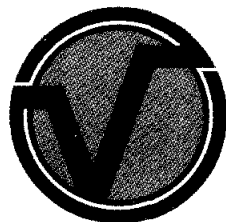
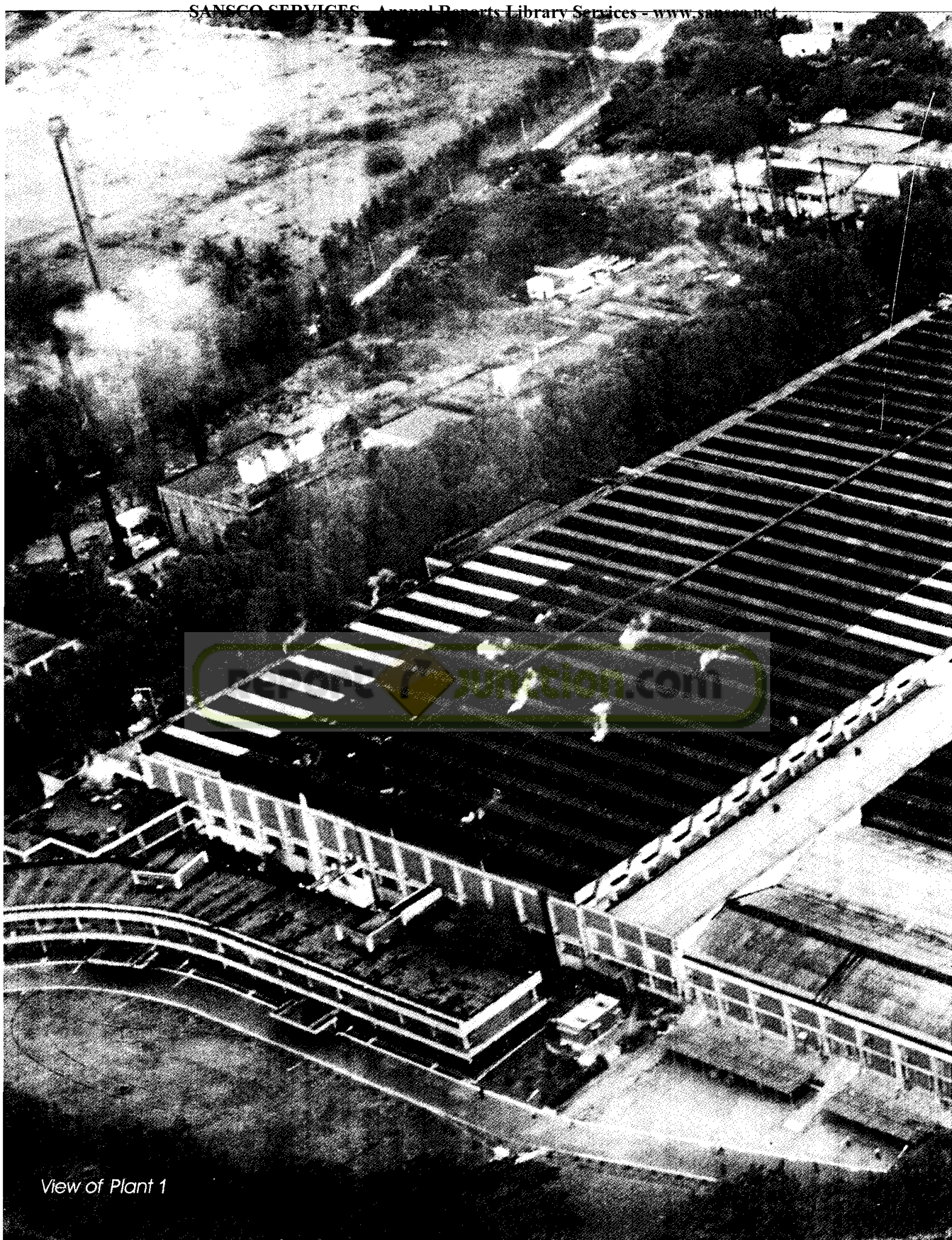


