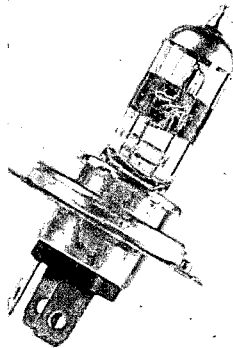


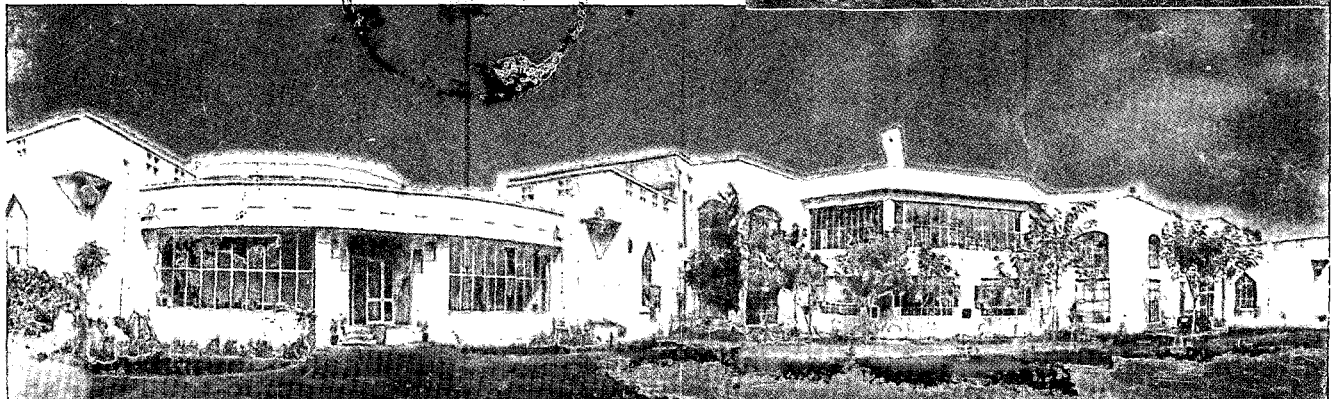
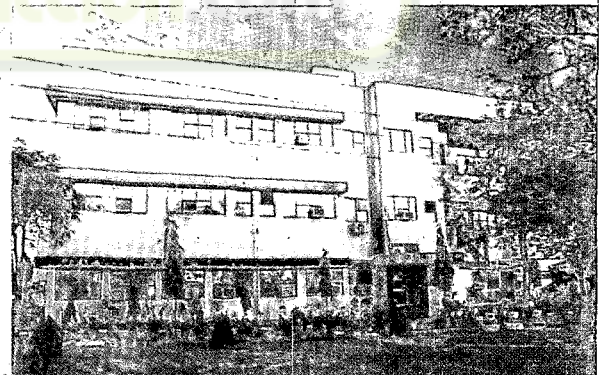
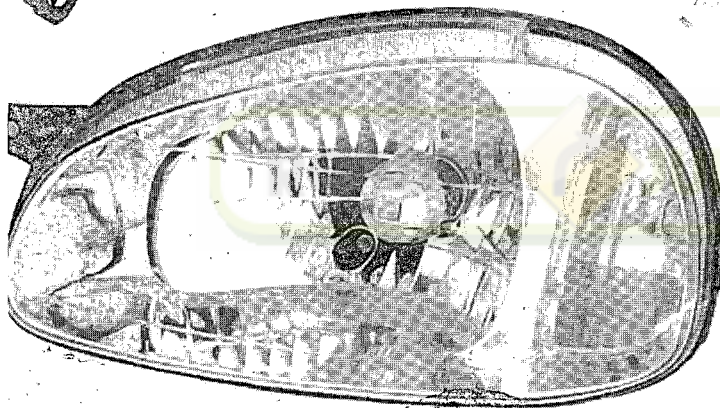
ISO/TS-16949  
CERTIFIED COMPANY  
BY DQS, GERMANY



