



**AUTOMOBILE CORPORATION OF GOA LIMITED**  
**21st Annual Report 2001**



## AUTOMOBILE CORPORATION OF GOA LIMITED

### BOARD OF DIRECTORS

S. V. Salgaoncar	-	Chairman
D. N. Naik		
A. N. Palwankar	-	Nominee UTI
Andrew Gonsalvez	-	Managing Director (Upto 31.7.2001)
J. J. Singh	-	Managing Director (From 1.8.2001)
Ananth Prabhu		Executive Director (Commercial) & Secretary (From 21.3.2001)

### 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

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**21ST ANNUAL GENERAL MEETING**  
28th September, 2001.  
3.00 P.M.  
Honda, Sattari, Goa 403 530.

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## NOTICE

NOTICE is hereby given that the 21st Annual General Meeting of the Members of AUTOMOBILE CORPORATION OF GOA LIMITED will be held on Friday the 28th September, 2001 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, 2001 and the Balance Sheet as at that date and the Schedules and notes attached thereto.
2. To appoint a Director in place of Mr. S. V. Salgaocar, who retires by rotation and is eligible for reappointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS

4. To appoint a Director in place of Mr. J J Singh who was appointed as an additional Director of the company on 1.8.2001 by the Board of Directors to hold Office upto the date of forthcoming Annual General Meeting of the company under Section 260 of the Companies Act, 1956 (the Act) but is eligible for appointment as a Director liable to retire by rotation and in respect of whom the company has received a notice in writing under Section 257 of the Act, from a member proposing his candidature for the office of Director.
5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"Resolved that, in accordance with the provisions of Sections 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, including schedule XIII of the Act as amended upto date, the consent of the company be and is hereby accorded to the appointment of and terms of remuneration and perquisites granted to Mr. J. J. Singh who has been appointed by the Board of Directors as Managing Director of the company for the period

from 1.8.2001 to 31.7.2004 upon the terms, conditions and remuneration as set out in the draft Agreement submitted to this meeting and initialed by the Chairman for the purpose of identification, which agreement is hereby specifically sanctioned with the liberty to the Board of Directors to alter and vary the terms and conditions of such appointment and /or agreement in such manner as may be agreed to between the Board of Directors and Mr. J. J. Singh."

"Resolved further that, in the event of loss or inadequacy of profits in any financial year of the Company during the tenure of Mr. J. J. Singh as Managing Director, the remuneration and perquisites set out in the aforesaid agreement be paid or provided to him as minimum remuneration subject to applicable provisions of the Companies Act, 1956 as may be amended from time to time."

"Resolved further that for the purpose of giving effect to this resolution, the Board of Directors be and is hereby authorised to do all such acts, deeds, matters & things as may be necessary, usual and proper in the best interests of the Company."

"Resolved further that Mr. J. J. Singh shall automatically cease to be a Director of the Company upon his ceasing to hold the office of Managing Director of the Company."

6. To appoint a Director in place of Mr. Ananth Prabhu who was appointed as an additional Director of the company on 21.3.2001 by Board of Directors to hold Office upto the date of forthcoming Annual General Meeting of the company under Section 260 of the Companies Act, 1956 (the Act) but is eligible for appointment as a Director liable to retire by rotation and in respect of whom the company has received a notice in writing under Section 257 of the Act, from a member proposing his candidature for the office of Director.
7. 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 Sections 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, includ-

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ing schedule XIII of the Act as amended upto date, the consent of the company be and is hereby accorded to the appointment of and terms of remuneration and perquisites granted to Mr. Ananth Prabhu who has been appointed by the Board of Directors as Whole-time Director designated as Executive Director (Commercial) & Secretary of the company for the period from 21.3.2001 to 20.3.2006 upon the terms, conditions and remuneration as set out in the draft Agreement submitted to this meeting and initialed by the Chairman for the purpose of identification, which agreement is hereby specifically sanctioned with the liberty to the Board of Directors to alter and vary the terms and conditions of such appointment and /or agreement in such manner as may be agreed to between the Board of Directors and Mr. Ananth Prabhu."

