



**ANNUAL REPORT 1999**



**PUNJAB TRACTORS LIMITED**

**PUNJAB TRACTORS LIMITED****BOARD OF DIRECTORS**

R.I. SINGH (Chairman)  
 RAJAN KASHYAP  
 S.K. TUTEJA  
 S.S. BRAR  
 S.P. VIRMANI  
 T.S. SAHNEY  
 N.S. GILL  
 P.R. KHANNA  
 YASH MAHAJAN (Vice Chairman & Managing Director)

**MEMBERS OF THE  
EXECUTIVE BOARD**

G. S. RIHAL  
 HARBHAJAN SINGH  
 P.K. VERMA  
 R.P. SEHGAL  
 P. SIVARAM  
 A. M. SAWHNEY

**A.V.P. - FINANCE &  
COMPANY SECRETARY**

MAHESH KAUSHAL

**AUDITORS**

M/S. S. TANDON & ASSOCIATES  
 CHARTERED ACCOUNTANTS

**BANKERS**

INDIAN OVERSEAS BANK  
 CANARA BANK

**REGISTERED OFFICE**

PHASE-IV, SAHIBZADA AJIT SINGH NAGAR,  
 DISTT. ROPAR-160 055.

**PUNJAB TRACTORS LIMITED****ANNUAL GENERAL MEETING**

on Thursday, June 24, 1999  
at 10.00 A.M. at Swaraj R&D Complex,  
A29-E, Industrial Area, Phase-VII, S.A.S. Nagar,  
Distt. Ropar-160055.

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**PUNJAB TRACTORS LIMITED****NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Twenty Eighth Annual General Meeting of the Company will be held on Thursday, June 24, 1999, at 10.00 A.M. at Swaraj R&D Complex, A-29 E, Industrial Area, Phase VII, S.A.S. Nagar, Distt. Ropar-160 055 to transact the following business :

**ORDINARY BUSINESS**

1. To consider and adopt the Audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 1999 together with the Directors' Report and Auditors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri S.K. Tuteja, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri S.P. Virmani, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint M/s S. Tandon & Associates, Chartered Accountants as Statutory Auditors of the Company and fix their remuneration.

**SPECIAL BUSINESS**

To consider and, if thought fit, to pass with or without modification(s), the following resolution :

6. As an Ordinary Resolution :

"RESOLVED THAT Shri Rajan Kashyap, who has been co-opted as Director of the Company and who in terms of Section 260 of the Companies Act, 1956 holds office as Additional Director until this Annual General Meeting, be and is hereby appointed as a Director of the Company".

Regd. Office :  
Phase IV, Sahibzada Ajit Singh Nagar  
Distt. Ropar-160 055

BY ORDER OF THE BOARD

(MAHESH KAUSHAL)  
Associate Vice President - Finance  
& Company Secretary

Dated : May 12, 1999

**Notes :**

1. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is enclosed hereto and forms part of the Notice.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies in the Form annexed hereto must be lodged at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.
3. The Register of members shall remain closed from May 25, 1999 to June 5, 1999 (both days inclusive).

**PUNJAB TRACTORS LIMITED**

4. Members are requested to bring their copy of Annual Report to the Meeting. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions in writing to the Secretary of the Company at least 10 days before the date of the Meeting so that information required may be made available at the Meeting.
5. Subject to the provisions of Section 206A of the Companies Act, 1956, dividend, as recommended by the Board of Directors, if approved at the meeting, will be payable on or after June 24, 1999, to those Members whose names appear in the Register of Members as on June 5, 1999.
6. Members are requested to :
  - Intimate to the Company changes, if any, in their registered address at an early date.
  - Quote ledger folio numbers in all their correspondence.
7. Dividend amount remaining unclaimed for and upto the financial year ended 31.3.1995 has been transferred to the General Revenue Account of the Central Government as required under sub-section (5) of Section 205(A) of the Companies Act, 1956. Members who have not encashed dividend warrants for the said period are requested to claim the amount from the Registrar of the Companies, 286, Defence Colony, Jalandhar, Punjab.  
  
Members who have not encashed their dividend warrants for the financial years 31.3.1996 and onwards are requested to approach the Company for revalidation/obtaining duplicate Dividend Warrants.
8. Members/Proxy holders are requested to produce the attached admission slip duly completed and signed, for admission to the Meeting Hall.

**ANNEXURE TO NOTICE****Explanatory Statement Relating to the Special Business**

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to the Special Business mentioned under Item No. 6 of the accompanying Notice dated May 12, 1999.

**Item No. 6**

Shri Rajan Kashyap, IAS co-opted as an Additional Director, vacates office at the forthcoming Annual General Meeting. The Company has received a notice in writing from a member u/s. 257 of the Companies Act, 1956 proposing the appointment of Shri Kashyap as a Director of the Company.