*Excellence in Lighting*



# 30<sup>th</sup> ANNUAL REPORT 2006-2007



# AUTOLITE (INDIA) LIMITED



# C E R T I F I C A T E

Annex to Certificate Registration No.: 299392 TS2/2968

Page 1/1



**Autolite India Limited**

Central Site: D-469 Road No. 5A,  
Vishwakarma Industrial Area,  
Jaipur-302013

**DQS GmbH**  
Deutsche Gesellschaft zur Zertifizierung von Managementsystemen  
hereby certifies that the company



**Autolite India Limited**

Central Site: D-469 Road No. 5A,  
Vishwakarma Industrial Area,  
Jaipur-302013

With the production site/s as listed in annex  
for the scope

Design, Manufacture, Supply and Export of  
Head Light Assemblies and Bulbs for Automotive Applications  
has implemented and maintains a

**Quality Management System.**

An audit, conducted in accordance with the "Rules for certification bodies to ISO/TS 16949:2002 First Edition"  
and documented in a report, has verified that this quality management system fulfills the requirements  
of the following ISO Technical Specification including ISO 9001:2000:

**ISO/TS 16949:2002**

Second Edition March 2002

(with product design)

Certification audit: 2004-10-18 – 2004-10-22  
Certification decision: 2004-12-29

This certificate is valid until 2007-12-28

Certificate Registration No.: 299392 TS2/2968

Issued in Frankfurt am Main, Germany 2004-12-29

*Michael Drechsel*  
MANAGING DIRECTOR

*Dr. J. S. Hemmels*  
DQS-Ing. S. Hemmels

D 60433 Frankfurt am Main, August-Schneer Straße 21  
(Tel. +49-69-95 42 70), Germany

2-AUTOPAL-01001

Production site/s

**Central Site:**  
D-469 Road No. 5A, Vishwakarma Industrial Area,  
Jaipur-302 013

Certification audit: 2004-10-18 – 2004-10-22  
Certification decision: 2004-12-29

**Site 2:**  
E-53/6 To 530, ATICO Industrial Area, Sagar,  
Trunk Road, Jaipur-302 022

Certification audit: 2004-11-04 – 2004-11-07  
Certification decision: 2004-12-29

Scope

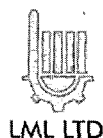
(including Remote Locations)  
Design, Manufacture, Supply and Export of  
Head Light Assemblies and Bulbs for Automotive  
Applications

Design, Manufacture, Supply and Export of  
Head Light Assemblies and Bulbs for Automotive  
Applications

This annex (edition: 2004-12-29) is only valid in connection  
with the above-mentioned certificate.

2-AUTOPAL-01001

Our  
**OEM**  
Customers



**Autolite (India) Limited***30<sup>th</sup> Annual Report 2006-07***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

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Auditors' Report & Annual Accounts of Autopal Inc. (Subsidiary Company)	50

**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)



# Autolite (India) Limited

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Structure, Developments & Outlook

Automotive Industry, globally as well in India, is one of the drivers of the economy. Owing to its deep forward and backward linkages with several key segments of the economy, automotive industry has a strong multiplier effect and propels economic growth. A sound transportation system plays a pivotal role in the country's rapid economic and industrial development. The well-developed Indian automotive industry ably fulfils this catalytic role by producing a wide variety of vehicles such as passenger cars, light, medium and heavy commercial vehicles, multi-utility vehicles, scooters, motor-cycles, mopeds, three wheelers, etc.

At present 100% Foreign Direct Investment (FDI) is permissible under automatic route in this sector including passenger car segment. At present there are 15 manufacturers of passenger cars & multi-utility vehicles, 9 manufacturers of commercial vehicles, 14 of 2/3 wheelers and 14 of tractors besides 5 manufacturers of engines. The Indian automotive industry has already attained a turnover of Rs.1,65,000 crore (34 billion USD). India has also emerged as an outsourcing hub for auto parts for International Vehicle Manufacturers such as General Motors, Volkswagen, Ford, Daimler Chrysler, Toyota & Fiat. Also the Major auto component multinationals are setting tie-ups with Indian Companies for Buyback of Components from India.

