

ANNEXURE - I

Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forming part of the Directors Report for the year ended March 31, 2008

Sl. No.	Name of the Employee	Designation	Remuneration (Rs.)	Qualification and Experience	Date of Commencement of Employment	Age	Last Employment held
1	Mr.Pawan Kumar Ruia	Executive Chairman	2,26,39,992	B.Com (Hons), AICWA, FCA, LL.B, AASM, MIIA (USA) 23 Years	01.04.2007	49	
2	Mr.A.Sadasivam	Managing Director	48,00,600	B.Com (Honours), AICWA 29 Years	01.02.2006	52	Kamalapur Sugar & Industries Ltd.

ANNEXURE - II

Statement Pursuant to Sec.217 (1) (e) of the Companies Act, 1956

A. CONSERVATION OF ENERGY

a) Energy conservation / Modification measures taken

- 1) Roll grinding of 68" calender (in house)
- 2) Upgradation of FSW bead winding Machine
- 3) Installation of 15 TPH Boiler
- 4) Water Management

b) Impact of measures taken

- 1) Reduction in scrap and consistency in quality of products.
- 2) Saving in fuel cost and consistency in output.
- 3) Savings in bought out water cost.

c) Additional investments / modifications proposed

- 1) Implementation of 6. M.W.Cogen Plant
- 2) Implementation of 450-10 Allwel open ply tyre building Machine

d) Impact of proposed measures

- 1) Savings in Power and fuel Cost
- 2) Increase in productivity, quality, Improvement and reduction in fabric scrap.

FORM-A

Disclosure of Particulars with respect to Conservation of Energy:

A. POWER AND FUEL CONSUMPTION

Description	2007-2008	2006-2007
1. Electricity		
a. Purchased:		
- Total Units	14819010	11922606
- Total Amount (Rs.in lakhs)	689.47	569.68
- Rate per unit (Rs.)	4.65	4.78
b. Own Generation:		
- Units Generated	157693	238292
- Total Diesel Cost (Rs.Lacs)	16.78	25.78
- Units per Ltr. of Diesel	2.84	2.91
- Cost per unit (Rs.)	10.64	10.82
2. Fuel :		
a) Furnace oil :		
- Quantity (K.L.)	111	*3375
- Total Cost (Rs.Lacs)	28.79	*588.89
- Rate per Ltr. (Rs.)	25.96	17.45
b) Coal & Others -Quantity (M.T.)	14907	3587
- Total Cost (Rs.Lacs)	478.00	66.97
- Rate per Kg. (Rs.)	3.21	1.87
Total Fuel Details:-		
c) Total Fuel Cost (Rs.in lakhs)	*506.79	655.86
d) Fuel Cost/Kg. on Production (Rs.)	2.00	2.94
3. Consumption per Kg.of -		
- Production of Tyre & Tube:-		
- Electricity (Units/Kg.)	0.591	0.545
- Coal & Other Fuels (Kgs./Kg.)*	0.593	0.305

(* The Company has switched over to Coal / Husk fired boiler from Jan'2007)

FORM - B**A. TECHNOLOGY ABSORPTION:****1. Research & Development:**

- a) Developed tubeless tyres for Scooters / Motor Cycles
- b) Added new patterns and designs for increased market requirements
- c) Introduction of new products and sizes to improve the product mix
- d) Enriched compound development.

2. Benefits derived as a result of the above R & D

- a) Optimization of the installed capacity of tyres and tubes resulted in increased productivity and savings on energy front.
- b) Consistency in quality of the finished goods

3. Future Plan of action:

- a) To develop wide range of tyres and tubes in two, three, four wheeler and industrial segments for export market
- b) To further develop hi-tech low profile tyres in scooter segments

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1) Efforts in brief made towards technology absorption, adoption and innovation:

- a) New Products and new patterns developed and are approved by OEMs

2) Benefits derived as a result of the above efforts

- a) Enhanced market share with OEMs and exports

3) In case of imported technology (imported during last 5 years reckoned from the beginning of the financial year) the following information may be furnished.

- | | | |
|--|----------|----------------|
| a) Technology imported | J | Not Applicable |
| b) Year of Import | J | Not Applicable |
| c) Has technology been fully absorbed | J | Not Applicable |
| d) If Not fully absorbed, areas where this has not been taken place, reasons therefore and future plans for action | J | Not Applicable |

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The continuing upward trend in export market has enabled your Company to reach its set target for the year. The Company has continued to take steps for boosting the export market. The Company has earned additional excellence due to the technical agreement with M/s Sumitomo Rubber Industries Limited, Japan.

