



Autolite (India) Limited



Autolite (India) Limited

27th Annual Report 2003-04

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 Anoop Bartaria, Director
Shri G.S. Das, Director
Shri R.S. Mehta, Director
Shri S.C. Gupta, Director
Shri S.P. Batra, Director
Shri Shadi Lal Gupta, 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. 9A,
Vishwakarma Industrial Area,
Jaipur – 302 013

Halogen Lamp Unit (100% EOU)

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

CONTENTS

	Page No.
Notice	2-6
Management Discussion & Analysis	7-9
Corporate Governance	10-18
Directors' Report	19-23
Auditors' Report	24-27
Balance Sheet	28
Profit & Loss Account	29
Schedules	30-48
Cash Flow Statement	49
Balance Sheet Abstract & Profile	50
Auditors' Report & Annual Accounts of Autopal Inc. (Subsidiary Company)	51

Autolite (India) Limited

NOTICE

NOTICE is hereby given that the 27th 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 Friday, December 31, 2004 at 2.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the audited Balance-Sheet as at September 30, 2004 and Profit and Loss Account for the accounting period ended on that date and the reports of the Directors and Auditors thereon;
2. To appoint a Director in place of Shri Raj Pal Gupta who retires by rotation and being eligible, offers himself for re-appointment;
3. To appoint a Director in place of Shri M.D. Sharma who retires by rotation and being eligible, offers himself for re-appointment;
4. To appoint a Director in place of Shri S.P. Batra who retires by rotation and being eligible, offers himself for re-appointment;
5. To appoint a Director in place of Shri S.C. 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 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.”

8. 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, 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 trenches, by not exceeding Rs. 1200 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, as the Board may deem fit in one or more trenches, 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."

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

"RESOLVED THAT approval of the members pursuant to Section 314(1)(b) and other applicable provisions, if any, of the Companies Act, 1956, be and is hereby granted for a gross monthly remuneration up to Rs. 49,500/- (Rupees forty nine thousand five hundred only) subject to the periodical review by the Board of Directors, to Shri. M. Gupta as "Chief Executive - E.O.U." w.e.f. November 1, 2003."

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

"RESOLVED THAT approval of the members pursuant to Section 314(1)(b) and other applicable provisions, if any, of the Companies Act, 1956, be and is hereby granted for a gross monthly remuneration up to Rs. 49,500/- (Rupees forty nine thousand five hundred only) subject to the periodical review by the Board of Directors, to Ms. Meenakshi Gupta as "Executive -Corporate Affairs" w.e.f. February 2, 2004."

Autofite (India) Limited

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

“RESOLVED THAT approval of the members pursuant to Section 314(1)(b) and other applicable provisions, if any, of the Companies Act, 1956, be and is hereby granted for a gross monthly remuneration up to Rs. 49,500/- (Rupees forty nine thousand five hundred only) subject to the periodical review by the Board of Directors, to Shri Anup Gupta as “Executive - Export” w.e.f. September 1, 2004.”

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

“RESOLVED THAT approval of the members pursuant to Section 314(1)(b) and other applicable provisions, if any, of the Companies Act, 1956, be and is hereby granted for the increase in the gross monthly remuneration of Shri Amit M. Gupta, who was appointed as “R&D – Incharge” on April 1, 2002, up to the limit of Rs. 49,500/- (Rupees forty nine thousand five hundred only) subject to the periodical review by the Board of Directors.”

By order of the Board
Sd/-

(Vishal Agarwal)
Company Secretary

Place: Jaipur

Date: 23.11. 2004

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 December 27, 2004 to December 31, 2004 (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 MCS Limited Sri Venkatesh Bhavan, W – 40, Okhla Industrial Area Phase – II, New Delhi – 110 020** 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

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. 7 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. 8:

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. 1200 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.

ITEM NO. 9

Shri Adarsh Gupta was appointed as "Chief Executive-EOU" with effect from May 5, 2003. Effective November 01, 2003, he is being paid a monthly remuneration of Rs. 19,500/-. Sh. Adarsh Gupta, an MBA, has demonstrated exemplary leadership and teambuilding skills within a short span of time that he has been associated with the company. He is the son of Shri M.P. Gupta, Whole-time director of the Company.

