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AUTOMOBILE CORPORATION OF GOA LIMITED
17th Annual Report 1997



AUTOMOBILE CORPORATION OF GOA LIMITED

BOARD OF DIRECTORS

S.V. Salgaocar –Chairman

D.N. Naik

J.S. Mascarenhas –Nominee UTI

Dr. M. Modassir

Andrew Gonsalvez –Managing Director

COMPANY SECRETARY

Ananth Prabhu

AUDITORS

C.C. Chokshi & Co.

BANKERS

State Bank of India

Central Bank of India

Syndicate Bank

REGISTERED OFFICE

Honda, Sattari,

Goa 403 505.

17TH ANNUAL GENERAL MEETING

26th September, 1997

Friday

3.00 P.M.

Honda, Sattari, Goa 403 505.

Note : Shareholders/Proxies attending the meeting are requested to make use of transport leaving from Sujay Apts., 18th June Road, Panaji, Goa at 1.00 p.m. on 26.9.97 and returning after the meeting.

AUTOMOBILE CORPORATION OF GOA LIMITED**NOTICE**

NOTICE is hereby given that the 17th Annual General Meeting of the Members of AUTOMOBILE CORPORATION OF GOA LIMITED will be held on Friday, the 26th September, 1997 at 3.00 p.m. at the Registered Office of the Company at Honda, Sattari, Goa to transact the following business:

1. To receive and adopt the Directors' Report and the audited Profit and Loss Account for the year ended 31st March, 1997 and the Balance Sheet as at that date and the schedules and notes attached thereto.
2. To declare a dividend for the year ended 31st March, 1997.
3. To appoint a Director in place of Mr. D. N. Naik, who retires by rotation and is eligible for reappointment.
4. To appoint Dr. M. Modassir with effect from 26th September, 1997, as Director liable to retire by rotation and in respect of whom the Company has received a notice in writing from a member pursuant to Section 257 of the Companies Act, 1956, signifying his candidature for the office of Director.
5. To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED that pursuant to Section 224A and other applicable provisions if any, of the Companies Act, 1956, M/s C. C. Chokshi & Co., Chartered Accountants, Mafatlal House, Backbay Reclamation, Mumbai 400 020 be are hereby appointed Auditors of the Company to hold office from this meeting until the conclusion of the next Annual General Meeting of the Members of the Company, on a remuneration of Rs.1,25,000/- (Rupees one lac twenty five thousand only) plus out of pocket expenses incurred by the Auditors for the purpose of Audit."

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

"RESOLVED that the consent of the Company be and is hereby accorded under Section 293(1)(a) of the Companies Act, 1956, to the Board of Directors of the Company for mortgaging and/or charging in favour of the Banks / Financial Institutions or any other lender all the immovable and movable properties of the Company, both present and future, and whole of the undertaking of the Company or such of them as may be agreed to between the Board and such lenders to secure loans upto Rs. 10 crores (Rupees ten crores only) from such lenders together with interest, commitment charges, costs and other charges and expenses payable by the Company to such Lenders."

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

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the following manner :

Article 150 shall be deleted."

By order of the Board of Directors

ANANTH PRABHU
Company Secretary

Registered Office :

Honda, Sattari,
 Goa 403 505.

Dated : 16th August, 1997.

**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) The Register of Members and Transfer Books of the Company will remain closed from Monday, the 15th September, 1997 to Monday, the 22nd September, 1997 (both days inclusive).
- (d) The Dividend on Equity Shares as recommended by the Directors for the year ended 31st March, 1997 if declared at the Meeting, will be payable on or after 15th October, 1997 to those Shareholders whose names appear on the Register of Members as on 22nd September, 1997.
- (e) Pursuant to Section 205 (A) of the Companies Act, 1956, an amount of Rs. 1,14,513/- towards unclaimed dividend for the year ended 31st March, 1993 has been transferred to the General Revenue Account of the Central Government. Those Shareholders who have not encashed their Dividend Warrants for the said year, are requested to claim their amounts from the Registrar of Companies, Goa Daman & Diu, Daulat Building, St. Inez, Panaji, Goa 403 001.