### 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:

	2006-07	2005-06	% change
<b>A. Head Lamps (including Reflectors, Sealed Beams, Bulb Components &amp; other Misc. items)</b>			
Production (No.)	4249237	4343457	-2.17%
Sales (No.)	4184853	4327822	-2.68%
Sales (Rs. Lacs.)	5261.14	5166.08	1.84%
Average price realization (Rs./Pc)	125.72	119.37	
<b>B. Halogen Bulbs</b>			
Production (No.)	6794261	6012878	13.00%
Sales (No.)	6773832	6048184	12.00%
Sales (Rs. Lacs)	1368.51	1208.78	13.21%
Average price realization (Rs./Pc)	20.20	19.99	
<b>C. Trading</b>			
Purchase (No.)	1104748	1209922	-8.69%
Sales (No.)	1104748	1209922	-8.69%
Sales (Rs. Lacs)	257.72	242.12	6.44%
Average price realization (Rs./pc)	23.33	20.01	

### Opportunities, threats

The automobile manufacturers have set up a manufacturing capacity of over 95 lakh vehicles per annum. Today, India is the world's second largest manufacturer of two wheelers, fifth largest manufacturer of commercial vehicles, manufactures largest number of tractors in the world and is the fourth largest passenger car market in Asia.

The automotive sector recorded a growth of 15.06% in 2005-2006. During the year 2006-07 (up to April-Nov.2006), the Industry has registered a growth rate of 16.07%.

Apart from the above the industry faces a major competition from China & South East Asian Countries which are approximately 15-20 % more cost competitive than Indian Companies due to the Government Support & Taxation Structure.

Looking into the above facts your company has taken steps to be inline with the competition. The company is working on the Concept of Lean Six Sigma & has made several changes in the Plant & it processes to reduce the cost of Production and also increasing the Per Man Productivity & Employee Morale with an improve in the quality Levels. This all changes are done in the form of Kaizens. The company's focus is to achieve 0 PPM at customer End.

## Autolite (India) Limited

### Quality & Systems (TS-16949)

Autolite has always been a pioneer in terms of Quality in the eyes of all its customers. Customer Delight has always been the core of all the functions at Autolite. The company is maintaining the TS 16949:2002 certification from DQS Germany and company's focus is the integrated management System (IMS) which is the highest standard of Quality and systems. As the part of our Environment Policy, Your company has already initiated the process of achieving the ISO-14000 & OHSAS-18000 Environmental Management Systems.

### Export

Automotive industry of India is now finding increasing recognition worldwide and a beginning has been made in exports of vehicles as well as components. During the year 2003-04, the export of automobile industry had registered a growth rate of 55.98% while it was 31.25% and 28.03% during the year 2004-05 and 2005-06 respectively. During the year 2006-07 (up to Nov. 2006), the automobile exports registered a growth of 27.25%.

Your company continues to have strong presence in international market through a well-knit marketing network spread across 53 countries in Europe, North & South America, Africa, Australia and Gulf countries. Exports order booking has been showing a continuous Growth since last five years. Exports sales contributed 31% of gross sales turnover of the company. Your company is targeting a turn over growth of 61% this year. Order book position continues to be quite healthy.

Order booking on export front during first five months of FY 2007-08 has shown growth of 9% as against of the same period during in last FY 2006-07.

Company has received firm enquiries from multinational companies as well as Vehicle Manufacturers from overseas for developing new Headlamps, negotiations are at advance stage of finalization. If everything goes well additional turnover of approx. Rs. 10.00 crores is expected during coming months.

### Risks & Concerns

The continual weakness in US Dollar is a area of concern for the company as Exports form the major part of the turnover. The company has contacted all the customer for the price revisions in the products which has given support to this Dollar Fall. The company has also done lot of Kaizens in this field by reducing the production and procurement costs which has again given further profits to the company.

Company has done One time settlement with all its secured lenders and heavy benefits has been secured by the company in this regard. But at the same time the company is operating under constraints of working capital especially in respect of exports and duty free import of material.

### Internal control system

Autolite has a proper and adequate system of internal control to ensure that all assets are safeguarded, and protected against loss from unauthorized use or disposition and that transactions are authorized, recorded and reported correctly. The Company has a separate internal audit division headed by an experienced professional apart from a firm of Chartered Accountant entrusted with the task of conducting internal audit on regular basis. All material transactions are subject to pre-audit. All non-conformities are reported at the top level and also the corrective actions are taken.

