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WHEELS INDIA LIMITED

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

41ST 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

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Notice to the Shareholders

NOTICE is hereby given that the Forty first Annual General Meeting of the Shareholders of the Company will be held on **Wednesday, the 20th September, 2000**, 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 statement of accounts for the year ended 31st March, 2000, and the reports of the Directors and Auditors thereon.
2. To record the payment of interim dividend as final dividend.
3. To elect a Director in the place of **Mr T T Rangaswamy**, who retires by rotation and being eligible, offers himself for re-election.
4. To appoint Auditors and fix their remuneration. M/s Sundaram and Srinivasan, Chartered Accountants, Chennai, retire and are eligible for re-appointment.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION**:

"**RESOLVED** that, the salary payable to Mr.S. Ram, Managing Director of the Company, revised to Rs.90,000/- p.m. effective from 1.4.2000, by a Resolution of the Board of Directors, be and is hereby approved."

"**FURTHER RESOLVED** that the other terms of remuneration as approved by the Members of the Company in the 39th Annual General Meeting held on 15th September, 1998 shall remain unchanged, notwithstanding that he is a relative of two Directors of the Company, being the son of Mr T S Santhanam and the brother of Mr S Viji."

6. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an **ORDINARY RESOLUTION**:

"**RESOLVED** that pursuant to Section 293(1)(d) of the Companies Act, 1956, and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Members be and is hereby accorded to the Board of Directors of the Company, for borrowing monies for the purpose of business of the Company, from time to time, notwithstanding that the monies to be borrowed together with the monies already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate of the Paid-up Capital of the Company and its Free Reserves that is to say, reserves not set apart for any specific purpose, provided however that the aggregate of amounts so borrowed and outstanding at any time (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed Rs.150 crores (Rupees one hundred and fifty crores only)".

7. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an **ORDINARY RESOLUTION**:

"**RESOLVED** that in accordance with the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Members be and is hereby accorded to the Board of Directors of the Company to create/modify any mortgage, hypothecation or other charge or encumbrance, from time to time, on such terms as it may think fit, over the whole or substantially the whole of the Company's undertaking, including all present and future



immovable and movable properties and assets of the Company wherever situate, in favour of the banks, financial institutions and other persons for securing loans, credits, guarantees or other facilities provided or to be provided by them to the Company and/or to secure debentures issued/ to be issued by the Company, which borrowings and facilities, together with the existing ones, shall not exceed an aggregate limit of Rs.150 crores (Rupees one hundred and fifty crores only)".

8. To consider and, if thought fit, to pass, with or without modifications, the following resolution as a **SPECIAL RESOLUTION**:

"**RESOLVED** that the existing Clause 100(1) of the Articles of Association of the Company be altered by substituting the following new Clause:

The Board may meet to transact business, adjourn and otherwise regulate its meetings as it thinks fit; provided that the Board meets not less than FOUR times in a year."

9. To consider and, if thought fit, to pass, with or without modifications, the following resolution as a **SPECIAL RESOLUTION**:

"**RESOLVED** that the existing Clause 144 of the Articles of Association of the Company be altered by substituting the following new Clause:

All dividends remaining unclaimed shall be dealt within the manner prescribed under Companies Act."

10. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an **ORDINARY RESOLUTION**:

"**RESOLVED** that the consent of the Members be and is hereby accorded to the Board of Directors to apply the funds of the Company towards premium payable to insurance companies for providing policies to the Company to indemnify or pay on behalf of the Directors and Officers against any claim made against them in their capacity as Director/Officer of the Company."

Regd. Office :
21, Patullos Road,
Chennai 600 002
26th July, 2000

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 9th September, 2000 to 20th September, 2000 (both days inclusive), for the purpose of Annual General Meeting.
3. 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 statements.

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Annexure to the Notice

Explanatory Statements under Section 173 of the Companies Act, 1956

SPECIAL BUSINESS

Item No.5

The Board of Directors approved a revision in salary payable to Mr S Ram, Managing Director of the Company to Rs.90,000/- per month with effect from 1.4.2000. All other terms of remuneration as sanctioned by the Board of Directors in their meeting held on 25th March, 1998 and approved by the members in the 39th Annual General Meeting held on 15th September, 1998 remain unchanged.

The above revision in salary payable to Mr S Ram, Managing Director of the Company as detailed in the Resolution as set out under Item No.5 of the Notice requires the consent of the Members.

Interest of Directors:

Mr S Ram is interested in this resolution to the extent of the remuneration payable to him.

Mr T S Santhanam, Chairman of the Board of Directors and Mr S Viji, Director, are also, deemed to be interested in the said resolution, being relatives of Mr S Ram.

This explanation, together with the accompanying Notice, is and should be treated as an abstract of the terms of service of Mr. S. Ram and Memorandum of interest under Section 302 of the Companies Act, 1956.

Item Nos. 6 and 7

At present the Board of Directors are empowered to borrow (apart from temporary loans from banks in the ordinary course of business for working capital purposes) upto Rs.100 crores vide resolutions passed by the members u/s 293(1)(d) and 293(1)(a) of the Companies Act, in the annual general body meeting held on 15th September, 1998. Your Company proposes to fund cost of upgrading manufacturing facilities for Earth Mover wheels with loans from Banks. The resolutions as set out under Item No.6 and 7 of the Notice require the consent of the Members.

