



16th
ANNUAL REPORT
2003-04



Coventry Coil-o-Matic (Haryana) Ltd.



BOARD OF DIRECTORS

Shri N.M. Bafna	Managing Director
Shri A.M. Bafna	Director
Shri R.M. Bafna	Director
Shri Arun Mittal	Director
Shri Sharad Malhotra	Director
Shri Basant N. Singhvi	Additional Director

COMPANY SECRETARY

J.P. Lodha

REGISTERED OFFICE & WORKS

Village Salawas, P.O. Sangwari
Distt. Rewari - 123 401 (Haryana)

ADMINISTRATIVE OFFICE

209, Hans Bhawan
1, Bahadur Shah Zafar Marg, New Delhi - 110 002

AUDITORS

SINGHI & COMPANY

Chartered Accountants

BANKERS

Central Bank of India
State Bank of India
HDFC Bank Ltd.
ICICI Bank Ltd.
Bank of India

REGISTRARS & SHARE TRANSFER AGENTS

INTIME SPECTRUM REGISTRY LTD.

A31, Third Floor, Near- PVR Cinema,
Naraina Industrial Area, Phase-1,
New Delhi – 110028.

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NOTICE

Notice is hereby given that the 16th Annual General Meeting of the Company shall be held on Thursday, the 30th September, 2004 at 11:30 a.m. at its Registered Office - Village: Salawas, P.O. Sangwari, Distt. Rewari - 123 401 (Haryana), to transact the following business: -

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet of the Company as at 31st March 2004 and Profit and Loss Account for the year ended on that date together with the Reports of the Auditors and Directors thereon.
2. To appoint Director in place of Shri. Ashok Mal Bafna, who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint Director in place of Shri. Sharad Malhotra, who retires by rotation, but being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration. M/s. Singhi & Co., Chartered Accountants, the retiring Auditors are eligible for re-appointment.

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass with or without modification/s, the following resolution as a special resolution.

“RESOLVED THAT Pursuant to section 198, 269, 309 and 310 read with schedule XIII and any other applicable provision of Companies Act, 1956, and subject to the approval of Central Government, if required, Mr. R.M. Bafna be and is hereby re-appointed as a Whole-Time Director of the Company for a further period of 5 years w.e.f 1st August 2004 on the terms & conditions contained in the agreement dated 30.07.2004.

RESOLVED further that the said remuneration shall be payable within the limits as specified in Schedule XIII of the Companies Act, 1956 or such other notification issued by the Central Government from time to time, in the event of absence or inadequacy of profits.

RESOLVED further that the Board of Directors be and are hereby authorised to take necessary steps and to do all such acts, deeds and things as required and necessary in the matter.

By order of the Board of Directors
for **COVENTRY COIL-O-MATIC (HARYANA) LIMITED**

Date: 04th September, 2004
Place: Rewari

J.P. Lodha
Company Secretary



NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 22-09-2004 to 30-09-2004 (both days inclusive).
3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
4. Members who have multiple accounts are requested to intimate to the Company, the Ledger Folio Numbers of such accounts and send all relevant Share Certificates to enable the Company to consolidate all shareholding into one account. The Share Certificates will be returned back to the Members after consolidation.
5. Members are requested to notify the Company of any change in address in full with Pin code numbers.
6. Members desirous of getting any information about the accounts and operations of the Company are requested to send their queries to the Company at its Registered Office well in advance so that the same may reach at least seven days before the date of the meeting to enable the Management to keep the required information readily available at the meeting.
7. Members/proxy-holders are requested to produce at the entrance the attached Admission Slip duly completed and signed for admission to the meeting hall.
8. All documents referred to are open for inspection at the Registered Office of the Company during Office hours on any working days.

MEMBERS ARE REQUESTED TO BRING THEIR COPIES OF THE ANNUAL REPORT TO THE MEETING.

EXPLANATORY STATEMENT REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956:

Item No. 5

The present tenure of Shri R.M. Bafna who was appointed as a Whole-Time Director expires on 31st July 2004 and he has been re-appointed as a Whole-Time Director at the meeting of the Board of Directors of the Company held on 30th July 2004.