Foreign Exchange earned and used:

	Rs. In lakhs	
	2007-08	2006-07
i) Foreign Exchange Earned	1941.31	1083.66
ii) Foreign Exchange Used	4552.28	5286.67

ANNEXURE III

Management Discussion and Analysis Report

The Management of Falcon Tyres Limited (FTL) presents below its analysis for the year 2007-08 and future outlook in the light of current business scenario.

A) Industry structure and developments

In every Industry, Companies with similar antecedents and strategies grow differently. Some grow with metronomic regularity to become leaders in their segments. While several attributes define successful Companies, one is often overlooked, their ability to scale. Scaling up is vital for longevity and prosperity, the growth it generates feeds customer demand for stronger, more stable partners, who deliver more value at ever reducing cost.

Employees need the growth to expand their horizons and careers;

Investors expect growth as a matter of right;

Scale permits Companies to build their brand and human capital, to seize market share, to amortize huge costs on sales, administration and R & D, and to build a financial war chest.

Marginal growth in all the sectors of automotive industries has given low momentum to the Tyre industry. The Government has been implementing measures to reduce import tariff per se. However, competitiveness of Indian Tyre Industry has to be ensured.

B) Business Operations

The number of vehicles on the road is constantly swelling, on the back of an increase in road transportation, which has gained momentum after the implementation of the projects like the Golden Quadrilateral and NSEW Corridor Project. This, in turn, is expected to keep the demand for tyres from OEMs buoyant. The supply to all the major OEMs is made directly from the factory.

Replacement market is one of the most sought after markets by Tyre players, since the margins are slightly better compared to those of OEMs (who are relatively few in number and have a huge bargaining power). The Replacement market is catered to through C&F Agents established all over the country. The Company has wide network of redistribution, storage & dealership all over the country.

Tyre exports are increasing consistently, with the Government providing various export incentives and ever growing demand overseas. The export market is directly handled from the factory at Mysore.

C) Opportunities, Threats, Risks and Concerns

Opportunities

Growing Automobile industry, increasing OEM demand & subsequent rise in replacement demand. Establishing extensive distribution networks. Increased business from existing and new clients, including export markets for two / three wheeler tyres.

Threats

Cyclical nature of the automobile industry.

Cheaper imports of Tyres especially from China.

Continuous increase in prices of natural rubber, synthetic rubber, carbon black and other petroleum-based inputs, which accounts for nearly 90% of total raw material costs.

Risks and Concerns

The consistently rising natural rubber and crude oil prices and the resultant increase in petroleum-based inputs has been posing a big challenge to the survival of the industry.

D) Marketwise performance

The Company's sales to various markets is as given below:

	Rs. In lakhs
OEM's	17021.74
Replacement	30401.79
Exports	2135.52

Total	49559.05

E) Outlook

On the positive side, the Company expects a volume growth as there will be consistent growth in demand for two/three wheeler tyres and tubes. Immense competition together with price and cost pressures are existent dampeners. The long-term outlook continues to be positive for the industry as well as the Company. The Company believes that more emphasis on innovation in the product and process technology and operating efficiencies will help in improving its scale. The setting up of co-gen plant to produce Steam and Power, which is expected to go on steam with effect from September'08 through which Power & Fuel cost will effectively reduce the manufacturing cost of the products.

F) Internal Control Systems

The Company has effective internal control systems across all the manufacturing locations, marketing locations and other offices with regard to operational efficiencies, financial policies and compliance with applicable laws and regulations. The Company has full-fledged Internal Audit department, which covers all the areas of the organization to ensure conformance to internal check and control. Internal Audit department carries out audit through out the year and their reports are reviewed by Senior Management and placed before Audit Committee of the Board of Directors along with action taken.

G) Financial Performance

The Company achieved a turnover of Rs.495 Crores for the year ended 31st March, 2008, as against previous year turnover of Rs.322 crores. These results were achieved despite severe competition in the industry & increasing raw materials costs. The PAT for the year was Rs.5.30 crores as against last year PAT of Rs.3.96 crores.

