



# **AUTOMOBILE CORPORATION OF GOA LIMITED**

Annual Report 2009-10

## Contents

Notice.....	02 - 05
Directors' Report .....	06 - 10
Management Discussion and Analysis.....	11 - 14
Corporate Governance Report.....	15 - 25
Auditors' Report.....	26 - 29
Balance Sheet.....	30
Profit and Loss Account.....	31
Cash Flow Statement.....	32-33
Schedules to Accounts.....	34-40
Significant Accounting Policies.....	41-43
Notes on Accounts .....	44-53
Balance Sheet Abstract and Company's General Business Profile .....	54

## AUTOMOBILE CORPORATION OF GOA LIMITED

### BOARD OF DIRECTORS

S. V. Salgaocar	Chairman
D. N. Naik (upto 8.8.2009)	
P. F. X. D'Lima	
P. M. Telang	
R. S. Thakur	
S. M. Kuvelker	
Steven A. Pinto (w.e.f. 28.6.2010)	
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.

---

**30th ANNUAL GENERAL MEETING  
7th August, 2010.  
12.30 pm  
at Honda, Sattari, Goa 403 530.**

---

## **NOTICE**

NOTICE is hereby given that the 30<sup>th</sup> Annual General Meeting of the Members of AUTOMOBILE CORPORATION OF GOA LTD. will be held on Saturday the 7<sup>th</sup> August, 2010 at 12.30 pm at the Registered Office of the Company at Honda, Sattari, Goa, to transact the following business:

### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2010 and the Balance Sheet as at that date together with the Report of the Directors and the Auditors thereon.
2. To declare a Dividend for the year ended 31<sup>st</sup> March 2010.
3. To appoint a Director in place of Mr. P M Telang, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. R S Thakur, who retires by rotation and is eligible for reappointment.
5. To appoint Auditors and fix their remuneration.

### **SPECIAL BUSINESS:**

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

"Resolved that Mr. Steven A. Pinto who was appointed as an Additional Director of the Company by the Board of Directors on 28.06.2010 under Section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retirement by rotation."

### **Notes:**

- (a) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of business under item No. 6 set out above and details under Clause 49 of the Listing Agreement in respect of Directors seeking appointment/re-appointment at the Annual General Meeting 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 9<sup>th</sup> July, 2010 to 15<sup>th</sup> July, 2010 (both days inclusive).
- (d) Dividend for the year, as approved by the members, shall be payable to those shareholders whose names appear on the Register of Members on the record date, i.e. 9<sup>th</sup> July, 2010, 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: 1<sup>st</sup> July, 2010.

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

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

### Item No. 6

By a circular resolution, the Board of Directors of the Company appointed Mr. Steven A. Pinto as an Additional Director on 28.06.2010. Under Section 260 of the Companies Act, 1956 read with Article 154 of the Articles of Association of the Company, he holds office till the forthcoming Annual General Meeting.

Notice has been received from a member as required under Section 257 of the Companies Act, 1956 proposing his candidature for appointment as a Director. Brief particulars of Mr. Pinto are given in the annexure.

Except Mr. Steven A Pinto who may be deemed to be concerned or interested in his own appointment, none of the other Directors are concerned or interested in the proposed resolution. Mr. Pinto is not related to any of the directors of the Company.

By order of the Board of Directors

**Ananth Prabhu**  
*Executive Director (Commercial)*  
*& Secretary*

Dated: 1<sup>st</sup> July, 2010.

Honda, Sattari,  
Goa-403 530.

