

AUTOMOBILE CORPORATION OF GOA LIMITED

BOARD OF DIRECTORS

S. V. Salgaocar	Chairman
D. N. Naik	
P. F. X. D'Lima	
P. M. Telang	
R. S. Thakur	
S. M. Kuvelker	
N. R. Menon	Managing Director
Ananth Prabhu	Executive Director (Commercial) & Secretary

AUDITORS

C. C. Chokshi & Co.

BANKERS

State Bank of India
HDFC Bank Ltd.

REGISTERED OFFICE

Honda, Sattari,
Goa 403 530

SHARE REGISTRARS

TSR Darashaw Limited
(formerly known as Tata Share Registry Limited)
Army and Navy Building,
148, Mahatma Gandhi Road,
Fort, Mumbai - 400 001.

26th ANNUAL GENERAL MEETING
29th September, 2006.
10.30 a.m.
at Honda, Sattari, Goa 403 530.

NOTICE

NOTICE is hereby given that the 26th Annual General Meeting of the Members of AUTOMOBILE CORPORATION OF GOA LTD., will be held on Friday, the 29th September 2006 at 10.30 a.m. at the Registered Office of the Company at Honda, Sattari, Goa to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Directors' Report and the audited Profit & Loss Account for the year ended 31st March 2006 and the Balance Sheet as at that date.
2. To declare a Dividend for the year ended 31st March 2006.
3. To appoint a Director in place of Mr. S V Salgaocar, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. Ananth Prabhu, who retires by rotation and is eligible for reappointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

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

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

"Resolved that the Company hereby approves of the re-appointment and terms of remuneration to Mr. Ananth Prabhu as Executive Director of the Company from 21st March 2006 to 25th August 2008 upon the terms and conditions, including the remuneration to be paid in the event of inadequacy of profits in any financial year, as set out in the explanatory statement annexed to the notice convening this meeting, with liberty to the Directors to alter and vary the terms and conditions of said re-appointment in such manner as may be agreed to between the Directors and Mr. Prabhu"

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

Notes:

- (a) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, and details under Clause 49 of the Listing Agreement in respect of Directors seeking re-appointment is annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

The Proxy forms should be lodged with the Company at its registered office at least 48 hours before the time of the meeting.
- (c) Register of Members and Transfer Books of the Company will be closed from 14th September, 2006 to 19th September, 2006 both days inclusive, for the purpose of payment of dividend to those Members whose names stand on the Register of Members as on 19th September, 2006. 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.
- (d) 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.
- (e) Members holding Share certificates under different folio numbers but in the same order of name are requested to apply for consolidation of such folios and send relevant Share certificates to the Registrars and Transfer Agents of the Company.

- (f) As required under the Section 205C of the Companies Act, 1956, the unpaid dividend for the year ended 31st March, 1998 has been transferred to the Investor Education and Protection Fund (IEPF) set up by the Central Govt.

By order of the Board of Directors

(ANANTH PRABHU)
Executive Director (Commercial)
& Secretary

Dated: 5th August, 2006

Registered Office:

Honda, Sattari,
Goa – 403 530.

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

Item No. 6:

The appointment of Mr. Ananth Prabhu as Whole time Director for five years with effect from 21st March 2001 was confirmed by the members at the 21st Annual General Meeting held on 28th September, 2001.

The Board of Directors at their meeting held on 29th January, 2006 re-appointed Mr. Ananth Prabhu for a further period from 21.03.2006 to 25.08.2008. An abstract of terms of appointment was sent to the members as required under Section 302 of the Companies Act, 1956.

The salient terms of appointment are as follows:

1. Tenure – 21.03.2006 to 25.08.2008
2. Remuneration
 - A) Salary: Salary in the scale of Rs. 50,000 to Rs. 1, 10,000 per month with annual increments effective from 1st April every year as may be decided by the Board based on merit and Company's performance; incentive remuneration, if any, and/or commission based on certain performance criteria to be laid down by the Board, benefits, perquisites and allowances as may be determined by the Board from time to time.
 - B) Minimum Remuneration: If in any financial year during the term of appointment, the Company has no profit or its profits are inadequate, the Company will pay remuneration by way of salary, incentive remuneration, perquisite and allowances as specified above.

The aggregate of remuneration as aforesaid shall be within the maximum limits as stipulated under Section 198, 309 and other applicable provisions of Schedule XIII to the Companies Act, 1956 as amended from time to time.

The terms and conditions of appointment may be altered and varied from time to time by the Board as it may, in its discretion, deem fit. Either party giving the other party three-month's notice or the Company paying three months salary in lieu of notice may terminate the Agreement.