"Resolved further that, in the event of loss or inadequacy of profits in any financial year of the Company during the tenure of Mr. Ananth Prabhu as Executive Director (Commercial) & Secretary, the remuneration and perquisites set out in the aforesaid agreement be paid or provided to him as minimum remuneration subject to applicable provisions of the Companies Act, 1956 as may be amended from time to time."

"Resolved further that for the purpose of giving effect to this resolution, the Board of Directors be and is hereby authorised to do all such acts, deeds, matters & things as may be necessary, usual and proper in the best interests of the Company."

"Resolved further that Mr. Ananth Prabhu shall automatically cease to be a Director of the Company upon his ceasing to hold the office of Wholetime Director of the Company."

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

"Resolved that the Authorised Share Capital of the company be and is hereby increased from Rs.10 crores divided into :

1,00,00,000 equity shares of Rs.10/- (Rupees Ten only) each to Rs.25,00,00,000 divided into 1,00,00,000 equity shares of Rs.10/- (Rupees Ten only) each and 15,00,000 Preference shares of Rs.100/- (Rupees hundred only) each and clause

V of the Memorandum of Association be altered accordingly."

9. 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 if any of the Companies Act, 1956 the Articles of Association of the company be altered by deleting the existing Article 4 and substituting in place thereof the following as Article 4:

4. The Authorised share capital of the Company is Rs.25,00,00,000/- (Rupees Twenty Five Crores only) divided into :-

1,00,00,000 equity shares of Rs.10/- (Rupees Ten only) each and 15,00,000 Redeemable Preference shares of Rs.100/- (Rupees hundred only) each"

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

"Resolved that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the company be and is hereby altered as follows:

- I) Article 71 is altered to read as:

71. Subject to the provisions of section 80 of the Act, the Company shall have power to issue Preference Shares. The company in general meeting may prescribe the terms and conditions, including the rights and privileges subject to which such Preference shares are to be issued or may authorise the directors to prescribe the terms and conditions, including the rights and privileges subject to which such Preference shares are to be issued.

- II) The following new Article, numbered as Article 112A be Inserted after the existing Article 112.

112A. The company may decide to pass any resolution by postal ballot on business requiring approval of shareholders. The Company shall do so by sending notices to all the Shareholders, along with the draft resolution explaining the reasons, and requesting a postal ballot within a



period of 35 days from the date of posting of such notice. The company shall appoint a Scrutineer, who is not in the employment of the company to conduct the postal ballot voting process. The Scrutineer shall submit his/her report on or before the expiry of such period from the date of issue of Notice as may be statutorily applicable from time to time. All the papers of postal ballot shall vest in the Scrutineer's custody till the Chairman considers, approves and signs the minutes. If the resolution is assented to by requisite majority of Shareholders by means of postal ballot, it shall be deemed to have been passed at a General Meeting of members.

III) Article 179(23) is altered to read as: -

179(23). Generally subject to the provisions of the Act and these Articles, to delegate powers, authorities and discretion vested in the Directors to any person, firm, company or fluctuating body of persons as aforesaid, provided that such delegation(s) shall stand withdrawn forthwith on the cessation of service of delegatee by any reason whatsoever.

iv) Article 213 (c) 1 and 2 shall stand deleted

11. 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 80, 81, 81(1A) and other applicable provisions if any, of the Companies Act, 1956 and Article 71 of the Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors to issue, offer and allot upto 12,50,000 Redeemable Preference Shares of Rs.100/- each at par and upon such terms and conditions and with such rights and privileges as may be decided by the Board of Directors in one or more private offerings including private placement to financial and investment Institutions, mutual funds or bodies corporate in one or more tranches at such time or times as may be decided by the Board in its discretion."