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956.**I. Item No. 4**

Dr. M. Modassir, Managing Director, Economic Development Corporation of Goa, Daman & Diu Ltd., was appointed as Additional Director of the Company on 13th August, 1997. As per Section 260 of the Companies Act, 1956, Dr. Modassir holds office only upto this Annual General Meeting. A Notice under Section 257 of the Companies Act, 1956, has been received from a member signifying his candidature for the office of Director.

II. Item No. 5

Section 224A of the Companies Act, 1956 provides that in case of a Company of which not less than 25% of the Subscribed Capital is held either singly or in any combination by Public Financial institutions, Government Companies etc., the appointment or reappointment of an Auditor of that Company has to be made by a Special Resolution. Since the holding of the

shareholders falling in the aforesaid category exceeds 25% of the Subscribed Capital of the Company, the resolution appointing the Auditors is proposed as a Special Resolution.

III. Item No. 6

Section 293(1) (a) of the Companies Act, 1956, provides that the Board of Directors of a Public Limited Company shall not, without the consent of such public company in General Meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company.

The Company proposes to avail loans not exceeding Rs. 10 crores from Banks/Financial Institutions/other lenders at such terms and conditions as considered acceptable.

Such loans, inter alia, are to be secured by a first mortgage of the immovable properties and first charge by way of hypothecation of the movable properties of the Company (both

AUTOMOBILE CORPORATION OF GOA LIMITED

present and future). The resolution has been proposed to enable the Company to provide the securities required by the lenders to cover the borrowing.

IV. Item No. 7

Section 31 of the Companies Act, 1956, requires any alteration to the Articles of Association to be made by a Special Resolution.

Article 150 of the Articles of Association, as existing, reads as follows :

"150. The Economic Development Corporation of Goa, Daman and Diu Limited (EDC) shall have the right to appoint three persons as Directors of the Company and to remove such persons from office and on a vacancy being caused in such office from any cause whether by resignation, death, removal or otherwise of any such person so appointed, to appoint another Director in the vacant place."

The Economic Development Corporation of Goa, Daman & Diu Limited (EDC) held 41.06% of the Paid up Share Capital of the Company upto July, 1994. Since then EDC has reduced its shareholding in the company to 9.49%. It is therefore considered advisable to delete Article 150 of the Articles of Association of the company.

With this amendment, all Directors shall be Directors appointed by the Shareholders who are liable to retire by rotation; save and except Nominee Directors appointed by Financial Institutions as per Article 151 of the Articles of Association of the company.

A copy of the Memorandum and Articles of Association of the Company together with the proposed change is available for inspection at the Registered office of the Company on all working days.

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

By order of the Board of Directors

ANANTH PRABHU
Company Secretary

Registered Office:

Honda, Sattari,
Goa 403 505.

Dated : 16th August, 1997.



DIRECTORS' REPORT

To the Members of Automobile Corporation Of Goa Limited,

Your Directors present their 17th Annual Report and the Audited Statement of Accounts for the year ended 31st March, 1997.

Financial Results

	(Rs. in lacs) For the Year	For the Previous Year
Profit for the year before providing for Depreciation and Taxes	1202.68	1054.14
Provision for Depreciation	345.58	308.32
Provision for Taxes	359.00	317.00
	704.58	625.32
Profit for the year after providing for Depreciation and Taxes	498.10	428.82
Short Provision for Taxes of earlier years	(22.54)	(17.64)
Balance brought forward from the previous year	543.54	370.85
	1019.10	782.03
Appropriations :		
1. Debenture Redemption Reserve	65.00	65.00
2. General Reserve	55.00	50.00
3. Proposed Dividend	123.49	123.49
4. Income Tax on Dividend	12.35	—
	255.84	238.49
Balance carried to Balance Sheet	763.26	543.53

Dividend

Your Directors recommend payment of 25 % Dividend on the Share Capital of the Company.

