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2002-2003

Autolite (India) Limited


Autolite (India) Limited

26th Annual Report 2002-2003

BOARD OF DIRECTORS :

Shri Dharam Pal Gupta
(Chairman & Managing Director)
Shri Yash Pal Gupta, Whole Time Director
Shri Jai Pal Gupta, Whole Time Director
Shri Mahi Pal Gupta, Whole Time Director
Shri Raj Pal Gupta, Whole Time Director
Shri M. D. Sharma, Executive Director
Shri G. S. Das, Director
Shri S. P. Batra, Director
Shri S. C. Gupta, Director
Shri Anoop Bartaria, Director
Shri Shadi Lal Gupta, Director
Shri R. S. Mehta, Additional Director

Company Secretary

Shri Vishal Agarwal

Bankers

State Bank of Bikaner & Jaipur
International Banking Branch,
Choura Rasta, Jaipur - 302 003

State Bank of India

Commercial Branch,
Church Road, Jaipur - 302 001

Auditors

M/s H. C. Garg & Co.
Chartered Accountants,
3, Gangwal Park, Jaipur - 302 003

Registered Office & Works

D-469, Road No. 9-A,
Vishwakarma Industrial Area,
Jaipur - 302 013 (Rajasthan)

Halogen Lamp Unit (100% EOU)

E-526 to 530, RIICO Industrial Area,
Tonk Road, Sitapura, Jaipur
(Rajasthan)

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NOTICE

NOTICE is hereby given that the 26th Annual General Meeting of the members of AUTOLITE (INDIA) LIMITED will be held at the Registered Office of the Company i.e. D-469, Road No. 9A, Vishwakarma Industrial Area, Jaipur-302013 (Rajasthan) on Tuesday, September 30, 2003 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the audited Balance-sheet as at March 31, 2003 and Profit and Loss Account for the financial year ended on that date and the reports of the Directors and Auditors thereon;
2. To appoint a Director in place of Shri Anoop Bartaria who retires by rotation and being eligible, offers himself for re-appointment;
3. To appoint a Director in place of Shri Yash Pal Gupta who retires by rotation and being eligible, offers himself for re-appointment;
4. To appoint a Director in place of Shri Jai Pal Gupta who retires by rotation and being eligible, offers himself for re-appointment;
5. To appoint a Director in place of Shri Mahi Pal Gupta who retires by rotation and being eligible, offers himself for re-appointment;
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

SPECIAL BUSINESS

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

“RESOLVED THAT Shri Rajendra Singh Mehta, who was appointed as an Additional

Director of the Company by the Board of Directors and who holds office up to the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 and is eligible for re-appointment and the Company has received notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956 from a member of the Company proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company, liable to retire by rotation.”

8. **To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:**

“RESOLVED THAT approval be and is hereby granted to the Board of Directors to apply for de-listing of equity shares of the Company from any one or more Stock Exchange(s) i.e. (i) Jaipur Stock Exchange Ltd. (ii) The Stock Exchange, Mumbai, (iii) National Stock Exchange of India Ltd. (iv) The Delhi Stock Exchange Association Ltd. & (v) Madras Stock Exchange Ltd., subject to the compliance of the provisions of the Listing Agreement and any other conditions prescribed by the respective Stock Exchanges, SEBI and any other authorities notified by the Government in this regard.”

9. **To consider and, if thought fit, to pass with or without modification(s), the following resolution as a special resolution:**

“RESOLVED THAT in accordance with the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), and enabling provisions



in the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to the approval of the Financial Institutions (FIs), Securities & Exchange Board of India (SEBI), Reserve Bank of India (RBI) and all other concerned authorities, if any, and to the extent necessary and such approvals and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board") and/or a duly authorized Committee thereof for the time being exercising the powers conferred by the Board, the consent of the Company be and is hereby accorded to the Board to issue/offer equity shares and/or preference shares, redeemable or otherwise and/or convertible debentures, (fully or partly) and/or non-convertible debentures and/or any of the aforesaid with or without detachable or non-detachable warrants, warrants of any nature, and/or secured promissory notes, and/or floating rate Notes/Bonds and/or any other financial instruments (hereinafter referred to as "Securities") as the Board at its sole discretion may at any time or times hereafter decide whether in one or more tranches, by not exceeding Rs. 750 lakh to the Promoter Directors, their friends, relatives, associates, Financial Institutions, Foreign Institutional Investors, Banks through rights issue, private placement, conversion of loans or otherwise and for general corporate purposes including working capital requirements, as the Board may deem fit in one or more tranches, as may

be permitted under the then prevailing laws, at such terms and conditions and in such manner as the Board or Committee thereof may in its absolute discretion think fit, in consultation with the lead managers, underwriters, advisors and such other persons, and on such terms and conditions which Board of Directors may deem fit and are not inconsistent with the prevailing laws and rules in this regard.

