AUTOMOBILE CORPORATION OF GOA LIMITED

23rd Annual Report 2003

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	
J. J. Singh	Managing Director
Ananth Prabhu	Executive Director (Commercial) & Secretary

AUDITORS

C. C. Chokshi & Co.

BANKERS

State Bank of India

Syndicate Bank

REGISTERED OFFICE

Honda, Sattari,
Goa 403 530

SHARE REGISTRARS

Tata Share Registry Limited
Army and Navy Building,
148, Mahatma Gandhi Road,
Fort,
Mumbai - 400 001.

23rd ANNUAL GENERAL MEETING
12th September, 2003.
5.00 P.M.
Honda, Sattari, Goa 403 530.

NOTICE

NOTICE is hereby given that the 23rd Annual General Meeting of the Members of AUTOMOBILE CORPORATION OF GOA LTD., will be held on Friday, the 12th September, 2003 at 5.00 p.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 and Loss Account for the year ended 31st March 2003 and the Balance Sheet as at that date.
2. To appoint a Director in place of Mr. S V Salgaocar, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Mr. Ananth Prabhu, who retires by rotation and is eligible for reappointment.
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

5 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 Sections 78, 100 to 104 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), Article 72 of the Articles of Association of the Company and subject to the confirmation of the Hon'ble High Court of Judicature at Panaji, Goa, an amount not exceeding Rs.388.46 Lakhs out of the balance standing in the Share Premium Account of the Company be utilized for adjusting the balance outstanding in the Deferred Revenue Expenditure Account by way of voluntary retirement scheme expenditure and payment towards technical fees [appearing under the head, Miscellaneous Expenditure (to the extent not written off or adjusted)] as at 1 st July 2003."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution and for removal of any difficulties or doubts, the Board of Directors of the Company (hereinabove referred to as 'the Board' which term shall be deemed to include any Committee or any person which the Board may nominate / constitute to exercise its powers, including the powers conferred under this Resolution) be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, usual or proper and to settle any question or difficulty that may arise with regard to utilization / adjustment of the Share Premium Account including passing of such accounting entries and / or making such other adjustments in the books of account as considered necessary to give effect to the above Resolution or to carry out such modifications / directions as may be ordered by the Hon'ble High Court of Judicature at Panaji, Goa to implement the aforesaid Resolution."

6. 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 198, 309, 310 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 (including any statutory amendments, modifications or re-enactment thereof) and in partial modification of the resolution passed at the 21st Annual General Meeting of the Company held on 28th September, 2001, approving the terms of appointment and remuneration of Mr. J J Singh as Managing Director, consent of the members of the Company be and is hereby accorded to an increase in the remuneration payable to Mr. J J Singh, as Managing Director with effect from the date of his appointment for the period of his tenure as Managing Director by way of payment of Annual Incentive Remuneration as may be decided by the Board of Directors of the Company (which term includes Committee of the Directors) in its absolute discretion depending upon the performance of Mr. J J Singh from time to time."

"RESOLVED FURTHER THAT all the other terms and conditions of his appointment and remuneration as Managing Director, as approved by the Members at the 21st Annual General Meeting, shall remain unchanged and that such Annual Incentive Remuneration shall be in addition to the salary, perquisites and commission approved by the Members as aforesaid, but however that the total enhanced remuneration paid to the Managing Director shall be limited by the ceiling on managerial remuneration as contained in Schedule XIII to the Companies Act, 1956 and amendments thereto from time to time."

"RESOLVED FURTHER THAT any of the Directors and/or the Company Secretary, be and are hereby authorised to file the necessary form/ return with the Registrar of Companies and to do such acts, things and deeds as may be required to give effect to the above resolution."

7. 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, 2003, 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 proportions and manner of such payments and distribution to be as the Board may from time to time decide."

8. 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 all other applicable provisions if any of the Companies Act 1956, Article 156 of the Articles of Association of the Company be and is hereby deleted and replaced by the following new Article 156:

156. Subject to the provisions of Section 310 of the Act, each Director shall be entitled to be paid out of the funds of the Company by way of remuneration for his services such sum not exceeding the amount prescribed under that Section from time to time, for each meeting of the Board or a Committee thereof attended by him, as may be decided by the Board from time to time."

