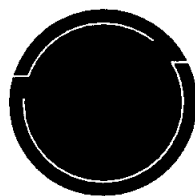


## ANNUAL REPORT 2001-2002



**VIKRANT**  
A JK TYRE ASSOCIATE

## BOARD OF DIRECTORS

**B. S. Patil, IAS**

*Chairman*

**Srawan Kumar Bagla**

**Om Prakash Khaitan**

**K. S. K. Khare**

*LIC Nominee*

**Karna Singh Mehta**

**S. Swatantra Rao, IAS**

**B. Ravindranath**

*IDBI Nominee*

**Swaroop Chand Sethi**

**Chiranjiv Singh, IAS**

**Bharat Hari Singhania**

**Raghupati Singhania**

**Vikrampati Singhania**

**Arun Kumar Bajoria**

*President*

### AUDIT COMMITTEE

**Om Prakash Khaitan**

*Chairman*

**K. S. K. Khare**

**Swaroop Chand Sethi**

**Raghupati Singhania**

### COMPANY SECRETARY & COMPLIANCE OFFICER

**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 2002.

### Operations

Your Company attained an all-time high turnover of Rs. 524 crores during the year, as against Rs. 402 crores in the previous year; an increase of 30%. Operating profit for the year increased to Rs. 29.87 crores. After providing financial charges of Rs. 32.81 crores, depreciation of Rs. 15.93 crores and tax credit of Rs. 6.93 crores, there was a deficit of Rs. 11.94 crores.

It was yet another challenging year. The continued slowdown in the economy has particularly impacted the transport sector which in turn has affected demand for tyres. It is satisfying to note that despite this, your Company has registered a significant increase in sales turnover and

operating profit. Interest and depreciation were higher on account of the investments made in modernisation of Company's plants. The full benefits of modernisation will be derived in the coming years.

As reported earlier, several initiatives taken to synergise the activities of Vikrant and JK Tyre in the areas of sales, distribution, procurement and supply

chain management have yielded substantial benefits to your Company.

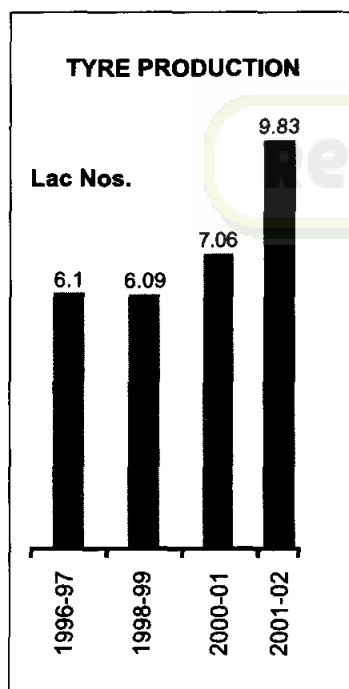
The Company signed a long-term productivity linked wage agreement with the workmen in February 2002. A voluntary retirement scheme was also introduced to rationalise the workforce. This should lead to significant increase in production and better plant performance which augurs well for the Company's future.

### Dividend

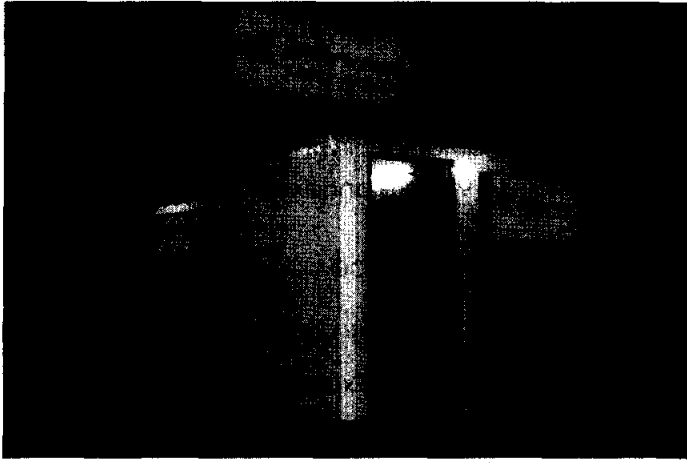
Considering the loss during the year, your Directors are unable to propose any dividend.

### All-Steel Truck/Bus Radials

Your Company has the distinction of being the only one in India to commercially manufacture All-Steel Truck/Bus Radials. It is indeed heartening to note that concept selling approach being pursued by your Company to promote radial tyres in the truck and bus segments has been a major boost to the



B.S. Patil and Raghupati Singhania at the truck radial plant



One of the truck radial service centres

radialisation process in the country. The Company's All-Steel Truck/Bus Radial Tyres incorporating the latest technology are finding increasing acceptance with the consumers.

