



**AUTOMOBILE CORPORATION OF GOA LIMITED**  
**22nd Annual Report 2002**



## AUTOMOBILE CORPORATION OF GOA LIMITED

### BOARD OF DIRECTORS

S. V. Salgaocar	Chairman
D. N. Naik	
P. F. X. D'Lima	
P. M. Telang	
R. S. Thakur	
J. J. Singh	Managing Director
Ananth Prabhu	Executive Director & Secretary

### 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.

**22nd ANNUAL GENERAL MEETING**  
**25th September, 2002.**  
**3.30 P.M.**  
**Honda, Sattari, Goa 403 530.**

## AUTOMOBILE CORPORATION OF GOA LIMITED



## NOTICE

NOTICE is hereby given that the 22<sup>nd</sup> Annual General Meeting of the Members of AUTOMOBILE CORPORATION OF GOA LTD., will be held on Wednesday, the 25<sup>th</sup> September, 2002 at 3.30 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 31<sup>st</sup> March 2002 and the Balance Sheet as at that date.
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 and fix their remuneration.

**SPECIAL BUSINESS**

4. To consider and, if thought fit, to pass with or without modification the following resolution.

"Resolved that in partial modification of the resolution passed at the 20<sup>th</sup> annual general meeting in this regard, sub clause 9A approved for insertion in the Memorandum of Association be inserted as clause 50 under '(C) Other objects' in the Memorandum of Association of the Company".

5. To appoint a Director in place of Mr. P F X D' Lima who was appointed as an Additional Director of the Company on 30.7.2002 by the Board of Directors to hold Office up to the date of forthcoming Annual General Meeting of the Company under Section 260 of the Companies Act, 1956 but is eligible for appointment as a Director liable to retire by rotation and in respect of whom the Company has received a notice from a member proposing his candidature for the office of Director.
6. To appoint a Director in place of Mr. P M Telang who was appointed as an Additional Director of the Company on 30.7.2002 by the Board of Directors to hold Office up to the date of forthcoming Annual General Meeting of the company under Section 260 of the Companies Act, 1956 but is eligible for appointment as a Director liable to retire by rotation and in respect of whom the Company has received a notice from a member proposing his candidature for the office of Director.
7. To appoint a Director in place of Mr. R S Thakur who was appointed as an Additional Director of the Company on 30.7.2002 by the Board of Directors to hold Office up to the date of forthcoming Annual General Meeting of the company under Section 260 of the Companies Act, 1956 but is eligible for appointment as a Director liable to retire by rotation and in respect of whom the Company has received a notice from a member proposing his candidature for the office of Director.

**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 7 set out above is annexed hereto.
- (c) Register of Members and Transfer Books of the Company shall remain closed from the 10<sup>th</sup> September 2002 to 20<sup>th</sup> September 2002 (both days inclusive).
- (d) As required under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules 1978, the Company has transferred all unclaimed dividends declared for and up to the financial year ended 31.3.1995 to the Central Government - General Revenue account. Members may approach the Registrar of Companies at the following address along with their claim in Form II of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules 1978.

The Registrar of Companies  
Company Law Office  
Plot No. 21, EDC Complex,  
Patto Plaza, Panaji, Goa 403 001.

As per the provisions of Section 205A read with 205C of the Companies Act, 1956, the Company is required to transfer the dividends declared for the financial year ended March 31, 1996 and onwards which remain unpaid or unclaimed for a period of 7 years to the Investor Education and Protection Fund set up by the Central Government. **It may be noted that no claims will lie against the Company or the Investor Education and Protection Fund in respect of the said unclaimed dividend amount transferred to the Fund.** Members who have not claimed their dividends for the financial year ended March 31, 1996 and onwards are requested to lodge their claim with the Company's Registrar and Transfer Agents - Sharepro Services at the address mentioned in the Annual Report.

By order of the Board of Directors

(ANANTH PRABHU)

Executive Director (Commercial)  
& Secretary

Registered Office :  
Honda, Sattari,  
Goa 403 530

Dated : 20<sup>th</sup> August, 2002

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.****Item No. 4**

At the 20<sup>th</sup> Annual General meeting of the members of the Company, the members passed a special resolution amending the Memorandum of Association of the Company to include computer hardware and software business in the objects of the company. The Registrar of Companies has instructed that the amendment must be shifted from the 'main objects' to 'other objects'. The resolution is proposed to comply with this requirement.