## Brief resume of Directors seeking appointment/re-appointment at this Annual General Meeting

Particulars	Mr. P. M. Telang	Mr. R. S. Thakur	Mr. Steven A. Pinto
Date of Birth & Age	21 <sup>st</sup> June, 1947 - 63 years	6 <sup>th</sup> September, 1948 - 61 years	29 <sup>th</sup> November, 1945 - 64 years
Appointed on	28 <sup>th</sup> June, 2008	28 <sup>th</sup> June, 2008	28 <sup>th</sup> June, 2010
Qualifications	B.E. (Mechanical Engineering), REC, Nagpur and MBA (IIM, Ahmedabad)	Bachelor's degree in Mechanical Engineering. Masters degree in Business Management (XLRI). Chartered Management Accountant (CIMA, London)	Economic Honors Graduate (B.A.) Masters in Management Studies (MMS)
Expertise in Specific functional areas	Mr. P M Telang has been with Tata Motors Ltd. for over 40 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. He has anchored Tata Motors through its roughest patch and has been the architect of the company's cost reduction drive. By championing the use of e-procurement and other innovative approaches, he has played a vital role in initiating a complete makeover in the company's operations and leveraging domestic and international growth opportunities. He has led the team for many prestigious offerings under the Tata brand, including the mini-truck, Ace.	Mr. R. S. Thakur is presently Executive Director & Chief Executive Officer 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. Pinto commenced his career as a Management Trainee with Philips Gloeilampen Fabrieken Philips, the Dutch global conglomerate, at its Indian subsidiary.  He made an unconventional move into Banking, joining Citibank India in 1985 as Vice President & Marketing Director for their nascent Consumer Banking initiative. He later did stints in Citibank Korea (Vice President - Chief of Staff and Marketing Director, 2 years), Citibank Oman (CEO, 4 years), and Citibank Singapore – CEEMEA Region (Regional Marketing Director, 2 years). In 1997 he assumed the position of CEO of Commercial Bank of Oman. In 2000, he was appointed CEO of Osool Finance Co. and concurrently Head of Retail Banking at Mashreq Bank, Dubai, UAE, post a profitable divestiture in Oman. He also did a brief stint as CEO, Abu Dhabi Commercial Bank, India prior to accepting the current position.  He has attended multiple training programs covering Strategic Leadership, Corporate and Consumer Credit, Treasury, Retail Banking and Customer Service, and was Lead Trainer at Citibank Global Advanced Marketing Programs. He was on the Citibank Global Branding & Agency Recruitment Task Force as also the Global Service Excellence Task Force.

Particulars	Mr. P. M. Telang	Mr. R. S. Thakur	Mr. Steven A. Pinto
	Mr. Telang is Presently Managing Director – India Operations. 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.		His significant achievements include the establishment of Retail Banking in India and Korea for Citibank, a business turnaround for Citibank Oman, the expansion of Citibank Credit Cards footprint across CEEMEA geography, the merger of 3 banks to form Combank Oman, and the country's first ever global syndicated USD 100 million loan for Combank Oman and subsequent profitable divesture, and a business turnaround for Osool Finance and a significant expansion of Mashreq Bank's Retail franchise. More recently, he has driven the creation of a best-in-class Finance and Insurance organization for Toyota/Honda/ Chrysler/ Dodge/Jeep brands in the UAE.
Directorships held in other public companies (excluding Foreign and private companies)	Tata Cummins Ltd Telco Construction Equipment Company Ltd. Tal Manufacturing Solutions Ltd. Tata Marcopolo Motors Ltd. Tata Motors Ltd. Fiat India Automobiles Ltd. TML Distribution Company Ltd. Tata Advanced Systems Ltd.,	Tata AutoComp Systems Ltd Tata Marcopolo Motors Ltd TAL Manufacturing Solutions Ltd Tata Johnson Controls Automotive Ltd. Automotive Stampings and Assemblies Ltd. Automotive Composite Systems (Intl.) Ltd. TACO Saken Automotive Electronics Ltd. Tata Yazaki AutoComp Ltd. Tata AutoComp GY Batteries Ltd.	Redington India Limited
Memberships/ Chairpersonships of Committees across public companies	Member of Remuneration Committee of Automobile Corporation of Goa Ltd	Member of Remuneration, Shareholder Grievance & Finance Committees of Automotive Stampings and Assemblies Ltd Member of Audit and Remuneration Committee of Automotive Composite Systems (Intl.) Ltd Member of Audit Committee of Tata Marcopolo Motors Ltd Member of Audit Committee of TAL Manufacturing Solutions Ltd Member of Remuneration Committee of Tata AutoComp GY Batteries Ltd. Member of Audit Committee of Automobile Corporation of Goa Ltd.	Chairman of Remuneration Committee – Redington India Limited Member of Audit Committee – Redington India Limited
Shareholding	Nil	Nil	Nil

None of the Directors is related to each other or other Directors of the Company.

