



AUTOMOBILE CORPORATION OF GOA LIMITED

Annual Report 2008-09

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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

Deloitte Haskins & Sells

BANKERS

State Bank of India
HDFC Bank Ltd.

REGISTERED OFFICE

Honda, Sattari,
Goa 403 530.

SHARE REGISTRARS

TSR Darashaw Limited
6-10, Haji Moosa Patrawala Ind. Estate,
20, Dr. E. Moses Road,
Mahalaxmi ,
Mumbai - 400 011.

29th ANNUAL GENERAL MEETING
8th August, 2009.
12.00 noon
at Honda, Sattari, Goa 403 530.

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NOTICE

NOTICE is hereby given that the 29th Annual General Meeting of the Members of AUTOMOBILE CORPORATION OF GOA LTD. will be held on Saturday the 8th August 2009 at 12.00 noon 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 2009 and the Balance Sheet as at that date.
2. To declare a Dividend for the year ended 31st March 2009.
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. S M Kuvelker, who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr. P F X D'Lima, who retires by rotation and is eligible for reappointment.
6. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT approval is hereby granted to the Board of Directors to spend the balance amount unspent out of Rs. 7039.09 Lakhs raised through issue of equity shares on rights basis in 2007 for purposes other than those mentioned in the letter of offer dated 28th February, 2007, namely general corporate purposes including, but not limited to the following:

- a) Funding incremental working capital requirement;
- b) Spending on new business opportunities, setting up of new plants;
- c) Pursuing in-organic growth opportunities;
- d) Investment in any group companies as permitted by applicable law"

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

"RESOLVED THAT pursuance to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification and re-enactment thereof for the time being in force), the Articles of Association of the Company be altered by insertion of new Article 135A after article 135 as follows:

135A. The Company shall have the power to hold Board or Committee meetings through the means of video or tele-conferencing, and also allow Directors to participate in the Board or Committee meetings through the means of Video or tele- conferencing, subject to the applicable provisions, if any, of the Act and other regulatory provisions, if any, and all relevant articles dealing with Board or Committee meetings shall be read mutatis mutandis.

RESOLVED FURTHER THAT the Board of Directors of the Company is hereby authorised to do all such acts, deeds, matters and things as may be deemed necessary or expedient for giving 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 shall remain closed from 23rd July, 2009 to 28th July, 2009 (both days inclusive).
- (d) Dividend for the year, as approved by the members, shall be payable to those shareholders whose names appeared on the Register of Members on the record date, i.e. 28th July, 2009, fixed for this purpose. The dividend in respect of shares held in dematerialized mode will be payable to the beneficial owners as per the details furnished by the Depositories for this purpose.
- (e) Members holding shares in dematerialized mode are requested to intimate all changes pertaining to their bank details, ECS, mandates, change of address/name etc. to their Depository participant only and not to the Company's Registrars and Transfer Agents.
- (f) Members holding Share certificates under different folio numbers but in the same order of names are requested to apply for consolidation of such folios and send relevant Share certificates to the Registrars and Transfer Agents of the Company.

By order of the Board of Directors

Ananth Prabhu
Executive Director
(Commercial) & Secretary

Dated: 3rd July, 2009

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

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

Item No.7:

The Company raised Rs. 703,908,675.00 in 2007 through issue of 1,481,913 fully paid equity shares of the face value of Rs. 10 each at a premium of Rs. 465/- per share to the existing equity shareholders on rights basis in the ratio of three fully paid equity share for every ten existing equity shares held by the shareholders on the record date, i.e., February 28, 2007. The objects of the Issue were to:

- A. Enhance the capacity of the BBD from 2,500 buses at present to 5,000 buses;
- B. Create new capacity of 5,000 buses at SMD main plant at Honda, Sattari, Goa;
- C. Shift the presses and related equipments from SMD located at Honda, Goa to in and around Pune; and
- D. Up grade and modernize the existing bus body building facilities''

Out of the total amount of Rs.7039.08 Lakhs raised through the rights issue, the Company has utilized Rs. 2705.44 Lakhs on Capital expenditure as on 31st March, 2009.