H) Human Resources

The Company continued to have cordial and harmonious relations with its employees. In line with the changing business environment, your Company is training and developing the Human Resources. Several training programmes, structured to the needs of the individual employee and also to meet the requirement of ISO 9001: 2000, ISO / TS 16949: 2002, ISO 14001:2004 and OHSAS 18001:1999 quality related certification, were conducted during the year. Regular audits on safety and environment are done by competent professionals and the recommendations are implemented to provide a safe and clear work environment. Regular training programmes on safety are conducted to increase awareness and commitment for safety.

I) Cautionary Statement

Management Discussion and Analysis Report contains forward looking statements, which may be identified by the use of the words in that direction, or connoting the same. Actual results may differ materially from those expressed in the statement. Various factors like the prices of major raw materials which are highly volatile, changes in Government Regulations, tax laws and other laws, etc., may influence the actual performance.

ANNEXURE IV

CORPORATE GOVERNANCE

A) Company's philosophy on Corporate Governance

The Company believes in the philosophy of continuous improvement in all facets of its operations. Budgets, Investment proposals, significant developments are placed before the Board. Committees such as Audit and Investors Grievances Committee meet regularly to consider aspects relevant to each committee. Your Directors are happy to inform you that your Company's existing practices and policies are in conformity with the requirements stipulated by Securities and Exchange Board of India (SEBI). It is our commitment to continue to provide the best service to our investors and also to instill pride of their long association with the Company among members.

The Board has adopted a Code of Conduct and made it applicable to all the members of the Board and to all General Managers & above. The Company has also posted the Code of Conduct on its website, for public consumption.

B) Board of Directors

In terms of the Company's Corporate Governance Policy, all statutory and other significant and material information including information mentioned in Annexure 1 of Clause 49 of the Listing Agreement are placed before the Board to enable it to discharge its responsibilities of strategic supervision of the Company and as trustees of stakeholders.

The Board has adopted a Code of Conduct for Directors and all the General Managers and above, and a declaration has been obtained from the Managing Director about its Compliance.

The composition and other details relating to the Board of Directors as on 31st March 2008 are as follows:

Name of the Director	Category	* No. of Directorship in other Companies	No. Of membership / chairmanship in Committees of other companies		
			Membership	Chairmanship	Total
Mr. Pawan Kumar Ruia	Executive Chairman	5	1	--	1
Mr. A.Sadasivam	Managing Director	3	1	--	1
Mr.Tarun Gandhi	Director	1	--	--	--
Mr. A K Jain	Director	1	--	1	1
Mr. S. Badrinathan	Director	--	--	--	--

* Does not include Directorships in Private Limited Companies

During the year Mr.Prakash M Nene resigned from the Board w.e.f. 5th April 2007.

Mr.S.Badrinathan who was a Director on the Board has since resigned from the Board w.e.f. 24th May, 2008.

The Board meets atleast once in a quarter to review the Company's performance and financial results and more often, if considered necessary, to transact other business.

Attendance of each Director at Board Meetings and last Annual General Meeting:

During the Financial year 2007-08, Six Board Meetings were held on 5th April 2007, 27th June 2007, 17th July 2007, 28th September 2007, 30th October 2007 and 29th January 2008. The last Annual General Meeting of the Company was held on 28th September 2007. The following are the details of attendance of Directors at Board Meeting and at the Annual General Meeting held during the year:

Name of Directors	No. of Board Meetings held during the tenure of the Director in 2007-08	No. of Board Meetings attended	Attendance At Last AGM
Mr. Pawan Kumar Ruia	6	6	Yes
Mr. A. Sadasivam	6	6	Yes
Mr.Prakash M Nene	1	Nil	No
Mr. S Badrinathan	6	5	Yes
Mr.Tarun Gandhi	6	1	No
Mr.A.K.Jain	6	5	No

C) Audit Committee

The terms of reference of the Audit Committee is based on Clause 49 of the Listing Agreement and the applicable provisions of the Companies Act, 1956.

The Audit Committee comprises of three Directors, all of them being Non-Executive Directors, viz.,

Mr. A.K.Jain	-	Chairman
Mr. Tarun Gandhi	-	Member
Mr. S Badrinathan	-	Member

During the year Mr.Prakash M Nene resigned from the Board w.e.f. 5th April 2007.

All are Non Executive Directors and Mr. S. Badrinathan, Vice President Finance and Company Secretary is the Secretary of the Committee.