### Human Resource Policy

HR policies of the organisation are aimed at attracting and retaining the best talent through a well structured recruitment and selection procedure. New recruits are undergone an intense induction training so as to enhance their knowledge and skills as per the organisational requirement. For existing staff periodical training is provided as per the training calendar. Management is poised to build a well trained pool of Human Resource that is equipped with latest technology. Training on new concepts like Just In Time (JIT), Kaizen, 5'S, Poke Yoke, Kanban, MOST etc. has been imparted to our human resource and its implementation is being done which has shown remarkable results. For Total Employees Involvement we believe to use tools like Suggestion Schemes, Quality Circle, Inter departmental and Inter unit Competitions. To ensure the fair recognition of individual's performance KPI i.e. Key Performance Indicators are being set. In our pipeline we have plans like ESOPs, Sports/Games facility of employees, enhanced facility of library, canteen and other welfare activities.

### Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's expectations or predictions may be 'forward looking' within the meaning of applicable laws or regulations. Actual results may differ materially from those expressed or implied.



## 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 three 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, 2007, the Autolite Board consisted of ten Directors, five 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, 2007 are given hereafter:

## Autolite (India) Limited

Sl. No.	Name of Director	Category	Attendance at Board & AGM		Outside Directorships & Committee positions (as on 31.3.07)			
			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	N.A.	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	7	Yes	Nil	N.A.	Nil	N.A.
6	Shri S.P. Batra	Independent Non-executive Director	8	No	Nil	N.A.	1	1
7	Shri G.S. Das	Independent Non-executive Director	8	Yes	Nil	N.A.	3	1
8	Shri Shadi Lal Gupta	Independent Non-executive Director	8	No	1	1	1	Nil
9	Shri R.S. Mehta	Independent Non-executive Director	8	Yes	Nil	N.A.	2	1
10	Shri Snehil Kumar	Independent Non-executive Director	2	Yes	Nil	N.A.	1	Nil



### Board Meetings

During the year ended on March 31, 2007, the Board of Directors met eight times. The maximum time gap between any two meetings was 61 days.

The details of the Board Meetings held during the period ended on March 31, 2007 are 29th April, 2006, May 31, 2006, July 29, 2006, August 31, 2006, October 28, 2006, November 30, 2006, January 31, 2007 & February 28, 2007.

### Details of shareholding of directors in the Company as on March 31, 2007

Sl. No.	Director	No. of Equity Shares held	% Holding
1	Shri Dharam Pal Gupta	213,326	2.93
2	Shri Yash Pal Gupta	228,663	3.14
3	Shri Jai Pal Gupta	155,826	2.14
4	Shri Mahi Pal Gupta	100,600	1.38
5	Shri Raj Pal Gupta	107,634	1.48
6	Shri Sooraj Prakash Batra	Nil	Nil
7	Shri Gauri Shankar Das	Nil	Nil
8	Shri Shadi Lal Gupta	608	0.01
9	Shri Rajendra Singh Mehta	Nil	Nil
10	Shri Snehil Kumar	Nil	Nil

### Audit Committee

The Board reconstituted its Audit Committee w. e. f. March 30, 2002 in conformity with provisions of Listing Agreement. The requisite details are as follows:

Name	Terms of reference
Shri S.P. Batra (Chairman)	-Oversight of financial reporting system of the company;
Shri G.S. Das (Member)	-Recommending appointment/removal of auditors, fixing the fee & approval of payment for other services
Shri Shadi Lal Gupta (Member)	-Reviewing with management annual financial statements before submission to the board including qualifications in draft auditors' report;
Shri Vishal Agarwal (Secretary)	-Reviewing with management, external & internal auditors the adequacy of internal control system; -Reviewing the adequacy of internal audit function; -Reviewing findings of any internal investigations into suspected fraud, irregularity or failure of internal control system. -Other items as per Clause 49 of Listing Agreement, as amended from time to time.

Four meetings of the Audit Committee took place during the accounting year ended on March 31, 2007, i.e. on April 29, 2006, July 29, 2006, August 31, 2006 and January 31, 2007. All the three members were present at the meetings held on the abovementioned dates. The Statutory Auditors and Internal Auditors were invited to attend and Participate at the meetings of the Committee.

