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28th
Annual Report
2004-05

Autolite (India) Limited



Autolite (India) Limited

28th Annual Report 2004-05

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 Anoop Bartaria, Director
Shri G.S. Das, Director
Shri R.S. Mehta, 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)

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Autolite (India) Limited

NOTICE

NOTICE is hereby given that the 28th 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, September 30, 2005 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 March 31, 2005 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 Rajendra Singh Mehta who retires by rotation offers himself for re-appointment;
3. To appoint a Director in place of Shri Anoop Bartaria who retires by rotation, offers himself for re-appointment;
4. To appoint a Director in place of Shri Shadi Lal Gupta who retires by rotation, offers himself for re-appointment;
5. To appoint a Director in place of Shri G.S. Das who retires by rotation, 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 a Special 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. 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, 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 the appointment of Shri Kapil Gupta as "Executive – O.E. Market" w.e.f. August 1, 2005 at 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."

Place: Jaipur
Date: 31.08.2005

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

Autolite (India) Limited

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 Friday, September 23, 2005 to Friday, September 30, 2005 (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. 10 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 trenches, 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.

ITEM NO. 9

Shri Kapil Gupta was appointed as Executive – O.E. Market with effect from August 1, 2005. He was appointed at a gross remuneration of Rs. 27,500/- per month. He is the son of Shri J.P. Gupta, Whole-time Director of the Company. The resolution set out at item No. 9 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 J.P. Gupta is concerned or interested in the above resolution

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

Place: Jaipur
Date: 31.08.2005

Autolite (India) Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Industry Structure and Developments

The GDP and Per Capita Income reflects economic strength of a country and also lifestyle and social status of people. Liberalization has shifted attention of big corporate players towards India and FDI is increasing which is evident in every field. New lifestyle products are in market and markets are totally customer oriented.

Opportunities & Threats

Indian Automobile market is continuously growing and presents very rewarding opportunities for all the members of supply chain. In the last three years domestic market as well as exports have grown very strongly and this shall continue for the next three years also as per opinion of industry experts. Overall vehicle industry has grown by 17% over the last one year. The 4-wheeler segment growth rate was 23%, while

2-wheeler segment registered growth rate of 16%. The automobile component industry growth rate was 30% presenting a wide scope for your company.

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 30% sales from exports. Increase in cost of critical RM and other inputs has pushed up the ultimate cost of product.

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:

| | 2004-05 (6months) | 2003-04(18months) | % change |
|---|-------------------|-------------------|----------|
| A. Head Lamps (including Reflectors, Sealed Beams, Bulb Components & other Misc. items) | | | |
| Production (No.) | 2096476 | 5485364 | 15% |
| Sales (No.) | 2081278 | 5487490 | 14% |
| Sales (Rs. Lacs) | 2114.11 | 5445.25 | 16% |
| Average price realization (Rs./Pc) | 101.58 | 99.23 | |
| B. Halogen Bulbs | | | |
| Production (No.) | 2905135 | 8573394 | 2% |
| Sales (No.) | 3007547 | 8542410 | 6% |
| Sales (Rs. Lacs) | 621.91 | 1683.37 | 11% |
| Average price realization (Rs./Pc) | 20.68 | 19.71 | |
| C. Trading | | | |
| Purchase (No.) | 755728 | 2136465 | 6% |
| Sales (No.) | 753028 | 2136465 | 6% |
| Sales (Rs. Lacs) | 165.39 | 335.40 | 48% |
| Average price realization (Rs./pc) | 21.96 | 15.70 | |



Outlook

With increase in Per Capita Income people are looking for more comfortable and stylish personal transportation vehicles leading to high sales in all vehicle segments – 2-wheelers, passenger cars, CVs etc. Your company is enriched with vast experience of Indian market combined with high product quality which is an important ingredient for success. India 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.

A number of big automobile giants are setting up their operations in India to tap its huge potential combined with other factors like infrastructure and cheap skilled manpower which gives a boost to cost reduction.

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

Market dynamics have changed and customer is the focus while forming goals and objectives of a company. Delighted customer is our main objective. If we can win a customer's faith then we can beat the competition. For this we have adopted Cross Functional Team culture whose prime function is to ensure that all the products and processes are as per customer specific requirements.

ISO/ TS 16949:2002

Your company has received TS 16949 certification from DQS which shows our commitment for quality and customer oriented processes. As on date approximately 300 companies have TS16949 Certification in India and Autolite is one of them.

Internal audits are done regularly as per TS 16949 to ensure that all department activities are in compliance with our motto of 'Make a Delighted Customer'.

