



AUTOMOBILE CORPORATION OF GOA LIMITED

39TH ANNUAL REPORT | 2018 - 2019



WE **CRAFT**
THE **CONVENIENCE**
IN YOUR **TRAVEL**

30
YEARS
OF MANUFACTURING
BUS BODIES

ACGL PRODUCT RANGE IN BUS SEGMENT



JOY



AGILE



ELANZA



NOVA



COMFORT



JUPITER

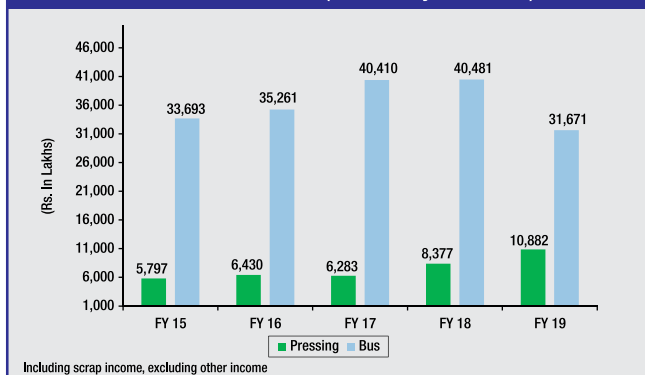
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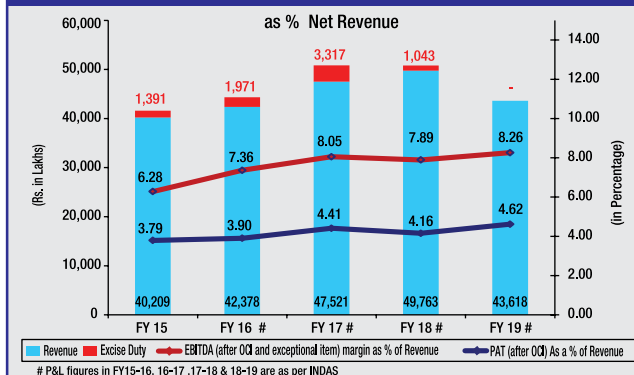


Financial Trends

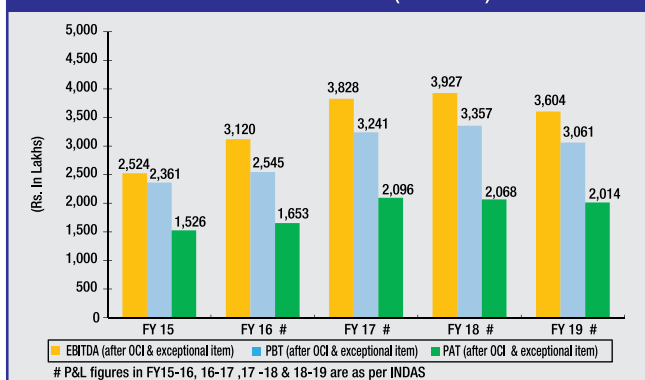
SEGMENT TURNOVER (Net of Duty and Taxes)



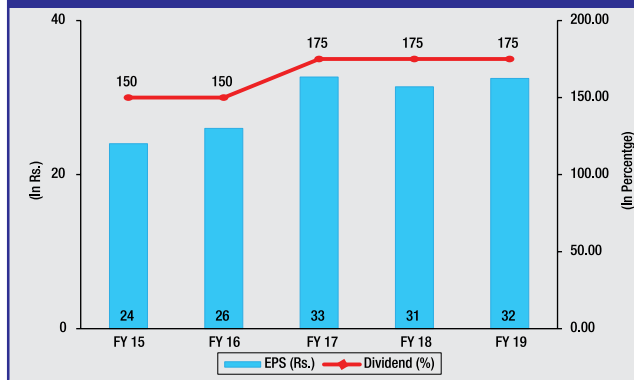
Net Revenue (inclgd. Other Income), EBITDA And PAT (after OCI & exceptional item)