"Resolved further that without prejudice to the generality of the above, the Board is hereby authorised to determine utilization of the issue proceeds, rate

of dividend (including terms for cumulation or otherwise), period and manner of redemption (including by conversion to equity) and all such terms as are provided in offerings of a like nature, in the best interests of the Company."

"Resolved further that the Board of Directors of the company be and it is hereby authorised to do all such acts, deeds and things as it may in its sole discretion consider necessary, desirable, expedient or proper for the purpose of giving effect to this resolution."

By order of the Board of Directors

**ANANTH PRABHU**

*Executive Director (Commercial)  
& Secretary*

*Registered Office:*

Honda, Sattari,

Goa 403 530.

Dated: 20th August, 2001

#### 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 to 11 set out above is annexed hereto.

(c) The Register of Members and Transfer Books of the Company shall remain closed from Friday the 14th September, 2001 to Tuesday the 18th September, 2001 (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. No claims will lie against

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the company or the Investor Education and Protection Fund in respect of the said unclaimed dividend amount transferred to the fund. Members may kindly take note of the aforesaid statutory change and may lodge their claims for unpaid dividend if any, with the Company's Registrar and Transfer Agents-M/s Sharepro Services at the address mentioned in the Annual Report.

- (e) As per Circular No.SMDRP/POLICY/CIR-23/2000 dated 29th May, 2000, issued by SEBI, your company's equity shares have been brought under compulsory demat w.e.f. March, 2001. The company has entered into a Tripartite Agreements with National Securities Depository Limited (NSDL), and Central Depository Services (India) Limited (CDSL) and the Registrars, M/s Sharepro Services for dematerialisation of shares. ISIN allotted to the company is INE451C01013 and has been made live on CDSL and NSDL Systems from February, 2001. With this the members will have an option to hold their shares in demat either through NSDL or CDSL. All members are requested to make use of this facility.
- (f) Members who are holding shares under more than one folio number (in the same order) are hereby requested to send the relative share certificates to the Registrars, M/s Sharepro Services, Satam Industrial Estate, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai-400 099 for consolidation of the entire holding in one folio. The share certificates will be returned by Registered post after consolidation.

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

##### Item Nos. 4 to 7

Mr J.J.Singh and Mr.Ananth Prabhu were appointed as Additional Directors by the Board of Directors at their meetings held on 31<sup>st</sup> July and 21<sup>st</sup> March, 2001 respectively. As per Section 260 of the Companies Act 1956, Mr. Singh and Mr. Prabhu hold office till the forthcoming Annual General Meeting of the members of the Company. Notices have been received from some members proposing the appointment of Mr. Singh and Mr. Prabhu as Directors liable to retire by rotation and resolutions at Items No. 4 and 6 have accordingly been proposed. Except Mr. J J Singh and Mr. Ananth Prabhu none of the Directors shall be deemed to be concerned

or interested in the proposed resolutions.

The Board of Directors has also appointed Mr. J.J.Singh as Managing Director for a period of three years from 1<sup>st</sup> August, 2001, and Mr. Ananth Prabhu as Whole Time Director designated as Executive Director (Commercial) & Secretary for a period of five years with effect from 21<sup>st</sup> March 2001 at the aforesaid Board Meetings. The Board of Directors approved the terms of appointment and remuneration payable to Mr.Singh and Mr. Prabhu at their meeting held on 31<sup>st</sup> July, 2001 subject to the approval of the members.

Mr.J.J. Singh - 56, is a Mechanical Engineer and joined Telco as a Graduate Trainee in 1970. During his long career with Telco, Mr. Singh has held various responsible positions in Foundry, Maintenance, Fabrication, Engines, Axles and High Tech machines. Prior to joining the company, Mr. Singh was Dy. General Manager (Auto Production) at Telco, Pune.

Mr. Ananth Prabhu - 53, is a Science Graduate and is also a member of the Institute of Company Secretaries of India. Mr. Prabhu joined the Company in March, 1982. During his long career with the company, Mr. Prabhu was assigned various responsibilities - notably in materials, purchase and other commercial functions, in addition to his responsibilities as Company Secretary.