The resolution set out at item No. 9 is meant to obtain approval of the members pursuant to Section 314(1)(b) of the Companies Act, 1956. None of the Directors, except Shri M.P. Gupta is

Autolite (India) Limited

concerned or interested in the above resolution.

ITEM NO. 10

Ms. Meenakshi Gupta was appointed as "Executive –Corporate Affairs" with effect from February 2, 2004 at a gross remuneration of Rs. 10,000/- per month. Besides having the kind of aptitude and flair required, she also has vast experience in handling corporate matters. Since she is the daughter of Shri Y. P. Gupta, Whole-time director of the Company, the resolution set out at item No. 10 is meant to obtain approval of the members pursuant to Section 314(1)(b) of the Companies Act, 1956.

None of the Directors, except Shri Y.P. Gupta is concerned or interested in the above resolution.

ITEM NO. 11

Shri Anup Gupta was appointed as "Executive – Exports" with effect from September 1, 2004 at a gross remuneration of Rs. 19,500/- per month. An MBA, Sh. Anup Gupta has rich and varied experience in marketing of lighting and other allied products. He has traveled extensively to places like China, Korea etc. for business development. Since he is the son of Shri D.P. Gupta, Chairman and Managing Director of the Company, the resolution set out at

item No.11 is meant to obtain the approval of the members pursuant to Section 314(1)(b) of the Companies Act, 1956.

None of the Directors, except Shri D.P. Gupta is concerned or interested in the above resolution.

ITEM NO. 12

Shri Amit M. Gupta was appointed as "R&D – Incharge" with effect from April 1, 2002. The Company passed special resolution at the 25th Annual General Meeting in terms of Section 314(1)(b) of the Companies Act, 1956 approving payment of monthly remuneration up to Rs. 19,500/- Keeping in view the significant contribution made by him since his association with the company, it is proposed to authorize the Board of Directors to review and revise his remuneration package based on his overall performance subject to a maximum of Rs. 49,500/- per month.

None of the Directors, except Shri M.P. Gupta is concerned or interested in the above resolution.

By order of the Board
Sd/-

Place: Jaipur
Date: 23.11. 2004

(Vishal Agarwal)
Company Secretary



MANAGEMENT'S DISCUSSION AND ANALYSIS

Industry Structure and Developments

In modern economy, automobiles are an engine of growth. They ignite huge income opportunities in the automobiles services sector and also stimulate employment generating infrastructure projects. During past two years or so, automobiles segment has been the flag bearer of industrial growth in the country. New technology value added products now rule the market since the customers demand more comfort, aesthetics and other vital performance parameters. Easy financing options, especially for passenger cars and two wheelers, have also contributed a lot in the sector registering an impressive growth. Aggressive sales promotion, after-sales service, exchange offers etc. have played a vital role in overall growth of business.

Opportunities & Threats

With liberalization, market has expanded but competition has also stiffened. The developed countries now look at India to be the global sourcing hub. Inherent advantages like huge engineering talent, focus on quality and systems, cheap labour etc. have drawn the attention of a number of leading MNCs which have announced their

plans to enter the Indian market or further expand their existing base. Opportunities are ample which is evident from the frequency of new models being launched at regular intervals now. Innovation is the key word and marketing has taken over the sales function. Passenger cars market is expected to grow to 3 million by the year 2015 which is currently only 1 million. This kind of growth is likely to be witnessed by other sub-segments as well.

Your company's growth strategy is in consonance with the industry prospects. Vast possibilities of growth throw equally big challenges. Factors like product innovation, quality & delivery reliability, cost competitiveness, lean management with foresight & vision will have increasingly decisive role in fiercely competitive market. Your company is fully equipped and confident to face the competition head-on, both in international as well as domestic market. However, continuously falling US \$ during past couple of years has been a major threat since Autolite has around 45% sales from exports. Increase in cost of critical RM and other inputs has pushed up the ultimate cost of product while all leading vehicle manufacturers like Tata Motors, Maruti etc. have resorted to massive cost cutting exercise. Bottom line is therefore likely to be under tremendous pressure.