While the capacity expansion plans of bus body division at both the plants have substantially been implemented, the shifting of presses is pending a final decision in view of the changes in the business environment. Funds for specifically identified up-gradation and modernization of bus body building facilities have been committed. However, this being an ongoing exercise, further investments required will be made from time to time on a need basis out of the internal resources of the Company.

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The Board of Directors consider it prudent to obtain the approval of the members to utilize the unspent amount for other purposes than those mentioned in the letter of offer so as to maximize the return on investment such as investment in new businesses or setting up of new plants including pursuing in-organic growth opportunities. Approval is also being sought to deploy the funds for working capital requirements as also investment in group companies as may be admissible by law.

The Board considers the resolution to be in the interest of the company and commend the same for approval by the members.

Mr. P M Telang and Mr. R S Thakur may be deemed to be concerned or interested in the resolution to the extent of any investments that may be made in group companies from time to time.

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

Item No. 8:

The Information Technology Act, 2000 (IT Act) recognizes communication in digital or electronic means and holding of Board or Committee meetings through electronic means are permissible under the IT Act. It is contemplated that necessary amendments to the Companies Act, 1956 and regulatory provisions may be introduced to facilitate conduct of Board or Committee meetings through video or tele-conferencing.

Your Directors consider that conduct of Board or Committee meetings through video or tele-conferencing will facilitate increase in frequency of meetings and participation of Directors from anywhere in the world. This amendment to the Articles of Association shall come into force upon notification of necessary amendments to the Companies Act, 1956 and/or necessary clarification from the Government of India.

The Board recommends the Resolution for approval by the members.

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

By order of the Board of Directors

Ananth Prabhu
Executive Director
(Commercial) & Secretary

Dated: 3rd July, 2009

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



Brief resume of Directors retiring by rotation seeking re-appointment at this Annual General Meeting

Particulars	Mr. S V Salgaocar	Mr. S M Kuvelker	Mr. P F X D'Lima
Date of Birth & Age	24 th July, 1954, 55 years	15 th February, 1935, 74 years	7 th December, 1941, 67 years
Appointed on	29 th September, 2006	29 th June, 2007	29 th June, 2007
Qualifications	B. Sc Geology, MMS (Finance-JBIMS)	B. Com., F. C. A.	B. E. (Mechanical Engineering)
Expertise in Specific functional areas	<p>Mr. S V Salgaocar is a Managing Director of V M Salgaocar Group of Companies which has interest in mining, processing and export of Iron ore, shipping, real estate, education. The group has successfully diversified in setting up a 5 Star deluxe hotels in Goa which are managed by Marriott International.</p> <p>He is also the Chairman of Pyramid Finance Ltd. and Shivrajani Securities Co. Pvt. Ltd. involved in various financial services.</p> <p>He is Vice President of Amiantit Fiberglass Industries India Pvt. Ltd., a Company engaged in manufacture of GRP Pipes and Tanks. He is also a Director on the Board of Grindwell Norton Ltd.</p> <p>He is also the President of Goa Mineral Ore Exporters Association and Trustee of Mormugao Port Trust.</p> <p>On the Educational front as the President of Devi Sharvani Education Society, he runs a Law College. He is also a founder member of the Governing Board of Goa Institute of Management.</p> <p>In the past, he has held the following positions; President of Federation of Indian Mineral Industries (FIMI) Delhi, Chairman of Confederation of Indian Industry (Western Region), the President of Mineral Foundation of Goa (MFG), Member on the Board of Governors, Indian Institute of Technology (IIT), Mumbai, the Sport Authority of Goa, the Treasurer of the All India Football Federation and the President of Goa Football Association.</p>	<p>Mr. S M Kuvelker is a Chartered Accountant by profession. He started his practice in 1962 and was advisor to a number of companies. He is associated with Garware Group of Industries since 1970.</p>	<p>Mr. P F X D'Lima has 38 years experience as an engineering manager in Larsen & Toubro, Hindustan Lever and Unilever PLC, London, including 18 years on the Boards of the Sesa Group of companies.</p> <p>In addition, Mr D'Lima was previously Chairman of EDC Limited and is currently Director of Goa Institute of Management.</p>

