Radial Construction for Motor Cycles tyres.
- b) Developed Testing method for Bead Unseating in line with SRI, Japan, for Tubeless tires This is specially done looking to new customer requirement for upcoming tubeless tyres
- c) Development of New Sizes of tyres
- d) Usage of Polyester Fabric in Carcass for three wheeler for improved tyre performance – upgrade reinforcement material
- e) Developed new product with silica compound for better grip and rolling resistance
- f) Introduction of Spring loaded microvents (AVV) for better finish and aesthetic look.

2. Benefits derived as a result of the above R & D

- a) Improve the Products range
- b) Meet the Market requirement (OEMs & Replacement)
- c) Improved quality with consistent performance

3. Future Plan of action:

- a) Updation of machine/process for improve and quick product change

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1) Efforts in brief made towards technology absorption, adoption and innovation:

- a) New Products and new patterns developed and are approved by OEMs

- b) SRI interactions w.r.t. Testing and approval from HGA for OEMs on existing & new upcoming vehicle model
- c) Cost optimization to balance bottom line by leaning New technology / products through attending Conference / Customer meet etc.

2) Benefits derived as a result of the above efforts

- a) Enhanced market share with OEMs and exports
- b) Eco Friendly Technology

3) In case of imported technology (imported during last 5 years reckoned from the beginning of the financial year) the following information may be furnished.

- a) Technology imported ➔ Not Applicable
- b) Year of Import ➔ Not Applicable
- c) Has technology been fully absorbed ➔ Not Applicable
- d) If Not fully absorbed, ➔ Not Applicable areas where this has not been taken place, reasons therefore and future plans for action

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange earned and used:

(Rs. in Lacs)

Particulars	2010-11 (12 Months)	2009-10 (12 Months)
i) Foreign Exchange Earned	4194.99	1315.66
ii) Foreign Exchange Used	9510.54	7600.79

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Holding Company's interest in the Subsidiary Companies

Financial year of the Subsidiary ended on	March 31, 2011
1. (a) Number of shares held by Falcon Tyres Limited at the end of the above date	5,399,600
(b) Extent of Interest on above date	75%
2. Net aggregate amount of the Subsidiary Company's Profit/ (Loss) so far it concerns members of the Holding Company and	Rs. in Lacs
(a) is not dealt in the Company's account	NIL
(i) for the financial year ended March 31, 2011	Not Applicable*
(ii) for the previous financial year since it become a subsidiary	
(b) is dealt in the Company's account	
(i) for the financial year ended March 31, 2011	- 78.48 Lacks
(ii) for the previous financial year since it become a subsidiary	Not Applicable*
Change in the interest of Falcon Tyres Limited between the end of the subsidiary's financial year March 31, 2011 and September 30, 2011	NIL
- Number of shares acquired	Rs. in Lacs
Material changes between the end of the subsidiary's financial year March 31, 2011 and September 30, 2011	
(i) Fixed Assets (net additions)	22.99 Lakhs
(ii) Investments	NIL
(iii) Moneys lent by the subsidiary	NIL
(iv) Moneys borrowed by the subsidiary company other than for meeting current laibilities	NIL

* As Monotona Tyres Limited has become subsidiary of Falcon Tyres Limited w.e.f. 21st of May, 2010, where Falcon has acquired 53,99,600 Nos. of shares out of 72,00,000 Nos. i.e. 75% of the subscribed and paid up capital of Monotona Tyres Limited, the same is not applicable.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Automobile industry in India happens to be the ninth largest in the world. 2-3 wheeler account for nearly 80% of the Automobile Industry in Numbers in India. The growth of the Indian Tyre Industry is fuelled by the growth of the 2-3 wheelers tyres mainly. Majority of 1.16 Billion Population of India is middle class and lives in rural India. This indicates a huge potential, sustainable growth and prosperity for both 2-3 wheel manufacturers and its component makers, especially to products like tyres/ battery etc.

This is the third year in consecutive that Indian 2-3 wheel tyre industry has seen a double digit growth. This itself explains the potential of the 2-3 tyre industry in India. Your Company is focusing on 2-3 wheeler segment apart from presence in few other segments and expanding it's wing towards passenger car tyres.

Since 2009 the 2 & 3 wheeler industry has shown a remarkable growth. 2-3 wheeler industries have witnessed a capacity addition by all the major players in the last couple of years.