**Item Nos. 5, 6 & 7**

The Board of Directors appointed Mr. P F X D' Lima, Mr. P M Telang and Mr. R S Thakur as Additional Directors at their meeting held on 30<sup>th</sup> July 2002. Under Section 262 of the Companies Act, 1956 read with Article 154 of the Articles of Association of the Company, they hold office till the forthcoming Annual General Meeting.

Notices have been received from some members as required under Section 257 of the Companies Act, 1956 proposing their candidature for appointment as Directors. Brief particulars of the Directors being appointed are given in the annexure.

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

By order of the Board of Directors

(ANANTH PRABHU)

Executive Director (Commercial)  
& Secretary

Registered Office :  
Honda, Sattari,  
Goa 403 530  
Dated : 20<sup>th</sup> August, 2002



**Information on Director retiring by rotation seeking re-appointment and Additional Directors seeking appointment at this Annual General Meeting**

Name	Mr. D. N. Naik	Mr. P. F. X. D'Lima	Mr. P. M. Telang	Mr. R. S. Thakur
Date of Birth & Age	April 15 <sup>th</sup> , 1934 - 68 years	December 12 <sup>th</sup> , 1941 - 61 years	June 21 <sup>st</sup> , 1947 - 55 years	September 6 <sup>th</sup> , 1948 - 54 years
Appointed on	28.9.2000	30.7.2002	30.7.2002	30.7.2002
Qualification	M. Com. L.L.B.	B.E. (Mechanical Engineering)	B.E. (Mechanical Engineering) MBA (IIM, Ahmedabad)	M. E. Diploma in Business Management Graduate- Institute of Chartered Management Accountants (London)
Expertise in specific functional areas	Mr. D. N. Naik is Managing Partner of M/s Narcinva Damodar Naik - Main Dealers in Goa for Tata Engineering Commercial vehicles. He is also Chairman and Founder of Manovikas Trust, (Educational Public charitable Trust), President Seva Samiti, (Charitable Educational Society) Pioneer in womens education; President, Managing Committee, Shree Laxminarcinva Devasthan; Founder Chairman, Chinmaya Mission Margao Centre and Chairman Matruchaya Trust, (Orphanage).	Mr. P. F. X D'Lima has 38 years industrial experience, 18 years of which at Board level. He has expertise in the areas of Iron & Steel and Coke making Technology. Machine and Shipbuilding, Maintenance and other Engineering Projects. Mr. D'Lima is currently the Chairman of EDC Limited.	Mr. P.M.Telang has been with Tata Engineering for 30 years and is currently Sr. Vice President (Operations) Commercial Vehicle Business Unit Tata Engineering - Pune Works. Before joining Tata Engineering, Mr. Telang was with Larsen & Toubro Ltd., Mumbai for 3 years.	Mr. R. S. Thakur has been with Tata Engineering for 30 years and has shouldered responsibilities in the area of Manufacturing Engineering, Corporate Finance & Works Accounts. Mr. Thakur also has expertise in the area of Project/Process Planning & Execution. Mr. Thakur is currently General Manager (Corporate Finance) Tata Engineering at Corporate Office, Mumbai
Directorships held in other Public companies (excluding foreign companies)	Titan Time Products Ltd.	EDC Limited	Tata Holset Limited Tata Cummins Limited	Nil
Memberships/ Chairpersonships of committees across public Companies	Nil	Nil	Nil	Nil



## DIRECTORS' REPORT

To the members of Automobile Corporation of Goa Limited.  
Your Directors present their 22<sup>nd</sup> Annual Report and the audited Statement of Accounts for the year ended 31<sup>st</sup> March 2002.

### Financial Results

(Rs. In lacs)

	2001-02	2000-01
Loss for the year before Providing for Depreciation	(438.37)	(845.62)
Provision for Depreciation	269.58	283.79
	<u>269.58</u>	<u>283.79</u>
Loss for the year after Providing for Depreciation (Short)/Excess Provision for	(707.95)	(1,129.41)
Tax in respect of earlier years	-	(2.54)
Balance in Profit & Loss A/c Brought forward from the Previous year	(509.56)	-
	<u>(1,217.51)</u>	<u>(1,131.95)</u>
Appropriations:		
Transfer from Investment Allowance Reserve	-	213.50
Transfer from Debenture Redemption Reserve	-	120.02
Transfer from General Reserve	1.41	288.87
Deficit carried to Balance Sheet	<u>(1,216.10)</u>	<u>(509.56)</u>

### Dividend

In view of the loss for the year, the Directors have not recommended a dividend.