All these Directors possess knowledge of corporate finance, accounts and Company law. The Chairman of the Committee is an Independent and Non-Executive Director nominated by the Board. The Vice President, Finance and Company Secretary, Statutory Auditors, Internal Auditors are permanent invitees at the meetings of the Committee.

The gist of terms of reference is given below:

- a) Review of Company's financial reporting process.
- b) Review of half yearly and annual financial statements, before submission to the Board.
- c) Review with External Auditors, on areas of concern.
- d) Recommending appointment of External Auditor and fixation of audit fees
- e) To ensure compliance of internal control system and action taken on internal audit report
- f) Review of findings etc., by internal investigations by Internal Auditors and reporting thereof to the Board.
- g) To hold periodical discussion with statutory auditors on the scope and content of audit
- h) To review the Company's financial and Risk Management Policies
- i) To appraise the Board on the impact of accounting policies, accounting standards and legislation.
- j) Review of reasons for defaults in payment to shareholders / creditors etc.
- k) Review of adequacy of internal audit function.

During the Financial Year 2007-08 Six meetings of the Audit Committee were held on 5th April'07, 27th June 07, 16th July'07, 28th September' 07, 30th October'07and 29th January 2008.
Attendance at Audit Committee Meetings.

Name of Directors	No. of Audit Meetings held during the tenure of the Director in 2007-08	No. of Meetings attended
Mr. P.M. Nene	1	Nil
Mr.A.K.Jain	6	5
Mr.S.Badrinathan	6	6
Mr.Tarun Gandhi	6	2

D) Remuneration Committee

The Remuneration Committee consists of three Directors viz.,

Mr.S. Badrinathan	-	Chairman
Mr. Tarun Gandhi	-	Member
Mr. A. K. Jain	-	Member

All are Non Executive Directors and Mr. S. Badrinathan, Vice President Finance and Company Secretary is the Secretary of the Committee.

The Committee has been constituted to recommend/review the remuneration package of the Managing / Whole Time Directors apart from deciding other matters. Presently the Company does not have a stock option plan or any performance linked incentive that is paid to its Directors. The Committee meets as and when required.

The remuneration to the Executive Chairman had been determined considering the relevant remuneration for managerial personnel of Companies of similar size and nature. This remuneration was approved by the Board, the Shareholders, the Remuneration Committee and approved by the Central Government vide their letter No. 12/933/2007-CL.VII dt.03rd March 2008.

(Rs. in Lakhs)

Name	Designation	Salary	Commission	Perquisites	Provident Fund & Other Fund	Retirement
Mr.Pawan Kumar Ruia	Executive Chairman	166.00		28.00	32.40	Gratuity & Retirement Benefits as Per rules of the Company

The remuneration to the Managing Director had been determined considering the relevant remuneration for managerial personnel of Companies of similar size and nature. This remuneration was approved by the Board, the Shareholders, the Remuneration Committee and approved by the Central Government vide their letter No. 12/932/2007-CL.VII dt.21st February 2008.

(Rs. in Lakhs)

Name	Designation	Salary	Commission	Perquisites	Provident Fund & Other Fund	Retirement
Mr.A.Sadasivam	Managing Director	29.46		13.20	5.35	Gratuity & Retirement Benefits as Per rules of the Company

Notes:

- The Company has not entered into any pecuniary relationship or transactions with the Non-Executive Directors.
- The Company has so far not issued any stock options to Executive Directors.

Details of Service Contract with the Directors: -

For any termination of service contract, the Company and the Executive Director are required to give a notice as per terms of their Appointment or pay in lieu thereof.

Equity share held by the Non Executive Directors: Nil

The Non-executive Directors do not draw any remuneration from the Company, except sitting fees for attending the Board Meetings. The details of sitting fees paid to the Non-Executive Directors are as follows:

Name of the Directors	Sitting Fees Paid during the year (Rs.)
Mr. S.Badrinathan	35000/-
Mr. Ambuj Kumar Jain	35000/-
Mr.Tarun Gandhi	10000/-
TOTAL	80000/-

E) Investors' / Shareholders' Grievances Committee

As of 31st March 2008, the Committee consists of three Directors, namely,

Mr. S. Badrinathan	-	Chairman
Mr. Tarun Gandhi	-	Member
Mr. A. Sadasivam	-	Member

The committee is headed by Mr.S. Badrinathan. The committee meets at frequent intervals to consider, inter-alia, shareholders / investor's complaints, etc.