If at any time the Whole-time Director ceases to be a Director of the Company for any cause whatsoever, he shall cease to be the Executive Director/Whole-time Director of the Company. If at any time the appointee ceases to be in the employment of the Company for any cause whatsoever, he shall cease to be a Director of the Company.

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This may be treated as an abstract of the draft agreement between the Company and the appointee pursuant to Section 302 of the Companies Act, 1956.

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

By order of the Board of Directors

(ANANTH PRABHU)

Executive Director (Commercial) & Secretary

Dated: 5th August, 2006

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	24 th July, 1954 52 years	25 th August, 1948 57 years
Appointed on	12 th September, 2003	12 th September, 2003
Qualification	B.Sc Geology. MMS (Finance – JBIMS)	B.Sc. ACS
Expertise in Specific functional areas	<p>Mr. S V Salgaocar is Managing Director of Salgaocar group of companies that has interest in mining, processing and export of iron ore, shipping, real estate. The group has successfully diversified in setting up a 5-star deluxe hotel in Goa managed by Marriott International.</p> <p>He is the Chairman of Pyramid Finance Ltd., & Shivranjini Securities Co. Pvt. Ltd., & a Vice Chairman of Amiantit Fiberglass Industries India Pvt. Ltd.,</p> <p>He is President of Goa Football Association, Devi Sharvani Education Society, Treasurer of All India Football Federation & holds membership in Governing Board of Goa Institute of Management, Mineral Foundation of Goa, Sports Authority of Goa and the Ship building Industry Society of Goa.</p>	<p>Mr. Ananth Prabhu is a Science graduate and is also a member of The Institute of Company Secretaries of India.</p> <p>He joined the Company in 1982. During his long career, he was assigned various responsibilities in Materials & Purchase, Sales and other commercial functions in addition to his responsibilities as Company Secretary. On 21st March, 2001 he was appointed whole-time director of the Company designated as Executive Director (Commercial) & Secretary.</p>
Directorships held in other public companies (excluding Foreign and private companies)	<p>Pyramid Finance Limited</p> <p>Grindwell Norton Limited</p>	Nil
Memberships/ Chairpersonships of Committees across public companies	<p>Audit Committee Automobile Corporation of Goa Ltd – Chairman</p> <p>Remuneration Committee Automobile Corporation of Goa Ltd – Chairman</p>	Nil

DIRECTORS' REPORT

To the members of Automobile Corporation of Goa Ltd.

Your Directors present their 26th Annual Report and the audited statement of accounts for the year ended 31st March 2006.

Financial Results

	2005/06	2004/05
Net Sales	25403.04	15,662.04
Total Expenditure	22978.77	13,930.95
Operating profit	2424.27	1,731.09
Other Income	122.80	200.86
Earnings before Interest, Tax, Depreciation and Amortisation	2547.07	1,931.95
Interest	45.33	49.50
Cash Profit	2501.74	1,882.45
Provision for Depreciation & Amortisation	192.97	175.07
Profit before Tax	2308.77	1,707.38
Provision for Tax (net)	781.18	267.33
Balance in Profit & Loss A/c brought forward from the previous year	552.00	(172.98)
Profit available for appropriation	2079.59	1,267.07
<u>Appropriations:</u>		
Preference Dividend	55.02	105.56
Equity Dividend	395.18	395.18
Corporate Dividend tax	63.14	70.23
Transfer to General Reserve	152.80	144.10
Transfer to Capital Redemption Reserve	920.06	-
Balance carried to Balance Sheet	493.39	552.00

Rs. In Lakhs

Dividend

The Directors recommend payment of Rs. 8/- per share (80%) as dividend on the equity shares of the Company for the year.

Operations

The year was yet another milestone in the history of the Company. The volumes grew substantially in both the business segments. The revenues as a whole grew by over 60% from Rs. 158.62 Crores in 2004/05 to 255.25 Crores in 2005/06. Notwithstanding aggressive cost reduction efforts, which resulted in cost saving of Rs. 388.50 Lakhs during the year, the input costs surged drastically putting pressure on margins. Corporate tax at the applicable rate vis-à-vis MAT in the previous few years affected the Profit After Tax significantly. In the backdrop of this scenario, the higher earnings per Share of Rs. 29.65 as against Rs. 26.72 in the previous year is a very creditable achievement.

Sheet Metal Division

The pressings business grew by 17% during the year. As per plans, one Press was shifted and commenced production at Jejuri Pressing Unit.

On a review of the plans to shift the pressings operations from Goa, it is proposed to establish a new Press Shop in Pune to avoid logistics cost and improve business prospects.

493 small buses were produced at the main plant of the division at Goa. This has provided valuable learning opportunity to the employees of the division. As the Company plans to convert the main plant at Goa into a full-fledged Bus Body building facility by shifting the existing presses to get closer to the market, this experience will prove very useful.