### Operations

In pursuance of restructuring plans drawn in June 2001, major initiatives to improve the operational and financial performance of your Company were taken towards:

- Cost reduction
- HRD initiatives
- Operational efficiency and quality improvements
- Broad basing customer portfolio

As a result of these initiatives, the loss for the year has witnessed a marked reduction compared to the previous year. These initiatives are expected to further improve the performance of your Company during the current year.

### Sheet Metal Division

The capacity utilization at 56% (in terms of press strokes) continued to be below economic volume. However, to offset the lower capacity utilization, aggressive cost reductions

resulted in a saving of Rs 106 lakhs during the year. The main plant of the Sheet Metal Division in Goa obtained certification under QS 9000. Various operational improvement initiatives such as KAIZEN, SQDCM etc. were undertaken during the year. These new tools fostered the involvement of all employees in the Company's operations. As a measure of cost reduction, the warehouse at Pune was closed in consultation with Tata Engineering to save on repetitive transport and handling costs. Steps at broad basing the customer portfolio have met with reasonable success.

### Bus Body Division

The bus market declined substantially during the year. However, with a revival in the commercial vehicle market, demand picked up during the last quarter of the financial year when 215 buses were produced. With the continued growth in commercial vehicles, the Bus Body Division is expected to witness a better performance in the current year. Cost reduction exercises resulted in a saving of Rs. 45 lakhs. The Division also expanded its customer base by building bodies on chassis other than Tata. The Company has been able to leverage its capabilities in design and development of bus bodies by successfully executing a turnkey assignment for the design, tooling and proto-type development of a bus body for a major automobile manufacturer. With a view to consolidate its competency in design and development, the Bus Body Division has made investments in acquiring sophisticated design software and hardware. Operational improvement initiatives mentioned earlier were successfully implemented in the Bus Body Division as well.

### HRD and Industrial Relations

Training sessions in quality and productivity improvements were held with the help of external faculty. Sessions on management principles such as Empowerment, Total Productivity Management and Total Quality Management were also conducted to train the employees to face the increasingly competitive business environment. Labour relations continued to be cordial at both the divisions with close interaction of management and labour on all issues concerning the Company, which has paved the way for a conducive work environment in the plants.

### Finance

The restructuring plans drawn up by your Company as reported during the previous year have met with reasonable success in substantially improving the operational and financial performance of the Company. ICICI has sanctioned a reschedulement package consisting inter-alia, of a reduction in interest rate, funding of interest and postponement of repayment. This has given a major relief to the Company considering the difficult cash flow position in the early part of the year. The consortium of banks





consisting of State Bank of India and Syndicate bank has extended the working capital assistance to meet the operational requirements of the Company. With the help of Tata Engineering, the dues of Unit Trust of India in respect of Non Convertible / Privately Placed Debentures with accrued interest were cleared on one time settlement basis.

As a part of restructuring plans, the promoters have subscribed to Cumulative Non-convertible Preference Shares of the aggregate value of Rs. 9.20 crores on which a sum of Rs.3.20 crores has been paid up as of the date of this report. With this, the part pertaining to the recapitalisation of the capital structure of the Company stands completed.

#### Audit observations

##### 1. Para 2 (d) and 2 (f) (iii)

Note no. 8 of Schedule 15 – Investment in Ashiyana Auto Bodies Limited: The investment of Rs 45.50 lakhs representing a 23% stake in the Equity share capital of Ashiyana Auto Bodies Limited (AAL) was made in the year 1998. Even though AAL has incurred substantial losses exceeding its capital, the main promoters have brought in the necessary funds to maintain the operations of AAL. The Directors therefore are hopeful that AAL will in due course return to profitability and the long-term investment made will yield a reasonable return.

##### 2. Para 2 (f)

##### (i) Regarding preparation of accounts on going concern basis vide Note no. 6 of Schedule 15

The Auditors have made a reference to the applicability of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) in respect of preparation of accounts on a going concern basis.

As per the restructuring plans drawn by the Company, the promoters have subscribed to Cumulative Redeemable Non-convertible Preference shares of the aggregate value of Rs. 9.20 crores. A sum of Rs.3.20 crores has been paid up on these shares as of the date of this report and the balance payment is expected to be received by end October, 2002.

With this infusion of fresh capital, the Company does not come under the purview of Section 3 (1)(o) of the SICA. With most of the action plans of restructuring having now been implemented, the Directors are confident that the Company will quickly enter a period of consolidation, profitability and growth.

##### (ii) Regarding short provision of interest aggregating Rs. 27,52,752/- on loan from ICICI vide Note no. 7 of Schedule 15.

