



AUTOMOBILE CORPORATION OF GOA LIMITED

28th Annual Report 2007-08





Paint Shop at Plant I

Report  Junction.com



Component Pre-Treatment and
Painting setup at Plant I

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

AUDITORS

Deloitte Haskins & Sells



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.

28th ANNUAL GENERAL MEETING
28th June, 2008.
10.30 a.m.
at Honda, Sattari, Goa 403 530.

NOTICE

NOTICE is hereby given that the 28th Annual General Meeting of the Members of AUTOMOBILE CORPORATION OF GOA LTD., will be held on Saturday the 28th June 2008 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 2008 and the Balance Sheet as at that date.
2. To declare a Dividend for the year ended 31st March 2008.
3. To appoint a Director in place of Mr. D N Naik, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. P M Telang, who retires by rotation and is eligible for reappointment
5. To appoint a Director in place of Mr. R S Thakur, who retires by rotation and is eligible for reappointment.
6. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

7. Re-appointment of Mr. Ananth Prabhu as a Whole-time Director.

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

"RESOLVED THAT the Company hereby approves the re-appointment and terms of remuneration to Mr. Ananth Prabhu as Executive Director of the Company from 25th August 2008 to 24th August, 2011 upon the terms and conditions, including the remuneration to be paid in the event of inadequacy of profits in any financial year, as set out in the explanatory statement annexed to the notice convening this meeting, with liberty to the Directors to alter and vary the terms and conditions of said re-appointment in such manner as may be agreed to between the Directors and Mr. Prabhu"

"Resolved further that the Board of Directors or a committee thereof of the Company be and hereby are authorized to take all such steps as may be necessary, proper and expedient to give effect to this resolution"

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

"RESOLVED THAT pursuant to the provisions of Section 309 and other applicable provisions of the Companies Act, 1956 (the Act), and subject to such approvals as may be necessary, so long as the Company has Managing/ Whole-time Director(s), such sum by way of commission not exceeding in the aggregate one percent per annum of the net profits of the Company calculated in accordance with the provisions of Sections 198, 349 and 350 of the Act, for each of the five financial years of the Company commencing from April 1, 2008, be paid to and distributed amongst the Directors (including Alternate Directors but excluding Managing/Whole-time Directors) or some or any of them, as may be determined by the Board of Directors of the Company (including any Committee thereof), the proportion and manner of such payments and distribution to be as the Board may from time to time decide."

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.

- (c) Register of Members and Transfer Books of the Company shall remain closed from 13th June, 2008 to 19th June, 2008 (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. 19th June, 2008, 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: 8th May, 2008.

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



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

Item No. 7:

The appointment of Mr. Ananth Prabhu as Whole-time Director for the period from 21st March, 2006 to 25th August, 2008 was confirmed by the members at the 26th Annual General Meeting held on 29th September, 2006.

The Board of Directors at their meeting held on 16th April, 2008 recommended re-appointment of Mr. Ananth Prabhu for a further period of three years.

The salient terms of appointment are as follows:-

1. Tenure - 25.08.2008 to 24.08.2011
2. Remuneration
 - A) Salary: Salary in the scale of Rs. 50,000 to Rs. 1, 25,000 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 Whole-time Director ceases to be a Director of the Company for any cause whatsoever, he shall cease to be the Executive 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.

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. Ananth Prabhu, none of the Directors is concerned or interested in the proposed resolution.

Item No. 8:

At the 23rd Annual General Meeting held on 12th September, 2003, the Members approved payment of remuneration by way of commission on the net profits of the Company to Non-whole time Directors as permitted under Section 309 of the Companies Act, 1956 (the Act).

As per Section 309(7) of the Act, such approval remains in force for a period of five years and can be renewed from time to time by Special resolution passed by the Members at the general meetings for further period of not more than five years at a time.

It is proposed to renew the approval in terms of Section 309 (7) of the Act, to enable the Company to continue to pay remuneration by way of commission to the Directors (including Alternate Directors but excluding Managing/Whole-time Director/s) or some or any of them, as may be determined by the Board, not exceeding 1% of the net profits of the Company computed in accordance with the provisions of the Act in respect of each of the five financial years commencing from April 1, 2008.

Payment of commission to non-whole-time Directors requires approval of the members by means of a Special Resolution.