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Particulars	Mr. S V Salgaocar	Mr. S M Kuvelker	Mr. P F X D'Lima
Directorships held in other public companies (excluding Foreign and private companies)	Grindwell Norton Ltd Pyramid Finance Ltd	Garware-Wall Ropes Ltd Garware Elastomerics Ltd Garware Securities Broking Ltd Garware Indus Consulting Ltd Garware Bestretch Ltd Garware Utzon (Cordage) Ltd Gartex Industries Ltd Garware Capital Markets Ltd	Nil
Memberships/ Chairpersonships of Committees across public companies	Audit Committee Chairman – Pyramid Finance Ltd Remuneration Committee Chairman – Pyramid Finance Ltd Remuneration Committee – Automobile Corporation of Goa Ltd	Audit Committee Chairman of Garware-Wall Ropes Ltd Garware Elastomerics Ltd Garware Bestretch Ltd Automobile Corporation of Goa Ltd	Audit Committee – Automobile Corporation of Goa Ltd Remuneration Committee – Automobile Corporation of Goa Ltd
Shareholding	Nil	Nil	780





DIRECTORS' REPORT

To the members of Automobile Corporation of Goa Ltd.

Your Directors present their 29th Annual Report and the audited statement of accounts for the year ended 31st March 2009.

Financial Results

	2008/09	2007/08
Net Sales	32424.79	33145.43
Total Expenditure	30136.88	30567.73
Operating profit	2287.91	2577.70
Other Income	623.78	604.02
Earnings before Interest, Tax, Depreciation and Amortization	2911.70	3181.72
Interest	28.62	21.86
Cash Profit	2883.08	3159.86
Provision for Depreciation & Amortization	342.51	256.90
Profit before prior period income, exceptional item and Tax	2540.57	2902.96
Prior period Income	-	8.89
Exceptional Item	275.97	-
Provision for Tax (net)	880.46	914.39
Excess provision for tax in respect of earlier years written back (net)	9.20	62.33
Balance in Profit & Loss A/c brought forward from the previous year	2850.97	1748.48
Profit available for appropriation	4796.25	3808.27
<u>Appropriations:</u>		
Equity Dividend	642.16	642.16
Corporate Dividend tax	109.14	109.14
Transfer to General Reserve	214.00	206.00
Balance carried to Balance Sheet	<u>3830.95</u>	<u>2850.97</u>

Rs. In Lakhs

Dividend

The Directors recommend payment of Rs. 10/- per share as dividend on the equity shares of the Company for the year (previous year Rs. 10/- per share).

Operations

The year under review started with high expectations as the economy was poised to turn out another year of robust growth. The first two quarters of the year indeed lived up-to these expectations with both the Pressings and the Bus Body business segments turning out good volumes even though, the runaway raise in input prices led to squeeze in the margins.

What followed thereafter was dramatic – commodity prices zoomed, demand virtually evaporated and before long, we were staring at a full blown crisis leading to significant idling of capacities.

The gross revenue for the year under review was Rs. 330.49 Crores (previous year Rs. 337.49 Crores). Profit before tax was 28.16 Crores (previous year Rs. 29.12 Crores) and Profit after tax amounted to Rs. 19.42 Crores (previous year Rs. 20.60 Crores).

Pressings Business Segment

Significant decline in the off-take of commercial vehicles during the year had a corresponding impact on the volumes in the pressings segment. Volumes went down by over 30% while there was a reduction of about 22% in value terms due to the roller coaster movement in input prices.

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In view of the serious downturn in volumes as also due to changes in plans of major buyer, the proposal to shift the presses from the Pressing Division at Goa to Pune was shelved. The Company has purchased a plot of land admeasuring 12 Acres at Dharwad and a decision to establish a Press Shop there will be taken in due course.