### Investors' Grievance Committee

The company has set up an Investors' Grievance Committee to look into the complaints relating to non-receipt of dividend warrants, annual report, transfer/transmission of shares etc. as required in terms of Clause 49 of the Listing Agreement. The details of members of the Committee as well as status of investor complaints received during the year ended on March 31, 2007 are as follows:

Name of Members	Pending at the beginning of the year	No. of complaints		Pending at the end of the year
		Received	Resolved	
Shri G.S. Das (Chairman) Shri R.S. Mehta (Member)  Shri Vishal Agarwal (Secretary & Compliance Officer – Ex-officio)	1	23	24	Nil

The members of Investors' Grievance Committee met four times during the year ended on March 31, 2007. The meetings were held on April 29, 2006, 30 July 29, 2006, October 18, 2006 and January 31, 2007.

The Company is having Share Transfer Committee comprising of Shri M.P. Gupta, Whole time Director and Shri Vishal Agarwal, Company Secretary of the Company to give effect to share transfer, transmission, etc.

### Code of Conduct and Ethics for Directors and Senior Management

The Board of Directors has adopted the Code of Conduct and Ethics for Directors and Senior Management ("the code"). The Code is applicable to all the Executive and Non-Executive Directors and also to the Senior Management. The standard of business conduct, ethics and governance, centres around its following pattern:



## Autolite (India) Limited

"The Board of Directors and Senior Management of the Company are committed and responsible for setting the standards of conduct contained in the code and for updating these standards to ensure their continuing relevance, effectiveness and responsiveness to the needs of shareholders and stakeholders to reflect corporate, legal and regulatory developments."

The code has been distributed to all the members of the Board of Directors and also the senior management and they have affirmed the compliance of the same.

### Remuneration Committee

The Company has constituted Remuneration Committee during the year. The broad terms of reference of the Remuneration Committee are as follows:

- Recommend to the Board remuneration to be paid to the Managing Director and Whole-time Directors.
- to review and grant annual increments to Managing Directors and Whole-time Director
- To suitably suggest changes based on changes in Schedule XIII of the Companies Act, 1956 and/ or any amendment/modifications that may be made by the Central Government

from time to time.

d) To do all such acts, deeds, things and execute all such documents, instruments and writings as may be considered necessary, expedient or desirable on the subject.

The remuneration policy of the Company is to remain competitive in the industry and to attract and retain talent and appropriately reward them on their contribution. The annual package of employees is decided on the basis of performance of the Company and also the individual performance measured against the Key performance Indicators, which are in align to the Company's overall objectives.

**Remuneration Committee comprises of the following directors:**

Name of Members	Designation	Category
Shri R.S. Mehta	Chairman	Independent, Non-Executive
Shri G.S. Das	Member	Independent, Non-Executive
Shri Snehil Kumar	Member	Independent, Non-Executive

Shri Vishal Agarwal, Company Secretary is acting as Secretary of the Committee. One meeting of Remuneration committee was held on January 5, 2007.

The details of remuneration paid to the Directors in the whole-time employment with the company during the financial year ended on March 31, 2007 are given hereunder: (Rs. in Lacs)

Particulars	Sh. D.P. Gupta	Sh. Y.P. Gupta	Sh. J.P. Gupta	Sh. M.P. Gupta	Sh. R.P. Gupta
	CMD	Whole-time Directors			
Salary	7.20	7.20	7.20	7.20	7.20
Benefits:					
Allowances & Perquisites	4.59	4.56	5.21	5.55	4.50
Bonus	Nil	Nil	Nil	Nil	Nil
Pension	Nil	Nil	Nil	Nil	Nil
<b>Fixed Component</b>					
<b>Contribution to PF, Superannuation &amp; Gratuity Fund</b>	<b>0.09</b>	<b>0.09</b>	<b>0.09</b>	<b>0.09</b>	<b>0.09</b>
Performance linked Incentive	Nil	Nil	Nil	Nil	Nil
Commission	Nil	Nil	Nil	Nil	Nil
<b>Service Agreement</b>	<b>5 years</b>	<b>5 years</b>	<b>5 years</b>	<b>5 years</b>	<b>5 years</b>
Notice Period	1 month	1 month	1 month	1 month	1 month
Severance Fee	Nil	Nil	Nil	Nil	Nil
Stock Option	Nil	Nil	Nil	Nil	Nil