Pending fulfillment of certain covenants imposed by ICICI while sanctioning the restructuring package, the Company has accounted for interest at the reduced rate as confirmed by ICICI vide statement of account dated 9<sup>th</sup> April 2002.

As stated earlier, the condition of rising of share capital by issue of Preference shares of the aggregate value of not less than Rs. 5.00 crores to the promoters has already been fulfilled. Tata Engg. & Locomotive Co. Ltd., have informed the Company that the remaining covenants are being fulfilled shortly. The Directors therefore do not foresee any problem in this regard.

##### 3. Para 17 of Annexure to the Auditors' Report.

Consequent upon delay in disbursement of salaries for the months of May/June 2001, the payment of Provident Fund dues to the PF Trust were delayed which resulted in the payment of PF dues beyond the stipulated dates. There has been no recurrence of such delays.

##### 4. Para 20 of Annexure to the Auditors' Report – Applicability of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA):

The reference to BIFR mentioned by the Auditors is required to be made within sixty days of the approval of the accounts by the shareholders as per Section 15 of SICA. With the issuance of Preference shares aggregating to Rs 9.20 crores, this requirement now becomes in fructuous.

#### Corporate Governance

The report on Corporate Governance and the certificate from the Company's auditors confirming compliance of conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement is annexed to this report.

#### Directors

Mr. A N Palwankar relinquished office as Nominee Director of Unit Trust of India (UTI) on 9<sup>th</sup> December 2001. Ms. Shaila Jagtap who was appointed in place of Mr. Palwankar also has since vacated office consequent upon clearance of dues to UTI. The Board has placed on record the valuable advice and guidance rendered by Mr. A N Palwankar and Ms. Shaila Jagtap during their respective tenures as Directors of the Company.

The Board on 30.07.2002 appointed Mr. P F X D'Lima, Mr. P M Telang and Mr. R S Thakur as Additional Directors in terms of Article 154 of the Articles of Association of the Company. In accordance with Section 260 of the Companies Act, 1956 they hold office up to the date of the Annual General Meeting of the Company. Brief resumes of Mr. D'Lima, Mr. Telang and Mr. Thakur are given in the Explanatory Statement annexed to the notice of the meeting. The Directors recommend reappointment of Mr. D'Lima, Mr. Telang and Mr. Thakur in view of their rich experience, which will provide the necessary guidance at this crucial period.

In accordance with requirements of the Companies Act, 1956 and the Articles of Association of the Company, Mr. D N Naik retires by rotation and is eligible for reappointment.

## AUTOMOBILE CORPORATION OF GOA LIMITED

**Particulars of Employees**

Information in accordance with Sub Section (2A) of Section 217 of the Companies Act 1956 is not attached as no employee of the Company drew remuneration in excess of the stipulated limit during the year under review.

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

Information required under Section 217 (1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 and forming part of the Directors' report, is given as an annexure to this report.

**Directors' Responsibility Statement**

The Company is in compliance with various accounting and financial reporting requirements in respect of the financial statements for the period under review. Pursuant to Section 217 (2AA) of the Companies Act, 1956 and in respect of the annual accounts for the year under review, based on the representations received from the operating management, the Directors confirm that:

1. In the preparation of the annual accounts the applicable Accounting Standards have been followed along with proper explanation relating to material departures.
2. Appropriate accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company at the end of financial year and the loss incurred by the Company for that period.

3. Proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities have been taken to the best of their knowledge and ability.
4. The annual accounts have been prepared on a "going concern basis."

**Acknowledgements**

The Directors would like to place on record their deep appreciation of the timely help and support whole-heartedly extended by the Govt. of Goa, EDC and Tata Engineering during this difficult period in the history of the Company.

The Directors also wish to convey their appreciation to all the employees for their enormous efforts and collective contribution. The Directors would like to thank the employee unions, shareholders, customers, suppliers, bankers and other business associates for the continuous support given by them to the Company.

On behalf of the Board of Directors

(S. V. SALGAOCAR)  
Chairman

Place: PANAJI - GOA

Dated: 20th August, 2002

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## ANNEXURE TO 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

Conversion of Delta motors to Star motors on most of the machines like presses, shot-blasting machine etc. has resulted in lower energy consumption. Switching off compressors during idle times and monitoring of water pumps has also resulted in energy conservation.

Installation of timer on 800 Tonne press for putting off the machine automatically when the machine is idle for more than five minutes has also resulted in energy saving.

