



AUTOMOBILE CORPORATION OF GOA LIMITED
19th Annual Report 1999



AUTOMOBILE CORPORATION OF GOA LIMITED

BOARD OF DIRECTORS

S. V. Salgaocar — Chairman
D. N. Naik
J. S. Mascarenhas — Nominee UTI
Dr. M. Modassir
Andrew Gonsalvez — Managing Director

COMPANY SECRETARY

Ananth Prabhu

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AUDITORS

C. C. Chokshi & Co.

BANKERS

State Bank of India
Syndicate Bank

REGISTERED OFFICE

Honda, Sattari,
Goa 403 530.

19TH ANNUAL GENERAL MEETING
29th September, 1999
Wednesday
3.00 P.M.
Honda, Sattari, Goa 403 530.



NOTICE

NOTICE is hereby given that the 19th Annual General Meeting of the Members of AUTOMOBILE CORPORATION OF GOA LIMITED will be held on Wednesday the 29th September, 1999 at 3.00 p.m. at the Registered Office of the Company at Honda, Sattari, Goa to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Directors' Report and the Audited Profit and Loss Account for the year ended 31st March, 1999 and the Balance Sheet as at that date and the schedules and notes attached thereto.
2. To appoint a Director in place of Mr. Andrew Gonsalvez, who retires by rotation and is eligible for reappointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED that the consent of the Company be and is hereby accorded under Section 293(1)(a) of the Companies Act, 1956, to the Board of Directors of the Company for mortgaging and/or charging in favour of ICICI Limited (the lenders) all the immovable and movable properties of the Company, both present and future, and whole of the undertakings of the Company or such of them as may be agreed to between the Board and the lenders to secure loan upto Rs.110.00 million (Rupees One Hundred and ten million only) from the lenders together with interest, liquidated damages, front end fees, commitment charges, costs and other expenses payable by the Company to the lenders in respect thereof subject to prior charges created or to be created by the Company in favour of its Bankers on its stocks of raw materials, semi finished and finished goods, consumable stores and book debts"

By order of the Board of Directors

ANANTH PRABHU
Company Secretary

Registered Office:

Honda, Sattari,
Goa 403 530.

Dated : 23rd August, 1999.

NOTES :

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
- (b) Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the business under items nos.3 and 4 set out above is annexed hereto.
- (c) The Register of Members and Transfer Books of the Company will remain closed from Friday, the 17th September, 1999 to Friday, the 24th September, 1999 (both days inclusive)
- (d) Pursuant to Section 205 (A) of the Companies Act, 1956, an amount of Rs.1,14,399/- towards unclaimed dividend for the year ended 31st March, 1995 has been transferred to the General Revenue Account of the Central Government. Those Shareholders who have not encashed their Dividend Warrants for the said year, are requested to claim their amounts from the Registrar of Companies, Goa Daman & Diu, Daulat Building, St. Inez, Panaji, Goa 403 001.

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956.

Item No. 4

Section 293(1)(a) of the Companies Act, 1956, provides that the Board of Directors of a Public Limited Company shall not, without the consent of such Public Company in General Meeting, sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking of the Company.

The Company proposes to avail loan of Rs.110.00 million from ICICI Limited, Mumbai, at such terms and conditions as considered acceptable.

The loan, inter alia, is to be secured by a first mortgage of the immovable properties and first charge by way of hypothecation of the movable properties of the Company (both present and future). The resolution has been proposed to enable the Company to provide the securities required by the lenders to cover the borrowing.

None of the Directors is interested or concerned in the above resolution.

By order of the Board of Directors

ANANTH PRABHU
Company Secretary

Registered Office:

Honda, Sattari,
Goa 403 530.

Dated : 23rd August, 1999.

AUTOMOBILE CORPORATION OF GOA LIMITED

DIRECTORS' REPORT

To the Members of Automobile Corporation Of Goa Limited.

Your Directors present their 19th Annual Report and the Audited Statement of Accounts for the year ended 31st March, 1999.

Financial Results

	(Rs. in lacs)	
	For the Year	For the Previous Year
Profit/Loss for the year before providing for Depreciation and Taxes	(144.80)	569.63
Provision for Depreciation	303.65	355.72
Provision for Taxes	—	63.00
	<u>303.65</u>	<u>418.72</u>
Profit/Loss for the Year after providing for Depreciation and Taxes	(448.45)	150.91
Excess/Short Provision for Taxes of earlier years	1.80	(16.19)
Balance in Profit & Loss A/c brought forward from the previous year	744.13	763.26
	<u>297.48</u>	<u>897.98</u>
Appropriations:		
1. Debenture Redemption Reserve	15.02	—
2. General Reserve	—	18.00
3. Proposed Dividend	—	123.49
4. Tax on Dividend	—	12.35
	<u>15.02</u>	<u>153.84</u>
Balance carried to Balance Sheet	<u>282.46</u>	<u>744.14</u>

Operations

Sheet Metal Division

The economic slowdown affecting industry in general resulted in severely decelerated demand in the commercial vehicle sector over the past two years.