Bus Body Division

3004 buses were sold during the year - an increase of 82% over the previous year. The division achieved substantial increase in volumes with minimum capital expenditure by introducing parallel production lines with the requisite facilities and improvements in production processes particularly in painting. The ramping up of volumes necessitated a well-coordinated production planning process from chassis positioning to material sourcing; inventory management; production and quality control to after sales service.

The volume growth achieved has resulted in boosting the self confidence of the division to set far higher targets for the future. The expansion of capacities with marginal investments in balancing equipment and optimum resource positioning will be a challenge and the Company is confident of setting up new milestones in times to come.

The Bus body building industry is poised to witness exciting times ahead with many international bus and coachbuilders firming up their plans for an India debut. The Company will work with Tata Motors to ensure that it plays an important role in all their plans for the development of bus market – both domestic and international.

The rising export demand during the last few years has resulted in the Company's reduced visibility in the domestic market. To rectify this anomaly, the Company plans to introduce a new model bus in the domestic market in the first quarter of the current year. The Company has valuable brand equity as a safe, fuel-efficient and value-for-money bus body builder in the country. The new model introduction has evoked encouraging response from old customers and, depending on the success, newer models will be introduced in the domestic market starting from this year.

HRD and Industrial Relations

Human Resource Development efforts were intensified during the year vigorously. Continuous communication, well planned training programmes with a clearly laid down training calendar, suggestion schemes with rewards to share the expected gains from implementation, common uniform from the top management to operators and several such initiatives received encouraging response with all the employees enthusiastically participating in the efforts to achieve greater customer satisfaction.

With a view to prepare the employees to face the expected competition from international players, the training programmes are being further broad based with emphasis on minimum mandatory training requirements for improved performance appraisal and rewards.

Corporate Social Responsibility

The social welfare initiatives of the Company continued during the year. The Company takes part in the annual polio eradication drive. In consultation with the community leaders, various initiatives have been taken to assist the local school children with Uniforms, Scholarships etc. Assistance is also extended in building a community hall for the villagers around the Bus division plant.

The Company actively takes part in the education development efforts of local educational institutions. The local Industrial Training Institute is assisted in training programmes and given opportunities for in-plant training. The Company also actively participates in all the activities of trade, industry and management associations in Goa.

Corporate Governance

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

Finance

The members will recall the infusion of capital in the form of Preference shares by the promoters – Tata Motors Ltd. and EDC - amounting to Rs. 920.06 Lakhs during 2002/03. As per the terms of issue, the Preference shares were to be redeemed at the end of 8 years or earlier at the discretion of the Board. In view of free cash flows generated from the operations, the Board of directors decided to redeem the Preference shares at par during the year. The Directors have placed on record their deep appreciation of the timely infusion of capital by the promoters, which immensely helped the Company in turning-around the operations.

The Jejury Pressing Unit also reached the threshold limit of Rs. 484.28 Lakhs as Interest Free Sales Tax Deferral/Loan. This interest free loan is repayable in five equal annual installments after 10 years from the date of availment.

To take advantage of the emerging opportunities of raising demand for buses, the Company proposes to substantially increase capacity as also up-grade and modernize the bus body building facilities. This along with the proposal to establish a new pressings unit in Pune will entail a capital expenditure of around Rs. 75 Crores. The Company proposes to issue further equity shares to the existing shareholders on Rights basis to raise requisite funds for this purpose. Details of the issue will be conveyed to the shareholders in due course of time.

Directors

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Mr. S V Salgaocar and Mr. Ananth Prabhu retire by rotation and are eligible for re-appointment. The Directors recommend the re-appointment of Mr. Salgaocar and Mr. Prabhu

Consequent upon completion of his term as Whole-time Director on 20th March 2006 in terms of the resolution of the members passed at the 21st Annual General Meeting, the Board of Directors have re-appointed Mr. Ananth Prabhu for a further term ending on 25th August 2008 subject to the approval of the members. Necessary resolution has been included in the Notice convening the 26th Annual General Meeting and the Directors recommend the re-appointment of Mr. Prabhu.

Particulars of employees

Information required under Section 217 (2A) of the Companies Act 1956, is annexed to this report.

Energy conservation, Technology absorption and Foreign Exchange earnings/outgoings

Information required under Section 217 (1) (e) of the Companies Act 1956 read with Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 and forming part of the Directors' Report is given as an annexure to this report.

Directors' Responsibility Statement

The Company complies with accounting and financial reporting requirements in respect of the financial statements for the year under review. Pursuant to Section 217 (2AA) of the Companies Act 1956 in respect of the annual accounts for the year under review, based on the representations received from the operating management, the Directors confirm that:

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- ii. they have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

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- 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 gratitude for the continuous help and support received from the International Business Unit, the Fully Built Vehicle Department and the plants at Pune, Jamshedpur & Lucknow of Tata Motors Ltd.