Even though the press utilization increased by 3.64 lakhs strokes during the year under review, the energy conservation exercises resulted in a net saving of Rs.11.50 lakhs.

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

#### FORM B

#### 1. Research and Development

- (i) Design & Development of Luxury bus on Ashok Leyland Viking Chassis using 6HD and 7HD format.
- (ii) Design & Development of Mini Luxury bus on Swaraj Mazda Chassis with specially developed front and rear show.
- (iii) Container body on LPT 1613/42 Chassis designed and productionised – which has potential market in white goods transportation.
- (iv) Design & Development of Ambulances fitted with CR – 15 SL A/c unit and folding stretchers along with provision for life saving medical equipment -productionised in a record time of 20 days.
- (v) SKD bus version made available to the export market - the first kit exported to Ukraine in March, 2002.
- (vi) Design & Development of Ultra Low Floor Monocoque bus for city bus application using Semi Low Floor format.
- (vii) Tarmac monocoque bus for Airport application designed & developed and launched during AUTO EXPO – 2002 Exhibition held at New Delhi.

#### 2. Benefits derived from R & D

1. Introduction of luxury buses on Ashok Leyland and Swaraj Mazda chassis has opened up the market for luxury buses on a variety of chassis.
2. Container body and special purpose Ambulance opens up special purpose vehicle market.
3. Scope for significantly widened Export market with the introduction of SKD bus version. Those Countries having infrastructure for bus body building will benefit from this alternative.
4. Introduction of Ultra Low Floor and Tarmac monocoque buses further expands the variety of such buses.

#### 3. Future Plan of Action:

- (i) Design & Development of Low cost bus on the Mahindra and Mahindra bus chassis.
- (ii) Design & Development of Ordinary bus with low cost options on Swaraj Mazda chassis.

- (iii) Design & Development of bus variants on Eicher F10.6 chassis such as:

- (a) School bus.
- (b) LHD Version for Export market

- (iv) New interiors and other fitments in ABS and development of Moulded Hat Rack for luxury segment
- (v) Development of new face for Light Commercial Vehicles such as LP709/38, LP407/31 etc.
- (vi) Development of 2.6 meter width bus to cater to the demand for bus width increase.
- (vii) Development of new style dashboards for 6HD and 7HD buses.
- (viii) CAD Software up-gradation through Finite Element Analysis (FEA)

#### 4. Expenditure on Research and Development

a) Capital	Rs. 1,37,952.80
b) Recurring	Rs.10,63,235.44
c) Total	Rs.12,01,188.24
d) Total R & D expenditure as	
A percentage of total turnover	0.25%

#### II. Technology Absorption, Adaptation and Innovation

- a) Technology imported:
  - i) Technology for building Monocoque Buses as per Technical Collaboration Agreement with Fuji Heavy Industries Ltd., Japan (FHI)
  - ii) Technology for manufacture, sale and service of Air Suspension Systems as per Technology License Agreement with Holland Naway International Inc. Muskegon, Michigan, USA (HNI).
- b) Year of import:
  - i) 1997-1998
  - ii) 1999-2000
- c) Has technology been fully absorbed: Technical Collaboration Agreements are under implementation.

#### C. 1. Exports

The Bus Body Division executed Export orders for 238 buses during the year under review.

#### 2. Foreign Exchange used and earned

Used - Rs. Nil

Earned – Rs.8,61,67,182/- towards Export of buses through a Merchant Exporter.

On behalf of the Board of Directors

(S. V. SALGAOCAR)  
Chairman

Place : PANAJI - GOA

Dated : 20th August, 2002



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### 1. Industry Structure and Development

The Company is engaged in the manufacture of pressed Sheet Metal Components, sub-assemblies and assemblies for automobiles as well as Bus Bodies.

#### i) Sheet Metal Components

The domestic pressed sheet metal components industry has been suffering from excess capacity since 1998-99. This has resulted in intense competition among the players, with those located closest to the customer gaining larger share of business over those such as your company, who are located away and have to incur considerable transport and handling costs. By imposing a 2% Entry Tax on steel, which is the sole raw material, the Govt. of Goa has further compounded the difficulties whereby the Company which was already bearing transportation cost for bringing in steel from outside the state had also to incur an additional cost of Entry Tax, thus rendering the business uncompetitive to the extent of 3% to 4% vis-à-vis units located at Pune. The combined Entry Tax and Sales Tax payable on steel in Goa works out to 6% as against Local Sales Tax of 4% within the state of Maharashtra. The Company has made several representations in this regard to the Govt. of Goa. Unfortunately this tax, which was to expire on 31.3.2002, has been further extended by the Govt., which will lead to the Company continuing to be uncompetitive in the industry. The Company is continuing with its efforts to impress upon the Govt. to withdraw this steep tax and hopes that the Govt. would respond favourably.