The draft agreements between the company and Mr. J. J. Singh and between the Company and Mr. Ananth Prabhu respectively contain the following principal terms and conditions:

- i. Mr. J. J. Singh as Managing Director and Mr. Ananth Prabhu as Executive Director (Commercial) & Secretary shall carry out such duties as may be entrusted to each of them subject to the supervision and control of the Board of Directors.
- ii. Tenure of Agreements :
  - Mr. J J Singh : August 1, 2001 to July 31, 2004
  - Mr. Ananth Prabhu : March 21, 2001 to March 20, 2006.
- iii. Remuneration:
  - a. Mr. J J Singh shall be paid a salary in the scale of Rs. 30,000 - Rs. 1,00,000 per month and Mr.





Ananth Prabhu shall be paid a salary in the scale of Rs. 20,000 - Rs. 60,000 per month with authority to the Board, which expression shall include a Committee thereof, to fix their salaries within the above scales from time to time. The annual increments shall be merit based and take into account the Company's performance.

**b. Commission :**

Such remuneration by way of commission, in addition to the salary and perquisites and allowances payable, calculated with reference to the profits of the Company in a particular financial year, as may be determined by the Board of Directors of the company at the end of each financial year, subject to the overall ceilings stipulated in Sections 198 and 309 of the Companies Act, 1956. The specific amount payable to each of them shall be based on certain performance criteria to be laid down by the Board and shall be payable annually after the Annual Accounts have been approved by the Board of Directors and adopted by the Members.

**c. Perquisites and allowances :**

In addition to the salary and commission payable, Mr. J J Singh and Mr. Ananth Prabhu shall each be entitled to perquisites and allowances such as accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance, together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings, repairs, servants salaries, society charges and property tax; medical reimbursement, medical/accident insurance, leave travel concession for himself and his family; club fees and such other perquisites and allowances; in accordance with the Rules of the company or as may be agreed to by the Board of Directors and the appointee; such perquisites and allowances will be subject to a maximum of 160 % of annual salary.

- For the purposes of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost.

Provision for use of the Company's car for official duties and telephone at residence shall not be in-

cluded in the computation of perquisites and allowances for the purpose of calculating the said ceiling. Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund, to the extent these either singly or together are not taxable under the Income-tax Act, Gratuity payable as per the rules of the company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

iv. Minimum remuneration : Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the appointee, the profits are inadequate, the company will pay remuneration by way of salary, perquisites and allowances as specified above, subject to the provisions of schedule XIII of the Act.

v. The terms and conditions of the said appointment and/or Agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit within the maximum amount payable to the appointee(s) in accordance with Schedule XIII to the Act or any amendments made hereafter in this regard.

vi. The Agreements may be terminated by either party giving the other party three month's notice, or the company paying three months remuneration in lieu of the notice.

vii. If at any time Mr. J. J. Singh and/or Mr. Ananth Prabhu ceases to be a Director of the company for any cause whatsoever, he shall cease to be respectively the Managing Director / Whole-time Director of the company. If at any time the appointee ceases to be in the employment of the company for any cause whatsoever, he shall cease to be a Director of the company.

viii. Mr. J. J. Singh and Mr. Ananth Prabhu shall not be entitled to supplement their earnings under the Agreement(s) with any buying or selling commission. They shall also not become interested or otherwise concerned directly or through wife and/or children in any selling agency of the company, without the prior approval of the Central Government. Mr. Ananth Prabhu has been in whole time employment of the Company as Company Secretary. His elevation to the Board of Directors and appointment

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as Executive Director(Commercial) & Secretary may have the effect of his holding an office or place of profit under the Company under section 314 of the Act. This would require approval of the shareholders by way of a Special Resolution. In compliance with the provisions of Sections 269, 314 and 309 of the Companies Act, 1956, the terms of remuneration specified above are now being placed before the Members in General Meeting for their approval by way of an Ordinary Resolution in case of Mr. J. J. Singh and by way of a Special Resolution in the case of Mr. Ananth Prabhu.