Mr. S. Badrinathan, Vice President Finance and Company Secretary has been designated as Compliance Officer.

The Committee looks into redressing of grievances of the investors namely shareholders. The Committee deals with grievances pertaining to transfer of shares, non-receipt of Balance Sheet, non-receipt of dividend, dematerialisation of shares, complaint letters received from Stock Exchanges, SEBI etc.

During the year, the Shareholders / Investors Grievance Committee meetings were held on 27/06/2007 and 29/01/2008. All the members of the Committee were present for the meetings.

During the year, No complaint was received from shareholders and no transfer was pending as on 31st March 2008.

F) General Body Meetings

Location and time where last three Annual General Meetings of the Company were held are given below:

Financial Year	Date of Meeting	Location of the Meeting	Time
2004-2005	30/08/2005	Hotel Woodlands (Pvt.) Ltd. No.5, Raja Rammohan Roy Road, Bangalore 560 025	12.30 p.m.
2005-2006	31/07/2006	Hotel Woodlands (Pvt.) Ltd. No.5, Raja Rammohan Roy Road, Bangalore 560 025	11.30 a.m.
2006-2007	28/09/2007	Hotel Woodlands (Pvt.) Ltd. No.5, Raja Rammohan Roy Road, Bangalore 560 025	11.30 a.m.

- i) A Special Resolution was passed at the AGM held on 30th August'2005
- ii) Last year two special Resolutions were passed at the AGM held on 28th September'2007

G) Disclosures

- i) During the year, there were no transactions of material nature with the Promoters, Directors or the management, their subsidiaries or relatives that had potential conflict with the interest of the Company. Register of Contract containing the transactions in which Directors are interested is placed before the Board regularly for signature of Directors. Transactions with related parties are disclosed in Note No. 20(16) to the Accounts in the Annual Report.
- ii) The Company has complied with the requirements of the regulatory authorities on Capital Markets and no non-compliances, penalties, strictures were imposed on the Company by Stock Exchange or SEBI or any statutory authority during the last three years.
- iii) Presently the Company does not have a Whistle Blower policy but has a policy, which is similar to it. No persons have been denied access to the Audit Committee.
- iv) The Non-Mandatory requirements have been adopted as stated in this report against the relevant items

H) Means of Communication

Quarterly results of the Company are normally published in The Hindu and Samyukta Karnataka. Half-yearly reports are not mailed to the shareholders. However, all the quarterly results and the audited annual results are displayed in the Company's website (www.falcontyres.com), apart from providing to Stock Exchanges and Press. As per requirements of Clause 51 of the listing Agreement, all the data relating to quarterly financial results, shareholding pattern etc., are provided in the website www.sebidifar.nic.in within the time prescribed in this regard.

No presentations made to institutional investors or to analyst, other than the published information / press releases.

The Management Discussion of Analysis Report forms part of this Annual Report, and is attached to the Director's Report.

II) General Shareholders information

- Annual General Meeting

The Annual General Meeting is proposed to be held on 30th September, 2008 at 11.30 a.m. at Hotel Woodlands (Pvt.) Ltd. No 5, Raja Rammohan Roy Road, Bangalore 560 025.

- Financial Year - April to March

- Date of Book Closure - 20th September, 2008 to 30th September, 2008
(Both days inclusive)

- Dividend Payment Date - The Dividend Warrants will be despatched within the statutory time limit.

- **Listing on Stock Exchanges**

The Equity Shares of the Company are listed on Bangalore, Mumbai and Chennai Stock Exchanges. Listing fee has been paid to the above Stock Exchanges for and up to the year 2007-08.