Shri Rajan Kashyap is currently Principal Secretary to Government of Punjab, Department of Finance. He possesses rich and varied experience in the Government. The Directors consider that Shri Kashyap's association as Director would be of immense value to the Company and hence recommend acceptance of the Resolution set out in the Item no. 6 of the convening notice.

Shri Rajan Kashyap is interested and concerned in the Item.

## REPORT OF THE DIRECTORS

It is with satisfaction that the Directors report on another year of successful business performance.

### ANNUAL REVIEW

Extending the positive growth trends prevalent since 1992-93, fiscal 1998-99 was significant for the Company in many ways. Firstly, in terms of key operational statistics, it was a highly productive year. Production and sales, in unit & value, of the principal product lines - Tractors and Harvester Combines - achieved all time highs. Secondly, based on solid volume performance in Tractors and Combines, PTL posted a record pre-tax profit of Rs. 176.8 crores, an improvement of 33% over previous financial year.

In a year which witnessed tough market conditions, PTL grew 19.6% for a sale of 48,336 tractors against corresponding industry growth of 3% to 2,62,000 tractors.

The much-above-market growth in Swaraj Tractor volumes raised its market share significantly - 18.5% against 15.9% for 1997-98, PTL has gained share from almost every player out of the major 6 who account for 97% of the overall market.

A stand-out aspect of PTL's sales growth performance is the quality of its sales. From 1987, it has sold tractors only against cash, the single manufacturer to be selling tractors even today in that fashion. For several years, all other players have been selling tractors on 4-8 weeks credit.

Another equally pertinent aspect of PTL's growth performance has been its geographical spread. Volumes and market share have grown in each and every State although the market has registered a decline in some States like Rajasthan, Andhra Pradesh, Tamil Nadu, Karnataka etc.

In its other product line for the farming community also - harvester combines - PTL has posted strong growth. Combine offtakes for the year touched to 280 against 192 sold during the 1997-98. Even after this increase, year end, the company carried reasonable level of customer bookings.

Regrettably, sale of forklifts continued to drift down - 59 against last year's 86 because of continued deceleration in industry.

Out-turn of castings at the Foundry moved 27% over previous year to reach 7969 MT.

The above rise in volumes was accompanied by a notable improvement in operating income, consolidating the Company's earning power and balance sheet. While cash profit at Rs. 190.5 crores is up 33% over last year, pre-tax profit at 176.8 crores represents a margin of 18.4% for the year against 16.8% achieved for 1997-98. It is gratifying that the major part of the margin strengthening was achieved without product price revision, through higher levels of productivity and quality resulting from specific initiatives in that direction.

After deduction of corporate tax (effective rate of 28.8% against previous year's 27.1%), profit after tax has moved up to Rs. 125.8 crores compared to 1997-98 level of Rs. 96.6 crores.

### DIVIDEND AND APPROPRIATIONS

Having regard to the extent of rise in net earnings, and current trends, the Directors have recommended a dividend of 250% for 1998-99 against 125% declared and paid for 1997-98.

With dividend absorbing Rs. 50.6 crores, corporate tax @ 10% on proposed dividend absorbing Rs. 5.6 crores and transfer to general reserve reaching Rs. 68.6 crores, balance Rs. 1.0 crore has been carried over under Profit & Loss account.

**PUNJAB TRACTORS LIMITED****FINANCE**

Company's investment programmes picked up further pace during the year when a sum of Rs. 27.5 crores was spent on capital accounts. On current reckoning, balance spending on capacity expansion to 60,000 tractors would be completed by end Sept '99. Retained earnings were also purposefully utilised to prepay vendors and reduce effective credit from them, not only to gain price stability but also with a view to raise the level of quality and consistency in their supplies.

The Directors report that 62 deposits aggregating to Rs. 16.5 lacs matured but were not claimed as at 31st March, 1999. Subsequently, out of the above, 18 deposits aggregating Rs. 3.5 lacs have been repaid or renewed.

**SHAREHOLDER VALUE**

Directors are happy to mention that in a visible vote of confidence on the Company's performance and its sustainability, PTL share prices went up sharply during the year - Rs. 1,529 on date, an improvement of 85% over 12th May '98 valuation. This rise has created nearly Rs. 1400 crores of wealth for Stock owners. The Directors feel that Company's unrelenting focus on customers, product and capacity measures of recent years, the quality of its human resource, its ethical and transparent approach to business and the steady broadening of investor communications have provided the basis for rise in share values. They are conscious that this faith and confidence of investors has imposed a strong obligation on the Company to continue to deliver results in a period of challenge and change.