ANNUAL REPORT 2000 - 2001



VIKRANT
A JK TYRE ASSOCIATE



View of Plant 1

BOARD OF DIRECTORS

B. S. Patil, IAS

Chairman

Srawan Kumar Bagla

R. Balasubramanian

IDBI Nominee

H. Basker, IAS

Om Prakash Khaitan

Karna Singh Mehta

C. K. Neelakanta Raj, IAS

C. Gopal Reddy, IAS

B. R. Sethi

LIC Nominee

Swaroop Chand Sethi

Bharat Hari Singhania

Raghupati Singhania

Vikrampati Singhania

Arun Kumar Bajoria

President

COMPANY SECRETARY

Dattatray D. Bhat

AUDITORS

M/s K. P. Rao & Company

54, Chamaraja 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

DIRECTORS' REPORT

TO THE MEMBERS,

The Directors present the Annual Report and the Audited Accounts for the year ended 31st March 2001.

Operations

Your company achieved an all-time high turnover of Rs. 401.65 crores during the year, despite significant loss of production of 63 days due to illegal strike resorted to by the workmen. The Operating Profit for the year was Rs. 17.20 crores, and after providing financial charges of Rs. 16.47 crores and depreciation of Rs. 11.99 crores, there was net loss of Rs. 11.26 crores.

The Tyre Industry faced sluggish market conditions caused by substantial cut in production by vehicle manufacturers on one hand and subdued activity of the Road Transport Sector on the other, due to the economic slowdown in the country.

Furthermore, raw materials for the Tyre Industry, which are mostly petro-based, witnessed price increase owing to volatile crude oil prices in addition to which, other input costs such as power, fuel, etc., also went up. However, the selling prices remained depressed, which also affected the margins.

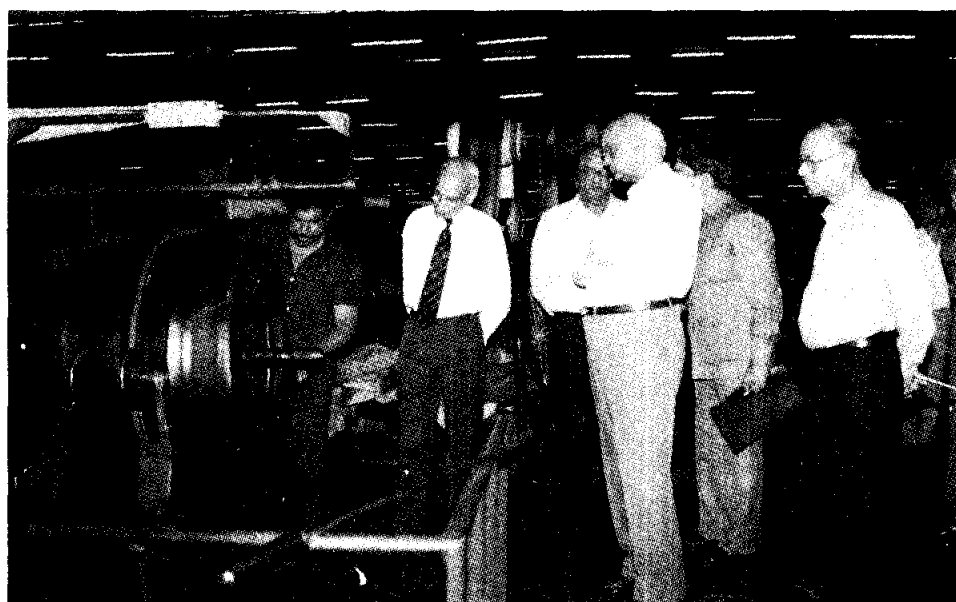
Several initiatives have been taken in synergising the operations of Vikrant with JK Tyres in areas of Sales & Marketing, Distribution, Procurement and Supply Chain. These initiatives will add value to the operations of your Company in the years ahead.