INDUSTRY STRUCTURE AND DEVELOPMENTS

The Automotive sector was a great beneficiary of the overall recovery during 2009-10 and registered a healthy growth. Due to this 2-3 wheeler tyre industry also has shown a very impressive growth of 20%. With buoyancy in 2-3 wheeler market, 2-3 wheeler tyre industry is expected to perform well.

On the other hand Raw Materials prices are a cause of concern with Natural Rubber prices continuously increased due to short supply and prices reached to historical high of Rs. 240 per kg. Synthetic rubber and other input prices also witnessed a significant increase.

BUSINESS OUTLOOK AND OVERVIEW

Year 2010-11 has witnessed oversupply situation for products of the Company and industry due to higher capacity additions by major players in 2-3 wheeler segment. Sudden increase in production much faster than demand affects the performance of your Company. The Company has launched various value added new products like tubeless tyres etc. to increase its sales.

COMPANY PERFORMANCE

DOMESTIC SEGMENT

Your Company has kept a balance between it's major supplies in OEM and Replacement market, whereas Company was able to increase its supplies to the OEM's but was not able to increase its business in the replacement market due to sluggish market conditions and demand supply gap during the year. Although the demand has gone up but due to recent huge capacity additions a demand supply gap has been created and it will take some time to absorb additional capacities.

EXPORT SEGMENT

During the period under review, the Company has Directly/ Indirectly sold 7.06 Lacs tyres in export market in comparison to 3.81 Lacs tyres sold during the last year posting a growth of more than 85%. Your Company has started focusing on the segment and expects to grow at a rapid pace.

OPPORTUNITY AND THREATS

Automobile is one of the largest industries in global market. Being the leader in product and process technologies in the manufacturing sector, it has been recognized as one of the drivers of economic growth. Two-wheeler segment is one of the most important components of the automobile sector that has undergone significant changes. There is a large untapped market in semi-urban and rural areas of the country.

The Company has developed Tubeless Tyres and tested few Radial Tyres also during the last year and the responses to the same are positive. Moreover the newly developed Tuffgrip Tyres has also got very good response.

OPERATION REVIEW

Financial Performance:

The Company achieved a highest ever turnover of Rs. 97233 Lacs for the year ended 30th September 2011, as against previous year turnover of Rs. 84435 Lacs with an annualized increase of 15%. These results were achieved despite severe competition in the Industry. The PBT for the year under review is Rs. 4955 Lacs as against previous year PBT of Rs. 6578 Lacs.

The Company's sales in various market segments are as given below:

Description	UOM	2010-11 (12 Months)	2009-10 (12 Months)
OEM's	Rs. in Lacs	39,916.08	31,693.64
Replacement	Rs. in Lacs	48,935.90	49,112.31
Exports	Rs. in Lacs	5,031.48	3,226.90
Others	Rs. in Lacs	3,349.48	401.92
Total	Rs. in Lacs	97,232.94	84,434.77

RISKS & CONCERN

The overall economic condition of the country may affect the business of the Company. Rise in interest rate, inflation, petrol prices, change in tax, fiscal & monetary policies, availability of the credit facilities are few of the factors which may adversely affect the Indian economy. Moreover the high fluctuation in the major Raw Materials including Crude and Forex can also spoil the

growth / momentum in the industry. However India is fast emerging as the global hub of automobiles, the resilience shown by the Indian economy during the recent recession, strong fundamentals including favorable demographics, rapid urbanization, rising per capita disposable income and spending coupled with the increase in demand of vehicles, the Company does not expect to be significantly affected by this risk in the long term.

INTERNAL CONTROLS AND THEIR ADEQUACY

The Company has proper and adequate internal control system to ensure that all the assets of the Company are safeguarded and protected against any loss and that all the transactions are properly authorized, recorded and reported. The Company has effective internal control systems across the Manufacturing locations, marketing locations and other offices to maintain the Operational efficiencies and to comply with all financial policies and applicable laws and regulations. The Company has full-fledged Internal Audit system, which covers all the areas of the Organization to ensure conformance to internal checks and controls. Internal Auditors carries out audit throughout the year and their reports, along with the action taken are reviewed by Senior Management and placed before Audit Committee of the Board of Directors.