- **Stock Code**

The Stock Exchange, Bangalore - FALCONTYRES

Bombay Stock Exchange - 509527

Chennai Stock Exchange - FALCOTYR

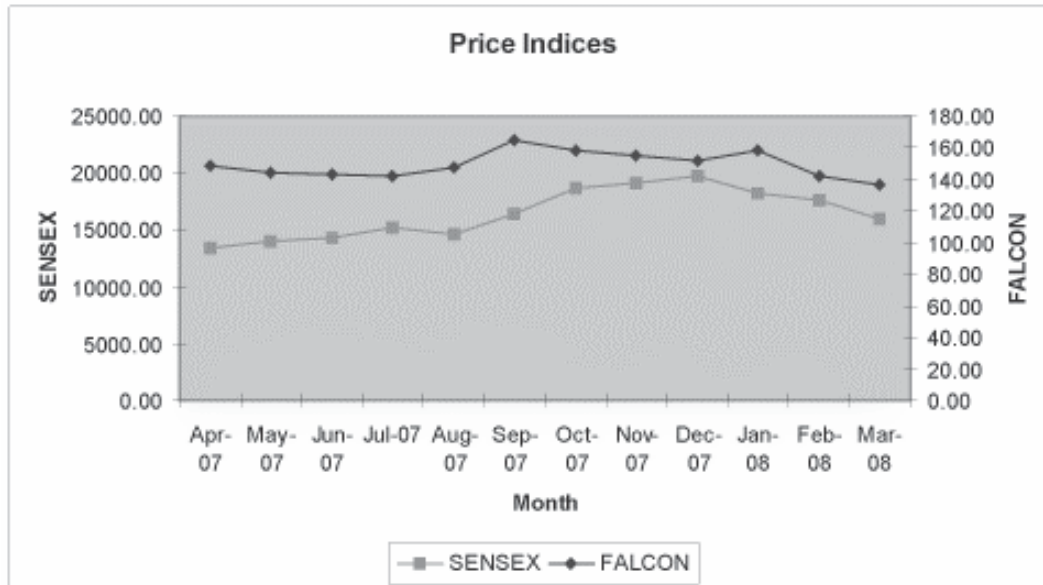
Demat ISIN - INE511B01016

- **Market Price Movement**

The monthly high and low quotations of the shares regularly traded on the Mumbai Stock Exchange is as follows:

Month	High (Rs.)	Low (Rs.)
April 2007	154.80	142.05
May 2007	153.20	135.05
June 2007	154.95	130.55
July 2007	147.85	136.00
August 2007	163.90	130.00
September 2007	180.00	150.05
October 2007	167.25	150.10
November 2007	165.00	145.50
December 2007	160.00	144.00
January 2008	180.00	137.00
February 2008	149.80	135.00
March 2008	153.00	121.10

Stock performance in comparison to Broad based indices such as BSE Sensex. *



*Source: BSE official website

- **Registrar and Transfer Agents**

Alpha Systems Private Limited
 30, Ramana Residency, 4th Cross
 Sampige Road, Malleswaram
 Bangalore 560 003
 Tel : 080-23460815
 Fax : 080-23460819

Share Transfer System

90.88 % of shares of the Company are in the electronic form. Transfer of these shares is done through the depositories with no involvement of the Company. As regards transfer of shares held in physical form, the transfer documents can be lodged with Alpha Systems Private Limited at the above mentioned address.

The transfer of shares in physical form are normally processed within 15 days from the date of receipt, if the documents are complete in all respects. The Directors, and the Company Secretary are severally empowered to approve transfers.

Distribution of Shareholding as on 31st March 2008

No. of equity shares	Holders		Holding	
	No. of holders	%	No. of shares held	%
Upto 1000	1773	95.22	312665	5.50
1001-2500	48	2.58	76081	1.34
2501-5000	19	1.02	68049	1.20
5001-10000	13	0.70	94760	1.67
10001 and above	9	0.48	5129367	90.29
Total	1862	100.00	5680922	100.00

Shareholding pattern as on 31st March 2008

	No. of Equity Shares held	Percentage of Shareholding
A. Promoter's holding		
1. Promoters		
Indian Promoters	331614	5.84
Foreign Promoters	3918850	68.98
2. Persons acting in concert	-	-
Sub-Total	4250464	74.82
B. Non-Promoters' holding		
3. Institutional Investors		
a. Mutual Fund and UTI	-	-
b. Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions)	-	-
c. FII's	1350	0.02
Sub-Total	13.50	0.02
4. Others		
a. Private Corporate Bodies	901784	15.87
b. Indian Public	525486	9.25
c. NRIs/OCBs	1465	0.03
d. Any other (Clearing Members)	373	0.01
Sub-Total	1429108	25.16
Grand Total	5680922	100.00

Dematerialisation of shares and liquidity

The Company's shares are compulsory traded in dematerialised form and are traded on both the depositories in India viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Equity shares of the Company representing 90.88% of the Company's Share Capital are dematerialised as on 31st March 2008.

The Company's shares are regularly traded on Bombay Stock Exchange Limited, in electronic form.