Appropriations

Taking into account the surplus of Rs. 12.59 crores brought forward from the previous year and the investment allowance reserve no longer required of Rs. 4.97 crores, the amount available for appropriations is Rs. 6.30 crores.

It is proposed to be appropriated as under :-

	(Rs. in Crores)
Proposed Dividend including Dividend Tax	2.82
Surplus carried to Balance Sheet	3.48



Hari Shankar Singhania, Chairman of J. K. Industries and Raghupati Singhania on a plant visit



Dividend

As an investor friendly policy, the Directors are pleased to recommend a Dividend of 10% (Re.1/- per Equity Share of Rs.10/- each). The Dividend inclusive of the Dividend Tax of Rs. 0.26 crores will absorb Rs. 2.82 crores.

All-Steel Truck Radials

The world class All-Steel Truck/Bus Radial Tyres introduced last year are performing extremely well and have met with consumer preference in the domestic as well as global markets. Your Company has the distinction of being the only one in the country, manufacturing these Truck/Bus Radials, as also exporting these globally, meeting stringent quality standards.

The Truck Radial Plant located at Mysore has been totally renovated and modernised with sophisticated and modern equipment. With the completion of this and the modernisation of Bias Plant, the scheme of modernisation for both the plants has been completed.

With the Government's increased focus on development of road network, radialisation in commercial sector is bound to pick up. Your Company is well positioned to take full advantage of this opportunity.



Achieving world class quality standards

Exports

Extensive efforts have been made on the export front, which have resulted in your Company's exports increasing by 29% to Rs. 87.65 crores. These efforts have been well acknowledged with the award of Certificate of Merit, from Capexil, for the third year in succession.



Capexil Export Award for the third year in a row

Human Resource

Great importance is attached to Human Resource Development in the Company. Training and development of people at all levels is undertaken with a focus to enhance their job skills and sharpen their managerial talent to enable them to meet emerging challenges. Continuous emphasis is given on team building and employee participation at all levels in decision making.

Industrial Relations

As mentioned earlier, the workmen resorted to illegal strike of 63 days during January to March 2001, which resulted in substantial loss of production and profits. The work resumed only on the Government of Karnataka issuing an order prohibiting the illegal strike. It is unfortunate that the Union and the workmen are not realising the tremendous harm being caused to the Company and themselves by resorting to frequent work disruptions, which impair operations.

With the substantial investment in place incurring heavy costs, and plants fully modernised, the potential of the same is yet to be realised which can only happen by responsible action by all sections of employees. The competition within the country has already become fierce and will only intensify by imports which are bound to increase in the coming days. It is hoped that this reality will prevail on the Union and workmen and they would improve productivity and output to optimise the inherent strengths of Vikrant, without further loss of time.



View of All-Steel Truck/Bus Radial Plant



Customers visit plant

Quality & Systems Approach

Quality and Systems approach have always been the key focus areas in the Company. As a result the Company had already attained ISO 9001 and QS 9000 accreditations, for all its operations. The ISO 14001 certification for Environmental Management System is also a reflection of the Company's commitment towards conservation of natural resources and environment at large.

Directors

Shri H. Basker, IAS, was appointed as a Director by KSIIDC in the casual vacancy caused by Shri G. K. Lokare, IAS, ceasing to be a Director. Shri H. Basker holds office up to the date upto which Shri G. K. Lokare would have, otherwise, held the office. The Directors place on record their appreciation of the valuable services rendered by Shri G. K. Lokare, IAS, during his tenure.

Shri C. Gopal Reddy, Shri C. K. Neelakanta Raj and Shri Swaroop Chand Sethi retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

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. The observations of the Auditors in their Report on Accounts read with the relevant notes are self-explanatory.



Cost Audit

Cost Audit for the year ended 31st March 2001 will be conducted by the Cost Auditors and Cost Audit report will be submitted to the Department of Company Affairs, Government of India.

