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	
S. M. Kuvelker	
N. R. Menon	Managing Director
Ananth Prabhu	Executive Director (Commercial) & Secretary

Report Junction.com

AUDITORS

C. C. Chokshi & Co.

BANKERS

State Bank of India

HDFC Bank Ltd.

REGISTERED OFFICE

Honda, Sattari,
Goa 403 530.

SHARE REGISTRARS

TSR Darashaw Limited
6-10, Haji Moosa Patrawala Ind. Estate,
20, Dr. E. Moses Road,
Mahalaxmi,
Mumbai - 400 011.

27th ANNUAL GENERAL MEETING
29th June, 2007.
10.30 a.m.
at Honda, Sattari, Goa 403 530.

www.reportjunction.com

NOTICE

NOTICE is hereby given that the 27th Annual General Meeting of the Members of AUTOMOBILE CORPORATION OF GOA LTD., will be held on Friday, the 29th June 2007 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 & Loss Account for the year ended 31st March 2007 and the Balance Sheet as at that date.

2. To declare a Dividend for the year ended 31st March 2007.

3. To appoint a Director in place of Mr. S M Kuvelker, who retires by rotation and is eligible for reappointment.

4. To appoint a Director in place of Mr. P F X D'Lima, who retires by rotation and is eligible for reappointment

5. To appoint a Director in place of Mr. N R Menon, who retires by rotation and is eligible for reappointment.

SPECIAL BUSINESS

6. Appointment of Statutory Auditors

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

   "RESOLVED that subject to the provisions of Sections 224, 225 and other applicable provisions, if any, of the Companies Act, 1956, Messrs Deloitte Haskins & Sells, Mumbai, be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, in place of the retiring auditors Messrs C C Chokshi & Co, Chartered Accountants to examine and audit the accounts of the Company for the Financial Year 2007-08, at such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors, plus service tax, out-of-pocket, traveling and living expenses, the audit to be carried out at the various locations of the Company at periodic intervals."

7. Re-appointment of Mr. N R Menon as Managing Director

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

   "RESOLVED that in accordance with the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions (if any) of the Companies Act, 1956 and subject to such sanctions as may be necessary, the Company hereby approves the appointment of Mr. N R Menon, as the Managing Director for a period of three years from 1st August, 2007 upon terms and conditions 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 liberty to the Directors to alter and vary the terms and conditions of the said appointment and/or Agreement from time to time in accordance with Schedule XIII to the Companies Act, 1956, or any amendments thereto, as may be agreed to between the Board of Directors & Mr. Menon."

Notes:

(a) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, and details under Clause 49 of the Listing Agreement in respect of Directors seeking re-appointment is annexed hereto.

(b) 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.

   The Proxy forms should be lodged with the Company at its Registered Office at least 48 hours before the time of the meeting.

www.reportjunction.com

(c) Register of Members and Transfer Books of the Company shall remain closed from 20th June, 2007 to 22nd June, 2007 (both days inclusive).

(d) Dividend for the year, as approved by the members, shall be payable to those shareholders whose names appeared on the Register of Members on the record date, i.e., 18th May, 2007, fixed for this purpose. The dividend in respect of shares held in dematerialized mode will be payable to the beneficial owners as per the details furnished by the Depositories for this purpose.

(e) Members holding shares in dematerialized mode are requested to intimate all changes pertaining to their bank details, ECS, mandates, change of address/name etc. to their Depository participant only and not to the Company's Registrars and Transfer Agents.

(f) Members holding Share certificates under different folio numbers but in the same order of names are requested to apply for consolidation of such folios and send relevant Share certificates to the Registrars and Transfer Agents of the Company.

By order of the Board of Directors

Ananth Prabhu
Executive Director
(Commercial) & Secretary

Dated: 26th May, 2007

Registered Office:
Honda, Sattari,
Goa – 403 530.

Report Junction.com

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

Item No. 6:

i. The Company's Statutory Accounts have been audited by Messrs C C Chokshi & Co (CCC) since its incorporation.

ii. Vide letter dated 22nd May, 2007, CCC have stated that they do not offer themselves for re-appointment as statutory auditors of the Company.

iii. The Company has received a special notice from a Member of the Company, in terms of the provisions of the Act, signifying his intention to propose the appointment of Messrs Deloitte Haskins & Sells, Mumbai, (DHS) as the Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting. DHS have also expressed their willingness to act as Auditors of the Company, if appointed and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Act.

iv. The Members' approval is being sought to the appointment of DHS as the Statutory Auditors and to authorize the Board of Directors, on the recommendation of the Audit Committee, to determine the remuneration payable to the Auditors.

v. The Directors commend the resolution for acceptance by the Members.