**Item No.8**

Recent amendments to the listing agreement on corporate governance requires the Board of Directors of every company to form various committees of Directors to look into different aspects of the business. These committees are expected to meet at required intervals to deliberate on the issues referred to them by the Board of Directors. Hence the Board of Directors would be required to meet at less frequent intervals than before. Hence it is proposed to amend the Articles of Association to provide for holding not less than four meetings in a year. This is also in line with the regulations of Securities and Exchange Board of India. The resolution as set out under Item No.8 of the Notice requires the consent of the Members.

Item No. 9

Articles 144 of the Articles of Association as it stands now reads as under :

All dividends unclaimed for three years after having been declared may be forfeited by the Board for the benefit of the Company, but the Board may also at their discretion sanction payment of such dividends on a later date.

The Company has been advised that this Article requires to be amended to be in line with the provisions of the Companies Act. The resolution as set out under Item No.9 of the Notice requires the consent of the Members.

Item No.10

The Company is taking an insurance policy for a sum not exceeding Rs. 25 crores in a year to indemnify the Directors and Officers of the Company against possible civil liability claims that may arise in the course of performance of their duties. The resolution as set out under Item No.10 of the Notice requires the consent of the Members.

Interest of Directors:

All the Directors are interested in the resolution.

Chennai,
26th July, 2000

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

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Directors' Report to the Shareholders

Your Directors have pleasure in presenting their Forty first Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2000.

Financial Results

Sales for the year under review were Rs. 324.69 crores compared to Rs.259.97 crores in the previous year. The financial results of your Company for the year under review are as below:

	<u>1999-2000</u>	<u>1998-1999</u>
	(Rupees in lakhs)	
Gross profit before interest and depreciation	3640.15	3083.50
Interest	1554.52	1343.61
Depreciation	915.58	828.51
Net profit before tax	1170.05	911.38

Dividend

Two interim dividends totalling to 25% amounting to Rs. 2,46,73,610/- were paid for the year ended 31st March, 2000. The Directors are not recommending any further dividend for the year ended 31st March, 2000.

Performance and Prospects

For the year under review, the production of Medium and Heavy Commercial vehicles grew by over 35%. The production of Light Commercial Vehicles and Tractors did not show any appreciable growth. The Light Vehicles, consisting of Passenger Cars and Utility vehicles saw a significant growth above 40% in the year ended 31st March, 2000. Your Company was able to maintain its share of wheel business.

Production of Commercial Vehicles in the current year 2000-01 is at low level for the first three months. Increase in cost of Commercial Vehicles from implementation of uniform sales tax, increase in vehicle prices while upgrading their engines to meet the Emission norms and Government hiking diesel prices may lead to slow down in sale of Commercial Vehicles.

The car segment, after a significant growth of above 40% in the year ended March, 2000, is expected to see only a marginal growth in the current financial year. Tractor manufacturers have reduced production significantly to bring down their inventories with the dealers. There is a steep fall in production of tractors in the first quarter. Your Company expects tractor production to be stepped from the third quarter, but no growth is expected in this financial year.



All these factors taken together, the sales of your Company in the domestic market is expected to show only a marginal growth in the current financial year. There are pressures from OEMs to maintain if not reduce prices. Steel producers have seen revival in the export market and have been able to increase the domestic prices of steel. Increases in the cost of raw material, diesel and transport cost have put our operating margins under pressure. Your Company is in the process of reducing inventory and implementing value engineering projects, rationalising the production between the different plants to save cost.

Export of Commercial Vehicle wheels to trailer manufacturers in the Far East and UK was affected due to market conditions. Stiff competition from China and Korea affected the export of wire wheels to the US. New models in wire wheels where there is less competition are being introduced in the US, and this is expected to improve the sale of wire wheels in the current year. There is also a revival in the trailer market. Your Company expects growth in exports in the current financial year.

Your Company obtained QS 9000 certification in the year under review. Investments are being made to introduce value engineered design and manufacture new range of wheels for the export market.

Your Company commenced commercial supply of OEM Air Suspension kits. Our design of Air Suspension System and retrofits have been well accepted by the private charter operators in the Southern States. Your Company plans to extend the retrofit activity to other parts of the country.

Directors

Under Article 94(3) of the Company, Mr. T.T. Rangaswamy retires by rotation and, being eligible, offers himself for re-election.

Mr Nicholas Simon Billig, appointed as a Director to fill the casual vacancy caused by the resignation of Mr Robert J Morgan, resigned from the Board during the year under review. Your Directors place on record their appreciation of the valuable advice and guidance given to the Company by Mr Nicholas Simon Billig during his term of office.

Auditors

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

General

Liability for customs duty on imported materials in bonded warehouse and excise duty on finished goods have not been provided in the books of accounts, in line with the practice adopted so far. As mentioned in the notes to the accounts, there is no impact on the financial results of your Company. Your Company is following a policy of accounting for gratuity and leave encashment on cash basis.

The shares of your Company are listed on the National Stock Exchange from April, 2000.

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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 of active participation of Titan Europe Limited, UK.

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.

Your 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, 2000

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, 2000, 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.17 of Schedule XIV regarding accounting of
 - i) gratuity amounting to Rs.385.38 lakhs and
 - ii) leave encashment benefit amounting to Rs.198.37 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 the 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, and subject to non provision of excise duty and customs duty on closing stock of inventories referred to in Note No.25 of Schedule XIV, which has no impact on the net profit for the year, 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, 2000, and
 - ii) in the case of the Profit and Loss Account, of the profit for the year ended 31st March, 2000.

Chennai,
26th July, 2000

For SUNDARAM AND SRINIVASAN
Chartered Accountants
K. Srinivasan
Partner