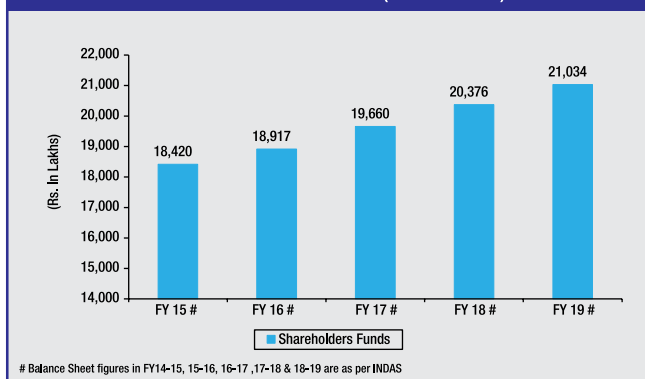
EARNINGS AND PROFITS (after OCI)



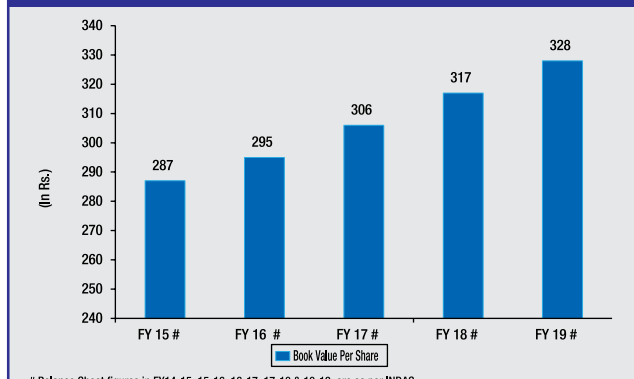
DIVIDEND (%) AND EPS (Rs.)



SHAREHOLDERS' FUNDS (Rs. in Lakhs)

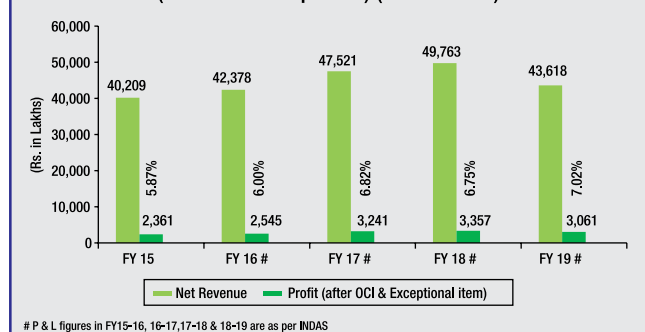


BOOK VALUE PER SHARE (Rs.)

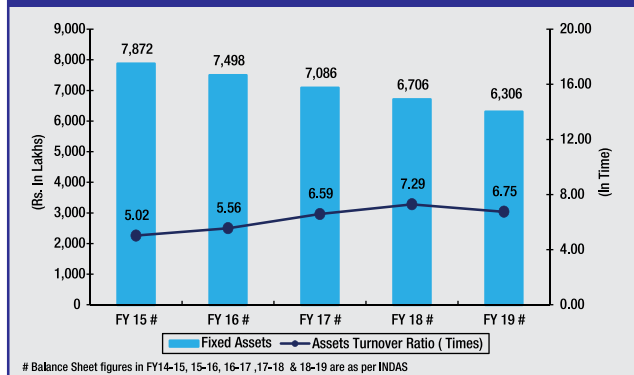


Net Revenue (excluding Excise Duty) and Profit

(after OCI & Excp. item) (Rs. in Lakhs)



FIXED ASSETS AND ASSET TURNOVER RATIO





BOARD OF DIRECTORS

Mr Shrinivas Dempo

Chairman - Independent Director

Mr R Pisharody (up to 28.07.2018)

Non Executive Director

Mr Steven Pinto

Independent Director

Mr R Ramakrishnan (up to 28.07.2018)

Non Executive Director

Dr Vaijayanti Pandit

Independent Director

Mr. Yatin Kakodkar

Independent Director

Mr. Abhay Bawale

Non Executive Director

Mr Girish Wagh

Non Executive Director

Mr Rohit Srivastava

Non Executive Director

Mr O V Ajay

CEO & Executive Director

OTHER SENIOR EXECUTIVES

Mr Raghwendra Singh Butola

Chief Financial Officer

Mr Mahesh Pawaskar

Sr General Manager - Sheet Metal Pressing

Mr Prakash Awati

General Manager – Sheet Metal Pressing

Mr Christie Gomes

General Manager - Operations

Mr Dilip Desai

Dy. General Manager – Design

Mr. Deepak Kade

Dy. General Manager – Quality

Mr Y B Joshi

Dy. General Manager – Production

COMPANY SECRETARY

Mrs. Manisha Naik Shirgaonkar

REGISTERED OFFICE

Honda, Sattari, Goa 403530

Tel: +91 832 2383018 Fax: +91 832 2383062

Email: sectl@acglgoa.com

Website: www.acglgoa.com

CORPORATE IDENTITY NUMBER (CIN)