Item No. 7:

The appointment of Mr. N R Menon as Managing Director for three years with effect from 1st August, 2004 was confirmed by the members at the 24th Annual General Meeting held on 11th September, 2004.

The Board of Directors at their meeting held on 19th May, 2007 recommended re-appointment of Mr. N R Menon for a further period of three years.

www.reportjunction.com

The salient terms of appointment are as follows:-

1. Tenure – 01.08.2007 to 31.07.2010

2. Remuneration

   A) Salary: Salary in the scale of Rs. 90,000 to Rs. 1, 50,000 per month with annual increments as may be decided by the Board based on merit and Company's performance; incentive remuneration, if any, and/or commission based on certain performance criteria to be laid down by the Board, benefits, perquisites and allowances as may be determined by the Board from time to time.

   B) Minimum Remuneration: If in any financial year during the term of appointment, the Company has no profit or its profits are inadequate, the Company will pay remuneration by way of salary, incentive remuneration, perquisite and allowances as specified above.

   The aggregate of remuneration as aforesaid shall be within the maximum limits as stipulated under Section 198, 309 and other applicable provisions and Schedule XIII to the Companies Act, 1956 as amended from time to time.

   The terms and conditions of appointment may be altered and varied from time to time by the Board as it may, in its discretion, deem fit. Either party giving the other party three-month's notice or the Company paying three months salary in lieu of notice may terminate the Agreement.

   If at any time the Managing Director ceases to be a Director of the Company for any cause whatsoever, he shall cease to be the Managing 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.

   This may be treated as an abstract of the draft agreement between the Company and the appointee pursuant to Section 302 of the Companies Act, 1956.

   Except Mr. N R Menon, none of the Directors is concerned or interested in the proposed resolution.

By order of the Board of Directors

Ananth Prabhu
Executive Director
(Commercial) & Secretary

Dated: 26th May, 2007

Registered Office:
Honda, Sattari,
Goa – 403 530.

www.reportjunction.com

Information on Directors retiring by rotation seeking re-appointment at this Annual General Meeting

Name	Mr. P F X D'Lima	Mr. S M Kuvelker	Mr. N R Menon
Date of Birth & Age	7th December, 1941 65 years	15th February, 1935 72 years	27th May, 1946 61 years
Appointed on	11th September, 2004	11th September, 2004	11th September, 2004
Qualification	B E (Mechanical Engineering)	B.Com, F.C.A	BE. (Metallurgy)
Expertise in Specific functional areas	Mr. P F X D'Lima has 38 years experience as an engineering manager in Larsen & Toubro, Hindustan Lever and Unilever PLC, London, including 18 years on the Boards of the Sesa Group of Companies. In addition, Mr. D'Lima was previously Chairman of EDC Limited and Director of Goa Institute of Management.	Mr. S M Kuvelker is a Chartered Accountant by profession. He started his practice in 1962 and was an advisor to a number of companies. He is associated with Garware Group of Industries since 1970.	Mr. Menon joined Tata Motors Ltd. as a Graduate Engineer in 1970 and has held various responsible positions in Machine Shop, Transmission Line, Differential Line as also Quality Systems such as ISO 9000, ISO 14001 and TS 16949. Mr. Menon has undergone training courses in Japan and Germany in connection with selection of machines/processes. Member ASM (India) Chapter
Directorships held in other public companies (excluding Foreign and private companies)	Nil	Garware Wall Ropes Limited Garware Capital Market Limited Garware Securities Broking Limited Garware Elastomerics Limited Garware Indus Consulting Limited Bestretch Elastomers International Limited Garware - Utzon (Cordage) Limited Gartex Industries Limited	Nil
Memberships/ Chairpersonships of Committees across public companies	Audit Committee Automobile Corporation of Goa Ltd. Remuneration Committee Automobile Corporation of Goa Ltd.	Audit Committee Garware Wall Ropes Limited - Chairman Garware Elastomerics Limited Automobile Corporation of Goa Ltd. Rights Issue Committee Automobile Corporation of Goa Ltd.	Investors Grievance Committee Automobile Corporation of Goa Ltd.

www.reportjunction.com

DIRECTORS' REPORT

To the members of Automobile Corporation of Goa Ltd.

Your Directors present their 27th Annual Report and the audited statement of accounts for the year ended 31st March 2007.