- ix. The draft Agreements between the company and the appointee(s) are available for inspection by the Members of the company at its Registered Office between 9.00 a.m. and 12.00 noon on any working day of the Company.
- x. This may be treated as an abstract of the draft Agreements between the Company and the appointee(s) pursuant to Section 302 of the Companies Act, 1956.
- xi. Mr. J. J. Singh is concerned or interested in item No. 5 of the Notice and Mr. Ananth Prabhu is concerned or interested in item No. 7 of the Notice.

**Item Nos. 8, 9 and 11**

Consequent upon a restructuring plan drawn by the company and under consideration of ICICI, the Company will be required to recapitalise the capital structure of the Company by issuing to the lenders, promoters and such other persons as may be willing to subscribe such shares, as decided by the Board. As the exact details of recapitalisation are under finalisation, it is proposed to enhance the Authorised Capital of the Company by creation of 15,00,000 Redeemable Preference shares of Rs.100/- each with power to the Board of Directors to issue them in such manner as may be considered beneficial in the inter-

est of the Company. The Memorandum of Association and the Articles of Association of the Company are therefore proposed to be amended to make room for enhancement of Authorised Share Capital of the Company from Rs.10,00,00,000 to Rs.25,00,00,000.

The promoters, financial institutions, banks and such other persons who will be willing to subscribe to such issue will be approached after finalisation of the exact nature of such further issue. The proposed resolutions seek to authorize the Board of Directors to issue such shares to persons other than the holders of equity shares of the Company as at the date of such further issue of capital in any manner whatsoever.

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

**Item No.10.**

The amendments proposed at item No.10 of the Notice seek to align the Articles of Association of the Company in line with Statutory amendments to the Companies Act, 1956 and certain changes considered necessary to reflect the current practice.

The Memorandum and Articles of Association of the Company are available for inspection on any working day between 9.00 a.m. & 12.00 p.m. at the Registered office of the Company.

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

By Order for the Board of Directors

**ANANTH PRABHU**  
Executive Director (Commercial)  
& Secretary

Registered Office:  
Honda, Sattari,  
Goa 403 530.  
Dated: 20th August, 2001





## DIRECTORS' REPORT

To the Members of Automobile Corporation Of Goa Limited.

Your Directors present their 21st Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2001.

### Financial Results

	(Rs. in lacs)	
	For the Year	For the Previous Year
Loss for the year before providing for Depreciation	(845.62)	(611.63)
Provision for Depreciation 283.79		300.06
	283.79	300.06
Loss for the Year after providing for Depreciation (Short)/Excess Provision for	(1129.41)	(911.69)
Tax in respect of earlier years	(2.54)	14.67
Balance in Profit & Loss A/c brought forward from the previous year	—	282.46
	(1131.95)	(614.56)
Appropriations:		
Transfer from Investment Allowance Reserve	213.50	—
Transfer from Debenture Redemption Reserve	120.02	—
Transfer from General Reserve	288.87	614.56
Deficit carried to Balance Sheet	(509.56)	—

### Dividend

As the company has suffered loss during the year under review, the company is unable to declare a dividend on the Equity shares.

### Operations

#### Sheet Metal Division

Contraction of demand with escalating input costs and reduction in prices in view of mounting competition had a deleterious effect on the operations of the Sheet Metal Division. Eventhough in volume terms there was a slight improvement in the off-take vis-a-vis the previous year, the overall operations have resulted in loss.

All efforts to reverse this situation have proved futile in view of off-take being much below the economic batch sizes. Unless the commercial vehicle industry comes out of the long recessionary phase that it has been passing through for the last 3 years, there appears to be no possibility of coming out of the present situation.

The location of the main factories at Goa - away from the availability of raw material as well as the market for the products - is proving to be a big stumbling block in getting new business. Most automobile manufacturers on whom the ancillaries like ours depend, invariably expect the vendors to be around their factories to avoid transportation, packing, handling and other costs associated with long distance vendors.