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

### Exports

Your Company achieved yet another landmark by achieving the highest ever export of Rs. 119 crores - 51% higher than the previous year. Your Company's products enjoy high customer satisfaction in export markets. The Award of Certificate of Merit from Capexil was received for the fourth year in succession.

### Human Resource and Industrial Relations

The Company regards Human Resource among its most valuable assets. Shared vision and building result-oriented teams have been the cornerstone for improving the performance of the Company.

Emphasis is laid on constantly upgrading the job related skills and imparting new management techniques to its people to enable them to achieve corporate goals in the challenging times and at the same time, fulfilling individual aspirations.

Industrial relations during the year remained cordial.

### Directors

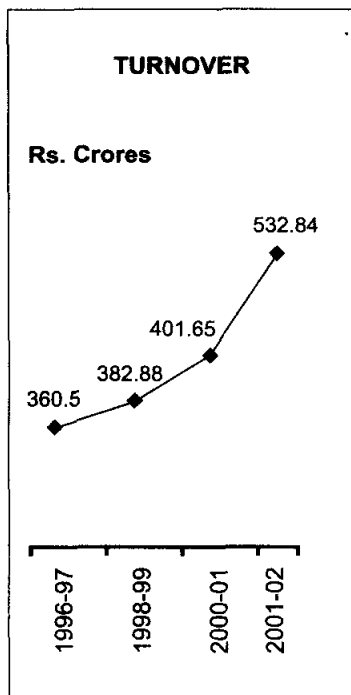
Shri K. S. K. Khare was nominated as a Director by LIC in place of Shri B. R. Sethi. Shri B. Ravindranath was nominated as a Director by IDBI in place of Shri R. Balasubramaniam. Shri Chiranjiv Singh, IAS and Shri S. Swatantra Rao, IAS, were appointed as Directors respectively in the casual vacancies caused by Shri C. Gopal Reddy, IAS and Shri C. K. Neelakanta Raj, IAS, ceasing to be Directors. KSIIDC withdrew the nomination of Dr. H. Basker to the Board. The Board of Directors place on record their appreciation



Customer education programme

of the valuable services rendered by Shri C. Gopal Reddy, Shri C. K. Neelakanta Raj, Shri B. R. Sethi, Shri R. Balasubramaniam and Dr H. Basker during their tenure as Directors.





Shri Srawan Kumar Bagla, Shri Om Prakash Khaitan and Shri Karna Singh Mehta, 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 2002 will be conducted by the Cost Auditors and the report will be submitted to the Department of Company Affairs, Government of India.

#### Particulars of Employees

None of the employees, during the whole or part of the year, was in receipt of remuneration prescribed under the Company's (Particulars of Employees) Rules, 1975 as amended.

#### Conservation of Energy etc.

The details as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are annexed.

#### Corporate Governance

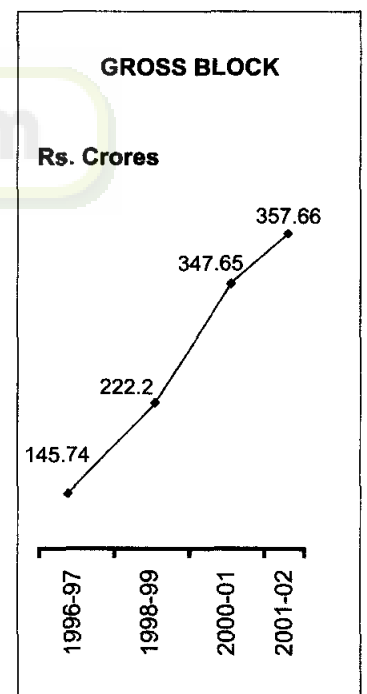
Pursuant to Clause 49 of the revised Listing Agreement with the Stock Exchanges, a "Management Discussion & Analysis" and a "Corporate Governance Report" are annexed.

#### Audit & Shareholders'/Investors' Grievance Committee

**Audit Committee** - Your Company has an Audit Committee of Directors in place since 1986. The 'Terms of Reference' of the Committee have been revised as per the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

#### Shareholders'/Investors' Grievance Committee

Your Company has been having a structured system of reviewing shareholders'/investors' complaints. A specific Committee of Directors has now been constituted, as per provisions of the Listing Agreement to look into redressal of such complaints.





State-of-the-art tyre curing process

### 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 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.

### Acknowledgements

The Board places on record its appreciation for the 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 Shri Om Prakash Khaitan to the employees at all levels for their continued support.

For and on behalf of the Board

New Delhi  
28th June 2002

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 like maximising use of daylight and time clock for streetlight, Steam Trap Management, Upgradation of Induced Draft/ Forced Draft fan by providing Variable Frequency Drive along with Combustion Management. Optimisation of chilled/ cooling water depending on process needs. Automatic control of cooling water temperature by monitoring operation of fans.