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. 5 to 8 set out above is annexed hereto.

(c) Register of Members and Transfer Books of the Company shall remain closed from Wednesday the 13th August, 2003 to Tuesday the 19th August, 2003 (both days inclusive).

(d) As required under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules 1978, the Company has transferred all unclaimed dividends declared for and up to the financial year ended 31.3.1995 to the Central Government – General Revenue account. Members may approach the Registrar of Companies at the following address along with their claim in Form II of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules 1978.

The Registrar of Companies
Company Law Office
Plot No. 21, EDC Complex,
Patto Plaza,
Panaji - Goa 403 001

As per the provisions of Section 205A read with 205C of the Companies Act, 1956, the Company is required to transfer the dividends declared for the financial year ended March 31, 1996 and onwards which remain unpaid or unclaimed for a period of 7 years to the Investor Education and Protection Fund set up by the Central Government. ***It may be noted that no claims will lie against the Company or the Investor Education and Protection Fund in respect of the said unclaimed dividend amount transferred to the Fund.*** Members who have not claimed their dividends for the financial year ended March 31, 1996 and onwards are requested to lodge their claim with the Company's Registrar and Transfer Agents – Tata Share Registry Ltd. at the address mentioned in the Annual Report.

By order of the Board of Directors

(ANANTH PRABHU)
Executive Director (Commercial)& Secretary

Dated : 23rd July, 2003
Registered Office :
Honda, Sattari,
Goa – 403 530.

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

Item No. 5:

The Company is engaged in the businesses of manufacture of components, assemblies and sub-assemblies for various aggregates of automobiles and Bus bodies.

As the members are aware, the operational and financial performance of the Company was severely affected during the last few years due to adverse business environment as conveyed to the members in the Annual Reports. The Company initiated a number of restructuring initiatives including fresh infusion of capital, cost cutting measures and steps to improve operational efficiency and quality. As a part of cost control measures, the Company announced Voluntary Retirement Schemes (VRS) to the employees in August 1999 and September 2002. The VRS received an overwhelming response from the employees of the Company. Pursuant to the VRS, the Company paid approximately Rs.583 Lakhs to its employees.

The expenditure on VRS was incurred with intent to rationalize employee costs and in turn increase the profitability of the Company in the long run. The Company therefore decided to defer the expenditure on VRS over a period of 5 years. Similarly, the Company had deferred, for a period of 5 years, expenditure incurred towards payment of technical fees for developing new bus model, the benefit of which is expected to accrue in the future. Such VRS expenditure aggregating to around Rs.370 Lakhs and technical fees aggregating to Rs.43 Lakhs now forms part of the Deferred Revenue Expenditure account under the head "Miscellaneous Expenditure (to the extent not written off or adjusted)" as at 1st April, 2003. On the other side, Share premium account of the Company shows credit balance of Rs.388.46 Lakhs.

It is proposed to undertake a financial restructuring exercise whereby the balance outstanding in the Deferred Revenue Expenditure account under the head "Miscellaneous Expenditure (to the extent not written off or adjusted)" as at 1st July 2003 not exceeding Rs.388.46 Lakhs [representing the unamortised expenditure incurred on voluntary retirement scheme and technical fees], subject to the necessary approvals, be written off / adjusted against the credit balance in the Share Premium Account.

Section 78(1) of the Companies Act, 1956 requires the provisions of Sections 100 to 104 relating to reduction of share capital to be followed for the utilization of share premium for purposes other than those specified in sub-section (2) of section 78. Section 100 requires the reduction to be approved by the members by way of Special Resolution and Section 101 requires confirmation of High Court having jurisdiction.

Article 72 of the Articles of Association of the Company empowers the Company to utilise Share Premium Account as aforesaid.

