

WHEELS INDIA LIMITED



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40TH ANNUAL REPORT 1998 -1999



WHEELS INDIA LIMITED

Registered Office : 21, Patullos Road, Chennai - 600 002

40TH ANNUAL REPORT

VICE PRESIDENT (FINANCE) & SECRETARY

S. SRIVATHSAN

BANKERS

UNITED BANK OF INDIA
STATE BANK OF INDIA
ANZ GRINDLAYS BANK LTD

AUDITORS

SUNDARAM AND SRINIVASAN
Chartered Accountants
Chennai

FACTORIES

PADI, CHENNAI 600 050

22KM RAMPUR-TANDA ROAD,
RAMPUR
U.P.

SRIPERUMBUDUR,
KANCHEEPURAM DISTRICT

RANJANGAON GROWTH CENTRE
KAREGAON VILLAGE
SHIRUR TALUK
PUNE DISTRICT.

BOARD OF DIRECTORS

T.S. SANTHANAM
Chairman

S. RAM

Vice Chairman & Managing Director

S. VIJI

T.T. RANGASWAMY

J.M.A. AKERS

N.S. BILLIG

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Notice to the Shareholders

NOTICE is hereby given that the Fortieth Annual General Meeting of the Shareholders of the Company will be held on **Thursday, the 23rd September, 1999**, at 11.00 a.m., at **The Music Academy**, 306, T T K Road, Chennai 600 014, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited statements of accounts for the year ended 31st March, 1999, and the reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To elect a Director in the place of **Mr. T.S. Santhanam**, who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in the place of **Mr. S. Viji**, who retires by rotation and being eligible, offers himself for re-election.
5. To appoint Auditors and fix their remuneration. M/s. Sundaram and Srinivasan, Chartered Accountants, Chennai, retire and are eligible for re-appointment.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modifications, the following resolution as a **Special Resolution**:

"RESOLVED that pursuant to Section 314 and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Central Government, if and when necessary, the Company hereby accords its consent to Mr. Srivats Ram, to hold and continue to hold an office or place of profit as Executive Director, or such other designation as the Board may decide from time to time, with effect from 1.4.1999 with basic pay of Rs.21,400/- p.m. in the grade with scale of pay at Rs.21,400 - 51,400 with increments in basic pay at such intervals together with dearness allowance, house rent allowance and other allowances, perquisites and benefits as the Board may decide from time to time".



"FURTHER RESOLVED that the Board of Directors of the Company be and are hereby authorised to accept any modifications made by the Central Government while according the approval for the said revision of salary, allowances and perquisites payable to Mr Srivats Ram".

Regd. Office :
21, Patullos Road,
Chennai 600 002.
26th July, 1999

By Order of the Board
S. SRIVATHSAN
VICE PRESIDENT (FINANCE) & SECRETARY

- Note:** 1. A Member entitled to attend and vote at the meeting may appoint a proxy to attend the meeting and vote in his stead. A proxy need not be a member of the Company. For appointment of a proxy to be effective, the proxy form (enclosed), duly filled, stamped and executed, should be lodged with the Registered Office of the Company at least 48 hours before the time fixed for the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 16th September, 1999 to 23rd September, 1999 (both days inclusive), for the purpose of payment of dividend.
3. The dividend if declared will be payable to those members whose names appear on the Register of Members on 23rd September, 1999.
4. The dividend amounts which remain unclaimed for the year 1994-95 (and the subsequent years) can be claimed from the Company and pursuant to Section 205A(5) of the Companies Act, 1956, (after the Companies (Amendment) Ordinance, 1999) the amounts which remain unpaid or unclaimed for a period of seven years, shall be transferred by the Company to the Investor Education and Protection Fund established under Section 205C(1) of the Act.

Encl: Proxy Form,
Explanatory statement.

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Annexure to the Notice

Explanatory Statement under Section 173 of the Companies Act, 1956

SPECIAL BUSINESS

Item No.6

According to the provisions of the Companies Act, holding an office or place of profit in the Company by any relative of a Director with remuneration exceeding Rs.20,000/- p.m. requires the approval of the members of the Company. Accordingly the resolution as set out in Item No.6 for remuneration payable to Mr Srivats Ram, son of Mr S Ram, Vice Chairman and Managing Director, is placed before the members for approval.

Mr Srivats Ram holds a Master's degree in Business Administration and has undergone training at the Company and in industry overseas. He has been in charge of operational management of the Company for the last four years.

Interest of Directors

Mr T S Santhanam, Chairman of the Board of Directors and Mr S Ram, Vice Chairman and Managing Director of the Company, may be deemed to be interested, being relatives of Mr Srivats Ram.

Chennai,
26th July, 1999

By Order of the Board
S. Srivathsan
VICE PRESIDENT (FINANCE) & SECRETARY





Directors' Report to the Shareholders

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

Financial Results

Sales for the year under review were Rs.259.97 crores compared to Rs.274.55 crores in the previous year. The financial results of your company for the year under review are as below:

	<u>1998-99</u>	<u>1997-98</u>
	(Rupees in lakhs)	
Gross profit before interest and depreciation	3083.50	3338.25
Interest	1343.61	1320.75
Depreciation	828.51	697.24
Net profit before tax	911.38	1320.26

Dividend

Your Directors are pleased to recommend, out of the profits of the current year, a dividend of 25% on the paid-up capital of the Company as at 31st March, 1999. If the dividend recommended is approved at the Fortieth Annual General Meeting, a sum of Rs.2,46,73,610/- will become payable. A dividend tax of 11% (including surcharge) will be paid on the dividend declared.