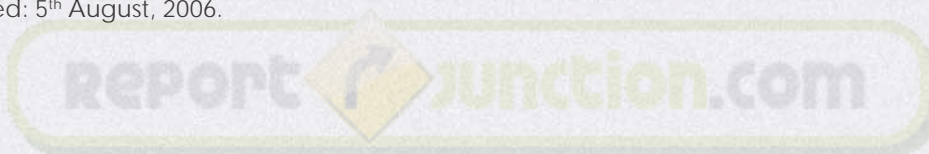
The Directors also express their deep appreciation to the dedicated and committed team of employees for their efforts in raising the standards of performance at all the manufacturing units. Our thanks are also due to ancillaries, vendors, bankers and other stakeholders in addition to the promoters for their continuous support to the Company.

On behalf of the Board of Directors

(S V Salgaocar)
Chairman

Panaji, Goa.

Dated: 5th August, 2006.



ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended

Name	Age (Yrs.)	Designation/ Nature of duties	Gross Remuneration received (subject to tax) (Rs.)	Qualification	Total Experience (Yrs.)	Date of commencement of employment	Last employment held, Designation, Period for which post held
Mr. N R Menon	60	Managing Director	28,86,772/-	B. E.	36	01.08.2004	Tata Motors Ltd., Pune. Dy. General Manager (Auto) 34 years.

1. Gross remuneration includes Salary, Incentive Remuneration, taxable value of perquisites and Company's contribution to Provident and Superannuation funds.
2. The nature of employment is contractual.

Dated: 5th August, 2006

On behalf of the Board of Directors

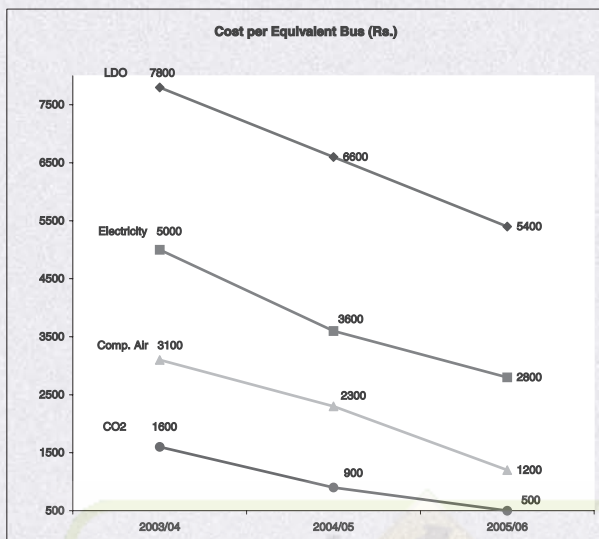
(S V Salgaocar)
Chairman



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



Judicious use of energy efficient methods was pursued vigorously during the year. The electricity supply at the plants in Goa has been erratic – both in terms of supply and voltage fluctuations. High capacity Automatic Voltage Regulators has been installed at all the Goa units to stabilize incoming voltage and improve power factor.

Voltage drop corrections and power factor improvements from 0.95 to 0.99 helped in achieving over 30% cost reduction in electricity cost per bus.

Demand balancing efforts and leakage elimination resulted in over 60% saving in compressed air costs per bus whereas reduction in cost of LDO was through TPM.

CO2 banks approach reduced the consumption of CO2.

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

1. Specific areas in which R & D carried out by the Company

- i. Bus with Starbus features on LPO 1316/55 Chassis designed and product ionized for Export Market.
- ii. Special bus on LPO 709/38 chassis specifically for dental application fabricated with all provisions required operating dental clinic in the bus itself.
- iii. A low cost bus based on City Ride concept fabricated on LP 709/38 chassis.
- iv. RE-SLF buses designed for airport application in both AC and Non AC versions.
- v. Buses with Starbus features for Ivory Coast with front and center door product ionized on LPO 1316/55 chassis.
- vi. Globus with improved product features designed and exhibited at Auto - Expo 2006.
- vii. Existing model 6HD upgraded and specifications standardized for Middle East Market to facilitate mass production.
- ix. Weight optimization for cost reduction.
- x. Low floor Monocoque bus developed for airport and city bus application.

2. Benefits Derived from R & D

- i. Customer options for higher end bus through introduction of Starbus in Gulf and African markets.
- ii. Expanded economy bus range through introduction of bus models on LP 709/38.
- iii. Higher production volumes through Standardization of specifications.
- iv. Enlargement of customer options and consequent demand expansion
- v. Cost reduction