Investors Protection Fund

The Company will deposit the Unclaimed Dividend declared during 2000-01 into Investor's Protection Fund on or before 1st December, 2008. Shareholders who have not claimed their Dividend for the above year may please claim the same on or before 26th November, 2008. Claims after this date will not be entertained.

Plant Location

K.R.S. Road
Metagalli Post
Mysore 570 016

Outstanding GDRs / ADRs / Warrants or any convertible instruments

There are no outstanding GDRs / ADRs / Warrants or any convertible instruments

Address for correspondence

Gold Towers,
1st Floor,
No.50, Residency Road
Bangalore 560 025
Tel : 080-22244169 / 22271013
Fax : 080-22271013
Email : secretary@falcontyres.com

CERTIFICATE

The Board of Directors,
Falcon Tyres Limited,

We certify that

- a) We have reviewed financial statements and the cash flow statement for the year ended 31st March 2008 and that to the best of our knowledge and belief
 - i) these statement do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's Code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal control, if any of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the Auditors and the Audit Committee that there were
 - i) no significant changes in internal control over financial reporting during the year;
 - ii) no significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control systems over financial reporting.

Rohit Patesaria
Asst. Vice President - Finance

Umesh Bhargava
Managing Director

Kolkata, 30th July'2008

CERTIFICATE

The Shareholders
Falcon Tyres Limited

I, Umesh Bhargava, Managing Director of the Company, hereby confirm that all the Members of your Board and the Senior Management Personnel of your Company have confirmed the compliance to the code of conduct of the Company, during the year ended 31st march 2008.

Kolkata, 30th July'2008

Umesh Bhargava
Managing Director

**AUDITORS' CERTIFICATE ON COMPLIANCE OF
CONDITIONS OF CORPORATE GOVERNANCE**

To
The members of Falcon Tyres Limited

1. We have examined the compliances of the conditions of Corporate Governance by Falcon Tyres Limited for the year ended 31st March 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.
2. The Compliance of conditions of Corporate Governance is responsibility of the management. Our examination was limited to the procedures of implementation thereof., adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and explanations given to us and the representations made by the Directors and the management, except as given in para 4 below, we certify that the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
4. The Chairman of the Audit Committee was not present at the last Annual General Meeting.
5. On the basis of representation received from Registrars and Share Transfer Agents which is presented to the Shareholders / Investors Grievance Committee, we state that as at 31st March 2008, no investor grievances were pending for a period exceeding one month.
6. We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Kolkata
Date: 30th July , 2008

For Lodha & Co.,
Chartered Accountants

R. P. Singh
Partner
Membership No: 52438

AUDITORS' REPORT

To the members of FALCON TYRES LIMITED

We have audited the attached Balance Sheet of Falcon Tyres Limited (the Company) as at 31st March 2008, the annexed Profit and Loss Account for the year ended on that date and also the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) Order 2004 ('the Order'), issued by the Central Government in exercise of the power conferred by section 227 (4A) of the Companies Act, 1956 and according to the information and explanation given to us and on the basis of such checks as we considered appropriate, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Attention is invited to the following points:
 - a) *Note 5 of Schedule 20B regarding amount shown as recoverable, pending transfer of shares in favour of the Company, for which necessary approval from shareholders are yet to be obtained and is subject to necessary confirmation and consequential adjustments arising in this respect.;*
 - b) *Note 6(c) regarding non-reconciliation / validation of certain charges and payments being carried forward as capital work in progress.*
3. Further to the above, we report that:
 - a) Subject to Para 2 above, we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit and in our opinion, proper books of accounts, as required by law have been kept by the Company so far as appears from our examination of those books and the Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of accounts;
 - b) In our opinion, the Profit and Loss Account, the attached Balance Sheet and the Cash Flow Statement of the Company as at 31st March 2008 comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
As per independent legal opinion taken by the management on which we have placed reliance and on the basis of written representations received from the directors and taken on record by the Board, none of such directors, is disqualified as on 31st March 2008 from being appointed as a director of the Company in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to our comment in para 2 above, overall impact whereof has not been ascertained and as such cannot be commented upon by us and read together with the accounting policies and notes thereon give the information required by the Companies Act, 1956, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Place: Kolkata
Date: 30th July, 2008

For **Lodha & Co.,**
Chartered Accountants

R. P. Singh
Partner
Membership No: 52438

ANNEXURE (referred to in paragraph 1 of our report of even date)