RESOLVED FURTHER THAT offer of securities, either arising on conversion or on exercising of rights attached to warrants or otherwise to Promoter Directors, their friends, relatives, associates, Financial Institutions, Foreign Institutional Investors, Banks may be at such price as may be agreed upon by the Board of Directors and as may be permissible under the relevant rules, regulations, guidelines being in force at that time.

RESOLVED FURTHER THAT such of these securities to be issued, as are not subscribed may be disposed of by the Board /Committee thereof, to such persons and in such manner and on such terms as the Board or Committee may in its absolute discretion think most beneficial to the Company including offering or placing them with Banks, Financial Institutions, Investment Institutions, Mutual Funds, Foreign Institutional Investors, Promoters and their associates or such other persons or otherwise as the Board or committee thereof may in its absolute discretion decide."

By order of the Board
Sd/-
(Vishal Agarwal)
Company Secretary

Place: Jaipur
Date: 18.08.2003

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NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing the proxy must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
4. All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days between 10.00 a.m. to 1.00 p.m. up to the date of the Annual General Meeting.
5. The Register of Members and Share Transfer Books of the Company shall remain closed from Wednesday, September 24, 2003 to Tuesday, September 30, 2003 (both days inclusive).
6. Members requiring information on the accounts are requested to write to the Company at least seven days before the date of the meeting to enable the Company to furnish the information.
7. Members are requested to bring their copies of Annual Report at the Meeting.
8. Members are requested to lodge the instrument of transfer/ transmission of shares at the registered office of the Company or at the office of Registrars & Transfer Agents viz. **M/s Computech International Ltd. Sri Venkatesh Bhavan, 212-A, Shahpur Jat, New Delhi-110049** and to inform the Company/Registrars & Transfer Agents, any

change in their addresses immediately so as to enable the Company to dispatch any future communication at their correct addresses.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

ITEM NO. 7

Shri Rajendra Singh Mehta was appointed as an Additional Director by the Board in its meeting held on July 31, 2003, to hold office as such upto the ensuing Annual General Meeting. The Company has received notice from a member proposing the candidature of Shri Rajendra Singh Mehta for the office of Director. Shri Mehta, an M.B.A. from the Indian Institute of Management, Ahmedabad, also has Post Graduate Diploma in Foreign Trade. He was awarded Tata Exports Merit Scholarship also. He has undertaken numerous studies in the area of HRD and other organizational studies in the corporate sector and participated in numerous Management Development Programmes/seminars & conferences at national & international levels.

Shri Mehta has over 35 years of work experience in reputed organizations in senior managerial positions, the last one being the Vice President (HR) with Aditya Birla Group. His areas of specialization include HRD (with special emphasis on Training and Development), Personnel Management, Industrial Relations, General Administration etc.

Keeping in view his experience and qualifications, your Directors recommend his appointment as a Director liable to retire by rotation. None of the Directors except Shri Rajendra Singh Mehta himself is interested in the proposed resolution at item no. 7.

**ITEM NO. 8**

Your Company's shares are presently listed on five Stock Exchanges i.e. at Jaipur (Regional), Mumbai, Delhi & Chennai apart from National Stock Exchange. Since majority of transaction in securities are now done on line and in dematerialized form, it is advisable that the Company gets its securities de-listed from one or more of the Stock Exchange(s). SEBI has issued revised guidelines in this regard in the month of February, 2003. It shall result in saving of Annual Listing Fee that is payable to the Stock Exchanges. The resolution set out at item no. 8 is meant to authorize the Board of Directors to proceed in this regard.

None of the Directors is concerned or interested in the above item of business.

ITEM NO. 9:

In order to partially meet the ongoing financial crunch, your Company proposes to make private placement of equity shares and/or preference shares and/or convertible debentures (fully or partly) and/or non-convertible debentures, all or any of the aforesaid with or without detachable or non-detachable warrants, and/or warrants of any nature, and/or secured premium notes, and/or floating rate notes/bonds and/or any other financial instruments (hereinafter referred to as "Securities") as the Board at its sole discretion may at any time or times hereafter decide whether in one or more tranches, not exceeding Rs. 750 Lacs to the promoter Directors/their friends/relatives, associates, Financial Institutions/Foreign Institutional Investors/Banks through rights issue, private placement, conversion of loans or otherwise and

for general corporate purposes including working capital requirements.

Consent of the members is sought to authorize the Board of Directors for issuing Securities as stated in the resolution which would result in issuance of further shares of the Company in accordance with the terms and nature of the Securities.

Section 80 of the Companies Act, 1956 provides inter-alia, that when it is proposed to increase the issued capital of a Company by allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in Section 81 unless the members in general meeting decide otherwise. Accordingly, consent of the shareholders is being sought pursuant to the provisions of Section 81 and all other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the Listing Agreements executed by the Company with the various stock exchanges where shares of the Company are presently listed.