All Non-Whole-time Directors of the Company (including all future appointees) who shall be entitled to such commission, may be deemed to be concerned or interested in the Resolution

By order of the Board of Directors

Ananth Prabhu
Executive Director
(Commercial) & Secretary

Dated: 8th May, 2008

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

Brief resume of Directors retiring by rotation seeking re-appointment and re-appointment of Executive Director at this Annual General Meeting

Particulars	Mr. D N Naik	Mr. P M Telang	Mr. R S Thakur	Mr. Ananth Prabhu
Date of Birth & Age	15 th April, 1934 74 years	21 st June, 1947 60 years	6 th September, 1948 59 years	25 th August, 1948 59 years
Appointed on	28 th July, 2005	11 th September, 2004	28 th July, 2005	29 th September, 2006
Qualifications	M. Com., L.L.B.	B. E. (Mechanical Engineering) MBA (IIM, Ahmedabad)	Bachelor's degree in Mechanical Engineering. Master's degree in Business Management (XLRI). Chartered Management Accountant (CIMA, London).	B Sc., A C S.
Expertise in Specific functional areas	Mr. D N Naik is Managing Partner of M/s. Narcinva Damodar Naik - Main Dealers in Goa for Tata Motors Commercial Vehicles. Mr. Naik is also Chairman and founder of Manovikas Trust (Educational Public Charitable Trust); President of Seva Samiti (Charitable Educational society); Pioneer in Women's education; President of Managing Committee Shree Laxminarcinva Devasthan; Founder Chairman of Chinmaya Mission Margao Center and Chairman of Matruchaya Trust (Orphanage)	Mr. P M Telang has been with Tata Motors Ltd. for over 34 Years having functional expertise in automotive industry and machinery manufacturing. He has led the team at Tata Motors for many prestigious offerings from the Tata Stable, including Tata's mini-truck - Ace. He is responsible for product development, manufacturing, sales and marketing functions of the Strategic Business unit of Commercial Vehicles. Mr. Telang is Presently Executive Director -Commercial Vehicles. Before joining Tata Motors, Mr. Telang was with Larsen & Toubro Ltd, Mumbai for 3 Years and joined the House of Tatas through the prestigious Tata Administrative Service (TAS) cadre.	Mr. R. S. Thakur is presently Executive Director of Tata AutoComp Systems Ltd. (TACO). Prior to joining TACO in January, 2008, Mr. Thakur worked with Tata Motors Ltd for over 35 years and was responsible for finance, business planning, treasury, mergers and acquisitions, negotiations with state governments for new projects and manufacturing engineering. He was actively involved in the management of overseas ventures of Tata Motors as well as joint ventures in India.	Mr. Ananth Prabhu joined the Company in 1982. During his long career, he was assigned various responsibilities in Materials & Purchase, Sales and other commercial functions in addition to his responsibilities as Company Secretary. On 21 st March, 2001 he was appointed whole-time director of the Company designated as Executive Director (Commercial) & Secretary.
Directorships held in other public companies (excluding Foreign and private companies)	Titan Time Products Ltd.	Tata Motors Ltd., Tata Cummins Ltd., Telco Construction Equipment Co. Ltd. TAL Manufacturing Solutions Ltd., Tata Marcopolo Motors Ltd. HV Transmissions Ltd. HV Axles Ltd.	Tata AutoComp Systems Ltd. Tata Marcopolo Motors Ltd. TAL Manufacturing Solutions Ltd.	Nil
Memberships/ Chairpersonships of Committees across public companies	Audit Committee - Automobile Corporation of Goa Ltd., Remuneration Committee - Automobile Corporation of Goa Ltd., Investor Grievance Committee - Chairman -Automobile Corporation of Goa Ltd	Remuneration Committee - Automobile Corporation of Goa Ltd.,	Audit Committee - Automobile Corporation of Goa Ltd.,	Nil

None of the Directors is related to each other.

DIRECTORS' REPORT

To the members of Automobile Corporation of Goa Ltd.

Your Directors present their 28th Annual Report and the audited statement of accounts for the year ended 31st March 2008.

	2007/08	2006/07
Financial Results		
Net Sales	33145.43	33210.53
Total Expenditure	30567.73	30205.98
Operating profit	2577.70	3004.55
Other Income	604.02	365.88
Earnings before Interest, Tax, Depreciation and Amortization	3181.72	3370.43
Interest	21.86	20.06
Cash Profit	3159.86	3350.37
Provision for Depreciation & Amortization	256.90	234.04
Profit before prior period income & tax	2902.96	3116.34
Prior period Income	8.89	-
Provision for Tax (net)	914.39	1079.61
Excess provision for tax in respect of earlier years written back (net)	62.33	-
Balance in Profit & Loss A/c brought forward from the previous year	1748.48	493.39
Profit available for appropriation	3808.27	2530.11
<u>Appropriations:</u>		
Equity Dividend	642.16	493.97
Corporate Dividend tax	109.14	83.95
Transfer to General Reserve	206.00	203.70
Balance carried to Balance Sheet	2850.97	1748.48

Rs. In Lakhs

Dividend

The Directors recommend payment of Rs. 10/- per share (100%) as dividend on the equity shares of the Company for the year.