The decline in demand witnessed in the later half of 1997-98 continued right through 1998-99. The Company's operations thus suffered a serious set back in 1998-99, particularly since the company had created additional capacity in the pressings division to cater to the enhanced demand realised upto 1995-96 and forecast for 1996-97.

1997-98 Demand however shrank by 35% over 1996-97 levels, which coupled with the additional capacity created meant a nett capacity utilization of just about 25% in the year under review. Obviously, therefore, the investments made in plant and machinery and the support systems created were grossly underutilized.

The reduced off-take was fragmented further exerting extreme pressure on prices and margins by smaller units situated in and around vehicle manufacturers who, in pursuit of their survival, offered price cuts leading to an artificial competition.

Meeting Customer demand of 'Just in Time' supplies through the Company's warehouse in Pune additionally escalated the cost of delivery considerably.

Countering this, the Company has been working towards cutting costs and enhancing value addition vigorously. Simple pressings being supplied to Telco are being converted into subassemblies with additional components and so far, supply of 10 such assemblies have been productionized.

To enhance capacity utilisation the Company has also taken up various product developments a brief summary of which is given below.

A) Air Suspension System

The Company has received Govt. of India approval, for a technical collaboration agreement with Neway Anchorlok International Inc., Muskegon, USA to manufacture the NAI branded Air Suspension Systems in India. These are widely used in Commercial Vehicles, Buses and Trailers to provide a cushioned air ride and reduce transporters' operational costs. NAI is a 50 year old air suspension pioneer in USA and has 60% of the Truck, Trailer and Bus air suspension market in the USA. NAI also has a considerable global market share in Air Suspension System supply particularly in Europe and Pacific rim countries. Commercial production of Air Suspension systems is expected to commence in October, 1999. The products will be offered to individual customers, in addition to offering them as original fitment to interested OEMs. Talks are on with leading OEMs to offer them the systems for fitment in the vehicles being manufactured in the country. The Company sees considerable sales potential in this advanced technology product in the years to come.



B) Oil Pan & Bed Plates for TATA Cummins

The Company has been working with Tata Cummins Limited for sometime now on the development of Oil Pan, which for the Cummins Engines, is an import substitute. Most of the teething problems have now been resolved and regular supplies started. With Telco's plan to implement 100% fitment of Cummins engines on their vehicles by the year 2000, at full demand, this is expected to open up significant opportunities for substantial business enhancement.

C) The Company has also entered into an Memorandum of Understanding with Piaggio Greaves Vehicles Ltd. to fabricate and supply complete delivery cab for their modern range of three wheeler delivery vehicles. This will utilize a major portion of the present pressings capacity at the Jejuri unit of the Company. The Pressings capacity at Jejuri will be further augmented by shifting existing presses from Goa reducing the transportation cost and enhancing the 'just in time' supply capability.

D) The Company has also been holding discussions with a few other potential customers with a view to forging long time alliances offering products and services and expects a few of them to come to fruition in the current financial year.

Bus Body Division

579 Buses were produced during the year under review. The newly introduced 6HD Model buses productionised in the second quarter received an enthusiastic response and 51 buses were sold during the year under review.

The 6HD has also been appreciated in the export market and countries hitherto not in the ACGL bus sales segment have started buying ACGL buses in the new model.

The General decline in industrial and business activity and the resultant recession however affected the bus market in the year under review and this situation has not witnessed improvement in the current financial year so far. The Bus Division capacity, therefore, continues to be underutilized to a considerable extent.

The Company had in the past, with the active help and support of Telco, developed a market for ready-built

buses to be sold by the chassis manufacturers off their show rooms. Abrupt changes in the Excise Rules in 1996 however, curtailed such sales considerably due to imposition of an additional burden of Excise Duties. The Company is exploring the possibility of reviving this market.

Ashiyana Auto Bodies Limited (AAL)

Ashiyana Auto Bodies Ltd. - in which your Company has invested Rs. 45.50 lacs (being 23% of the Share Capital of that Company) has suffered serious set backs due to the extremely low demand for the mini buses during its first full year of production. The Company has extended full help and support to the fledgling Ashiyana Auto Bodies Ltd as it believes that the facilities created at its Satara factory are a long term investment which will help supplement the range and volume of business in the Passenger Vehicles market. Ashiyana Auto Bodies Ltd. has taken various steps to improve its business performance such as introduction of new models, DGSD registration etc. Discussions are being held with OEMs to offer them buses on their chassis produced using the upto date facilities established by AAL.

Finance

Over the last three years, the Company has invested a sum of Rs. 13 crores in land and buildings and plant & equipment, to meet the planned expansion activities. As against this, a short term loan of Rs. 7 crores was raised from ICICI Limited in 1997, which has been fully repaid by August, 1999.

To augment the long term Working Capital requirement as also to meet other capital expenditure requirements, a further term loan of Rs. 110.00 million has been arranged from ICICI Limited.