Nevertheless, the company has, with the help of promoters and ICICI - drawn up a restructuring plan which is under their consideration.

#### Bus Body Division

The Bus Division has once again been able to produce a very low volume of only 269 buses for the year ended 31.3.2001, due to lack of demand.

Ever since its inception, the bus division has fared poorly, notching up losses almost every year in which it has operated so far. In spite of excellent infrastructure and technology, the division has not been able to position itself in the bus market of the country, mainly due to :-

- i) High cost of production,
- ii) Stiff competition from the unorganised sector,
- iii) High break-even due to large investments made.

Your company has made continuous efforts to find a lasting solution to this endemic problem. The restructuring plans submitted to ICICI also deal with this issue.

**AUTOMOBILE CORPORATION OF GOA LIMITED****Air Suspension System**

The Air suspension systems for which the company has collaborated with M/s Holland Neway Intl. Inc., USA (HNI) (formerly known as Neway Anchorlok International) has had to make a very slow progress owing to the long homologation/testing procedure of Telco. The commercial production of Tata Bus chassis with the HNI Air Suspension System is now expected to commence by end August, 2001. The company is hopeful of achieving steady sales once the chassis fitted with such systems are available to customers across the country.

**Finance**

As the cash losses continued unabated, the operations of the company suffered due to cash crunch. To keep the operations continuing, the company had to resort to short term borrowings in the form of Inter Corporate Deposits from the promoters - Telco. The amount raised upto 31.3.2001 was Rs.2,75,00,000/-.

A further Rs. 1,40,00,000/- has been raised as at the end of August, 2001 making a total of Rs. 4,15,00,000/- in the form of ICDs from Telco. Rs.2.02 crores - being the second instalment of redemption of 17% NCDs issued in 1992 was paid on 31.12.2000. The last instalment is due on 31.12.2001.

The promoters Telco and EDC, and the Unit Trust of India have been requested to consider conversion of Debentures - with accumulated interest to Preference shares and this issue is under the consideration of UTI.

The first instalment of principal amounting to Rs. 78,57,142/- in respect of Term Loan of Rs.11.00 crores availed from ICICI in 1998 fell due on 15th May, 2001. ICICI has been requested to grant a moratorium of 2 years - with other reliefs as outlined in the restructuring plan submitted to them.

**Restructuring plans :**

The Company has submitted a Restructuring plan to

ICICI in June, 2001 outlining a turnaround plan which has been drawn in consultation with Telco. The Plan includes :-

- i) Enhancing Capacity Utilisation with additional load in Pressings and Bus divisions.
- ii) Substantial reduction in costs - through an Employee Separation Scheme and other measures.
- iii) Recapitalisation of the Capital Structure by issue of Preference Shares.

The plan is under consideration of ICICI. In the meanwhile, the company is in the process of enhancing capacity utilisation as per plans. Necessary resolutions to enable the Board to issue Preference Shares have been included in the Notice convening the Annual General Meeting for the consideration of the members.

**Audit Observations****1. Note 5 Schedule 16 - "Going Concern"**

The Auditors have made a reference to the fact that the accounts have been drawn on a "going concern" basis in the context of continuous losses made from the financial year 1998-99. Even though, measured against many parameters as contained in Standard Accounting Practice No.16 issued by the Institute of Chartered Accountants of India, the financial indicators lead to the conclusion that the "going concern" basis is in doubt, the fact that a restructuring plan has been drawn and is being finalised in consultation with the promoters and the main lenders leads to optimism. The Directors are hopeful that with the successful implementation of the restructuring plan, the company will eventually turn the corner and return to the path of profitability and growth.

**2. Note 6 Schedule 16 - Investment in Ashiyana Autobodies Limited**

The Auditors have drawn the attention of members to the investment made (Rs.45.50 lacs) in Ashiyana Autobodies Ltd., in 1998, in view of further losses incurred by that company. The majority shareholders have, as in the past years, made ef-