In accordance with the provisions of Section 78 read with Section 100 to 104 of the Companies Act, 1956, read with Article 72 of the Articles of Association of the Company, the Board of Directors at their Meeting held on 23rd July, 2002 approved, subject to approval of the members and the High Court, the application / utilization of Share Premium Account to the extent of Rs.388.46 Lakhs for setting off the balance in Deferred Revenue Expenditure Account as at 1st July 2003.

Such financial restructuring is expected to enhance shareholder value through improvement in future profitability with consequent increase in earnings per share and return on capital employed.

The restructuring will also not cause any prejudice to the creditors of the Company. For the sake of clarity, it is specified that the reduction of share premium does not involve either the diminution of any liability in respect of unpaid capital or the payment to any shareholder of any paid-up capital. The creditors of the Company are in no way affected by the proposed restructuring of the Share Premium account as there is no reduction in the amount payable to any of the creditors, no compromise or arrangement is contemplated with the creditors and also there is no significant reduction in the security which the creditors may have in the assets of the Company. In any case, the asset cover ratio as covenanted by the Company in various agreements with secured lenders would continue to be maintained even after the proposed restructuring. Further, the proposed adjustment would not in any way affect the ordinary operations of the Company or the ability of the Company to honour its commitments or to pay its debts in the ordinary course of business.

There will not be any change in the capital structure or the shareholding pattern due to the aforesaid proposed utilization of Share Premium Account, which would remain as under.

Capital Structure:

Particulars	Amount (in Rs.)
Authorised:	
100,00,000 Equity Shares of Rs.10/- each	100,000,000
15,00,000 Preference Shares of Rs.100/- each	150,000,000
	250,000,000
Issued, subscribed and paid-up:	
49,39,709 Equity Shares of Rs.10/- each	49,397,090
9,20,060 Preference Shares of Rs. 100/- each	92,006,000
Total	141,403,090

Shareholding pattern as at 30 th June, 2003:

Category	No. of Shares	Percentage of shareholding
Promoters	9,62,553	19.49
Persons acting in concert (Tata Promoters Group)	10,59,768	21.45
Mutual Funds & Unit Trust of India	1,23,996	2.51
Banks, Financial Institutions, Insurance Cos.	2,03,473	4.12
NRIs/OCB's	4,945	0.10
Foreign Institutional Investors	2,650	0.05
Private Corporate Bodies	3,14,003	6.36
Others	22,68,321	45.92
Total	49,39,709	100.00

None of the Directors of the Company is deemed to be concerned or interested in the resolution.

Item No. 6:

At the 21st Annual General Meeting of the members of the Company held on 28th September 2001, the members approved the appointment and other terms including payment of remuneration payable to Mr. J J Singh as the Managing Director.

As the members are aware, the Managing Director is on deputation from Tata Engineering & Locomotive Co. Ltd. for a period of three years. Tata Engineering & Locomotive Co. Ltd. has a system of payment of Annual Incentive Remuneration to their senior employees and Mr. Singh would have been eligible to receive such payment had he continued in the employment at Tata Engg. In the circumstances as also in view of the commendable performance of Mr. Singh as Managing Director as is evident from the performance of the Company since his appointment as Managing Director, the Board considers it necessary to pay suitable Incentive Remuneration to him on an annual basis. Such Incentive Remuneration shall be in addition to the remuneration by way of salary, perquisites and commission payable to him as approved by the Members earlier, and not restricted by the ceiling prescribed by the members on perquisites, provided that the total remuneration shall be limited to the ceiling set out by Schedule XIII to the Companies Act, 1956 and amendments thereto from time to time.

The revised remuneration has been approved by the Remuneration Committee and by the Board of Directors, at their Meeting held on 26th June 2003, subject to approval of shareholders under Schedule XIII.

In view of the requirements of the revised Schedule XIII to the Companies Act, 1956, the resolution for payment of the revised remuneration is being proposed as a Special Resolution.

