



AUTOMOBILE CORPORATION OF GOA LIMITED
20th Annual Report 2000



AUTOMOBILE CORPORATION OF GOA LIMITED

BOARD OF DIRECTORS

S. V. Salgaocar — Chairman
D. N. Naik
A. N. Palwankar — Nominee UTI
Andrew Gonsalvez — Managing Director

COMPANY SECRETARY

Ananth Prabhu

AUDITORS

C. C. Chokshi & Co.

BANKERS

State Bank of India
Syndicate Bank

REGISTERED OFFICE

Honda, Sattari,
Goa 403 530.

SHARE REGISTRARS

Sharepro Services,
Satam Industrial Estate,
Cardinal Gracious Road,
Chakala, Andheri (E),
Mumbai - 400 099.

20TH ANNUAL GENERAL MEETING
28th September, 2000
Thursday
10.30 A.M.
Honda, Sattari, Goa 403 530.



NOTICE

NOTICE is hereby given that the 20th Annual General Meeting of the Members of AUTOMOBILE CORPORATION OF GOA LIMITED will be held on Thursday the 28th September, 2000 at 10.30 a.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, 2000 and the Balance Sheet as at that date and the schedules and notes attached thereto.
2. To appoint a Director in place of Mr. D. N. Naik, 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(s), the following resolution as a Special Resolution:

"Resolved that subject to the provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, the Board of Directors be and is hereby authorised to arrange delisting of the company's securities from the Delhi Stock Exchange Association Ltd., New Delhi.

"Resolved further that the Board of Directors of the company be and is hereby authorised to do all such acts, deeds, and things as may be necessary or desirable to give effect to this resolution."

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"Resolved that pursuant to Section 17 and other applicable provisions of the Companies Act, 1956, the Memorandum of Association of the company be and is hereby altered in the following manner:

The following sub clause be inserted as sub clause 9A in clause III (A) after Sub clause 9 in the Memorandum of Association of the company.

9(A)

To carry on the business of computer hardware and/or software or otherwise engage in the trade or service of computer hardware and software including any derivatives or extensions thereof - which expression shall mean and include any hardware/software products related to Information Technology business and to engage in the computer hardware/software education and training."

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"Resolved that pursuant to Section 31 and other applicable provisions of the Companies Act, 1956, the Articles of Association of the company be and are hereby altered in the manner and to the extent following:

- (I) The following additions with marginal notes alongside be inserted after the definition of "Share" in Article 2:

"Beneficial Owner"

Beneficial Owner means the beneficial owner as defined in Section 2(1) (a) of the Depositories Act, 1996.

"Depositories Act"

Depositories Act shall mean the Depositories Act, 1996 and shall include any statutory modification(s) or re-enactment(s) thereof, for the time being in force.

"Depository"

Depository means a depository as defined in Section 2(1) (e) of the Depositories Act, 1996.

"SEBI"

Sebi means the Securities and Exchange Board of India

"Security"

Security means such securities as may be specified by SEBI from time to time.

- (II) The following new Article 62A with marginal notes alongside be inserted after Article 62

Dematerialisation of Securities

62A

- (1) Notwithstanding anything contained in these Articles, the company shall be entitled to dematerialise/rematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.

AUTOMOBILE CORPORATION OF GOA LIMITED**Options for the investors**

- 2) Every person subscribing to securities offered by the company shall have the option to receive security certificates or to hold the securities with a Depository. Such a person who is the Beneficial Owner of the securities can at any time opt out of a Depository, if permitted by law, in respect of any security in a manner provided by the Depositories Act, and the company shall in the manner and within the time prescribed, issue to the Beneficial Owner the required security certificates.

If the person subscribing to securities opts to hold his securities with a Depository, the company shall intimate such Depository the details of allotment of the security and on receipt of the information, the Depository shall enter in its record the name of the allottee as the Beneficial Owner of the security.

Securities in Depositories to be in fungible form

- 3) All securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owner.

Rights of Depositories and Beneficial Owner

- 4) a. Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the Registered Owner for the purpose of effecting transfer of ownership of the security on behalf of the Beneficial owner.
- b. Save as otherwise provided in (a) above, the Depository as the Registered Owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- c. Every person holding securities of the company and whose name is entered as the Beneficial Owner in the records of the Depository shall be deemed to be a member of the company. The Beneficial owner of the securities shall be entitled to all the rights and benefits, and be subject to all the liabilities, in respect of his securities which are held by a Depository.

Service of Documents

- 5) Notwithstanding anything to the contrary contained in the Act or these Articles, where securities are

held in a Depository, the records of the beneficial ownership may be served by such Depository on the company by means of electronic mode or by delivery of floppies or discs.

Transfer of Securities

- 6) a. Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as Beneficial Owners in the records of a Depository.
- b. In the case of transfer or transmission of shares or other marketable securities where the company has not issued any certificates and where such shares or securities are being held in any electronic or fungible form in a Depository, the provisions of the Depositories Act shall apply.