Your Directors recommend the resolution for approval of the shareholders for the proposed issue of securities. All the Directors of the Company may be deemed to be interested to the extent they may be entitled to the securities that would be offered to them on the Rights basis or otherwise and applied for and allotted to them.

**By order of the Board
Sd/-**

**(Vishal Agarwal)
Company Secretary**

**Place: Jaipur
Date: 18.08.2003**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Industry Structure and Developments

There is an overall boom in Automobiles sector with passenger cars, commercial/ multi-utility vehicles and motor cycle segments recording smart growth. At the same time, scooter/moped and tractor segment have witnessed down trend. Passenger cars as well as motor cycle segment is now further fragmented in to premium, middle and economy sub-segments. With a large number of variety to choose from, consumer preference has also been changing with a rapid shift from the economy models to mid category. Besides international quality products, manufacturers are now giving due priority to other aspects like aesthetics, promotion, after-sale service, exchange offers etc. with a view to retain customers.

Opportunities & Threats

With the market flooded by new models launched at frequent intervals, there is ample opportunity to grow provided the organizations keep pace with the ever-increasing expectations in terms of quality, cost competitiveness, delivery etc.. Your company has recently made entry in to bi-wheeler segment which constitutes around 60% of total OE market. Besides, Autolite has identified other products like Fog Lamp, Side Marker Lamp, repeater Lamp, Outline Marker, Top Marker, Safety Triangles etc. to fuel its growth and expand market base. The only limiting factor is the ongoing liquidity constraints which prevent the company from making investment in dies, moulds and tools as per requirements of customers.

Segment-wise performance

The company operates mainly in three business segments i.e. Head Lamps, Halogen Bulbs and Trading. Segment-wise performance is summarized below:

	2002-03	2001-02	% change
A. Head Lamps (including Reflectors, Sealed Beams, Bulb Components & other Misc. items)			
Production (No.)	2678392	2650099	1.07%
Sales-net of return (No.)	2670888	2671145	-0.01%
Sales (Rs.)	253115846	243741311	3.85%
Average price realization (Rs./Pc)	94.77	91.25	3.86%
B. Halogen Bulbs			
Production (No.)	3366986	1642764	104.96%
Sales-net of return (No.)	3409818	1756786	94.09%
Sales (Rs.)	74949835	37893151	97.79%
Average price realization (Rs./Pc)	21.98	21.57	1.90%
C. Trading			
Purchase (No.)	440171	517518	-14.95%
Sale-net of return (No.)	440478	518945	-15.12%
Sales (Rs.)	5630122	4124491	36.50%
Average price realization (Rs./pc)	12.78	7.95	60.75%



Outlook

The Government of India is investing huge amount in Highways development which will ultimately lead to growth in traffic, more safety and resultant saving in costs. Automotive sector in general and passenger car (37%), motor cycles (41%) & MCV/ HCV (37%) segment in particular have shown impressive growth in recent past and the trend is likely to continue for next few years. Other economic indicators also hint at smart recovery in the industrial sector. Besides, better than expected monsoon in the current year will also lead to growth in automotive sector in India which is fast becoming a Hub for automotive components. There are already 17 car manufacturers in India and a few more are in the pipeline. India has a world class manufacturing base of tractor manufacturing and bi-wheelers and is currently no. 1 & 2 respectively in the above segments.

The demand for automotive Head Lamps and Bulbs being a derived demand from the automotive sector, your company is gearing itself to realign itself with the fast changing market requirements.

Product Development and R & D

In continuation of your company's thrust on providing value for money to its customers and exceed their expectations, Autolite is soon going to launch Extra Vision Halogen Bulbs that will offer 50% higher lumen output apart from long life, improved down-road illumination and roadside visibility thereby increased safety. Other product innovations and improvements include multi-surface reflectors for all types of vehicles, Projector Lamps etc.. Keeping in view the fast expanding market for motor-cycles, Autolite has also made its foray in to this lucrative segment. Strong in-house R & D facilities comparable with the best in the industry is the major strength of Autolite. Process technology as well as design technology are reviewed and upgraded from time to time to cut unnecessary cost and further improve quality. In-depth analysis of production and plant engineering is carried out periodically with a view

to reduce manufacturing cycle as well as cost and ultimately, bringing down rejections at zero PPM level.

Quality

In the journey of achieving zero PPM, departmental objectives have been fixed keeping the Company objectives as a base, which cover vital areas such as Product Conformity, Delivery Performance, Continual Improvement, Manufacturing Technology Improvement and Customer Ecstasy along with the supplier and employee satisfaction. Constant improvement in internal test facilities are being planned for testing and conforming the suitability of products according to the customer specifications and requirements. The ultimate user satisfaction is ensured by increasing the awareness to suppliers in terms of Autolite quality and product requirements through continual training, audit and mutual agreement. Customer feedback is taken in all seriousness and accorded top priority. Products of the company have consistently been rated excellent by the OEMs.