**ADAPTATION TO THE YEAR 2000**

Your Company has taken reasonable steps to ensure that the entity is prepared for the year 2000 date change. The Company believes that the all computer based equipments including factory/process systems, telecom systems, and IT hardware as well as the software used by the Company will function properly with respect to dates in the year 2000 and thereafter. The Company has reviewed these systems, using both internal and external resources, and initiated necessary action to gear itself for a smooth changeover into the new Millennium.

**HUMAN RESOURCES**

Industrial relations remained steady in all the divisions.

During the year, the Company concluded, in a cordial atmosphere, new four - year wage agreements for the workers of the Tractor and Combine Divisions.

Information in accordance with Section 217(2A) of the Companies (Particulars of employees) Rules, 1975 is given in the Annexure to this report.

**CURRENT PERFORMANCE**

The Company has commenced Fiscal 2000 operations on a healthy note. Reaching its highest ever monthly sale of 5,068 tractors (36% growth over April '98), Swaraj has raised its market share to 25% on a industry sale of 20,174 which dropped 2.5% from April '98.

In the wake of a bumper crop and the expectations of a good monsoon, market sentiment is expected to improve during the second half of the year. The Company would continue to strengthen its product upgradation efforts as well as the qualitative and quantitative development of its sales and service efforts. Steady progress is, therefore, expected during financial year 1999-2000.

**PUNJAB TRACTORS LIMITED****ENERGY CONSERVATION, TECHNOLOGY ABSORPTION ETC.**

Particulars to be given in respect of the above activity under the Companies (Disclosure of particulars in the report of Directors) Rules, 1988 is given in the Annexure to this report.

**DIRECTORS**

Shri Rajan Kashyap, IAS, Principal Secretary, Govt. Punjab, Deptt. of Finance, co-opted to the Company's Board on 21st Oct., 1998, holds office upto the date of forthcoming Annual General Meeting and is eligible for re-appointment. Notice u/s 257 of the Companies Act, 1956 has been received from a member proposing Shri Rajan Kashyap's appointment as a Director of the Company.

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, S/Shri S.K. Tuteja and S.P. Virmani retire by rotation and are eligible for re-appointment.

**AUDITORS**

Company's Statutory Auditors, M/s S. Tandon & Associates, Chartered Accountants, hold office upto the forthcoming Annual General Meeting and are eligible for re-appointment. The Company has received a certificate from them that their re-appointment, if made, would be within the limits under Section 224(1)(B) of the Companies Act, 1956.

FOR AND ON BEHALF OF THE BOARD

Report  junction.com

R.I. SINGH  
Chairman

S.K. TUTEJA  
Director

YASH MAHAJAN  
Vice Chairman &  
Managing Director

Place : Chandigarh  
Date : May 12, 1999



**PUNJAB TRACTORS LIMITED****ANNEXURE TO DIRECTORS' REPORT**

(Year Ended 31st March, 1999)

Information required under the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988.

**CONSERVATION OF ENERGY :**

1. For the heat treatment of gears and shafts 3 seal-quench furnaces were installed replacing pit-type furnaces. These furnaces are based on recently developed state-of-art technology in Japan. Power consumption for the identical output is less by 10 - 15%.
2. For the purpose of illumination, Metal Halide luminaries were installed in place of Sodium/Mercury Vapour lamps. This has resulted in power saving of Rs. 3 lacs per annum.
3. Component cleaning and washing machines using hot chemical have been provided with improved insulations thereby reducing heat losses.
4. Machining time for some of inhouse manufactured components has been reduced by 15 - 20%, by using latest cutting tools from global sources, resulting in enhanced production and reduced power consumption.
5. Installed 3000 mtr. long conveyors for material movement through gravitational force. This has helped saving use of 2 forklifts.

**RESEARCH & DEVELOPMENT**

Expenditure on R&D during 1998-99 :	(Rs. in lacs)
Capital	72.74
Recurring	259.99
Total	<u>332.73</u>
Total R&D Expenditure as %age of Total Turnover	0.31

**Major research and development activities have been :**

1. During the year, two new tractor models designed & developed by in-house R&D were launched. The single cylinder engine used for Swaraj 722 has also been designed and developed by in-house R&D.
2. All tractor models were upgraded with additional features to improve product performance and driver comfort.
3. Ongoing programme of upgradation of products for value engineering, enhanced reliability and operator's comfort gained further momentum.