#### B. AREA OF ADDITIONAL INVESTMENT PROPOSAL

Further Energy Saving projects identified for implementation are replacement of Oil fired boiler by Coal fired boiler, revamping of hot water generator and providing auto control for heavy duty equipments.

#### POWER AND FUEL CONSUMPTION

##### 1. ELECTRICITY:

	2001-2002	2000-2001
a) Purchased:		
Units (Kwh in lacs)	195.61	221.77
Total Amount (Rs. in lacs)	883.39	962.51
Rate per Unit (Rs.)	4.52	4.34
b) Own Generation		
Furnace Oil/ Diesel Generator		
Units (Kwh in lacs)	292.95	167.42
Units (Kwh/litre of Diesel)	3.14	3.16
Units (Kwh/litre of Furnace Oil)	3.91	3.70
Cost per Unit (Rs.)	2.39	3.86

##### 2. FURNACE OIL:

Quantity (KL)	12717	10083
Total Cost (Rs. in lacs)	1154.28	1098.30
Average Rate (Rs./litre)	9.08	10.89

##### 3. CONSUMPTION PER UNIT OF PRODUCTION

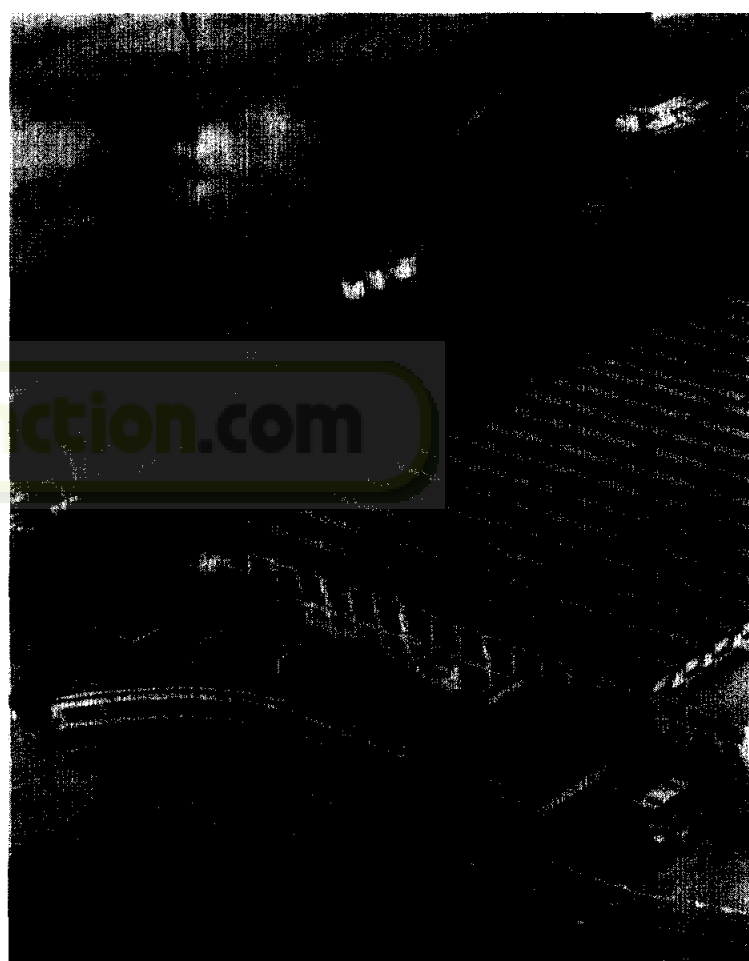
i) Electricity (Kwh/MT)	1056	1189
ii) Furnace Oil (Litre/MT)	275	308

#### C. TECHNOLOGY ABSORPTION

##### 1. RESEARCH & DEVELOPMENT (R&D)

###### a) Area of R&D Activities:

Development of new sizes of All-Steel Truck/Bus Radial





Tyres both for Indian and International markets was the focus of R&D. In the bias tyre category, new tyres for various identified segments of the market were developed.

The Company has arrangement with Hari Shankar Singhania Elastomer and Tyre Research Institute (HASETRI) for R&D support.

#### b) R&D Expenses

Total expenditure incurred during the year was Rs. 87.56 lacs which amounted to 0.17% of the net turnover.

## 2. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

The Company is putting greatest emphasis

on absorption of technology. All efforts are made to adopt the latest technology as well as to implement the same on continuous basis with the assistance of the collaborators, M/s Continental AG.

## D. EXPORT, FOREIGN EXCHANGE EARNINGS AND OUTGO

	(RS. IN LACS)	
	<u>2001-2002</u>	<u>2000-2001</u>
Foreign Exchange Earnings (on account of Export Sales - FOB value)	11919.20	7936.61
Foreign Exchange Outgo	8646.46	7450.55



Aerial view of Bias Plant



## MANAGEMENT DISCUSSIONS AND ANALYSIS

### 1. INDUSTRY STRUCTURE AND DEVELOPMENTS

Tyre Industry in India is well developed. Four Indian Companies figure amongst top 20 World Tyre Companies. The Industry manufactures almost the entire range of tyres and is self-reliant to meet the domestic requirement.