L35911GA1980PLC000400

SHARE REGISTRARS

TSR DARASHAW CONSULTANTS PRIVATE LIMITED

(formerly known as TSR Darashaw Limited)

6-10, Haji Moosa Patrawala Ind. Estate,

20, Dr E Moses Road, Mahalaxmi, Mumbai 400 011

Tel: +91 22 66568484 Fax: +91 22 66568494

Email: csg-unit@tsrdarashaw.com

Website: www.tsrdarashaw.com

BANKERS

State Bank of India

HDFC Bank Limited

STATUTORY AUDITORS

BSR & CO. LLP

(Registration No. 101248W/W-100022)

SECRETARIAL AUDITORS

Mr Shivaram Bhat

Practicing Company Secretary

(Membership No 10454)

CHIEF INTERNAL AUDITOR

Mr Suraj Singh

WORKS

Honda (Goa)

Jejuri (Maharashtra)

Bhuimpal (Goa)

Dharwad (Karnataka)

39th ANNUAL GENERAL MEETING

June 27, 2019

10.00 a.m.

Honda, Sattari, Goa - 403 530.

BOARD OF DIRECTORS



SHRINIVAS DEMPO
Chairman



STEVEN PINTO
Director



GIRISH WAGH
Director



YATIN KAKODKAR
Director



DR VAIJAYANTI PANDIT
Director



ABHAY BAWALE
Director



ROHIT SRIVASTAVA
Director



O V AJAY
CEO & EXECUTIVE
DIRECTOR



Message from Chairman

Dear Shareholders,

It is a privilege to write to you and inform you regarding the exciting and challenging journey your company had embarked upon during the financial year 2018-19, to arrive at delivering yet another good performance and thus creating value for its stakeholders. We continue to sustain the ongoing structural shift in the Auto Industry arising from technological dynamics, evolving customer preferences, fierce competition coupled with market cyclicity and regulatory norms.

At the outset, I congratulate the company and its workforce on completing glorious 30 years of manufacturing bus bodies and compliment all the cohesive efforts put forth, for not only achieving this milestone, but also for continuously striving to persist this noteworthy journey in the years to come. Today ACGL not only provides ample employment opportunity in the backward areas of the state, but also provides support to its local business partners, suppliers and the community at large, for an inclusive growth in the true sense.

India with its growing GDP has cemented its position as one of the fastest growing economies of the world, powered by a recovery in consumption demand & accompanied by an upswing in private capital investment. Under the 'National Automotive Testing and R&D Infrastructure Project' (NATRiP), the Government of India is setting up R&D centers to enable the industry to be on par with global standards. Government initiatives like Make in India and Digital India have made India a very attractive FDI destination. The Government aims to develop India as a Global Manufacturing Centre and a R&D hub. With India being the emerging market for FDI, building operational capacities rapidly in the background of technological innovation has become imperative.

India's Auto sector is positioned for growth, given the current low penetration, rising incomes and increasing affordability. In addition, with various government policies supporting auto growth, smart city initiatives, GST and the National Electric Mobility Mission Plan, by 2026 India is expected to be the third largest automotive market in the world. However challenges including adapting to the structural shift towards electric vehicles (EVs), a pan-India shift to Bharat Stage-VI emission by 2020 and enhanced safety norms will have to be faced and tackled with a more agile and future-ready response.

This year your company has sold 5775 buses, totaling to 70,091 buses since the year it first sold its bus in the year 1989. Further, while facing multifold challenges, your Company achieved a profit before tax of Rs. 31.73 crores, after an exceptional expense of Rs 4.17 Crore related to VRS and before other comprehensive income, as against Rs.32.77 Crores in the preceding financial year.

During the financial year, the twofold action plan of your company for achieving profits in the light of a challenging industrial scenario was firstly, overall cost management wherein every endeavor was directed to ensure cost efficiency in its purchases & operations and secondly, enhancing its designing capabilities to be in a position to offer new products to the market entailing contemporary styling using 3D tools. Operational efficiency is well imbibed in your company's competencies and efforts were channelized to enhance the same to meet the market demand. Further with the successful VRS implementation, the Company expects to propel its productivity.