HUMAN RESOURCE DEVELOPMENT

Human Resource Development is focused and aligned to business needs towards improved performance and business results through the HR roadmap evolved over the years. The key components of the roadmap are – Employee engagement, Resourcing, Performance & compensation management, Competency based development, Career & succession planning and Organization building. The Company continues to be an employees choice in the region.

The Company continued to have cordial and harmonious relations with its employees. In line with the changing business environment, your Company is imparting training aimed at nurturing the Human Resources.

Career planning and succession plans are in place for all critical roles. Towards Leadership development key competencies have been identified and executive assessment and development programs are in place.

Some of the key activities carried out to make the success story happen are summarized below:

- Involving the Field Marketing Personnel on the Strategic Decision Making and planning the route map for the Future,
- Recognizing the Outstanding Performers in the Annual Business Meet etc. to ensure the motivation of the Personnel.
- Identifying the Right people with the right attitude for the key jobs.

ENVIRONMENT, HEALTH & SAFETY (EHS)

Several training programs, structured to the needs of individual employees and also to meet the requirements of ISO / TS 16949: 2009, EMS & OHSAS systems, were conducted during the year. Competent professionals do regular audits on safety and environment and the recommendations are implemented to provide a safe and healthy work environment. Regular training programs on safety are conducted to increase awareness and commitment for safety. Effective training to all new recruits has further improved the safety standards in the Company.

CAUTIONARY STATEMENT

Statements in the management discussion and analysis report describing the Company's objectives, projections, estimates and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand/supply and price conditions in the domestic and overseas market in which Company operates, changes in the government regulations, tax laws and other statutes and incidental factors.

CORPORATE GOVERNANCE REPORT

A) Company's Philosophy on Corporate Governance

Corporate Governance at Falcon Tyres Limited has been a continuous journey and the business goals of the Company are aimed at the overall well being and welfare of all the constituents of the system. The Company aims at achieving transparency, accountability, equity and sustained growth in all facets of its operations and in all interactions with stakeholders including shareholders, employees, Government, lenders and other constituents while fulfilling the role of responsible corporate representative committed to good corporate practices. At the heart of Company's corporate governance policy is the ideology of transparency and openness in the effective working of the management and Board. It is believed that the imperative for

good corporate governance lies not merely in drafting a code of corporate governance but in practicing it.

B) Board of Directors

In terms of the Company's Corporate Governance Policy, all statutory and other significant and material information mentioned in Clause 49 of the Listing Agreement are placed before the Board to enable it to discharge its responsibilities of strategic supervision of the Company and as trustees of stakeholders.

Composition of the Board & Directorship held

The composition and other details relating to the Board of Directors as on 30th September 2011 are as follows:

Name of the Director	Category	*No. of Directorship in other Companies	No. Of membership / chairmanship in Committees of other Companies		
			Membership	Chairmanship	Total
Mr. Pawan Kumar Ruia	Executive Chairman	1	-	-	-
Mr. A.K. Jain	Independent	1	-	1	1
Mr. K.N. Prithviraj	Independent	5	7	5	12
Mr. Prakash P. Mallya	Independent	3	4	5	9
Mr. Tarun Gandhi	Independent	3	-	-	-
Mr. Vijay Vaid	Independent	4	-	-	-
Mr. S. Ravi	Non-Executive	3	-	-	-
Mr. Sunil Bhansali	Executive	Nil	Nil	Nil	Nil

* Does not include Directorships in Private Limited Companies

The Board meets once in a quarter to review the Company's performance and financial results and more often, if considered necessary, to transact other business.

Attendance of each Director at Board Meetings and last Annual General Meeting.

The Board met 5 (five) times during the 12 months period from 1st October 2010 to 30th September 2011, i.e.

12 th November, 2010	11 th May, 2011
30 th December, 2010	10 th August, 2011
01 st February, 2011	

The last Annual General Meeting of the Company was held on 30th December, 2010.

The following are the details of attendance of Directors at Board Meeting and at the Annual General Meeting:

Attendance of the Directors for BOD and AGM

Sl. No.	Name of Directors	*No. of Board Meetings held during the tenure of the Director in 2010-11	No. of Board Meetings attended	Attendance at Last AGM
1.	Mr. Pawan Kumar Ruia	5	3	No
2.	Mr. A. K. Jain	5	4	Yes
3.	Mr. K. N. Prithviraj	5	4	No
4.	Mr. Prakash P. Mallya	5	4	Yes
5.	Mr. Tarun Gandhi	5	-	No
6.	Mr. S. Ravi	5	5	Yes
7.	Mr. Sunil Bhansali	5	5	Yes
PART OF THE YEAR:				
8.	Mr. Vijay Vaid resigned on 24.05.2011	4	3	Yes

* Number of Board Meetings indicated is with reference to date of appointment / resignation of the Directors.