Operations

After registering consecutive growth year on year for 5 years, the Company has witnessed a flat growth in sales with marginal reduction in volumes in both the business segments during the year under review. The total revenue for the year amounted to Rs. 337.49 Crores (previous year Rs. 335.76 Crores). While Profit before tax was 29.12 Crores (previous year Rs. 31.16 Crores), Profit after tax was marginally higher at Rs. 20.60 Crores (previous year Rs. 20.37 Crores).

Pressings Business Segment

The volumes declined significantly due to reduction in demand for vehicle models which are serviced by the Company. The Company developed new components and also increased its share of business in its product portfolio to offset the decline in demand.

Bus Body Business Segment

The demand for buses fluctuated widely during the year leading to the capacities going idle during the second and third quarters of the year whereas in the fourth quarter, the demand could not be fully met due to capacity constraints.

After a detailed study of customer requirements, various new features were introduced to revive demand, specifically targeted at the Middle East customers that were well received by the market.

To de-risk the business from such wild fluctuations, top-end segments of the domestic market are being developed with special offerings such as Tarmac Coaches and premium Hi Deck buses on the Hispano platform, in association with Tata Motors. It is a matter of great satisfaction to report that the Tarmac coaches offered through Tata Motors have received a very encouraging response with every Airline in the country ordering these buses during the year. The Hi Deck buses on the Hispano design are being test marketed by Tata Motors and the Company expects an enthusiastic response during the current year.

Across the board surge in commodity prices, particularly of steel and aluminium, which leads to a multiplier effect on all the inputs such as seats, windows etc., has aggravated the situation leading to a squeeze on margins. The Company has embarked on a massive cost reduction drive to effectively face this situation. The Company has also started diversifying the product portfolio by developing components for Tata Marcopolo buses which is likely to emerge as a major growth area.

The Bus Body plant is in the process of getting certified under ISO/TS 16949.

As per plans, the Main Plant of Pressings Division in Goa has been partially converted to a bus body building plant with the installation of a state of the art Paint Shop. This plant currently has a capacity to build around 2500 buses per year and will attain the full capacity of 5000 buses once all the presses are shifted to a new location.

HRD and Industrial Relations

The Company's drive to prepare the Human Resource base through training and recruitment continued during the year. Training sessions were held throughout the year conducted by reputed HR consultants focused on areas such as Team Work, 4 keys to Success, Supervisory Development programs etc.

Monthly open meetings are being conducted conveying to the employees the performance for the month with particular emphasis on Quality and Cost. Employees are also informed about feedbacks from the customers and the Company's plans and developments in the business segments.

A long service award scheme has been instituted under which employees who have completed 25 years of service in the organization are being felicitated. Also, as a motivational tool for self development, role model employees are felicitated with special "Employee of the Month" award.

An intensive programme spanning over the next 2 years on "Manufacturing Excellence" has been commenced with the help of CII which will aim at substantially improving the working culture of the organization.

Corporate Social Responsibility

Regular engagement with the communities around the plants at Goa continued during the year. Assistance to local students in the form of scholarships, uniforms as also emergency ambulance service to the local community are some of the initiatives appreciated by the local villagers. The Company also actively participates in the Polio vaccination drive. The employees of the Company also enthusiastically participate in Blood donation drive.

Local vocational training institutes (ITI) are assisted by offering technical and training inputs. Students pursuing professional studies are given opportunities for project work in their specific fields.

Corporate Governance

A separate section on Corporate Governance forming part of Directors' Report and the certificate from the Company's auditors confirming compliance of Corporate Governance norms as stipulated in the revised clause 49 of the Listing Agreement with the Stock Exchange is included in the Annual Report.

Finance

As per plans, the Rights Issue of 1,481,913 shares offered to the members on the record date was allotted on 19th May 2007. The Company raised an amount of Rs. 7039.09 Lakhs out of which a sum of Rs. 92.08 Lakhs was spent towards expenses related to the issue. As at the end March, 2008, a sum of Rs. 1710.83 Lakhs was spent on Capital expenditure and the balance amount of Rs.5236.18 Lakhs was held as current investment in units of Mutual Funds. Due to changing market scenario, the Company is being cautious in deploying the funds raised.

Directors

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Mr. D N Naik, Mr. P M Telang and Mr. R S Thakur retire by rotation and are eligible for re-appointment. The Directors recommend their re-appointment.

The Board has proposed re-appointment of Mr. Ananth Prabhu as Executive Director for a further term of 3 years from 25th August 2008. Necessary resolution has been included in the Notice convening the 28th Annual General Meeting and the Directors recommend the re-appointment of Mr. Prabhu.

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 help and support received from the Govt. of Goa and the Govt. and semi-Govt. agencies. The Directors also place on record the excellent co-operation received from the promoters, customers, vendors and the employees of the Company.

On behalf of the Board of Directors

S V Salgaocar
Chairman

Place: Vasco-da-Gama, Goa
Dated: 8th May, 2008