The regulatory environment of India is more comprehensive than ever, be it the safety regulations & GST regimes

directly affecting your company's product pricing, emission norms which may affect your company's future volumes or robust corporate laws including myriad amendments to the Companies Act & Rules, SEBI Regulations etc. Your company has ensured that good corporate governance practices are imbibed in your company's work culture and ethics, to its true letter and spirit.

Your company has always been passionate about its CSR activities. The true long term performance of a company is always reflected in the sustainable value it creates for its surroundings, communities and environment. The CSR Policy of the Company is designed on the basis of local requirements. Inclusive education and addressing the needs of special children, along with empowering various classes for better employment opportunities were the core focus areas of your Company in terms of its CSR Project for FY 18-19. We have equipped schools in the surrounding areas of our factories with modern educative tools and facilities and continue to provide a school bus to the most deserving special school. I am pleased to inform you that we achieved an overall positive feedback from the past beneficiaries of our CSR projects, thereby encouraging us to shape our CSR activities more zealously.

For the ensuing financial year, your Company remains committed to a goal driven approach with a strategy which

complements cost efficiencies, enhancement of operational capacities and improvements in craftsmanship to develop bus models in to newer segments, which are endearing to the changing customer expectations.

I would like to acknowledge the contributions made by all the Directors and valuable insights they have lent the company in shaping a grand vision. This year Mr. Pisharody separated from the Board and I, on behalf of the company place ample gratitude for enriching the company with his rich experience in the industry. We have been joined by Mr. Rohit Srivastava as a Non Executive Director, who brings his industrial and marketing expertise to the Board, making him another valuable asset for the Company.

I will like to congratulate the management and all the employees of the company for facing the challenges valorously and securing yet another profitable year. I urge the workforce to keep up the high spirit in the years ahead. We continue to seek the patronage of our shareholders and shall strive to create maximum value for all our partners & stakeholders. I would also like to thank our principal stakeholder Tata Motors Limited and the Government of Goa for their support.

Sincerely

Shrinivas Dempo



Message from Director

Dear Shareholders,

It gives me great pleasure to note that your company has steadily forged ahead, while keeping its customers at the core of its business, in an era where the Indian Auto Industry is rapidly transforming and is geared up to meet challenges with renewed aspirations.

A developing India is at the cusp of making a transition to newer and more efficient mobility solutions. The framework of India's transportation system has evolved with emerging technologies and competitive business models, to meet the expectations of the customers and regulators, while sustaining global competition. It is imperative to adopt fundamentally innovative technologies to provide clean, cost-effective and premium mobility solution that is safe, convenient and has the least environmental footprint.

The Indian bus Industry continues to be under penetrated as compared to global bus markets with a market size of 1.6 buses per 1000 passengers, against a global average of 10-12 buses per 1000 passengers. While the government is strengthening its road infrastructure, there has been an evident shift in customer preferences. In the backdrop of greater rural connectivity, shared mobility permeating the urban landscape and proliferation of private players in STUs, the Bus Industry has potential to grow, with contemporary products based on emerging trends and increasing per capita income. However, the Industry is fairly dependent on Government Policies leading to market volatilities, when viewed from a short term perspective.

Electrification of public transportation is the key enabler for sustainable mobility. In line with the National Electric Mobility Mission Plan 2020, which aims to achieve electrification of city buses by 2020, the Union Cabinet of India has approved the proposal for the implementation of Phase II of 'Faster Adoption and Manufacturing of Hybrid and Electric Vehicles' (FAME). A high degree of localization including the energy storage space is an imperative for electric vehicles in India, in order to secure sustained growth and low dependence on import. Your company is embracing this 'e-opportunity' by channelizing a part of its development efforts towards building bodies for Electric and Hybrid Buses.

As it transforms, the Industry is witnessing multifold challenges. The deteriorating air quality calls for certain stringent norms and collegial efforts. The Indian Auto Industry is now working towards a transition from BSIV to BSVI emission norms, within a period of 3 years, which is a challenging task, given that most developed markets have taken much longer for such transition. For auto manufacturers, this will translate into a surge in technological investments. The Indian commercial vehicle industry is experiencing muted demand in the last few months due to a variety of headwinds. The industry is likely to pick up speed during the second half of the year and experience better demand environment, aided by the anticipated pre-buying effect. Moreover, AIS140 & AIS153 have also been introduced and your company's product portfolio adheres to these, and will do so for any future regulatory norms, within the stipulated time frame. Your company will continue to respond to these challenges with a robust plan.