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:

	2003-04(18 months)	2002-03	% change
A. Head Lamps (including Reflectors, Sealed Beams, Bulb Components & other Misc. items) Production (No.)	5485364	2678392	105%
Sales (No.)	5487490	2670888	105%
Sales (Rs. Lacs)	5445.25	2531.16	115%
Average price realization (Rs./Pc)	99.23	94.77	5%
B. Halogen Bulbs Production (No.)	8573394	3366986	155%
Sales (No.)	8542410	3409818	151%
Sales (Rs. Lacs)	1683.37	749.50	125%
Average price realization (Rs./Pc)	19.71	21.98	-10%

Autolite (India) Limited

	2003-04(18 months)	2002-03	% change
C. Trading			
Purchase (No.)	2136465	440171	385%
Sale-net of return (No.)	2136465	440478	385%
Sales (Rs. Lacs)	335.40	56.30	496%
Average price realization (Rs./pc)	15.70	12.78	23%

Outlook

Personal mobility is one of the most important and basic needs of human beings. If planned properly, a rapidly growing auto sector has the potential to generate a virtuous cycle of growth in other core as well as ancillary industries. A comprehensive automobile policy to encourage replacement of old technology vehicles that pollute more and to encourage purchase of fuel efficient vehicles is the need of the hour. We may see a sustained shift from petrol/diesel to non-fossil alternative fuels. 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.

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

Quality

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 an important tool for the company to define its quality policy and parameters. With the ultimate aim of achieving zero PPM, departmental objectives have been fixed keeping the company objectives as the starting point. Continual product and process improvement, manufacturing technology upgradation, product conformity, delivery reliability and benchmarking with the best in the industry play a vital role at Autolite in ensuring customer ecstasy. Internal testing facilities which are comparable with the best in the industry are periodically upgraded with a view to conform the suitability of products according to the customer specifications and requirements.

OE customers have rated company's products 'Excellent' from time to time which is a testimony to your company's commitment to quality and systems.

ISO/ TS 16949:2002

Your company has been following the global quality standards viz. ISO/TS16949:2002 with the assessment by M/s DQS, Germany to ensure that the system quality for all the processes being followed in the company drives towards defect prevention and to delight the customers, both global as well as domestic.

Exports

Your company continues to have strong presence in international market through a well-knit marketing network spread across 70 countries in Europe, North & South America, Africa, Australia and Gulf countries. Exports at Rs. 2995.61 Lacs contributed 40% of net sales turnover of the company. Order book position continues to be quite healthy.

Performance on export front which was badly hit during FY 2002-03, made a remarkable improvement during the eighteen months period ended September 30, 2004 despite non-availability of working capital facilities for import of duty-free raw material and export bills purchase/discounting facility. Also, continuous weakness in the US \$ has badly affected both the top line as well as bottom line of the company.

Risks & Concerns

Prices of petroleum products, raw material and other inputs like CRCA sheets, chemicals, paints etc. have



witnessed drastic upward trend during past two years. The continued weakness in the US Dollar has further eroded margins in case of exports. Company has resorted to heavy cost reduction exercise to counter the impact of input price increase.

Financial restructuring proposal submitted by the company has taken unduly long time. Till approval of the same, your company continues to operate with inadequate working capital support which is reflected in the bottom line. Restructuring proposal has now reached a crucial stage and a final decision is expected within next few weeks.

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 as per TS 16949 also. All non-conformities are reported at the top level and corrective action taken.

Financial Review and Analysis

Highlights of financial performance for the period under review have been given separately in the Directors' Report.

Human Resources Policy

Management believes that human resources play the most crucial role in the success of any organization. HR policies of the organization are aimed at attracting and retaining the best talent. Periodical training is provided to enhance knowledge and skills. Adequate care is taken for employee safety and health. With a view to improve productivity and inculcating sense of belongingness, workers/staff are involved in decision making process. Your company has taken effective steps to imbibe Kaizen as a habit among the employees. Pursuing '5 S' culture has already started yielding rich dividends. Being a responsible corporate citizen, your company is equally conscious of discharging its social responsibilities.

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