

Annual Report 1998-99

VIKRANT TYRES LTD.





Shri Hari Shankar Singhania, President, J.K. Organisation and Raghupati Singhania, MD, J.K. Industries Ltd.,
receiving the dividend cheque from S.C. Sethi, Director, V.T.L. and A.K. Bajoria, President, V.T.L.



BOARD OF DIRECTORS

N. Viswanathan, IAS
Chairman
Srawan Kumar Bagla
K.V. Chandrasekhara
IDBI Nominee
B.K. Das, IAS
Om Prakash Khaitan
Karna Singh Mehta
C. Gopal Reddy, IAS
B.R. Sethi
LIC Nominee
S.C. Sethi
Bharat Hari Singhania
Raghupati Singhania
Vikrampati Singhania
Arun Kumar Bajoria
President

AUDITORS M/s K.P. Rao & Company
54, Chamaraja Double Road
Fort Mohalla
Mysore - 570 004

BANKERS Indian Bank
Syndicate Bank
State Bank of India
Punjab National Bank
State Bank of Mysore
Vijaya Bank
Corporation Bank

REGISTERED OFFICE:
"VIKRANT HOUSE"
54, I Main Road, V.V. Mohalla
MYSORE - 570 002

ADMN. OFFICE/FACTORY:
K.R.S. Road
Metagalli
MYSORE - 570 016

FINANCIAL HIGHLIGHTS

	1998-99	1997-98
	Rs.in crores (10 million)	
SALES AND EARNINGS		
Gross Sales	368.89	368.70
Other Income	4.31	7.06
Operating Profit	40.06	42.38
Interest	12.89	18.97
Profit before Depreciation & Tax	27.17	23.41
Profit After Tax	17.50	16.46
CAPITAL EMPLOYED		
Gross Fixed Assets	222.20	167.28
Net Fixed Assets	119.51	68.79
Net Current Assets	80.60	133.79
Total	200.11	202.58
SHARE HOLDERS' FUND		
Share Capital	25.63	25.63
Capital Reserves	1.26	1.26
Other Reserves	91.98	80.42
Total	118.87	107.31
DIVIDEND		
Total Amount	5.13	
Percentage on Equity Share	20	



Directors' Report

(Rs. in Crores)

To the Members,

The Directors have pleasure in presenting the Annual Report and Audited Accounts of the Company for the year ended 31st March, 1999.

Operations

In the year under review, your Company registered a turnover of Rs. 373.20 Crores. The Operating Profit was Rs. 40.06 Crores. After providing for financial charges, depreciation and tax the Net Profit was Rs. 17.50 Crores, the highest ever achieved by the Company.

The year witnessed a severe recession in the economy which had its impact on the automotive sector as well. Leading vehicle manufacturers resorted to drastic production cuts which in turn affected the tyre business both in terms of demand as well as prices.

Various cost cutting measures were undertaken by the Company including reduction in inventories. These measures coupled with the expertise provided by JK Industries Ltd. in the fields of technology, R&D, marketing and procurement has enabled the Company to attain these profits. The operations of the Company would have been better but for the 45 days illegal strike resorted to by a section of workmen resulting in loss of production in bias tyre plant.

Appropriations

Taking into account the surplus of Rs. 5.06 Crores brought forward from the previous year the amount available for appropriation is Rs. 22.56 Crores. This is proposed to be appropriated as under:

General Reserve	5.00
Proposed Dividend including Dividend Tax	5.69
Surplus carried to Balance Sheet	11.87

Dividends

It is heartening that the improved working has enabled declaration of Dividend after a long gap of 6 years. Directors recommend a Final Dividend of Re. 1 per Equity Share, which together with the Interim Dividend of Re.1 per Equity Share aggregates to 20 % (Rs. 2 per Equity Share) . The Dividends inclusive of the dividend tax of Rs. 0.56 Crores will absorb Rs. 5.69 Crores.

Quality Certifications – QS 9000 & ISO 14001

The Directors take great pleasure in reporting that the Company has received QS 9000 certification for design



Raghupati Singhania receiving the QS 9000 Certificate

and manufacture of its entire range of products. QS 9000 is one of the most stringent quality systems in the Automotive Industry and defines quality adherence of the Big Three Auto Giants of USA which has now become the most widely accepted international standard.

Furthermore, the Company has received ISO 14001 certification for protection of environment and conservation of natural resources.

With these accreditations, Vikrant has attained the unique distinction of becoming the only Tyre Manufacturer in India to have all the three accreditations i.e., ISO 9001, QS 9000 and ISO 14001. This indeed is a true reflection of the Company's commitment to system oriented approach being pursued by JK Industries Ltd.



Raghupati Singhania and A.K. Bajoria receiving the ISO 14001 Certificate from Madhav Mehra, President, World Environment Forum, UK.

Exports

Exports during the year at Rs. 71.85 Crores accounted for 19% of the total sales. For four successive years i.e., 1992-93 to 1996-97, the Company received the Golden Export Award of Government of Karnataka. The Company also received Certificate of Merit from CAPEXIL for yet another year in succession.