Your company's focus has been on carrying forward its 30 years of lineage in bus body building, while integrating 3D technology and making way for sustainable innovations, thus ensuring cost optimization and product enhancements to combat the highly competitive market. Craftsmanship, Comfort and Convenience are becoming increasingly important attributes for customers, and your company has been working towards it by improving its entire product range, to improve competitiveness in the marketplace. Your company continues to focus on enhancing its design & engineering capabilities and is paying close attention to ever changing customer preferences and product attributes, in order to boost its presence in domestic and export markets.

I would like to take this opportunity to congratulate the company and its workforce on a good performance by maintaining profits through meticulous cost management and value engineering, despite the reduction in sales volume arising out of a challenging market scenario. I am certain the company will strive to put in its best efforts to overcome any future business headwinds.

Best Regards,
Girish Wagh



Message from CEO & Executive Director

Dear Shareholders,

It gives me great pleasure to connect with you on this momentous occasion when your company has completed 30 years in the business of manufacturing bus bodies. We recall that ACGL had started its commercial production in the year 1989 and 34 buses were produced during the financial year 1989-90, consisting of variants built on a "TELCO" chassis. It is indeed overwhelming to note that we have come such a long way since then, with the trust reposed in us by all our stakeholders and the sincere efforts of our employees.

According to World Economic Forum (WEF), with an annual GDP growth rate of 7.0% India is currently the world's sixth largest economy. The automotive industry is a pillar of Indian economy and a key driver of macroeconomic growth and technological advancement. The government continues to accelerate its efforts towards shaping India into a global manufacturing hub and this envisages rapid economic development, ongoing urbanization and supportive regulations & policies.

The industry in which your company operates is exposed to large cyclicity as the volumes have sizeable dependency on government policies, changing customer expectations, competition from major OEMs and passenger preferences towards other modes of transport. In a business environment where the bus industry has seen a single digit growth, your company has yet again, demonstrated a good performance by maintaining profits notwithstanding tough market conditions. While the bus segment continues to be the larger revenue earner, you will be happy to note the performance of our Pressing Segment, which touched a significant milestone of Rs. 100 Crores in sales. This was possible mainly due to increase in volumes of existing products coupled with addition of new products for our major customers.

Your Company sold 5775 buses as compared to 5734 sold in the financial year 2017-18, with total revenue including other income (net of taxes) of Rs 436.18 Crore, which reflects a decline of 12.35% over the previous financial year, which is mainly due to the product portfolio tilted towards buses with lower cost. However, with rigorous cost management and value engineering efforts your company was able to maintain profits close to that of the previous financial year. Your company's profit before tax during the financial year 2018-19 was at Rs.31.73 crores (before other comprehensive income)

as against Rs.32.77 crores in the preceding financial year. Net profit after tax stood at Rs. 20.14 crores, compared to Rs.20.68 crores in the preceding financial year.

Your company is aware of the highly competitive market it operates in and realizes that regular introduction of new products is one way to keep up the market excitement contributing to increased sales. In order to reduce the development cycle and provide products with greater refinement we adopted 3D design last year, and our new school bus 'Zeal' is fully designed using this technology. On the same lines, we are developing a bus for export application which has received a good response from a section of our customers who previewed the prototype. Going forward, advancements in design process, coupled with upgraded manufacturing infrastructure will deliver the quality our customers expect from us.

On the CSR front, we continue with our mission to actively participate in enriching communities around ACGL. Your company genuinely believes that success cannot be achieved in isolation and will always ensure the inclusive growth of communities through its CSR Projects. This year we have defined projects for some of the major areas in which we conduct our CSR activities namely inclusive education opportunities, promoting employability and initiatives for special children.

The challenges faced by your company continue to be increasing competition, rapid technological advances, changing customer expectations, workmen productivity and operating cost. The VRS scheme offered to some of the company's employees was an effort directed towards improving the future productivity of the company, and improving cost efficiencies. To mitigate each of these challenges your company has worked out long term strategic plans.

I would like to take this opportunity to thank the Board for their active support to the company in its endeavor to perform to the stakeholder's expectations. I would also like to place my gratitude to our shareholders and business partners for their confidence in the company and thank our engaging workforce for all their unified efforts to strive towards greater performance in the coming years.

Sincerely,
O V Ajay