## DIRECTORS' REPORT

To, The members of Automobile Corporation of Goa Ltd.

Your Directors present their 30<sup>th</sup> Annual Report and the audited statement of accounts for the year ended 31<sup>st</sup> March 2010.

### Financial Results

	<b>2009/10</b>	2008/09
Net Sales	<b>23335.89</b>	32424.79
Total Expenditure	<b>23724.33</b>	30136.88
Operating profit / (loss)	<b>(388.44)</b>	2287.91
Other Income	<b>464.47</b>	623.78
Earnings before Interest, Tax, Depreciation and Amortization	<b>76.03</b>	2911.70
Interest	<b>25.11</b>	28.62
Cash Profit	<b>50.92</b>	2883.08
Provision for Depreciation & Amortization	<b>422.64</b>	342.51
Profit / (loss) before prior period income, exceptional item and Tax	<b>(371.72)</b>	2540.57
Prior period Income	-	-
Exceptional Item	-	275.97
Provision for Tax (net)	<b>(157.57)</b>	880.46
Excess provision for tax in respect of earlier years written back (net)	-	9.20
Balance in Profit & Loss A/c brought forward from the previous year	<b>3830.95</b>	2850.97
Profit available for appropriation	<b>3616.80</b>	4796.25
<u>Appropriations:</u>		
Equity Dividend	<b>64.22</b>	642.16
Corporate Dividend tax	<b>10.91</b>	109.14
Transfer to General Reserve	-	214.00
Balance carried to Balance Sheet	<b>3541.67</b>	3830.95

*Rs. In Lakhs*

### Dividend

Your Directors have recommended payment of Re. 1/- per share as dividend on the equity shares of the Company for the year (previous year Rs. 10/- per share) out of the carried forward profits of previous years.

### Operations

Operations at both the business segments of the Company suffered during the year under review due to a combination of factors. Overall sales volume and turnover were lower and there was a sharp decline in value addition.

Labour unrest which began by end of February, 2010 seriously affected sales during the peak month of March, 2010.

The gross revenue for the year under review was Rs. 238.00 Crores (Rs.330.49 Crores in the previous year). The loss before taxes was Rs.3.71 Crores (Rs. 28.16 Crores profit in the previous year) and loss after taxes was Rs.2.14 Crores (Rs. 19.42 Crores profit in the previous year)

### Pressings Business Segment

After the steep fall in volumes during the last quarter of 2008/09, the demand grew cautiously during the early part of the year peaking during the last quarter of 2009/10. Realisations however, were much lower resulting in erosion in value addition considerably.

The unfortunate labour unrest over the demand for settlement of wages which started from around 27<sup>th</sup> February and lasted right till end March, 2010 at the Goa factories seriously crippled operations and resulted in the principal buyer withdrawing almost all the tooling to ensure uninterrupted production of vehicles. This has dealt a serious blow to the business segment. In the event, the pressings business from Goa factories has almost ground to a trickle – mainly catering to the requirement of engine components of Tata Cummins Ltd.



## **Bus Body Business Segment**

2,373 buses were sold during the year as against 4,509 buses during the previous year. As informed in the last report, the main Bus Body building plant at Goa, which was closed in January 2009 due to lack of demand was re-opened only in June, 2009 albeit, with a far lower capacity utilization due to low demand. But for the timely orders from Tata Motors for domestic buses, the year under review would have been far worse.