ISO 9001:2000/QS9000/TQM

Effective May 08,2002 your company got ISO 9001:2000 certification from QSI, USA. To ensure effectiveness of the quality systems in the company, training is periodically imparted to all levels of the organization as per the requirements of ISO 9001:2000, QS 9000, TS 16949 and TQM concepts.

Exports

Your company has a well-knit marketing network spread across 70 countries in Europe, North & South America, Africa, Australia and Gulf countries. Over past twenty years, exports have been making significant contribution in sales turnover as well as the profitability of Autolite.

During 2002-03, export sales, however, was badly hit despite healthy order book position due to non-availability of working capital facilities for import of duty-free raw material. In absolute terms, export sales at Rs. 1542 Lacs represented 24% decrease

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in the year under review as compared to Rs. 2030 Lacs achieved in the corresponding previous year. Segment-wise, export constituted only 42% of total sales in 2002-03 as against 67% in the previous year. Your management is confident of more than making up the downtrend in export sales once the financial restructuring proposal is approved by the FIs/Banks.

Risks & Concerns

At macro level, the Indian Industry in general still faces major threat from China due to the advantages of economies of scale, low financial cost and other industry friendly and globally competitive policies implemented by the Government. Major concern of Autolite presently is the pace at which new models are being launched in the market. This has necessitated regular investment in product development, software etc. which the company finds very difficult to sustain in view of the tight liquidity position. There is a risk of company not being able to seize capitalize the emerging market opportunities and retain its leadership position.

Besides, quality parameters are becoming more and more stringent with every customer now expecting world class quality at the most

competitive price and delivery reliability. The leading OEMs have decided to implement 30% reduction in their cost of production in next three years which to a large extent shall have to be absorbed by the vendors since they might not be in a position to pass on the entire burden to their suppliers.

Internal Control Systems

The company has adequate internal control systems commensurate with the size and activities of the organization. Apart from a firm of Chartered Accountants entrusted with the task of conducting internal audit on regular basis, the company has a separate internal audit division headed by a professionally qualified and experienced General Manager. All material transactions are subject to pre-audit.

Besides, there are regular audits conducted under QS and ISO also. All non-conformities are reported at the top level and corrective action taken instantly. Plant Management Committee & Cross Functional Teams are already in place with a view to encourage objective and collective decision making on all important matters.

Financial Review and Analysis

(Rs. in Lacs)

Highlights	FY 2002-03	FY 2001-02	% Change
Net Sales including Excise Duty	3684.01	3016.54	22%
Total Income net of Excise Duty	3348.24	2862.85	17%
PBIDT	227.13	496.04	-54%
Financial Expenses	672.66	677.40	1%
Cash Profit/(Loss)	(445.53)	(181.36)	-146%
Depreciation & Misc. expenses written off	491.24	592.18	17%
Net Profit/(Loss) before Extra-ordinary items	(936.77)	(773.54)	-21%
Extra-ordinary items/Prior period items	7.47	1566.18	
Excess provision written back	6.01	10.01	
Profit brought forward from previous year	(3226.95)	(897.24)	
Surplus/(deficit) carried to Balance-sheet	(4165.19)	(3226.95)	



Analysis of Financial Results

Total income of the company during 2002-03 increased by 17% as compared to the previous year mainly as a result of impressive growth in auto sector in India. Export sales however, was much below the expectation and past trend as the company had no working capital facilities to import duty-free raw material. It had a direct bearing on the bottom line as well since the material cost was higher to the extent of approx. 4-5% due to use of indigenous material for executing export orders.

Pending sanction of financial restructuring proposal submitted to the Banks/FIs, financial charges continue to be exorbitantly high, representing 20 % of total income even though there was a marginal reduction of 0.7% in absolute terms.

With due emphasis on new product development and judicious product mix predominantly comprising of products that offer higher value addition, company hopes to improve its operating

performance in the years to come.

Human Resources Policy

Management believes that human resources play the most crucial role in the success of any organization. HR policy of the company is aimed at creating and maintaining a congenial work atmosphere and promoting healthy competition within the organization. With a view to improve productivity and inculcating sense of belongingness, workers/staff are involved in decision making process. To hone their technical, managerial and personal skills, training programmes are organized in-house on regular basis. Besides, eminent personalities are invited from time to time for workshops/interactive sessions on as diverse subjects as the Yoga, Personality Development, Positive Work Culture etc.. Being a responsible corporate citizen, company also organizes, sponsors and participates in activities in fulfillment of its commitments to the society at large.

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