Year 2000

The Company has taken appropriate steps to ensure that all its computerised systems are year 2000 compliant.

Further, the Company has also drawn up suitable contingency plans to meet any eventualities arising out of year 2000 problem in its systems.

Non provision for doubtful debts/advances of Rs.33,01,156/-

As regards non-provision for doubtful debts/advances referred to by the Auditors at Para 2 (d) of their report

AUTOMOBILE CORPORATION OF GOA LIMITED

(Note No.7 to Schedule 15), some amount has already been recovered in the current financial year and assurance to pay the balance/to provide security cover on the assets, has been received. The Board is therefore reasonably confident of recovering the outstanding amounts in due course.

Directors

Mr. Andrew Gonsalvez, Managing Director, retires by rotation and being eligible, offers himself for reappointment.

Particulars of Employees

Information in accordance with Sub-Section (2 A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended and forming a part of this report is given in the Annexure.

Auditors

The Members are requested to appoint Auditors for the year and fix their remuneration. M/s C. C. Chokshi

& Co., the present auditors retire and have furnished eligibility certificate as required under Section 224 (1) of the Companies Act, 1956.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/Outgoings

The information required under Section 217 (1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of this report is appended hereto.

On behalf of the Board of Directors

ANDREW GONSALVEZ
Managing Director

Place : Panaji,

Dated : 23rd August, 1999.

ANNEXURE TO THE DIRECTORS' REPORT

Information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

A. Conservation of Energy

Due to operations being far below the optimum levels at both the Divisions during the year under review, there was no scope for further steps in energy conservation than those reported in the previous year.

B. Form of Disclosure of Particulars with respect to Absorption of Technology, Research and Development (R&D)**FORM B****I. Research & Development**

1. i) Development of new front & rear face in FRP in the 1512/1316 models.
- ii) Development of a CNG (Compressed Natural Gas) bus in front engine configuration.
- iii) Adoption of new models of AC units such as Thermoking HRT1 Konvecta AC units SIDWAL 30S CFC Thermoking AMD for new face bus

- iv. Development of Ultra Low Floor Monocoque city bus application.
- v. Development of new buses with air suspension on 1210/1313 model.
- vi. Development of new bus for sleeper application.
- vii. Development of low cost LP 407 bus for domestic application.

2. Benefits derived as a result of the above Research & Development:

- i) Opening up of domestic market for larger segment of luxury buses with the introduction of new models.
- ii) Opening of domestic market for lower cost buses.
- iii) Introduction of higher cost new face buses in export market.

3. Future Plan of Action

- i) Design improvisation for mass production of new model buses.
- ii) Adoption of automatic transmission, Direct drive air conditioner and indigenous air suspension for Monocoque buses.



- iii) Technology absorption and mass production of air suspension of buses, trailers etc.
 - iv) Development of new face in FRP for export and domestic market.
 - v) Development of low cost LP 1312/52 for exports to third world countries.
 - vi) Development of Interiors like dashboard & hatrack in FRP
4. Expenditure on Research and Development
- a) Capital Rs. Nil
 - b) Recurring Rs. 12,88,859
 - c) Total Rs. 12,88,859
 - d) Total R&D expenditure as a percentage of total turnover 0.20%

- b) Year of import : 1997-98
- c) Has technology been fully absorbed : Technical Collaboration Agreement is under implementation.

C. 1. Exports

The Bus Body Division executed export orders for 111 buses during the year.

2. Foreign Exchange used and earned

Used — Rs. 32,85,797 towards import of Capital Goods, Traveling and subscription expenses.

Earned — Rs. 3,88,78,364 towards export of buses through a Merchant exporter.

On behalf of the Board of Directors

II. Technology Absorption, Adaptation and Innovation

- a) Technology imported : Technology for building Monocoque Buses as per Technical Collaboration Agreement with Fuji Heavy Industries, Japan (FHI).

Place : Panaji,

Dated : 23rd August, 1999.

ANDREW GONSALVEZ
Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

Name	Age (yrs)	Designation/ Nature of duties	Gross remuneration recd.(subject to tax (Rs)	Net remuneration (Rs)	Qualification	Total Experience (yrs)	Date of commencement of employment	Last employment held, Designation, period for which post held
Mr. A. Gonsalvez	55	Managing Director	10,45,960	4,70,528	B.E. (Mech) D.B.M.M.S.	31	1.4.1986	Dy.Div Manager (Auto) Telco 2 years

NOTES :

- Gross remuneration includes salary, commission, monetary value of perquisites as per the Income Tax Rules and Company's contribution to PF, SAF and Gratuity.
- Net remuneration is after tax and is exclusive of Company's contribution to PF, SAF and Gratuity, monetary value of non-cash perquisites.
- The nature of employment is contractual.

On behalf of Board of Directors

ANDREW GONSALVEZ
Managing Director

Place : Panaji,

Dated : 23rd August, 1999.