The demand for export buses picked up gradually from December 2009 and peaked during the last quarter but the company could not take advantage of this demand pick up due to the unfortunate labour unrest over settlement of wages. Since restoration of normalcy in April, 2010, the demand for buses has been rising. The Directors believe that the set-back suffered in the year gone by were temporary and the Company looks forward to regain lost ground in the coming years.

The Hi Deck bus on the Hispano platform has been undergoing major improvements with higher horsepower engine and other modifications. The proto type buses are currently on trial runs and it is hoped that regular production will commence during the second half of the current year.

## **HRD and Industrial Relations**

Settlement of wages with labour unions effective 1<sup>st</sup> April, 2009 resulted in protracted negotiations eventually leading to a labour unrest beginning February 27<sup>th</sup> 2010. Production at the Goa factories was severely affected during the last month of the year leading to loss of sales. It is a matter of deep regret that despite all the efforts to revive the Company from its desperate position in 2001/02 to its current position, the workers' unions resorted to such uncalled for actions which ultimately harms the workers more than anyone else among all the stakeholders. In the event, firm steps taken by the Company and the help and support received from the promoters and the Govt. resulted in a settlement for three years effective from 1<sup>st</sup> April, 2009.

Training and other HRD initiatives continued during the year. Despite the incidents at the end of the year, relations with the workers unions were cordial and continue to be so.

## **Corporate Social Responsibility**

Notwithstanding the financial setback suffered, the Company continued with its CSR initiatives during the year under review. Assistance to local students in the form of scholarships and uniforms, emergency ambulance service to the local community, help and assistance in the Polio vaccination drive, Blood donation drive etc., were continued during the year. The Company also contributed to the Eye Camp organized by a local NGO for the benefit of the local communities.

The Company also participated in sports and cultural activities conducted by various local social organizations.

## **Corporate Governance**

A separate section on Corporate Governance forming part of the 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 the members are aware, Rs. 703,908,675/- were raised through a Rights issue of shares in 2007-08 out of which a sum of Rs. 92,08,436/- was incurred towards the expenditure for the issue.

Out of the unspent amount of the Rights issue proceeds a sum of Rs. 311,326,387 has been spent as at the end of the year under review and the balance amount is being held as current investment in units of Mutual Funds and Inter Corporate Deposits as on 31<sup>st</sup> March, 2010, in line with the resolution passed by the members at the last AGM held on 8.8.2009.

## **Directors**

In line with the retirement policy for Directors adopted by the Board, Mr. D N Naik relinquished office on 8<sup>th</sup> August, 2009. Mr. Naik was one of the first directors and played an active role in the formative years of the Company. Through-out his long association of 29 years, Mr. Naik made significant contributions for the growth and development and guided the Company effectively during the turbulent years of 2000/01. The Board has placed on record the valuable contributions made by Mr. Naik during his tenure as Director of the Company.

Mr. N R Menon completes his term as the Managing Director of the Company on 31<sup>st</sup> July 2010. Over the last six years, Mr. Menon has lead the Company admirably and has been instrumental in the all round development of the Company. The Directors place on record their sincere appreciation of the contribution made by Mr. Menon during his tenure as the Managing Director of the Company.

Mr. Steven A. Pinto, an accomplished banker and finance professional was appointed as an Additional Director by the Board on 28<sup>th</sup> June, 2010 and holds office till the forthcoming Annual General Meeting of the members of the Company. Notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Pinto's appointment as a Director. The Board considers the appointment of Mr. Pinto to be in the interest of the Company.

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

**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.

**Audit**

Messrs Deloitte Haskins & Sells (DHS), who are the Statutory Auditors of the Company, hold office until the ensuing Annual General Meeting. It is proposed to re-appoint them to examine and audit the accounts of the Company for the financial year 2010-11. The auditors have, under Section 224(1) of the Companies Act, 1956, furnished a certificate of their eligibility for re-appointment.

**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.  
Date : 1<sup>st</sup> July, 2010