The Company has not made any default in repayment of any of its debts (including public deposits) or debentures or interest payable thereon for a continuous period of 30 days in the preceding financial year before the date of appointment of Mr. J J Singh as the Managing Director. The information as required to be disclosed in terms of Section II (1) (B) of Part II to Schedule XIII to the Companies Act, 1956, is given below:

I. General Information:

Particulars	
Nature of industry	Automobile Pressed Components and Bus Bodies.
Date or expected date of commencement of commercial production	June, 1982.
In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.	Not Applicable
Financial performance based on given indicators	(Rs. in lakhs) 2000/01 / 2001/02 / 2002/03 Turn Over: 4417.84 / 4839.91 / 7595.85 PBIDTA: 415.79 / (8.75) / 559.15 Cash Profit: 795.53 / (388.27) / 297.90 Net Profit: (1129.41) / (707.94) / 21.54
Export performance and net foreign exchange collaborations	(Rs. in lakhs)* 2000/01 / 2001/02 / 2002/03 492.48 / 861.67 / 2793.37 *Through a Merchant Exporter
Foreign investments or collaborations, if any.	Collaboration for Monocoque Buses and Air Suspension systems.

II. Information about Mr. J J Singh:

Particulars	
Background details	Age 58 Years. B E (Mechanical) Joined Telco in 1970. Mr. J J Singh was Dy. General Manager (Auto Production) prior to joining the Company. Currently Mr. Singh is on deputation from Tata Engg. for 3 years.
Past remuneration (Rs. in Lakhs)	2000/01 / 2001/02 / 2002/03 Total Rem. 12.05 / 14.56 / 14.87* *Excluding the proposed Incentive Remuneration
Recognition or awards	–
Job profile and his suitability	Managing Director. Has successfully turned around the company during the last two years.
Remuneration proposed	Incentive Remuneration For 2001/02 - Rs. 4.07 Lakhs (Part of the year-payable in 2002/03) 2002/03, 2003/04 } As may be decided by the Board.
Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)	In line with payments made by similar Companies in the Industry.
Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.	Nil

III. Other information:

Particulars	
Reasons of loss or inadequate profits	The Company became a Sick Industrial Company as on 31st March 2002. The Company has drawn a long restructuring plan and has commenced earning profits soon after the successful implementation of the restructuring plans.
Steps taken or proposed to be taken for improvement	As above
Expected increase in productivity and profits in measurable terms.	The Company has started its revival by earning profits after continuous losses for four years. Every effort is being made to wipe out the accumulated losses in the next two to three years.

IV. Disclosures:

Remuneration package: As stated above.

The Directors commend the same for the approval of the members

None of the Directors except Mr. J J Singh is deemed to be concerned or interested in the resolution.

Item No. 7:

Section 359 of the Companies Act, 1956 (the Act) permits payment of remuneration to those Directors, who are neither Managing Directors nor in the whole-time employment of a company, by way of commission on the net profits of such a company for a financial year computed in the manner referred to in Section 198 of the Act. In case of a company having a Managing Director or a Whole-time Director, the commission payable to non-whole-time Directors shall not exceed 1% of the net profits of such a company.

At present, the Company is not paying any remuneration including sitting fees to its non-Whole-time Directors. As the members are aware, the responsibilities and role of non-Whole- time Directors have widened substantially in the current and increasingly competitive and complex business environment as also on account of the new Corporate Governance related regulations. As the Company makes progress in regaining its financial health, modernize and look to the future with optimism, it is considered that the non-Whole-time Directors who shoulder these responsibilities be compensated appropriately. Hence it is proposed that, in terms of Section 309 of the Act, the Company may allow payment of remuneration to the Directors (including Alternate Directors but excluding Managing/Whole-time Director/s) or some or any of them, by way of commission, 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, 2003.

Payment of commission to non-Whole-time Directors requires approval of the members by means of a Special Resolution. Your Directors commend the 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 mentioned at item No. 7 of the accompanying Notice to the extent of the amount of remuneration that may be received by them from time to time.