The company does not pay any remuneration, except sitting fee, to non-executive Directors during the year 2006-2007 except sitting fee, the details are as under:-



Sl. No.	Name of Directors	Sitting Fee paid
1	Shri Sooraj Prakash Batra	20,000/-
2	Shri Gauri Shankar Das	26,000/-
3	Shri Rajendra Singh Mehta	20,000/-
4	Shri Shadi Lal Gupta	20,000/-
5	Shri Snehil Kumar	4,000/-

#### **Brief Resume of Directors to be re-appointed Shri Gouri Shankar Das (Director)**

Shri Gouri Shankar Das, aged 68 years, is an M.Sc. & CAIIB had a brilliant academic record through out. Having joined as a Probationary Officer in 1963, he held senior management positions in nationalized banks till his retirement as General Manager (Operations) of State Bank of Bikaner & Jaipur. He has rich and vast experience of over 35 years in the areas of Credit, Financial Management, Behavioral Output, General Administration, Advanced Management Techniques etc. He was also deputed for training outside the country on a number of occasions under the aegis of Asian Development Bank, World Bank etc. He was also a Nominee Director of SBBJ on the Boards of NITCON & RAJCON and also a member representing the coordinating Bank i.e. SBBJ on the Board of Banking Service Recruitment Board, Jaipur. He is a member of the Audit Committee of the Board of Directors of the company also.

#### **Shri S.P. Batra (Director)**

Shri S.P. Batra, aged 65 years, is a B.E. (Mech.) and a Fellow of Institution of Engineers (India), MIMA MIIE. He has also done professional courses in Total Quality Management for Top Management from BITS/UNIDO, Sweden, Advance Management Programme (AMP) from the Indian Institute of Management, Ahmedabad, Special course on Production Control and Management from University of Roorkee etc.. He also participated in World Quality Congress thrice. He worked for organizations like Railway Board, Director General Ordnance Factories, Burn Standar Co. (Addl. GM), A.K.S. Bearings Ltd. (Production Chief), Kamal Enterprises (ED) and Cycle Corporation of India (CMD). Currently, he is Director (Training & Development) at the Indian Institute of Rural Management. He has also been making regular contribution to the Technical Journals & other publications.

#### **Shri R.S. Mehta**

Shri Rajendra Singh 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 Rajendra Singh Mehta has over 40 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.

#### **Shri Dharam Pal Gupta (Chairman & Managing Director)**

Shri.D.P.Gupta, aged 69 years, is the main promoter of the project with 50 years of rich and vast experience. During his studies only, he started showing keen interest in his ancestral business of Oil Mills, Mechanized Farming, Foundry etc. At the age of 19, he started own industry of sheet metals way back in 1956 with a different process technology which was very low cost and engaged in the manufacturing of Ghamla (Basin), Parathi etc. In 1964 he developed for the first time in India, Automobile Head Lamps and Sealed Beams and a year after Tractor Lighting Kit for M/s Massy Ferguson. In 1968 he started M/s Rajasthan Implements and developed Tractor Driven Implements for Ferguson Tractor. In 1989 Developed Halogen Bulbs first time in India. His achievement to develop lamps with Free Form Technology first time in India by own R&D awarded him the prestigious ACMA Technology Award for the Company. He has earned 25 awards in total out of which 8 awards are under individual capacity and other 17 at Group Company level. Under his able guidance and vision, company established its Marketing Network in 75 countries under the Trade Mark "AUTOPAL". Supply to General Motors, USA as an OEM just in time is one of his biggest achievements. He has made more than 65 overseas visits out of which 2 times around the world. He has visited 28 countries, participated in more than 60 trade fairs, participated in more than 100 seminars of National and International Level and has visited more than 100 plants around the world including GM, Chrysler, Ford, BMW, Volks Wagon, Peugeot etc. He is holding membership in many Governmental & Non-Governmental Associations like EEPIC, FIEO, ACMA etc. apart from being a permanent member of Rajasthan Government's High Level Export Promotion Council. Out of 29 suggestions given by Mr Gupta, 22 were accepted by the Government of Rajasthan 7 years ago which have resulted in the rapid growth of exports from the State. Under his guidance, Government