Allotment of Securities dealt with a Depository

- 7) Notwithstanding anything in the Act or these Articles, where securities are dealt with a Depository, the company shall intimate the details of allotment of relevant securities thereof to the Depository immediately on allotment of such securities.

Certificate number and Distinctive numbers of Securities held in a Depository

- 8) Nothing contained in the Act or these Articles regarding the necessity for having certificate number/distinctive numbers for securities issued by the Company shall apply to securities held by a Depository.

Register and Index of Beneficial Owners

- 9) The Register and index of Beneficial Owners maintained by a Depository under the Depositories Act shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles.

By order of the Board of Directors

ANANTH PRABHU
Company Secretary

Registered Office:
Honda, Sattari,
Goa 403 530.
Dated: 7th August, 2000.

**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 item nos.4, 5 and 6 set out above is annexed hereto.
- (c) The Register of Members and Transfer Books of the company will remain closed from Tuesday the 12th September, 2000 to Saturday the 16th September, 2000 (both days inclusive)
- (d) In respect of Dividends relating to 1995-96 and thereafter, amounts remaining in the unpaid dividend accounts of the company shall, at the expiry of seven years, be transferred to Investor Education and Protection Fund being established by the Central Government under Section 205 C of the Companies Act, 1956. Members may kindly take note of the aforesaid statutory change and may lodge their claims for unpaid dividend if any with the company.

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956.**Item No. 4**

Presently the company's shares & debentures (securities) are listed on The Stock Exchange, Mumbai and the Delhi Stock Exchange Association Ltd., Delhi.

The trading volume on the Delhi Stock Exchange is negligible. The proposed delisting of the company's securities will not adversely affect the investors considering the small number of investors located in the region.

With the networking of centers of the Stock Exchange, Mumbai, the members of the company have access to online trading in the company's securities across the country.

As a part of cost reduction measure, the company has proposed delisting of its securities on the Delhi Stock Exchange Association Ltd., Delhi, and in line with the

SEBI regulations for voluntary delisting of securities, members' approval is sought by a special resolution. The proposed delisting is in the interest of the company and the Board commends the resolution for acceptance of the members.

Item No. 5

The company has been utilising electronic means for its information systems since 1983. It has, over the years, developed sufficient in-house expertise in the area of computer hardware and software including training in this field. The company proposes to leverage this in-house resource to offer software products and services as also engage in computer education field which will help the company in further enhancing its capabilities in this area.

Item No. 6

Pursuant to the enactment of the Depositories Act, 1996 the securities of the company have been included by Securities & Exchange Board of India (SEBI) for compulsory trading in dematerialised form effective from 26.3.2001.

The Depositories Act, 1996 has amended some of the provisions of the Companies Act, 1956 and the Securities Contracts (Regulation) Act, 1956 pertaining to issue, holding, transfer and dealing in the shares and other securities as also issue of relevant certificates so as to facilitate the introduction and implementation of Depository system. In order to bring the Articles of Association of the company in line with the above referred Acts, the Articles of Association of the company are required to be amended.

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

By order of the Board of Directors

ANANTH PRABHU
Company Secretary

Registered Office:

Honda, Sattari,
Goa 403 530.

Dated: 7th August, 2000.

AUTOMOBILE CORPORATION OF GOA LIMITED

DIRECTORS' REPORT

To the Members of Automobile Corporation Of Goa Limited.

Your Directors present their 20th Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2000.

Financial Results

	(Rs. in lacs)	
	For the Year	For the Previous Year
Loss for the year before providing for Depreciation	(611.63)	(144.80)
Provision for Depreciation	<u>300.06</u>	<u>303.65</u>
	300.06	303.65
Loss for the Year after providing for Depreciation	(911.69)	(448.45)
Excess Provision for Taxes of earlier years	14.67	1.80
Balance in Profit & Loss A/c brought forward from the previous year	<u>282.46</u>	<u>744.13</u>
	(614.56)	297.48
Appropriations:		
Debenture Redemption Reserve	—	15.02
Transfer from General Reserve	<u>614.56</u>	<u>—</u>
Balance carried to Balance Sheet	<u>—</u>	<u>282.46</u>

Dividend

Due to losses incurred, your Directors do not recommend payment of dividend on the Equity shares.

Operations

Sheet Metal Division

Despite a slight improvement in the overall volume of vehicles produced by Telco in the range serviced by the company, there was no appreciable increase in the sale volume due to a combination of factors leading to a very low capacity utilisation for the 3rd year in succession.

The major factors which affected the performance during the year were :-

- Reduction in prices enforced by the Customer due to severe competition.
- Steep hike in costs particularly in consumables and freight due to increases in the cost of petroleum products and the power tariff.
- Reduction in the production of the 207 family of vehicles at Telco.

Therefore while the overall capacity utilisation remained the same as in the year 1998-99, the value added as a percentage of sales was considerably eroded rendering the operations un-viable at lower volumes.