Item No. 8:

Article 156 of the Articles Association of the Company was last amended on 12th August, 1988 to revise the sitting fee payable to the Directors for attending a meeting of the Board/ Committee thereof to Rs. 500/- per meeting and reads as follows:

156: The remuneration of a Director for his services shall be such sum as may be fixed by the Board of Directors not exceeding Rs.500/- for each meeting of the Board or a Committee thereof attended by him.

The Companies Act, 1956 (the Act) read with Rule 10B of the Companies (Central Government's) General Forms and Rules, 1956 prescribes the fees payable by companies to a Director for attending a meeting of the Board or a Committee thereof.

At present, the Company is not paying any sitting fees to its Directors. However, in order to provide flexibility to the Company to pay sitting fees within the limits prescribed by the provisions as applicable from time to time, it is proposed to amend the said Article 156 of the Articles of Association of the Company.

Section 31 of the Act requires any amendment to the Articles of Association of the company to be approved by the members of the company by way of a Special Resolution.

The Articles of Association of the Company is available for inspection on any working day between 9.00 AM and 12.00 Noon at the Registered Office of the Company.

Your Directors commend the resolution. All non-Whole-time Directors of the Company may be deemed to be concerned or interested in this resolution.

By order of the Board of Directors

(ANANTH PRABHU)
Executive Director (Commercial) & Secretary

Dated : 23rd July, 2003
Registered Office :
Honda, Sattari,
Goa – 403 530.

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

Name	Mr. S V Salgaocar	Mr. Ananth Prabhu
Date of Birth & Age	24th July, 1954 49 years	25th August, 1948 55 years
Appointed on	28th September, 2001	21st March, 2001
Qualification	B.Sc. Geology MMS (Finance – JBIMS)	B.Sc. A C S
Expertise in specific functional areas	Mr. S. V. Salgaocar is Managing Director of Salgaocar Group of Companies, including Palm Hotels India Ltd., which owns Goa Marriott Resort. He is also on the Board of Governors, Indian Institute of Technology (IIT) Mumbai, President of the Devi Sharvani Education Society, President of Goa Football Association (GFA), Chairman of Mineral Foundation of Goa, Member of the Governing Board of Goa Institute of Management, Shipbuilding Industry Society of Goa and Sports Authority of Goa, Member of Indian Geological Congress Roorkela, U.P.	Secretarial, Finance and Commercial functions
Directorships held in other Public companies (excluding foreign companies)	Goa Auto Accessories Ltd. Palm Hotels (I) Ltd Pyramid Finance Ltd	Nil
Memberships/Chair-personships of committees across public Companies	Nil	Nil

DIRECTORS' REPORT

To the members of Automobile Corporation of Goa Limited.

Your Directors present their 23rd Annual Report and the audited Statement of Accounts for the year ended 31st March 2003.

Financial Results	**(Rs. in lacs) 2002-03**	(Rs. In lacs) 2001-02
Net Sales/Income from Operations	**7595.85**	4839.91
Total Expenditure	**7087.03**	4866.10
Operating profit	**508.82**	(26.19)
Other income	**50.33**	17.44
Profit/(Loss) for the year before Interest, Depreciation, Amortisation and Extraordinary Items	**559.15**	(8.75)
Interest	**261.25**	379.52
Cash Profit	**297.90**	(388.27)
Provision for Depreciation & Amortisation	**310.65**	319.67
Profit/(Loss) before extraordinary/exceptional items	**21.54**	(707.94)
Excess Provision for tax in respect of earlier years	**2.18**	–
Balance in Profit & Loss A/c brought forward from the previous year	**(1,216.10)**	(509.56)
	(1,192.38)	(1,217.50)
Appropriations:		
Transfer from Debenture Redemption Reserve	**300.00**	–
Transfer from General Reserve	**0.32**	1.40
Deficit carried to Balance Sheet	**(892.06)**	(1,216.10)

Dividend

In view of the inadequacy of profit for the year, the Directors have not recommended a dividend.