Shri R. M. Bafna (52 Years) is B.Com from St. Xaviers College, Kolkata having 29 years of experience. He has been involved with Coventry Coil-o-Matic (Haryana) Ltd. from 16th March 1996 onwards and was appointed as a Whole-Time Director in the 1999 w.e.f 1st August 1999. Prior to his joining the Company he had worked in Coventry Crystronics Ltd and Bangalakshmi Steel Trading Co. Ltd. in very senior position including that of Commercial Director. He is currently the Executive Director of the Company. He is serving as Director in Coventry Crystronics Ltd and Bangalaxmi Steel Trading Co. Ltd.

Shri R. M. Bafna has been re-appointed as a Whole-Time Director by the Board of Director inter-alia on the following terms and conditions:

- | | | |
|----|-----------------------------------|---|
| 1. | Period of Agreement | Five years from 1 st August 2004. |
| 2. | Remuneration | |
| | Salary | Rs.60, 000/- |
| 3. | Perquisites | |
| | Part -A | |
| | Housing | Rent-free furnished accommodation or house rent allowance @ 50% of the Salary. |
| | Medical Expenses | Reimbursement of actual medical expenses subject to maximum of 1 month's salary in a year or 2 month's salary in a period of 2 years. |
| | Leave travel concession | Reimbursement of leave/holiday travel expenses (like fare, lodging, boarding, conveyance and other expenses) incurred on one or more occasions in a year whether in India or aboard in respect of himself and family subject to the condition that total reimbursement shall not exceed one month's basic salary. |
| | Part -B | |
| | Car & Telephone | Provision of car for office use on Company's business and telephone at residence will not be considered perquisites. The Company shall bill personal long distance calls and use of car for private purposes. |
| | Part- C | |
| | a) Contribution to provident fund | Company's contribution to provident fund as per Rules of the Company. |
| | b) Gratuity | As per Rules of the Company. |

This may be treated as an abstract of the terms of the Agreement pursuant to Section 302 of the Companies Act, 1956.

Your Directors recommend the passing of this Resolution, except Shri R.M. Bafna, Shri A. M. Bafna and Shri N. M. Bafna, none of the other Directors of the Company is interested in the resolution.

By order of the Board of Directors
for **COVENTRY COIL-O-MATIC (HARYANA) LIMITED**

Date: 04th September, 2004
Place: Rewari

J.P. Lodha
Company Secretary

**MANAGEMENT DISCUSSION & ANALYSIS**

Coventry Coil-O-Matic (Haryana) Ltd. is an active player in the Auto Suspension Springs, besides making springs for other Industrial Applications. Business from the Auto Suspension Springs accounted for more than 65% of the turnover.

The Company's sales (Net of Excise) increased by 21.5% to Rs. 2006 Lacs. However, due to continual increases in the prices of steel, which is the main input, the Company sustained a loss of Rs. 21 Lacs before Tax (PBT). But for the continued focus on operational efficiencies, cost reduction and products rationalization, the losses could have been much higher.

INDUSTRY STRUCTURE & DEVELOPMENT:

During 2003-04, the Passenger Vehicles market in India grew by 27% with a sales volume of 900,752 units. The passenger vehicle market is broadly divided into the following categories:-

Category	2003-04	2002-03	% Increase / (Decrease)
I Passenger Car			
(a) Mini	167,565	143,342	17
(b) Compact	369,537	299,359	23
(c) Mid-size / Executive	153,641	94,584	62
(d) Premium / Luxury	5,464	4,206	30
	696,207	541,491	29
II Multi-purpose Vehicles (MPVs)			
Vans	59,564	52,087	14
III Utility Vehicles (UVs)	144,981	113,620	28
TOTAL	900,752	707,198	27

The Commercial Vehicles market in India grew by 37% with a sales volume of 260,345 units. This market is broadly divided into the following categories:-

Category	2003-04	2002-03	% Increase / (Decrease)
I Medium & Heavy Commercial Vehicle (M & HCVs)			
(a) Passenger Carriers	24,643	19,970	23
(b) Goods Carriers			
(i) Under 16 Tonnes	77,520	56,580	37
(ii) Over 16 Tonnes	59,251	39,161	51
	161,414	115,711	39
II Low Commercial Vehicles (LCVs)			
(a) Passenger Carriers	19,108	18,417	4
(b) Goods Carriers	79,823	56,554	41
	98,931	74,971	32
TOTAL	260,345	190,682	37

The Company began its foray into Exports by shipping springs to Canada for the Door Checker Hinges, which are required in millions of pieces for the US market. The initial feedback on the Market looks very encouraging, but a complete analysis needs to be structured for the future.