## PUNJAB TRACTORS LIMITED

## 10 Years in Retrospect

	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	CARG (90-99)
(Rs. crores)											
<b>Tractors (Nos.)</b>											
Industry	121222	139403	150251	143613	138064	164309	191192	221337	254249	261963	8.9%
Swaraj	14338	14833	14563	16421	18211	23211	26317	33034	40425	48336	14.5%
Market Share	11.8%	10.6%	9.7%	11.4%	13.2%	14.1%	13.8%	14.9%	15.9%	18.5%	
<b>Net Revenue</b>	<b>146.6</b>	<b>169.6</b>	<b>186.9</b>	<b>225.6</b>	<b>270.1</b>	<b>369.6</b>	<b>465.0</b>	<b>615.3</b>	<b>789.5</b>	<b>963.2</b>	<b>23.3%</b>
<b>Gross Profit</b>	<b>16.0</b>	<b>20.8</b>	<b>20.2</b>	<b>28.4</b>	<b>35.8</b>	<b>48.8</b>	<b>67.4</b>	<b>93.0</b>	<b>140.1</b>	<b>184.0</b>	
<b>Margin</b>	<b>10.9%</b>	<b>12.3%</b>	<b>10.8%</b>	<b>12.6%</b>	<b>13.3%</b>	<b>13.2%</b>	<b>14.5%</b>	<b>15.1%</b>	<b>17.7%</b>	<b>19.1%</b>	
Interest	2.1	2.3	0.8	3.0	3.6	2.5	0.5	(1.3)	(3.3)	(6.5)	
<b>Cash Profit</b>	<b>13.9</b>	<b>18.5</b>	<b>19.4</b>	<b>25.4</b>	<b>32.2</b>	<b>46.3</b>	<b>66.9</b>	<b>94.3</b>	<b>143.4</b>	<b>190.5</b>	<b>33.8%</b>
<b>Margin</b>	<b>9.5%</b>	<b>10.9%</b>	<b>10.4%</b>	<b>11.3%</b>	<b>11.9%</b>	<b>12.5%</b>	<b>14.4%</b>	<b>15.3%</b>	<b>18.2%</b>	<b>19.8%</b>	
Depreciation	2.3	2.8	3.2	4.2	5.1	5.5	6.7	7.8	10.8	13.7	
<b>PBT</b>	<b>11.6</b>	<b>15.7</b>	<b>16.2</b>	<b>21.2</b>	<b>27.1</b>	<b>40.8</b>	<b>60.2</b>	<b>86.5</b>	<b>132.6</b>	<b>176.8</b>	<b>35.3%</b>
<b>Margin</b>	<b>7.9%</b>	<b>9.3%</b>	<b>8.7%</b>	<b>9.4%</b>	<b>10.0%</b>	<b>11.0%</b>	<b>12.9%</b>	<b>14.1%</b>	<b>16.8%</b>	<b>18.4%</b>	
<b>PAT</b>	<b>7.6</b>	<b>10.7</b>	<b>12.0</b>	<b>14.8</b>	<b>17.2</b>	<b>27.0</b>	<b>38.2</b>	<b>56.3</b>	<b>96.6</b>	<b>125.8</b>	<b>36.6%</b>
<b>Dividend</b>											
- Rate	50%	60%#	70%	40%*	80%	100%	125%	80%*	125%	250%	
- Outflow	1.6	3.0	3.5	4.1	8.1	10.1	12.7	16.2	25.3	50.6	
- Payout Ratio	21.1%	28.0%	29.2%	27.7%	47.1%	37.4%	33.2%	28.8%	26.2%	40.2%	
Retained Earnings	4.8	7.7	8.5	10.7	9.1	16.9	25.5	38.5	68.8	69.6	
<b>EPS (Rs.)</b>	<b>24.12</b>	<b>21.19#</b>	<b>23.63</b>	<b>14.62*</b>	<b>17.00</b>	<b>26.63</b>	<b>37.74</b>	<b>27.80*</b>	<b>47.71</b>	<b>62.13</b>	
<b>Book Value (Rs.)</b>	<b>95.11</b>	<b>100.85#</b>	<b>117.47</b>	<b>69.36*</b>	<b>78.36</b>	<b>94.99</b>	<b>120.23</b>	<b>79.12*</b>	<b>113.09</b>	<b>147.47</b>	
<b>Return on Avg. Net worth (ROANW)</b>	<b>34.3%</b>	<b>26.4%</b>	<b>21.7%</b>	<b>22.8%</b>	<b>23.0%</b>	<b>30.8%</b>	<b>35.1%</b>	<b>39.9%</b>	<b>49.6%</b>	<b>47.7%</b>	
<b>Market Capitalisation (on 31st March)</b>	<b>62.4</b>	<b>96.2</b>	<b>265.8</b>	<b>227.8</b>	<b>440.5</b>	<b>384.8</b>	<b>511.4</b>	<b>899.2</b>	<b>1377.1</b>	<b>2823.1</b>	<b>52.8%</b>
# On Post Right Equity											
* On Post Bonus Equity											