Operations

The Directors are pleased to report a significant turnaround in the operations of the Company during the year under review. The last quarter of the year particularly witnessed brisk sales contributing over a third of the annual sales and reversing the trend of profitability for the first time in over four years with a profit of Rs 110.49 Lakhs for the quarter. The net revenue for the year increased 57%, Gross Operating Profit Margin improved to 7.36% from less than 1% in 2001-02 and all other performance indicators pointed to a remarkable recovery as compared to the recent years. Even though the all round increase in the input costs during the year did impact on the performance to some extent, vigorous cost cutting and efforts at improving operational efficiencies pursued relentlessly have resulted in the Company turning the corner after four years of continuous losses.

Cost savings at both the divisions amounted to Rs.159 Lakhs. A further Rs. 118 Lakhs was saved on interest payments by prudent working capital management and decline in interest rates.

Sheet Metal Division

The business at the Sheet Metal Division remained subdued during the year under review with the capacity utilization at 55.6% remaining almost at the same level as in the previous year. While the value addition declined, the operating margins improved due to efforts at cost cutting and the steps taken at improving efficiencies. Fierce competition coupled with locational disadvantages prevented possible improvements in sales in a year when commercial vehicle production achieved impressive growth. It is now well recognized that to stay in this business segment, fundamental changes in product quality and reliability are to be undertaken and the Company has drawn long term plans which include re-conditioning of tooling and equipment to closely control process parameters to improve quality and productivity.

Bus Body Division

The Bus Body Division, after being at low utilization levels for a long period, achieved an all time record sales of 1079 buses during the year. In the event, the Bus Body Division not only provided the much-needed support to the Sheet Metal Division, but also held out a promise of stability and growth to the Company. Major initiatives were undertaken with the help of Tata Engineering and Locomotive Co. Ltd. (Tata Engineering), particularly the month long Kaizen programme, which helped to nearly double productivity at the Bus Body Division. This is a major milestone in the history of the Bus Body Division and augurs well for the future plans of volume growth and product diversification. The demand too remained a step ahead of the capacity prodding efforts at rationalizing production facilities. With active help and support from the Fully Built Vehicles (FBV) Division of Tata Engineering, many new models and customer options were developed thus considerably widening the product profile. The demand from the domestic market provided the much-needed cushion to the fluctuations from export demand.

The Bus Body Division proposes to further augment capacity by investments in balancing equipment during the current year.

In addition to product sales, the Bus Body Division also elicited considerable market interest in technology transfer including from overseas customers. Most of these are expected to be executed in the current year.

HRD and Industrial Relations

The Industrial relations were cordial with all the employees enthusiastically participating in the operational improvement efforts undertaken during the year. With continued emphasis at transparency and participative decision making process, the employees have fully aligned their objectives with those of the Company.

With a few issues of the past having been resolved amicably during the year, the Company proposes to revise the wages of all the employees effective from 1st April, 2003. This wage settlement, coming after a gap of five years, is expected to further consolidate the cordial industrial relations environment prevailing at the plants. The impact of increased wage burden is expected to be neutralized by improved productivity and volume growth at both the divisions.

Simultaneously, it is also proposed to introduce an employee compensation structure, which recognizes Company and individual performance as the main criteria for compensation at the management cadre.

As a part of the restructuring plans, an Employee Separation Scheme was floated under which 143 employees separated from the company during the year under review. This has especially enabled the Sheet Metal Division to re-align its employee strength to the current business volumes.

Finance

The financial restructuring plans drawn in the previous year were completed during the year under review. The calls in respect of Preference Shares issued in the previous year were paid during the year. All formalities connected with the restructuring package sanctioned by ICICI have also been completed.

Funded interest amounting to Rs. 275 Lakhs was prepaid to ICICI in view of positive cash flow from operations.

With a view to more appropriately reflect its future operational performance and efficiency and enhance shareholder returns through increase in Earnings Per Share and Return on Capital Employed, it is proposed to set-off an amount not exceeding Rs. 388.46 Lakhs or such sum as may be appearing in the books of account as on 1st July, 2003 on account of Miscellaneous Expenditure against the amount available in the Share Premium Account in the books as on that date subject to the approval of the Shareholders, the Stock Exchange and the Hon'ble High Court of Mumbai. Attention of members is drawn to Item No. 5 of the Notice of the AGM.