C) Audit Committee

The Audit Committee has been constituted by the Board of Directors in accordance with the requirements of Section 292A of the Companies Act, 1956 and in terms of Clause 49 of the Listing Agreement as amended from time to time.

The Audit Committee comprises of five Directors, all of them being Non-Executive Directors.

Sl.No	Name of the Committee Member	Chairman / Member
1	Mr. A. K. Jain	Chairman
2	Mr. K. N. Prithviraj	Member
3	Mr. Prakash P. Mallya	Member
4	Mr. Tarun Gandhi	Member
5	Mr. S. Ravi	Member

All Directors possess knowledge of corporate finance, accounts and company law. The Chairman of the Committee is an Independent and Non-Executive Director nominated by the Board. The Company Secretary, Statutory Auditors, Internal Auditors are permanent invitees at the meetings of the Committee.

The gist of terms of reference is given below:

- Review of Company's financial reporting process.

- Review of Quarterly and Annual Financial Statements, before submission to the Board.
- Review with External Auditors, on areas of concern.
- Recommending appointment of External Auditor.
- To ensure compliance of internal control system and action taken on internal audit report.
- Review of findings etc., of internal investigations by Internal Auditors and reporting thereof to the Board.
- To hold periodical discussion with statutory auditors on the scope and content of audit.
- To review the Company's Financial and Risk Management Policies.
- To appraise the Board on the impact of accounting policies, accounting standards and legislation.
- Review of reasons for defaults, if any, in payment to shareholders / creditors etc.
- Review of adequacy of internal audit function.

The Audit Committee meeting held four times during twelve months period from 01.10.2010 to 30.09.2011

Sl. No.	Date of the Audit Committee Meeting
1.	12 th November, 2010
2.	01 st February, 2011
3.	11 th May, 2011
4.	10 th August, 2011

Attendance at Audit Committee Meeting

Name of Directors	No. of Audit Meetings held during the tenure of the Director 2010-11	No. of Meetings attended
Mr. A.K. Jain	4	3
Mr. K.N. Prithviraj	4	4
Mr. Prakash P. Mallya	4	3
Mr. Tarun Gandhi	4	0
Mr. S. Ravi	4	4

D) Remuneration Committee

The Remuneration Committee is composing of 4 (four) Directors, which is as follows.

Name of Committee Members	Chairman / Member
Mr. K.N. Prithviraj	Chairman
Mr. A.K. Jain	Member
Mr. Tarun Gandhi	Member
Mr. S. Ravi	Member

Details of Service Contract with the Directors:

For any termination of service contract, either the Company or the Executive Chairman / Director are required to give a notice of not less than forty five days.

Equity share held by the Non Executive Directors: Nil

The Non-Executive Directors do not draw any remuneration from the Company, except sitting fees for attending the Board Meetings. The details of sitting fees paid to the Non-Executive Directors are as follows:

Name of the Directors	Sitting Fees Paid During the Year (Rs.)
Mr. A.K. Jain	1,10,000
Mr. K.N. Prithviraj	1,20,000
Mr. Prakash P. Mallya	1,10,000
Mr. Vijay Vaid	60,000
Total	4,00,000

E) Investors' / Shareholders' Grievances Committee

As of 30th September, 2011, the Committee consists of three Directors and one Company Executive, namely,

Sl.No	Name of the Directors	Chairman / Member
1.	Mr. S. Ravi	Member (Non-Executive Director)
2.	Mr. Tarun Gandhi	Member (Independent Director)
3.	Mr. Sunil Bhansali	Member (Executive Director)
4.	Mr. Rohit Patesaria	Member (AVP – Finance)

Mr. M.C.Bhansali, Company Secretary has been designated as Compliance Officer. The Committee looks into redressing of grievances of the investors namely shareholders. The Committee deals with grievances pertaining to transfer of shares, non-receipt of Balance Sheet, non-receipt of dividend, dematerialization of shares, complaint letters received from Stock Exchanges, SEBI etc.

During the period, four complaints were received from shareholders and the same were resolved.