Operations

Sheet Metal Division

1. The demand for Sheet Metal products was buoyant throughout the year resulting in a 20% increase in volume over the previous year. The well diversified product mix covering the entire Telco vehicle range provided the necessary flexibility in meeting the shifts in demand deftly.
2. The pressure on prices and margins however continued unabated resulting in only a 13% raise in turnover. With competitors further augmenting

their capacities nearer to Telco's factories, this trend is expected to continue in the coming years.

3. To offer "Direct Supply on Line" service to the customer, it is proposed to establish a warehouse in Pune to stock the products facilitating daily supplies as per customer's requirements. The warehouse is expected to be operational by the 2nd half of the current year.
4. A new unit was established at Bhuimpal, Sattari, Goa, during the year by installation of four imported high tonnage presses. This unit, with a capacity of around 5000 M. Tonnes will further enhance the Company's competitive edge in Sheet Metal Products.

Bus Body Division

5. Due to unfortunate disturbed industrial relations at the Bus Body Division particularly in the 2nd half of the year, volumes declined by 40% resulting in a 30% reduction in turnover over the previous year. With normalcy, having now been restored, it is expected that the Bus Body Division will regain its lost business opportunities in the current year.
6. The implementation of the Monocoque Bus project is progressing as per plans. The training of Engineers at the Collaborators' works in finite element analysis and design finalisation have been completed. Fixtures and parts development is in advanced stage and production is planned in the 2nd half of the current year.
7. The Company has agreed to subscribe to a 26% stake in Ashiyana Autobodies Ltd., a company jointly promoted with Pandit Automotive Ltd., Pune. A Technical Collaboration Agreement has been signed with this joint venture company to provide technology for building TATA 609/407 model buses. The joint venture company is setting up a plant at Satara which is expected to be operational by October, 1997.

Directors

8. Mr. P. Y. Karnik and Mr. M. P. Tellis, Nominee Directors of Unit Trust of India (UTI) and The Industrial Credit & Investment Corporation of India Ltd. (ICICI) respectively, relinquished office during the year. While Mr. P. Y. Karnik was replaced as a Nominee Director by Mr. J. S. Mascarenhas by UTI, Mr. M. P. Tellis' nomination was withdrawn

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by ICICI upon full repayment of their term loans. Both Mr. Karnik and Mr. Tellis actively participated in the deliberations of the Board and provided help and support for the activities of the Company wholeheartedly. The Directors have placed on record their appreciation of the guidance and service rendered by Mr. Karnik and Mr. Tellis during their tenure.

9. Mr. R. R. Borkar, one of the founder Directors of the Company, resigned consequent upon his retirement as the Managing Director of Economic Development Corporation of Goa, Daman & Diu Ltd., Mr. Borkar played a key role in the formation of the Company in 1980 and served the Company with great distinction all through his long association as a Director.

The Directors have placed on record their acknowledgement of the role played by Mr. R. R. Borkar in its formation and growth and their appreciation of the guidance and service rendered by him as a founder Director.

10. Dr. M. Modassir, Managing Director, Economic Development Corporation of Goa, Daman & Diu Ltd., joined the Board as Additional Director with effect from 13.8.1997. As per Section 260 of the Companies Act, 1956, Dr. Modassir holds office upto 26.9.1997 — the date of the Annual General Meeting. Dr. Modassir's appointment as a Director liable to retire by rotation is proposed in the notice convening the 17th Annual General Meeting. The Board of Directors commend the appointment of Dr. Modassir as Director.
11. Mr. D. N. Naik, Director, retires by rotation and being eligible, offers himself for reappointment.