Radialisation in Passenger Car segment is maturing to International standards. However, in Truck/Bus Radial Tyre segment, India is still far below. Presently, radialisation in truck/bus segment is less than 2% as against 60-75% in developed countries. Considering inherent advantages of radial tyres for safety, fuel saving and lower cost of vehicular operation, radialisation of Truck/Bus Tyres segment will have a higher growth as compared to conventional nylon tyres.

### 2. OUTLOOK OF OPPORTUNITIES

The market trend for the last few years indicates slowdown in the growth. During 1998-99 to 2001-2002 growth was 7% (CAGR of little over 2%). The trend for 2000-2001 and 2001-2002 due to lower demand growth reflects increasing intensity of price competition.

Government efforts to boost infrastructure and plans for higher allocation towards better road network, nationwide linking of highways by 'National Corridor' is likely to boost demand.

The Company is well-positioned with India's first and only state-of-the-art All-Steel Truck/Bus Radial Tyre Plant with world class technology of Continental AG Germany to meet the customer requirements.

In addition to this, your Company has a wide export base which will help enhance its volumes. With the conclusion of long term agreement with the workers, the Company is geared for higher production to meet

the growing demand for its product.

Considerable benefits are being derived on a continuous basis due to synergising with J. K. Industries Ltd.

### 3. OUTLOOK ON THREATS AND CONCERN

In the immediate future, the automobile market is likely to grow at a lower pace and fierce competition will dominate the market. With firming up of oil prices, higher input cost will continue to bring pressure on operating margins.

With lowering of tariffs as per WTO, competition on domestic front may increase. Tyre is one of the highest tax product (incidence of tax on tax excluded price for example on a truck tyre is 58%), and thus provides a costly input for the road transport sector. This tends to be a deterrent to higher consumption.

Overloading practices result in tyre abuse which is affecting the pace of radialisation in India in heavy vehicle segment.

### 4. SEGMENTWISE PERFORMANCE

Continued focus on manufacture of a world class product is helping the Company in achieving all-time high export turnover of Rs. 119 crores which is 51% higher as compared to the previous year. The domestic turnover at Rs. 390 crores has grown by 25% over the last year.

### 5. INTERNAL CONTROL, SYSTEMS AND ADEQUACY

The Company has in-place and well-built system and procedure together with IT infrastructures for providing adequate support, well built-in control mechanism for Company's affairs. Professionally qualified and experienced personnel have been positioned in the organisation for system driven approach with well-defined accountability and ownership of responsibilities at all levels.



The Company has an Internal Audit Department commensurate with the size and nature of its business. The Audit Department covers the whole Operational Audit and System Audit in addition to the Transaction Audit. Annual Audit Plans are made well in advance for regular work apart from surprise and random audit to take place. The Audit Department is an independent responsibility centre and submitting reports to Audit Committee of the Board of Directors. For day-to-day functions, Audit Department reports to Unit Chief.

## 6. FINANCIAL PERFORMANCE

The Company's sales have grown by 31% for the year 2001-2002 at Rs. 524 crores. The operating profit for the year was Rs. 29.87 crores as against Rs. 17.20 crores of previous year reflecting 74% growth. Increase in operating profit against falling prices and raising input costs was possible due to continuous cost reduction and control measures. After providing finance charges of Rs. 32.81 crores and depreciation of Rs. 15.93 crores, loss before tax was Rs. 18.87 lacs.

As per new Accounting Standard (AS-22), applicable from 1st April 2001, Income Tax (Credit) of Rs. 6.93 crores charged to Profit and Loss Account resulted in net loss after tax of Rs. 11.94 crores for the year.

## 7. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Company continues to give utmost thrust for Human Resources Development, Team Building and Skill Development. A full-fledged Human Resources Development Department with experienced personnel is in position. Internal and External Training Programmes are regularly conducted.

During the year, the Company had offered Voluntary Retirement Scheme for rationalising the workforce. 250 personnel have been separated under the VRS Scheme. The total number of employees as on

31st March 2002 were 2222.

## 8. CAUTIONARY STATEMENT

"Management's Discussion and Analysis Report" contains forward looking statements which may be identified by the use of words in that direction or connoting the same. All statements that address expectations or projections about the future, including, but not limited to statements about the Company's strategy for growth, product development, market position, expenditures and financial results are forward looking statements.

These are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company's actual results, performance or achievement could thus differ materially from those projected in any such forward looking statements, on the basis of any subsequent development, information or events.