COMPANY PERFORMANCE

Existing Products:

The Company has a strong presence in the Mini and Compact Passenger Cars segments as its main customer, Maruti Udyog Ltd., has four models in these segments compared to competition. Due to this reason, the Company has a market share of approx. 45% in the Auto Suspension Springs market in India. As there was a strong growth in the Mid-size / Executive and Premium / Luxury Passenger Cars segments, but total volumes are not so high, the Company continued to maintain the above market share. Strong growth in the Medium & Heavy Commercial Vehicles segment implied that 26% of the Company's sales came from supplies made to the customer in this segment as against 17% in the year 2002-03.

New Product Development:

On Exports to Canada for springs to the Door Checker Hinges manufacturer, the Company has been able to cater for only less than 10% of the market, due to constraints in capacity. The Company is ramping up its capacity for volume production and hopes to start shipments of large volumes from mid 2004-05.

BUSINESS OUTLOOK AND OVERVIEW

As per current indications, the outlook for the year 2004-05 looks very positive. It is expected that the Passenger Car Industry should grow by 15-20%, though the main growth will be again in the Mid-size to Luxury segments. The Company can expect around 10-15% growth in the Auto Suspension Springs business.

Strong Growth is still expected to continue in the Medium & Heavy Commercial Vehicles segment. Contribution to the Company's growth in this segment is expected to be approx. 3-5% due to constraint in capacity for springs in this segment.

Exports to Canada can contribute to a high growth in the Company's sales for the year 2004-05, when the Company will be ready to handle higher volumes towards the middle of the year.

OPPORTUNITIES & THREATS:

With Maruti Udyog Ltd., the Company's main customer, launching new / modified cars, especially in those segments where the Company has a good share of business, it is expected that these will contribute significantly to the Company's growth.

However, with negative growth in the Mini Segment, the Company's growth would decline a bit.

Strong growth in the Medium & Heavy Commercial Vehicles would imply a good opportunity for the Company. The Company is gearing up to meet this growth, but could lose out if expansion is not made.

On Exports to Canada, with the Company gearing up to handle high volumes, there is ample opportunity for a strong growth. However, with steel prices increasing continuously, there could be a major threat from China.

RISKS & CONCERNS

At the macro level, the following issues are of concern:-

- ◆ Steel prices have increased considerably by more than 60% in the last two years, thus impacting the Company in terms of increasing Input costs.
- ◆ Deteriorating fiscal discipline could result in Inflation and consequently rising interest rates.



At the Company level, the following are the risks and concerns:-

- ◆ In the Brake Actuator springs for the Medium & Heavy Commercial Vehicles, it might be difficult to retain market share of 65% as this segment continues to grow. This will have to be more than offset by growth in the Export Market.

CCHL is best positioned to meet the challenge and will continue to have a leading competitive edge with its products and services available at world-class levels of quality and cost.

OPERATIONS REVIEW

Quality Management

Towards reaching world class levels, the Company joined the CII Gurgaon Cluster Project in April 2004. The main focus areas with key deliverables under Quality Management are:

- ◆ Reduction in Customer complaints.
- ◆ Reduction in breakdown time.
- ◆ Reduction in changeover time.
- ◆ Improvement in inventory turnover ratio.
- ◆ Improvement in housekeeping levels.
- ◆ Establishing Quality Systems.

Energy Management

Under Energy Management, the main focus areas are:-

- ◆ Identification of avoidable energy losses.
- ◆ Quantification of losses.
- ◆ Recommendations for minimizing / eliminating the identified losses.
- ◆ Monitoring support in implementation.