Financial Results

	2006/07	2005/06
Net Sales	**33210.53**	25403.04
Total Expenditure	**30205.98**	22978.77
Operating profit	**3004.55**	2424.27
Other Income	**365.88**	122.80
Earnings before Interest, Tax, Depreciation and Amortization	**3370.43**	2547.07
Interest	**20.06**	45.33
Cash Profit	**3350.37**	2501.74
Provision for Depreciation & Amortization	**234.04**	192.97
Profit before Tax	**3116.34**	2308.77
Provision for Tax (net)	**1079.61**	781.18
Balance in Profit & Loss A/c brought forward from the previous year	**493.39**	552.00
Profit available for appropriation	**2530.11**	2079.59
Appropriations:		
Preference Dividend	**–**	55.02
Equity Dividend	**493.97**	395.18
Corporate Dividend tax	**83.95**	63.14
Transfer to General Reserve	**203.70**	152.80
Transfer to Capital Redemption Reserve	**–**	920.06
Balance carried to Balance Sheet	**1748.48**	493.39

Rs. In Lakhs

Dividend

The Directors recommend payment of Rs. 10/- per share (100%) as dividend on the equity shares of the Company as on the record date i.e. 18th May, 2007 for the year.

Operations

The year under review established new records for volumes, revenues and profits. The revenues as a whole grew by over 31% from Rs. 255.25 Crores in 2005/06 to 335.76 Crores. Cost reduction efforts maintained the previous year's tempo resulting in saving of Rs. 4.35 Crores during the year.

As informed to the members in the last report, an expansion and modernisation plan has been drawn entailing an investment of approximately Rs. 70 Crores .Implementation of this plan is in full swing. A separate Projects group has been established to oversee the smooth implementation of the expansion and modernisation program.

Sheet Metal Division

The pressings business achieved a growth of 13% over the previous year. A Lean Manufacturing Program has been launched at the main Pressings unit at Goa which is expected to improve the plant efficiency significantly. The learning from this experiment will be transferred to other pressings units of the Company upon completion of this program in the current year.

www.reportjunction.com

The Company is in the process of converting the main Sheet Metal plant at Goa into its second complete Bus Body Building plant with state of the art facilities including a modern paint shop. This facility would be equipped to manufacture all varieties of Buses but would be focused on High Deck Luxury Coaches with technology inputs from Tata Motors.

The Company is in the process of establishing a Press Shop at Pune and all the presses and related equipment at Goa are being shifted to this new facility. This project is expected to be completed by 2009/10.

The Jejuri Pressings Unit was selected as one of the participants for the Cluster Training Program of CII under which, for one year, a CII counselor makes fortnightly visits to the unit for assessment of implementation of advanced manufacturing techniques such as 5S, Kaizen, Pokayoke etc.

Bus Body Division

The Bus sales volume grew by 31% to register an all time record of 3929 buses during the year. The parallel production lines established at the plant were put into normal production mode during the year under review which aided in significant improvement in expanding the volumes in spite of introduction of various new models during the year.

The Company has to continuously improve/modify its Buses. During the year a Proto-type shop was established exclusively for this purpose and was equipped with all necessary facilities including manpower.

Key vendors located outside the state of Goa are being encouraged to set up manufacturing/distribution points near the plants to improve supply reliability. This also results in lower logistics costs and improved inventory management. The initiative has met with enthusiastic response with several major vendors already establishing such supply points near the plants.

Investments in plant and equipment as also ancillary facilities have been planned and are under implementation to expand the plant capacity at the Main bus body plant to 5000 buses per annum. These plans are expected to be completed by mid-2007/08. Eventually this plant along with the second facility at the sheet metal plant at Goa would take the annual capacity to 10000 buses per annum.

HRD and Industrial Relations

As per the agreement with the unions, the wage settlement was due with effect from 1.04.06.During the year cordial negotiations were held with the unions and a settlement was arrived at which is valid for a period of 3 years.

The Company also embarked on a training and recruitment drive to prepare the Human Resource base for the expansion plans.

Reputed HR consultants are being engaged for focused training in areas such as Team Work, 4 keys to Success, and Supervisory Development programmes.

Corporate Social Responsibility

As a responsible corporate citizen operating in pristine rural surroundings, the Company has been engaging with the local residents around the plants to maintain harmonious relations in the community. Regular contact with the villagers and initiatives to benefit the local community are taken up from time to time. Assistance to local residents in the form of Scholarships to local children, free uniforms and books and assistance in emergencies and in health improvement initiatives continued during the year.

The Annual Blood Donation campaign receives an overwhelming response with the collection far exceeding the target set by the organizers.

Local educational institutions and ITIs are afforded opportunities for practical training. Many engineering and technical institutions from the neighboring states visit the plants as a part of their academic programs.

The Company has been taking part in local trade and industry fairs basically with a view to encourage local industries and entrepreneurs to register with the Company as vendors for supply of goods and services.

Corporate Governance

A separate section on Corporate Governance forming part of Directors' Report and the certificate from Company's auditors confirming compliance of Corporate Governance norms as stipulated in the revised

www.reportjunction.com

clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited is included in the Annual Report.