Employee relations

12. A wage settlement was signed with the Employees Union at the Sheet Metal Division (SMD) effective from 1.11.1996. Employee relations were harmonious during the year at the Sheet Metal Division.
13. In spite of voluntary referral of the wage dispute to the Statutory forum in April, 1996, the Bus Body Division Employees Union resorted to prolonged

agitation on various issues disrupting production and sales seriously particularly during the 2nd half of the year.

Discipline, productivity and ancillarisation are fundamental to all modern Industry. This is particularly true for the continuity and growth of the highly competitive bus body industry. Considering the importance of the issues involved, the Company has adopted a persuasive, albeit the slower method, in dealing with the labour agitation. Normalcy has now been restored. The Directors hope that learning from this unfortunate experience the employees will realise that it is the Company's growth and progress which alone ensures their growth and progress.

Particulars of Employees

14. Information in accordance with Sub-Section (2 A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of this report is given in the Annexure.

Auditors

15. The Members are requested to appoint Auditors for the year and fix their remuneration. M/s C. C. Chokshi & Co., the present auditors retire and have furnished eligibility certificate as required under Section 224 (1) of the Companies Act, 1956.

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

16. The information required under Section 217 (1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of this report is appended hereto.

On behalf of the Board of Directors

S. V. SALGAOCAR
Chairman

Place : Panaji,

Dated : 16th August, 1997.



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

- i) Based on the experience of energy saving due to installation of "soft start" units in 1995-96, 3 more soft start units were installed at the new press shop. These units reduce the starting current (Demand) requirement with a smooth start of motor. During normal running condition, they provide optimum voltage contributing to energy saving of over 50%. The wear and tear of machine parts and belts is also reduced.

"Maximum Demand Controller" meters have been installed at both Sheet Metal Division and the new press shop. These meters continuously monitor dynamic Demand and other electrical parameters and trip the system when the dynamic demand exceeds the set Demand. This, in addition to energy saving, restricts peak loading on the system grid.

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

FORM B

I. Research & Development

1.
 - i) Second Prototype Low Floor Monocoque bus designed & developed for 'Citybus' application with indigenous design.
 - ii) Integration of collaborators (FHI) technology for Intracity large baggage room Monocoque bus.
 - iii) Development of new styling for Monocoque front & rear structure in fibre reinforced plastic thereby reducing product development time compared to the sheet metal route.
 - iv) Development & production of new range of TATA LP 407 and LP, LPO TATA Cummins Engine buses.
2. Benefits derived as a result of the above Research & Development:
 - i) Opening up market potential for Low Floor City buses.
 - ii) Learning opportunity to engineers of the design intricacies in the development of Monocoque bus.

- iii) Adoption and improvisation of technology for newer applications.

3. Future Plan of Action

- i) Design improvisation for mass production of LP 407 & Monocoque Buses.
- ii) Adoption of automatic transmission, Direct drive Air conditioner and indigenous air suspension for Monocoque buses.
- iii) Adoption of ABS interior panels and Hatrack in line with International Standards.

4. Expenditure on Research and Development

a) Capital	Rs. 7,53,109
b) Recurring	Rs. 16,55,321
c) Total	Rs. 24,08,430
d) Total R&D expenditure as a percentage of total turnover	0.19 %

II. Technology Absorption, Adaptation and Innovation

- a) Technology imported : Technology for building Monocoque Buses as per Technical Collaboration Agreement with Fuji Heavy Industries, Japan (FHI).
- b) Year of import : 1997-98
- c) Has technology been fully absorbed : Technical Collaboration Agreement is under implementation.

C. 1. Exports

The Bus Body Division executed Export orders for 181 buses during the year.

2. Foreign Exchange used and earned

Used - Rs. 2,95,40,927 towards Technical fee, import of Components and Travelling expenses.

Earned - Rs. 5,49,16,747 towards Export of buses through a Merchant Exporter.

On behalf of the Board of Directors

S. V. SALGAOCAR
Chairman

Place : Panaji,

Dated : 16th August, 1997.