- i. a) The Company, except as indicated in note 6 in Schedule 20B, in respect of capitalisation of certain plant and machineries the cost break up of which, as explained to us, are under reconciliation, has maintained records showing particulars including quantitative details and situation of fixed assets. However, the Company is in the process of updating particulars regarding quantitative details and situation of the fixed assets. The Company has undertaken an exercise to physically verify the plant and machineries and integrate the various components and equipments capitalized as independent assets to the related plant and machineries.
- b) As explained to us, the assets have been physically verified by the management as above and/or in accordance with a phased programme of verification, which in our opinion is reasonable, considering the size and the nature of its business. The frequency of verification is reasonable and discrepancies noted on such physical verification to the extent ascertained stated to have been properly adjusted in the books of accounts.
- c) In our opinion, during the year, the Company has not disposed off substantial part of its fixed assets.
- ii. a) The inventories, as explained to us, have been physically verified by the management at reasonable intervals during the year. In respect of stocks lying with third parties, confirmations from the parties are generally obtained.
- b) The procedures for physical verification of inventories, followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and nature of its business.
- c) In our opinion, the Company has maintained proper records of its inventories and as explained to us, the discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii. a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses 4(iii)(b), 4(iii)(c), 4(iii)(d) of the order are not applicable to the Company.
- b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable to the Company.
- iv. Having regard to the fact that comparative quotations are not available in respect of certain items of special nature purchased during the year and pending reconciliation / validation of certain charges as given in note 6 of Schedule 20B in our opinion and according to the information and explanations given to us there are adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to sale of goods and services.
- v. a) According to the information and explanations given to us and records of the Company, there are no contracts or arrangements that needs to be entered in to the register maintained under section 301 of the Companies Act, 1956;
- b) In view of (a) above, clause 4(v)(b) of the Order is not applicable to the Company.
- vi. The Company has not accepted any deposits from the public within the meaning of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 and accordingly the provisions of clause 4(vi) of the Order are not applicable to the Company.
- vii. In our opinion, in respect of the areas covered during the year, the internal audit system is generally commensurate with the size and nature of business of the Company.
- viii. We have broadly reviewed the books of accounts maintained by the Company pursuant to the order made by the Central Government for the maintenance of Cost records under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records are maintained. However, we have not made a detailed examination with a view to ascertain whether such records are adequate and comprehensive.
- ix. a) According to the records of the Company, it is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Service tax, Custom Duty, Excise Duty, Cess and other material statutory

dues applicable to it. According to the information and explanations given to us, there are no material undisputed amounts payable in respect of such statutory dues which have remained outstanding as on 31st March 2008 for a period of more than six months from the date they became payable.

- b) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which has not been deposited on account of any dispute.
- x. The Company does not have accumulated losses as at 31st March 2008. The Company has not incurred cash loss during the financial year covered by our audit and the immediately preceding financial year.
- xi. According to the information and explanations given by the management and confirmation received from the bank, though there were certain delays in payment of dues towards term loan taken from bank, there was no default as at close of the year.
- xii. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and therefore, clause 4(xii) of the Order is not applicable to the Company.
- xiii. In our opinion, the Company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, clause 4(xiii) of the Order is not applicable to the Company.
- xiv. The Company is not dealing or trading in shares, securities, debentures and other investments and therefore, the clause 4(xiv) of the Order is not applicable to the Company.
- xv. According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. Excepting as indicated in Note 5 of Schedule 20B, the term loans taken by the Company during the year from banks have been applied for the purpose for which the same were obtained.
- xvii. According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company, the short-term funds to the extent of Rs. 2868.56 lakhs comprising of short-term facilities from banks have been utilised towards capital expenditure and long term advances. Other than these, there are no funds raised on short-term basis, which have been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year and as such the clause 4(xviii) of the Order does not apply to the Company.
- xix. The Company has not issued any debentures and as such the clause 4(xix) of the Order does not apply to the Company.
- xx. The Company has not raised any money through a public issue and as such the clause 4(xx) of the Order does not apply to the Company.
- xxi. During the course of our examination of books of accounts carried out in accordance with generally accepted auditing practices in India, we have neither come across any incidence of fraud on or by the Company nor have we been informed of any such case by the management.

Place: Kolkata
Date: 30th July , 2008

For Lodha & Co.,
Chartered Accountants

R. P. Singh
Partner
Membership No: 52438