Particulars of Employees

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Company's (Particulars of Employees)

and applied consistently and judgements and estimates have been reasonably and prudently made when required so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;

- iii. proper and sufficient care has been taken for 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; and
- iv. the annual accounts for the financial year have been prepared on a going concern basis.

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.

Directors' Responsibility Statement:

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors state that:

- i. in the preparation of Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. the accounting policies have been selected

Acknowledgements

The Board places on record its appreciation for the critical and valuable inputs provided by J. K. Industries Ltd. in all areas of operation. The Board also acknowledges the support extended by Government of Karnataka, Financial Institutions, Banks and the Technical Collaborators, M/s Continental AG. The Directors wish to thank all the Shareholders, State Transport Undertakings, Dealers and the valued Customers for their patronage and support. The Directors also convey their appreciation to the employees at all levels for their continued support.

For and on behalf of the Board,

Place : New Delhi

Date : 18.6.2001

B S PATIL

CHAIRMAN

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 energy conservation by removing redundant steam pipelines, re-routing, insulation repair/replacement, improved condensate recovery, upgradation/repair of Boilers to improve efficiency, elimination of chilled water wastage and optimisation of services (Power, Water and Air) commensurate with process needs. The Company has installed two 4 MW DG Sets based on Furnace Oil replacing operation of Diesel Oil based DG Sets existing in the plant.

B. AREA OF ADDITIONAL INVESTMENT PROPOSAL

Further Energy Saving Projects identified for implementation pertain to replacement of Oil Fired Boiler by Coal Fired Boiler, minimising/elimination of idle running of heavy power-consuming equipments by Automatic Controls, etc.

POWER AND FUEL CONSUMPTION

2000-2001 1999-2000

1. ELECTRICITY:

a) Purchased:		
Units (Kwh in lacs)	221.77	233.45
Total Amount (Rs. in lacs)	962.51	1007.65
Rate per Unit (Rs.)	4.34	4.32
b) Own Generation:		
Diesel Generator :-		
Units (Kwh in lacs)	167.42	140.90

Units (kwh/litre of Diesel)	3.16	3.18
Units (Kwh/litre of Furnace Oil)	3.70	—
Cost per Unit (Rs.)	3.86	3.79

2. FURNACE OIL:

Quantity (KL)	10083	10844
Total Cost (Rs. in lacs)	1098.30	959.23
Average Rate (Rs./litre)	10.89	8.85

3. CONSUMPTION PER UNIT OF PRODUCTION:

i) Electricity (Kwh/MT)	1189	1225
ii) Furnace Oil (litre/MT)	308	355



C. TECHNOLOGY ABSORPTION

1. RESEARCH & DEVELOPMENT (R&D)

a) Area of R&D Activities:

The thrust of R&D for the year continued to be development of all new sizes of All-Steel Truck Radial Tyres for the Indian as well as International markets. Amongst others, development of 11.00R20 Rib & Lug Tyres for VOLVO vehicles produced in the country have been well accepted in the market.

In the Bias tyre category, several new designs have been introduced which have gained good acceptance in the market with improved performance.

Vikrant's new Star Lug tyre: Redefining strength



b) R&D Expenses:

Total expenditure incurred during the year was Rs. 82.29 lakhs which amounted to 0.27% of the net turnover.

2. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

The Company has implemented our collaborator M/s. Continental's manufacturing technology for All-Steel Truck Radial Tyres having successfully commissioned the state-of-the-art imported equipment in time. However, complete technology absorption will be over a longer time period due to changes often needed to suit customer needs/service conditions.

Services of experts from the machinery suppliers and technical collaborators have been utilised to train the operating personnel and upgrade their skills.

Various innovations in increasing the equipment performance in the Bias tyre plant and mechanising material movement have been implemented, improving operational efficiency.

D. EXPORT, FOREIGN EXCHANGE EARNINGS AND OUTGO

	(Rs. in lacs)	
	2000-01	1999-00
Foreign Exchange earnings (on account of Export Sales - FOB value)	7936.61	6276.81
Foreign Exchange Outgo	7450.55	7374.27