Audit observations

Para 2(f)(i)

Investment in Ashiyana Auto Bodies Limited: The investment of Rs 45.50 lakhs representing a 23% stake in the Equity share capital of Ashiyana Auto Bodies Limited (AAL) was made in the year 1998. Even though AAL has incurred substantial losses exceeding its capital, the main promoters have brought in the necessary funds to maintain the operations of AAL. The Directors therefore are hopeful that AAL will in due course return to profitability.

Corporate Governance

The report on Corporate Governance and the certificate from the Company's auditors confirming compliance of conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement is annexed to this report.

Directors

Mr. S V Salgaocar and Mr. Ananth Prabhu retire by rotation and, being eligible, offer themselves for reappointment. The Directors commend their reappointment.

Particulars of Employees

Information in accordance with Sub Section (2A) of Section 217 of the Companies Act, 1956 is not attached as no employee of the Company drew remuneration in excess of the stipulated limit during the year under review.

Energy Conservation, Technology Absorption and Foreign Exchange Earnings/Outgoings

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

1. In the preparation of the annual accounts the applicable Accounting Standards have been followed along with proper explanation relating to material departures.
2. Appropriate accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company at the end of financial year and the profit earned by the Company for that period.
3. Proper and sufficient care for 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 have been taken to the best of their knowledge and ability.
4. The annual accounts have been prepared on a "going concern basis."

Acknowledgements

The Company has been able to achieve a turn around entirely due to the support extended by all the stakeholders. The Board of Directors would like to particularly record their deep appreciation of the help extended by the Govt. of Goa, EDC Ltd. and Tata Engineering that enabled the Company implement its revival plans successfully.

The Directors also wish to convey their appreciation to all the employees for their involvement; understanding and wholehearted contribution in steering the Company out of the difficult period it has passed through. The Directors would like to thank the employee unions, shareholders, customers, suppliers, bankers and other business associates for the continuous support given by them to the Company.

On behalf of the Board of Directors

(S V SALGAOCAR)
Chairman

Place : Vasco-da-Gama, Goa
Dated : 23rd July, 2003

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

Energy conservation awareness is widespread across all manufacturing units. Close monitoring of compressors, motors, lighting and all other energy consuming devises, boilers, DG sets and other equipment as also maintenance of power factor above 0.9 has resulted in savings in energy costs.

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

1. Specific area in which R & D carried out by the company:

i. Design and Development of variants of Bus models.

ii. Development of improved fixtures and accessories

iii. Design and Prototyping new models of buses

iv. Validation through simulated techniques.

2. Benefits derived from R & D

i. Expansion of market through product customization and development

ii. Opportunities for Design and development assignments

iii. Opportunities for Technology transfers

3. Future Plan of Action

The Company continues to focus on developing products that meet customer requirements and look for opportunities in the related areas of technology.

4. Expenditure on Research and Development

a)	Capital	Rs.10,21,232.00
b)	Recurring	Rs.12,72,590.00
c)	Total	Rs.22,93,822.00
d)	Total R & D expenditure as a percentage of total turnover	0.29%

Technology Absorption, Adaptation and Innovation

a) Technology imported:

i) Technology for building Monocoque Buses as per Technical Collaboration Agreement with Fuji Heavy Industries Ltd., Japan.

ii) Technology for manufacture, sale and service of Air Suspension Systems as per Technology License Agreement with Holland Neway International Inc., Muskegon, Michigan, USA.

b) Year of import:

i) 1997-1998

ii) 1999-2000

c) Has technology been fully absorbed: Technical Collaboration Agreements are under implementation.

C. Foreign Exchange earnings and outgo.

The company earned Rs.279, 337,340/- by export of Buses through a merchant exporter. The particulars of foreign exchange earned/utilised during the year are given in Schedule 15 to the Accounts.

On behalf of the Board of Directors

(S V SALGAOCAR)
Chairman

Place : Vasco-da-Gama, Goa
Dated : 23rd July, 2003