Efforts in volume growth and cost reduction however continued vigorously during the year under review. The status of various initiatives taken in this regard is as follows :

1) Oil Pan and Bed Plate for Tata cummins

Regular production and supply of Oil Pan and Bed Plate to Tata Cummins Ltd., commenced during the year. Being the major supply source for these products, the company expects that with Telco plan to convert exclusively to Cummins engines for its Heavy and Medium vehicle range, this business will contribute significantly to the operations during the current year.

2) Air Suspension System

Detailed evaluation and testing at Telco ERC of the Neway Air Suspension System being produced by the company in collaboration with Holland Neway International, USA, is nearing completion. The company expects Telco's approval to supply the systems on OEM basis in the later part of the current year. The company is confident that the successful launch of this product by Telco will open up a great opportunity for the company as a systems supplier of a proprietary product of international repute.

3) Piaggio Deliver Cabs

The fabrication and supply of complete Delivery Cabs for the Piaggio vehicle commenced during the year from the Jejuri unit -Pune.

Further efforts to broad base the product range have been initiated primarily with Telco to cater to their new range of commercial vehicles as also the Indica Car. Telco has offered six components for commercial vehicles, a part of which is already developed and supply commenced. Negotiations for the supply of components of the Indica Car are expected to be completed shortly, which will provide the much needed breakthrough in volume production.

The company has also identified other sheet metal pressings and development work is in progress to productionise these items during the current year.

Bus Body Division

The Bus Body Division also suffered due to steep hike in prices of petroleum products and the power tariff. Bus demand slumped as a result of withdrawal of Governments' financial support to institutional buyers.

The Bus Body Division therefore produced only 333 buses during the year under review as against 579 buses during the previous year. The drop was most severe in the domestic market segment. The export



demand marginally improved from 104 to 188 buses with a satisfactory inclusion of upper end 6HD Buses during the year under review.

The market outlook for the current year, even though subdued during the first quarter, is showing signs of pick up. The company has adopted an aggressive sales promotion policy with the full support of Telco to position and sell economy model staff buses at their sales points spread throughout the country.

The Bus Division has also obtained DGS & D registration. New model development is also being taken up to cater to the changing demands of the customers at the upper end of the market. Many overseas enquiries with Telco with which the company is closely associated appear to be nearing finalisation stage.

Various measures to control costs were initiated during the year under review at both the company's divisions.

1. The staff of the company accepted a five day working week with deferred payment/leave towards the non-working sixth day. The staff also accepted reduction in the canteen menu confirming their willingness to endure with forbearance the difficult times which the company is passing through. The staff members have further accepted a temporary freeze on promotions & increments effective December, 1998. The Board of Directors deeply appreciate the understanding exhibited by the staff members in recognizing and accepting these temporary measures in the long term interest of the company.

2. Voluntary Retirement Scheme

The company announced a Voluntary Retirement Scheme in line with the continued capacity reduction at both the divisions in the month of August, 1999. 167 employees opted for the scheme and have since separated, substantially reducing staff cost at both the Divisions.

Ashiyana Autobodies Limited (AAL)

Ashiyana Autobodies Limited in which the company holds 23% stake has suffered further losses during the year under review, inspite of rigorous efforts to improve business prospects. The Majority shareholder has brought in funds & supported the unit in other ways, demonstrating their faith in the long term revival of the company. Their efforts have yielded significant results with Telco obtaining its requirement of mini buses built by them for regular sale through their Dealer network. AAL has also made efforts at development of newer models and have offered to produce mini buses to other commercial vehicle manufacturers in the country.

The Board of Directors believes that these efforts will eventually revive AAL and contribute a fair return on the investments made by the company.

Finance

In view of the higher drawals from Cash Credit account as also increase in the term loans, the interest cost surged 27% during the year under review.

As planned, to augment the long term Working Capital requirement as also to meet other capital expenditure, a further term loan of Rs.110 million was raised from ICICI Limited during the year under review.

Non-convertible debentures of Rs. 20.20 million being the 1/3rd portion of 17% PCD's issued in 1992 were redeemed during the year as per the terms of the issue.

Year 2000 Compliance

As planned, the company's transition to the year 2000 was smooth and un-interrupted. No problems were reported from the supply chain consisting of customers, vendors, dealers and bankers.

Corporate Governance

The company has always practiced good Corporate Governance practices. The Board of Directors comprise of independent professional Directors with a senior executive on deputation from Telco appointed as the Managing Director at the request of the Board.

The Internal audit reports are regularly submitted to the Board for their review. A Board Committee was appointed in 1984 to approve share transfers, transmissions and to deal with other related issues.

The remuneration of the Managing Director and senior executives of the company have also been a part of the Boards' deliberations.

Other recommendations of the Securities Exchange Board of India in this regard will be implemented in due course.

Directors

Mr. A. N. Palwankar was appointed by Unit Trust of India as their Nominee Director on the Board with effect from 4.11.1999.

Dr. M. Modassir, resigned from the Board on personal reasons with effect from 4.8.2000. The Board has recorded its appreciation of the services rendered by Dr. Modassir during his tenure as Director.

Mr. D. N. Naik, 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.