#### ii) Bus Bodies

With its considerable investment in technology and facilities, the Company had hoped for a good market share in domestic and export Bus markets. As the Central Motor Vehicle Rules do not impose any safety standards, the Bus Body industry in the country is proliferated by the un-organised bus body set ups mostly in the SSI sector, which enjoy considerable tax exemptions. The excise levy on buses when the chassis is in the name of the chassis manufacturer and total exemption when the chassis is not in the name of chassis manufacturer is a further disincentive for the motor vehicle manufacturers to invest in technology or associate themselves with organized bus body builders. The combined effect of Sales Tax and Excise Duty levies make the sale of buses by the organized sector through chassis manufacturers an unviable proposition.

### 2. Opportunities and Threats

The Company has made serious efforts to leverage its in-house capabilities in software development by tapping the market for customized software. In alliance with Tata Technologies Ltd, the Company participated in the tenders floated by Info Tech Corporation of Goa Ltd., for computerization of various Government departments. Even though the Company's bids were the lowest in many cases, the Corporation has so far not finalized the tenders. The Company is hopeful that these assignments, if awarded to the Company, will open up a considerable opportunity for further business development in this area.

With the customers expecting continuous price reductions and the very low value addition inherent in sheet metal pressings industry, units located away from customers such as ours face considerable threat of exclusion from the markets. This leaves no option but to look for alternate customers in the non-automotive industry where pressed sheet metal components are used such as white goods.

With its inherent design and engineering strengths and capabilities in volume production, the Bus Division has opportunities in the export and domestic niche markets where there is an appreciation of ACGL's product superiority. The outlook therefore for Sheet Metal

Division does not appear to be very encouraging, but reasonably optimistic for the Bus Body Division.

### 3. Risks and Concerns

#### Sheet Metal Components

The low capacity utilization coupled with high fixed costs poses a serious risk. The efforts being made to improve capacity utilization and reduce costs are expected to obviate this risk in the longer run. In an industry in which the value addition hovers at around 20-22%, high volume alone can provide the ability to cover fixed expenses and earn reasonable returns. On the other hand customers are unwilling to compensate for increases in input costs. Marginal continuous improvements in value addition through value engineering and other techniques will have to be focused upon to stay in business.

#### Bus Bodies

With the global players eyeing India, up-gradation of technology to face this threat becomes imperative. The change in the preference of commuters from the earlier conventional buses to newer and sleeker models is already evident. The Bus Body Division will therefore have to invest in developing newer and sleeker models and sophisticated fittings, notwithstanding the weakened financial position of the Company. Efforts are therefore being made to upgrade the offerings within the financial limitations of the Company.

### 4. Internal Control Systems

As the Company was promoted in the Joint Sector and has always been managed by professionals, the Company has had strong Internal Control Systems with checks and balances to ensure that they are effective and commensurate with the size and operations of the Company. The manufacturing and financial systems were computerized over a decade ago with built-in safe guards and transparency.

### 5. Financial and Operational Performance and Outlook

The initiatives taken to restructure the operations of the Company including rescheduling of debt, repayment of NCDs/Private Placed Debentures, closely monitoring working capital utilization and the resultant reduction in interest cost as also the serious cost cutting measures have all contributed to the overall improvement in the financial position of the Company. The fresh infusion of capital has, while warding off the applicability of the provisions of SICA, provided a much-needed fresh lease of life to the Company.

However, the capacity utilization at both the Sheet Metal and Bus Body divisions continues to be below break-even points. The thrust of the management for the year 2002-03 will be to substantially enhance the capacity utilization at both the divisions. As a result of the steps taken at restructuring, the Company has been successful in reducing the losses for the year ended March 31, 2002. The Company hopes to avoid cash losses altogether in the year 2002-03 eventually returning to profitability in due course.

### 6. Material Developments in Human Resources / Industrial Relations

The revision in the wages of the employees has not taken place for some years at both the divisions due to the losses suffered by the company continuously for four years. The management hopes to be able to address this issue at the appropriate time.

An Employee Separation Scheme was floated in January 2002 and about 150 employees from both the divisions have opted for the scheme. The Company expects to pay the agreed severance compensation to the applicants upon receipt of balance payment in respect of Preference Shares assured by the promoters.