Cost Management

The main focus area through the CII Gurgaon Cluster Project, are:-

- ◆ Understanding in present cost structure.
- ◆ Identification of all costs.
- ◆ Classification in value-added and non-value added costs.
- ◆ Reduction and elimination of the non-value adding costs.

ENVIRONMENT, HEALTH AND SAFETY MANAGEMENT

Under Environment, Health and Safety Management (EHS) the main focus areas are:-

- ◆ Training and education of employees to ensure that each employee meet their EHS obligations.
- ◆ Monitoring of all processes / systems for corrective and preventive measures through relevant techniques like Job Safety Analysis (JSA), Safety Audit etc.
- ◆ Documenting all programmes and plans for continual improvement.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a robust internal control system to ensure that all the assets of the Company are safeguarded and protected against any loss. The systems are supported by internal audit carried out by a professional audit firm, who carry out extensive audit throughout the year covering all areas of operation. The audit committee reviews the finding of the internal auditors on regular basis.

HUMAN RESOURCES

The Company believes in employees' involvement in achieving the organizational objectives and focused its efforts to upgrade the skills of its workforce to take up the challenges in the present cut-throat competition. The training system so to be provided is need-based training to its employee. The Company is putting efforts to make its appraisal system more effective to cater to the financial and career aspirations of employees to increase the organizational effectiveness.

Your Company is glad to announce that the Industrial Relation continue to be very cordial indicating the prevalence of high degree of excellent relationship between employees and employers. The Company has also created opportunities for the employees to acquire multi-skills to face future challenges.

CAUTIONARY STATEMENT

Statements in this report on Management's Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable laws or regulations. These statements are based on certain assumptions and expectation of future events. Actual results could however differ materially from those expressed or implied. Important factors that could make a difference to the Company's operation include global and domestic demand-supply conditions, finished goods prices, raw materials cost & availability, changes in Government regulations and tax structure, economic developments within India and the countries with which the Company has business contacts and other factors such as litigation and industrial relations.

The Company assumes no responsibility in respect of forward looking statements herein which may undergo changes in future on the basis of subsequent development, information or events.



DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors have the pleasure in presenting the 16th Annual Report and the Audited Accounts of the Company for the year ended 31st March 2004.

FINANCIAL RESULTS

	(Rs. Lakhs)	
	2003-04	2002-03
Turnover	2,005.65	1,650.31
Other Income	20.19	10.44
Increase/(Decrease) in Stock	(31.56)	15.20
Total	1,994.28	1,675.95
Profit before Depreciation, Interest	225.24	279.99
Less: Interest	134.08	140.79
Gross Profit	91.16	139.20
Less: Depreciation	100.50	96.37
Profit Before Tax	(9.33)	42.83
Less: Provision For Tax (Including Deferred Tax)	(13.55)	(46.12)
Profit After Tax	(22.88)	(3.29)
General Reserve	93.06	96.35
Balance Carried to Balance Sheet	70.18	93.06

OPERATIONS

During the year under review, gross sales of the Company increased 20.43% to Rs. 2321.98 lacs. However, due to continuous increase in steel price over the last one year, the input cost of Raw Material increased drastically by almost 50%, thereby affecting the profitability of the Company. The Profit before Tax (PBT) for the year 2003-04 became negative at Rs. 9.33 lacs.

DIRECTORS

The Board of Director in its meeting Dated 30th July 2004 has, Subject to approval of Central Government, Shareholders' and any other authority, approved re-appointment of Mr. R. M. Bafna as Whole-time Director for a further period of five years w.e.f 1st August 2004. The necessary resolution for obtaining approval of the Central Government, Shareholders' and any other authority, has been incorporated in the notice of the forthcoming Annual General Meeting.

In terms of Article 136 of the Articles of Association of the Company, Mr. Ashok Mal Bafna and Mr. Sharad Malhotra, Directors retire by rotation and, being eligible, offer themselves for re-appointment.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors confirm:

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. That the Directors have selected such accounting policies and applied them consistently and made judgements 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 or loss of the Company for that period.
3. That the Directors have taken proper and sufficient care 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;
4. That the Directors have prepared the annual accounts on a going concern basis.