Finance

To fund the expansion and modernisation plans, the Company issued 1,481,913 equity shares of the face value of Rs. 10/- each at a premium of Rs. 465/- per share to those shareholders whose names appeared in the Register of Members on the record date i.e., 28th Feb. 2007. The issue opened on 20th March 2007 and closed on 20th April 2007. The process of allotment of 1,481,913 equity shares was completed on 19th May 2007.

Directors

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Mr. S M Kuvelker, Mr. P F X D'Lima and Mr. N R Menon retire by rotation and are eligible for re-appointment. The Directors recommend the re-appointment of M/s. Kuvelker, D'Lima and Menon.

The Directors have proposed re-appointment of Mr. N R Menon as Managing Director for a further term from 1st August 2007 to 31st July, 2010. Necessary resolution has been included in the Notice convening the 27th Annual General Meeting and the Directors recommend the re-appointment of Mr. Menon.

Particulars of employees

Information required under Section 217 (2A) of the Companies Act 1956, is annexed to this report.

Energy conservation, Technology absorption and Foreign Exchange earnings/outgoings

Information required under Section 217 (1) (e) of the Companies Act 1956 read with 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 complies with accounting and financial reporting requirements in respect of the financial statements for the year under review. Pursuant to Section 217 (2AA) of the Companies Act 1956 in respect of the annual accounts for the year under review, based on the representations received from the operating management, the Directors confirm that:

i. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;

ii. they have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

iii. they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. they have prepared the annual accounts on a going concern basis.

Acknowledgements

The Directors place on record their sincere thanks for the continuing help and support received from the Govt. of Goa and the Govt. and semi-Govt. agencies. The Directors also place on record the continuing whole hearted co-operation received from the promoters, customers, vendors and, most importantly, the employees which have enabled the Company to achieve improved performance year after year.

On behalf of the Board of Directors

S V Salgaocar
Chairman

Place: New York, USA
Dated: 26th May, 2007.

www.reportjunction.com

ANNEXURE TO 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 received (subject to tax) (Rs.)	Qualification	Total Experience (Yrs.)	Date of commencement of employment	Last employment held, Designation, Period for which post held
Mr. N R Menon	61	Managing Director	3,611,619/-	B.E.	37	01.08.2004	Tata Motors Ltd., Pune.Dy. General Manager (Auto) 34 years.

1. Gross remuneration includes Salary, Incentive Remuneration, taxable value of perquisites and Company's contribution to Provident and Superannuation funds.

2. The nature of employment is contractual.

On behalf of the Board of Directors

Place: New York, USA

Dated: 26th May, 2007

S V Salgaocar
Chairman

www.reportjunction.com

ANNEXURE TO DIRECTORS' REPORT

Information required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

A. Conservation of Energy

There was all round improvement in the efforts towards conservation of energy resources during the year.

Installation of liquid CO2 tank ensured that no separate pre-heater is required for every machine at the production points. Installation of 'Auto Start' facility for the compressors ensured proper utilization of compressed air and elimination of wastage. The overall electricity consumption reduced by 2.79% compared to the previous year.

Use of Furnace Oil in place of LDO for Thermo pack units was introduced during the year. This has resulted in a saving of 15% in Thermo-pack fuel cost per equivalent bus compared to the previous year.

B. Absorption of Technology, Research and Development (R & D)

1. Specific Areas in which R & D carried out by the Company

i. Design and Development of MCV range of buses to cater to Domestic Market meeting Indian regulations.

ii. Design and Development of Starbus for city applications catering to African Markets.

iii. Development of new school bus on LPO 916 chassis for Kuwait School bus tender.

iv. Development of new front and rear faces for Rear Engine and Low Entry buses.

v. Development of Monocoque High Deck buses in line with Hispano Design.

vi. Development of City bus for Mauritius on LPO 1618/62 chassis with Auto-Transmission.

vii. Development of new rear face for Starbus with rear baggage room.

viii. Rear Engine Low floor buses developed for Airport and City bus applications.

ix. Low cost bus on LCV chassis in line with Starbus specifications.

x. Standardization of Specification for both Gulf and African Markets for 6HD model buses.

2. Benefits Derived from R & D

i. The introduction of new bus for MCV range of buses resulted in widening of product portfolio and expansion of domestic market.

ii. Technology to make higher end buses was adopted and technically excellent practices/ design concepts were adopted for our standard product range.

iii. Higher Production volumes and cost reduction achieved through standardization of specifications.

3. Future Plan of Action

i. Development of 2 Stretcher Ambulance on LPTA 713/32 chassis for Afghanistan.

ii. Design and Development of new MCV bus for Gulf Market.

iii. Development of Monocoque High Decker bus on LPO 1623/61 LHD for Gulf Market.

iv. Development of new AC bus on LPO 918 chassis with Front Overhang door on smaller wheel base chassis.

www.reportjunction.com