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29<sup>th</sup>  
Annual Report  
2005-06

Autolite (India) Limited

**Autolite (India) Limited****29<sup>th</sup> Annual Report 2005-06****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 G.S. Das, Director  
Shri R.S. Mehta, Director  
Shri S.P. Batra, Director  
Shri Shadi Lal Gupta, Director  
Shri Snehil Kumar, Director

**Company Secretary**  
Shri Vishal Agarwal

**Bankers**

State Bank of Bikaner & Jaipur  
International Banking Branch,  
Chaura 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 29<sup>th</sup> 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 Saturday, September 30, 2006 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, 2006 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 Yash Pal Gupta who retires by rotation and being eligible, offers himself for re-appointment;
3. To appoint a Director in place of Shri Jai Pal Gupta who retires by rotation and being eligible, offers himself for re-appointment;
4. To appoint a Director in place of Shri Mahi Gupta who retires by rotation and being eligible, offers himself for re-appointment;
5. 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

6. To consider and if through fit, to pass with or without modifications the following resolution as an ordinary resolution:  
 "RESOLVED THAT Sh. Snehl Kumar, who was appointed as an Additional Director of the company by the Board of Director 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 reappointment 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."

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

## Autolite (India) Limited

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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."

Place: Jaipur  
Date: 31.08.2006

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

**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 Monday, September 25, 2006 to Saturday, September 30, 2006 (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. 6**

Shri Snehil Kumar was appointed as an Additional Director by the Board in its meeting held on August 31, 2006, to hold office as such till the conclusion of this Annual General Meeting. The company has received notice from a member proposing the candidature of Shri Snehil Kumar for the office of Director. Mr. Snehil Kumar is a TQM counsellor based in Jaipur. He started his carrier in 1987 in Tata Steel. He is an engineer with 10 years of experience as practising manager in Tata Steel. He has counselled over 100 companies to steer them towards organisational excellence including Deming award winning organisation. He is a JIPM TPM trained counselor and also trained in TQM from Japanese Union of Scientists and Engineers (JUSE). Snehil Kumar has also been trained in TOC by Goldratt Institute as Jonah and in Lean methodology by Lean Enterprise institute, USA and SPC techniques from Indian Statistical Institute. He worked as TQM and TPM counsellor with TPM Club o India and TQM Division of CII for a span of seven years. His field of activities includes counselling on creating Daily Management infrastructure and assist implementation of Lean and TPM principles in the organisations.

Snehil Kumar has been a part of the first ever ACT-CII initiative to implement lean manufacturing concepts for a cluster of fourteen companies and supported the initiative as a trainer and counselor since its inception in 2001 January.

Snehil Kumar is co-founder and partner of

## Autolite (India) Limited

'Partners in Change' an organization to transform Indian companies into world class organization. He is also founder president of an NGO 'Ekjut' working in Jharkhand for mother and child health.

Keeping in view his experience and qualifications, your Directors recommed his appointment as a Director liable to retire by rotation. None of the Directors except Shri Snehil Kumar himself is interested in the proposed resolution at item no 6.

### 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")

Place: Jaipur

Date: 31.08.2006

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.

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





## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Industry Structure and Developments

During 2005-06, the real growth in Gross Domestic Product (GDP) is 8.1 whereas the same was 7.5 during 2004-05. The rate of inflation went down to 4.7 during 2005-06 from 6.5 during the year 2004-05. Foreign Direct Investment is allowed upto 100% in the Automobile Sector. Major automobile manufacturers are taking steps to set up their industries and promoting their vendors by allocating land and providing necessary infrastructure and other facilities in states providing concessions in the form of excise free for specified time period. These industries realized that their growth depends upon the growth of their vendors.

### 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 13% over the last one year. The 2-wheeler segment was growing over 13%, while domestic passenger car market growth rate was restricted to single digit, which is over 7% during the last financial year. In commercial vehicle segment, the growth rate was over 10%.

Your company's growth strategy is in consonance with the industry prospects. Factors like product innovation, quality & delivery reliability, cost reduction, kaizen techniques, lean management with foresight & vision will have crucial role in violent and 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 34% sales from exports. Increase in cost of critical RM and other inputs have 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:

	2005-06 (12 months)	2004-05 (6 months)	% change
<b>A. Head Lamps</b> (including Reflectors, Sealed Beams, Bulb Components & other Misc. items)			
Production (No.)	4343457	2096476	15%
Sales (No.)	4327822	2081278	14%
Sales (Rs. Lacs.)	5166.08	2114.11	16%
Average price realization (Rs./Pc)	119.37	101.58	
<b>B. Halogen Bulbs</b>			
Production (No.)	6012878	2905135	2%
Sales (No.)	6048184	3007547	6%
Sales (Rs. Lacs.)	1208.78	621.91	11%
Average price realization (Rs./Pc)	19.99	20.68	
<b>C. Trading</b>			
Purchase (No.)	1209922	755728	6%
Sales (No.)	1209922	753028	6%
Sales (Rs. Lacs.)	242.12	165.39	48%
Average price realization (Rs./pc)	20.01	21.96	

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## Outlook

The raise in Per Capita Income of people gives them an opportunity to spend for more comfortable and stylish personal transportation vehicles. It leads to the overall increase in sales volume of vehicles including 2-wheelers, passenger cars, CVs etc. Government is taking steps in the infrastructure development and also encourage entrepreneurs to establish new industrial units in industrially backward states by providing subsidy, tax concessions in the form of excise rebate, income tax rebate, sales tax rebate, etc.