Performance and Prospects

The difficult market conditions for commercial vehicles for the second year in succession affected the production and sale of commercial vehicle wheels and profits of your Company. There was a marginal increase in sale of light vehicle wheels. Sale of tractor wheels remained at last year's level. Domestic sales dropped by 10%. Export sales were higher by 38% over the last year.

Higher provision for depreciation was made by your Company in the year under review on additional investments made. A four year wage agreement was concluded at the Padi Unit. The depressed market conditions and the capacities available in the country for wheels did not allow your Company to increase the wheel prices to reflect cost increases.

Prospects for the coming year appear better for the commercial vehicle and passenger car segments. Higher utilisation of capacity for these wheels is expected to improve your Company's profits in the coming year.

Acquisition of shares by Titan Europe Limited

Titan Europe Limited, a wholly owned subsidiary of Titan International Inc, acquired the shares of your Company from Dunlop Holdings Ltd of BTR plc. This acquisition required a public offer to purchase the shares of the company under the guidelines of the Securities and Exchange Board of India. In agreement with Titan Europe Limited, Sundaram Finance Limited acquired the shares offered by the public.

Titan International Inc. is the world's leading manufacturer of off-highway, agricultural, industrial and construction equipment wheels. Titan Europe Limited's participation is expected to improve your Company's position in the international market for certain ranges of wheels.

40TH ANNUAL REPORT**Year 2000 (Y2K) Compliance**

Your Company believes that the Y2K issue will not pose any significant problems for your Company's business, based on the reviews and assessments undertaken. All business applications, financial accounting and data base servers are in the process of being made Y2K compliant.

Directors

Under Article 94(3) of the Company, Mr T S Santhanam and Mr S Viji retire by rotation and, being eligible, offer themselves for re-election.

Consequent to the sale of shares by Dunlop Holdings Ltd., Mr Andrew Brian Moss and Mr Robert John Morgan resigned from the Board. In their place, Mr. J M A Akers and Mr N S Billig have been appointed as Directors u/s 262 of the Companies Act, 1956.

Your Directors place on record their appreciation of the valuable advice and guidance given by Mr Andrew Brian Moss and Mr Robert John Morgan to the Company during their term of office.

Auditors

Messrs Sundaram and Srinivasan, Chartered Accountants, Chennai, retire at the conclusion of the Fortieth Annual General Meeting and are eligible for re-appointment.

General

The observation of the Auditors regarding accounting for gratuity and leave encashment on cash basis is self explanatory.

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, are annexed hereto and form part of this report.

The particulars prescribed by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are enclosed in the annexure and form part of this report.

The Directors wish to record their appreciation for the valuable advice from BTR plc, UK and technical support received from Dunlop Topy Wheels Ltd., UK, a BTR group company.

The Directors wish to thank United Bank of India, State Bank of India, ANZ Grindlays Bank and the Financial Institutions for their counsel and continued assistance.

The Company continues to enjoy the full co-operation of all its employees. The Directors wish to place on record their appreciation of the good work done by them.

Chennai,
26th July, 1999

On behalf of the Board of Directors
T. S. Santhanam
CHAIRMAN



Report of the Auditors to the Shareholders

We have audited the attached Balance Sheet of Wheels India Limited as at 31st March, 1999, and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that:

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988, and on the basis of such checks of the books and records of the Company as we considered appropriate and the information and explanations given to us during the course of our audit, we enclose in the annexure a statement on the matters specified in the said order.
2. Further to our comments in the annexure referred to in Paragraph 1 above:
 - a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books subject to the Note No.18 of Schedule XIV regarding accounting of
 - i) gratuity amounting to Rs.399.70 lakhs and
 - ii) leave encashment benefit amounting to Rs.186.11 lakhs to staff on cash basis instead of accrual basis.
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Profit and Loss account and Balance Sheet comply with the accounting standards referred to in sub section (3C) of Section 211 of Companies Act, 1956, except AS 15 in regard to Gratuity and Leave encashment benefit to employees referred to in Para 2(b) above.
 - e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, together with notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999, and
 - ii) in the case of the Profit and Loss Account, of the profit for the year ended 31st March, 1999.

Chennai,
26th July, 1999

For SUNDARAM AND SRINIVASAN
Chartered Accountants
K. SRINIVASAN
Partner

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Annexure to the Report of Auditors

- (i) The Company is maintaining proper records showing full particulars including quantitative details and the situation of fixed assets. These fixed assets were physically verified by the management at reasonable intervals. No material discrepancies were noticed on such verification.
- (ii) The fixed assets of the Company have not been revalued during the year.
- (iii) The stock of finished goods, stores, spare parts and raw materials have been physically verified by the management at reasonable intervals.
- (iv) The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (v) The discrepancies noticed on physical verification of stocks, as compared to book records, were not material.
- (vi) The valuation of the stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- (vii) In respect of unsecured loans taken from parties which are listed in the register maintained under Section 301 of the Companies Act, 1956, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company. The Company has not taken any loan from a company under the same management as defined under Sub Section (1B) of Section 370 of the Companies Act, 1956.
- (viii) The Company has not granted any loans to any companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, or to any company under the same management as defined under Sub Section (1B) of Section 370 of the Companies Act, 1956.
- (ix) The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in the payment of interest where applicable.
- (x) There is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
- (xi) The transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register(s) maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs.50,000/- or more in respect of each party, have been made at prices, which in our opinion, are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods or services have been made with other parties.