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. 987 Lacs contributed 30 % of gross sales turnover of the company. Order book position continues to be quite healthy.

Performance on export front was badly hit during FY 2004-05 as contribution of exports dipped to 30% of Gross Sales Turnover as against 36% during the eighteen months period ended September 30, 2004 mainly due to 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. The Stressed Assets Stabilisation Fund (SASF), which took over Autolite loan portfolio from IDBI, has already granted its approval to the company's restructuring proposal. Your directors are confident that the reliefs/concessions sought by the company and as already sanctioned by SASF shall be approved by other lenders as well. However, till then, your company is constrained to operate without adequate working capital support from the banking system, especially in respect of export and duty-free import of raw material.

Internal Control Systems

Internal control systems commensurate with the size and activities of the organization have been put in place. The company has a separate internal audit division headed by an experienced professional apart from a firm of Chartered Accountants entrusted with the task of conducting internal audit on regular basis. 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

Training on new concepts like Just In Time (JIT), Kaizen, 5 'S', Poka Yoke, Kanban etc. has been imparted to our key resource i.e. human resource and its implementation is being done which has shown remarkable results. 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.

Autolite (India) Limited

CORPORATE GOVERNANCE

Company's philosophy on Corporate Governance:

Autolite stands committed to adopting high standards of disclosure and corporate governance and protecting rights of the stakeholders. The company also believes in conducting its business in transparent and ethical manner.

Clause 49 of the Listing Agreement stipulates norms and disclosure standards to be followed on the corporate governance by listed companies. The Board of Directors of Autolite has adequate representation of the qualified, professional, non-executive and independent directors. For speedy and efficient disposal of matters requiring special attention, Committees of Directors have been constituted. The following information constitutes compliance report of Autolite with clause 49:

Board of Directors

Board Procedure

In terms of the Listing Agreement, meetings of Board of Directors are held at least four times a year with a maximum time gap of four months between any two meetings. All information as required to be made available to the Board is provided to the members of the Board well in time for discussions in the Board Meetings for taking corrective action, if any.

Composition of the Board

As on March 31, 2005, the Autolite Board consisted of eleven Directors, six of whom including the Chairman & Managing Director were executive Directors. The remaining five were non-executive Directors, all being independent. The details of composition and categories of Directors as on March 31, 2005 are given hereafter:



| Sl. No. | Name of Director | Category | Attendance at Board & AGM | | Outside Directorships & Committee positions (as on 31.3.05) | | | |
|---------|----------------------|------------------------------------|---------------------------|----------|---|----------|---------------------|----------|
| | | | Board meetings attended | Last AGM | Directorships | | Committee Positions | |
| | | | | | Member | Chairman | Member | Chairman |
| 1 | Shri D.P. Gupta | Promoter and Managing Director | 4 | Yes | Nil | N.A. | Nil | N.A. |
| 2 | Shri Y.P. Gupta | Promoter and Whole-time Director | 4 | Yes | Nil | Nil | Nil | N.A. |
| 3 | Shri J.P. Gupta | Promoter and Whole-time Director | 4 | Yes | Nil | N.A. | Nil | N.A. |
| 4 | Shri M.P. Gupta | Promoter and Whole-time Director | 4 | Yes | Nil | N.A. | Nil | N.A. |
| 5 | Shri R.P. Gupta | Promoter and Whole-time Director | 4 | No | Nil | N.A. | Nil | N.A. |
| 6 | Shri M.D.Sharma* | Executive Director | 4 | Yes | Nil | N.A. | 1 | Nil |
| 7 | Shri S.P. Batra | Independent Non-executive Director | 4 | Yes | Nil | N.A. | 1 | 1 |
| 8 | Shri G.S. Das | Independent Non-executive Director | 4 | Yes | Nil | N.A. | 2 | 1 |
| 9 | Shri Anoop Bartaria | Independent Non-executive Director | 4 | Yes | 4 | Nil | Nil | N.A. |
| 10 | Shri Shadi Lal Gupta | Independent Non-executive Director | 4 | Yes | 1 | 1 | 1 | Nil |
| 11 | Shri S.C. Gupta* | Non-executive Director | 2 | Yes | 2 | 2 | Nil | N.A. |
| 12. | Shri R.S. Mehta | Independent Non-executive Director | 4 | Yes | Nil | N.A. | Nil | N.A. |

* Shri S.C. Gupta And Shri M.D. Sharma have since resigned from the Board w.e.f. January 3, 2005 and July 15, 2005 respectively.