Various automobile giants are setting up their operations in India to tap its huge potential including Research & Development techniques, using IT capabilities for the new product development and availability of cheap skilled manpower as compared to its foreign counterpart that gives a boost to cost reduction.

## Quality

Today the Market is customer oriented. In the dynamic world where latest models of vehicles are being launched every now and then, it becomes pertinent to cope with the changed market scenario. Total Customer satisfaction is our main objective. The Company adopted Cross Functional Team culture whose prime function is to ensure that all the products and processes are as per customer specific requirements and taking crucial decisions regarding product development, to increase market share, cost reduction exercise, etc.

## ISO/ TS 16949:2002

Your company is TS 16949 certification from DQS, Germany which shows our commitment for quality and customer oriented processes. As on date over 375 companies have TS16949/QS 9000 Certification in India.

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 75 countries in Europe, North & South America, Africa, Australia and Gulf countries. Exports at Rs. 2503 Lacs contributed 34 % of gross sales turnover of the company. Order book position continues to be quite healthy.

Performance on export front was improved slightly during FY 2005-06 as contribution of exports rose to 34% of Gross Sales Turnover as against 30% during the six months period ended March 31, 2005

## Risks & Concerns

Prices of petroleum products, raw material and other inputs like CRCA sheets, chemicals, paints, lens, packing material etc. have witnessed an upward swing during past three years. Company has resorted to heavy cost reduction exercise to counter the impact of input price increase. However, the bottom line effect is yet to come in the financial results.

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. In the recent past, Company could arrange to enter into One Time Settlement (OTS) Arrangement of dues of State Bank of India. Your directors are confident that the relief/ concessions sought by the company and as already sanctioned by SASF/SBI 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

The organization is having Internal control systems that are commensurate with the size and activities of the Company. Apart from a firm of Chartered Accountants which has been entrusted with the task of conducting internal audit on regular basis, the company is having a separate internal audit division headed by an experienced professional. 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. The culture of CFT (Cross Functional Team) was developed to take major decisions in terms of production, marketing, finance, quality control, etc.

## Financial Review and Analysis

Highlights of financial performance for the year 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. The Company arranges periodical training to its employees of all departments to enhance their knowledge and skill so that Company could be benefited from the sincere hard work and dedication of work force.





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## 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, 2006, the Autolite Board consisted of nine Directors, five of whom including the Chairman & Managing Director were executive Directors. The remaining four were non-executive Directors, all being independent. The details of composition and categories of Directors as on March 31, 2006 are given hereafter:

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Sl. No.	Name of Director	Category	Attendance at Board & AGM		Outside Directorships & Committee positions (as on 31.3.06)			
			Board meetings attended	Last AGM	Directorships		Committee Positions	
					Member	Chairman	Member	Chairman
1	Shri D.P. Gupta	Promoter and Managing Director	8	Yes	Nil	N.A.	Nil	N.A.
2	Shri Y.P. Gupta	Promoter and Whole-time Director	8	Yes	Nil	Nil	Nil	N.A.
3	Shri J.P. Gupta	Promoter and Whole-time Director	8	Yes	Nil	N.A.	Nil	N.A.
4	Shri M.P. Gupta	Promoter and Whole-time Director	8	Yes	Nil	N.A.	Nil	N.A.
5	Shri R.P. Gupta	Promoter and Whole-time Director	8	Yes	Nil	N.A.	Nil	N.A.
6	Shri M.D.Sharma*	Executive Director	2	No	Nil	N.A.	Nil	Nil
7	Shri S.P. Batra	Independent Non-executive Director	8	Yes	Nil	N.A.	1	1
8	Shri G.S. Das	Independent Non-executive Director	8	Yes	Nil	N.A.	2	1
9	Shri Anoop Bartaria	Independent Non-executive Director	6	Yes	4	Nil	Nil	N.A.
10	Shri Shadi Lal Gupta	Independent Non-executive Director	8	Yes	1	1	1	Nil
11.	Shri R.S. Mehta	Independent Non-executive Director	6	Yes	Nil	N.A.	1	Nil

\* Shri M.D. Sharma and Mr. Anoop and have since resigned from the Board w.e.f. July 15, 2005 and November 30, 2005 respectively.