Bus Body Business Segment

4509 buses were sold during the year as against 3796 buses during the previous year. However, there was a marked shift in demand towards smaller buses which dragged down revenue and profits. Moreover, the investments made and expenditure committed including hiring of staff and other employees in anticipation of growth in volumes led to an increase in the operating expenses.

Wild fluctuation in input prices exerted unprecedented pressure on margins which, coupled with increased operating expenditure has resulted in the bus division turning out a financial performance far below expectations. To counter this situation, drastic cost reduction measures were adopted including shutting down of main Bus Body Division plant during the last quarter of the year. Steep price reduction in a variety of buses was offered to make them attractive to the customers. Even so, the demand from the overseas buyers saw steep fall by the third quarter of the year.

Aggressive domestic marketing efforts have been undertaken to face this situation. All types of vehicles needed by the market are being developed at short notice. The Board would like to acknowledge the enormous help and support extended by the Fully Built Vehicles and Domestic Marketing divisions of Tata Motors during this critical phase.

HRD and Industrial Relations

The company had increased the staff and supervisory headcount in all areas of operations in the Bus Body division in line with the plans for expansion of capacities. With the sudden down turn in demand and shutting down of one of the factories, resultant idling of manpower posed a dilemma as no improvement in demand was visible in the foreseeable future. Various attempts were therefore made to engage the surplus manpower in meaningful activities and, as a last resort; staggered work-weeks were implemented for the surplus staff.

Education and training programs are continuing to prepare the employees to face the business demands.

Industrial relations continued to be cordial. The wage settlements with the employee unions expired on 31st March 2009. Fresh wage settlements are being negotiated during the current year.

Corporate Social Responsibility

The Company continued its active involvement in the development of areas around its factories. Assistance to local students in the form of scholarships, uniforms as also emergency ambulance service to the local community, help and assistance in the Polio vaccination drive, facilitation of Blood donation drive etc., were continued during the year. Financial assistance was also extended to deserving causes such as building of school for the differently able children.

Corporate Governance

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

Finance

Out of Rs. 7039.08 Lakhs raised through a Rights issue of shares in 2007, a sum of Rs. 2705.44 Lakhs has been spent as at the end of the year under review, for the purposes for which the shares were issued as per the Letter of Offer dated 28.02.2007. As the members are aware, a sum of Rs. 92.08 Lakhs out of the proceeds was incurred towards the expenditure for the issue.

The plans for shifting the presses to a location in Pune have been shelved due to changed business plans of major buyers. A plot of land admeasuring 12 acres has been acquired in the KIADB industrial estate at Dharwad for this purpose. The plans for investment in facilities for enhancement of bus body building capacity from 4000 bus bodies to 10, 000 bus bodies per year have substantially been completed.



The Board considers it to be in the interest of the Company to make investments in organic or in-organic growth opportunities and therefore seeks the approval of the members to spend the unspent amount out of the Rights issue proceeds for such purposes. A proposal for the same is included in the notice convening the meeting and the Board recommends the resolution for approval by the members.

Directors

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Mr. S V Salgaocar, Mr. S M Kuvelker and Mr. P F X D'Lima retire by rotation and are eligible for re-appointment. The Directors recommend their re-appointment.

Particulars of employees

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

Energy conservation, Technology absorption and Foreign Exchange earnings/outgoings

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

Audit

Messrs Deloitte Haskins & Sells (DHS), who are the Statutory Auditors of the Company, hold office until the ensuing Annual General Meeting. It is proposed to re-appoint them to examine and audit the accounts of the Company for the financial year 2009-10. DHS have, under Section 224(1) of the Companies Act, 1956, furnished a certificate of their eligibility for re-appointment.

Directors' Responsibility Statement

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

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- ii. they have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii. they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. they have prepared the annual accounts on a going concern basis.

Acknowledgements

The Directors place on record their sincere thanks for the help and support received from the Govt. of Goa and the Govt. and semi-Govt. agencies. The Directors also place on record the excellent co-operation received from the promoters, customers, vendors and the employees of the Company.

On behalf of the Board of Directors

S V Salgaocar
Chairman

Place : Vasco-da-Gama, Goa.
Dated : 3rd July, 2009.