CAPEXIL and Karnataka Government Export Awards

Modernisation

The Modernisation and Balancing Scheme undertaken last year is well in progress and an investment of Rs. 81.50 Crores has been made so far. The first phase involving modernisation of the Bias Plant is complete in most of the areas. The Truck Radial Plant has been fully modernised and trials have begun with upgraded technology from Continental AG, the technical collaborators. With the completion of this scheme, Company's working is expected to improve further.

Industrial Relations

A section of the workmen resorted to an illegal sit-in strike of 45 days during January and February 1999. This strike resulted in a loss of sale of approximately Rs. 55 Crores. Barring this, industrial relations remained cordial.

Your Directors hope that all employees of the Company, including workmen, would realise the challenges posed by the highly competitive markets where companies with



products of high quality at competitive costs will only survive.

Auditors

M/S. K.P. Rao & Co. Chartered Accountants, Mysore, the Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The appointment of auditors is required to be made by a Special Resolution pursuant to Section 224A of the Companies Act, 1956.

Cost Audit

Cost Audit for the year ended 31st March 1999 will be conducted by a qualified Cost Auditor, Shri. B.N.S. Rangachar, Mysore and his report will be submitted to the Government of India.

Directors

Shri B.K. Das, IAS, Shri O.P. Khaitan and Shri K.S. Mehta, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Shri N. Sankar resigned from the Board of Directors with effect from 25th January 1999. The Directors place on record their appreciation of the valuable services rendered by him during his association with the Company.

Particulars of Employees

Information in accordance with the provision of Section 217 (2A) of the Companies Act 1956, read with the Company's (Particulars of Employees) Rules 1975 as amended regarding employees is given in Annexure "B" to the Directors' Report. However, as per the provisions

of Section 219 (1) (b) (iv) of the Companies Act 1956, the Report and Accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Secretary at the Company's Mysore address.

Acknowledgements

The Board places on record its appreciation for the valuable inputs in critical areas provided by J K Industries Ltd. The Board also acknowledges the support and co-operation extended by Financial Institutions, Banks, Government of Karnataka and Continental AG. The Directors wish to thank all the Shareholders, State Transport Undertakings, the vehicle Manufacturers, Dealers and Customers for their patronage and support.

For and on behalf of the
Board of Directors

Place :Bangalore
Date : 23.06.1999

N. VISWANATHAN
CHAIRMAN



Main Plant - Mysore



ANNEXURE TO THE DIRECTORS' REPORT
CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION,
FOREIGN EXCHANGE EARNINGS AND OUTGO

The Companies (Disclosure of particulars in the Report of the Board of Directors) Rules 1988.

A. CONSERVATION OF ENERGY:

The company has taken various measures for conservation of energy in areas of power, steam and fuel. Continuous efforts are being made for further improvement in all these areas. During the year working efficiencies of various equipment have been improved including renovation and refabrication of boiler, cooling tower, new insulation of hot & cold pipes, installation of energy efficient flow meter etc.

B. AREAS OF ADDITIONAL INVESTMENT AND PROPOSAL

Replacement of existing plant lighting by energy efficient system, upgradation of existing DG sets, reduction in use of costly chilled water by necessary modifications and replacement of various equipment by energy efficient ones.

POWER AND FUEL CONSUMPTION

	1998-99	1997-98
1. ELECTRICITY:		
a) Purchased:		
Units (KWH)	17072808	14592558
Total Amount (Rs.in lacs)	770.64	639.40
Rate per unit(Rs.)	4.51	4.38
b) Own Generation:		
Through Diesel Generator:		
Units (KWH)	16596220	17213670
Units per Ltr.of Diesel	3.21	3.26
Cost per unit (Rs.)	3.12	2.82
2. FURNACE OIL:		
Quantity (KL)	10910	12041
Total Cost (Rs.in lacs)	687.64	790.35
Average Rate (Rs per KL)	6302	6564

3. OTHERS (LPG):

Quantity (Kgs)	138420	167260
Total Cost (Rs.in lacs)	19.42	29.99
Rate per unit(Rs per KG)	14.03	17.93

4. CONSUMPTION PER UNIT OF PRODUCTION :

i) Electricity (KWH/MT)	1152	1086
ii) Furnace Oil (LTR./MT)	373	411
iii) Others (LPG) (KG./MT)	5.02	5.71

C. TECHNOLOGY ABSORPTION

1) RESEARCH & DEVELOPMENT

a) Areas of R&D Activities:

The focus of R&D was on optimizing both products and processes. Design cycle time was reduced for introduction of new products.

b) R&D Expenses:

Total expenditure incurred during the year was Rs.55.90 Lacs which amounts to 0.14% of the net turnover.

2) TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

The company has a technical tie-up with Continental AG, Germany. It is in the process of implementing the latest technology in production of all steel truck/bus radial tyres besides improving performance of its bias tyre.

Services from experts from technical collaborators and from the machinery suppliers are being utilized for knowledge and skill improvement in the plant, in addition to, training of company personnel at their facilities.

D. EXPORT, FOREIGN EXCHANGE EARNINGS AND OUTGO

	1998-99	1997-98
	(Rs.in lacs)	
Foreign Exchange Earnings		
(on account of Export Sales FOB value)	6562.63	6956.49
Foreign Exchange outgo	5172.07	5763.24