

**19th
Annual Report
2001-2002**



DAEWOO MOTORS INDIA LIMITED

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BOARD OF DIRECTORS

D.W. KIM	<i>Managing Director & CEO</i>
I.K. LEE	Director
M.H. JUNG	Director
Y.J. KIM	Director
K.Y. SONG	Director
SANDEEP MALHOTRA	ICICI - Nominee
M. SUDHENDRANATH	ICICI - Nominee
ANAND GORE	ICICI - Nominee
RAJEEV ARORA	ICICI - Nominee
V.K. SAXENA	IDBI-Nominee
O.P. SINGAL	IDBI-Nominee
S.K. GAUTAM	IDBI-Nominee
K.L. GARG	IDBI-Nominee
K.P.S. DAGUR	IDBI-Nominee
H.S. ADVANI (MRS)	Exim Bank-Nominee
N.E. OOKABHOY	Exim Bank-Nominee

VINAY SHUKLA	Company Secretary
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AUDITORS

V. Malik & Associates
Chartered Accountants

REGISTERED OFFICE

22, Siri Fort Road
New Delhi - 110049

WORKS

A-1, Surajpur Industrial Area,
Noida-Dadri Road, Tehsil Dadri
Gautam Budh Nagar - 203207, (U.P.)

BANKERS

American Express Bank
Canara Bank
Citibank, N.A.
Corporation Bank
HDFC Bank
ICICI Banking Corp.
Indian Overseas Bank
IndusInd Bank
Punjab National Bank
Societe Generate
State Bank of India
State Bank of Patiala

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NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of the Company will be held on Monday, the 30 December, 2002 at 10.00 a.m. at the FICCI Auditorium, Federation House, Tansen Marg, New Delhi-110 001, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2002, the Profit and Loss Account for the financial year ended on that date and the reports of the Directors' and Auditors' thereon.
2. To re-appoint M/S V.Malik & Associates, Chartered Accountants, the retiring Auditors' as Statutory Auditors' of the Company for holding the office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

3. 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, 269, 309, 310, 311 and provisions of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approvals as may be required, the consent of the Company be and is hereby granted for the appointment of Mr. D.W.Kim, as Managing Director & CEO of the Company in place of Mr. Y.T.Cho w.e.f. 01st October, 2002 on the terms & conditions as set out in the explanatory statement annexed with this Notice.

Further Resolved that Board of Directors be and is hereby authorised to take necessary steps and to accept any modifications or amendments in the terms & conditions as may be required by any authority."

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

"RESOLVED THAT pursuant to Section 269, 309, 198 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approvals as may be required, the consent of the Company be and is hereby granted to the re-appointment of Mr. I.K.Lee as Whole-time Director of the Company for a period of 5 years with effect from 27th March, 2002, on the same terms and conditions and remuneration approved by the shareholders on 29.12.2000 and as set out in the explanatory statement annexed with this notice."

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

"RESOLVED THAT pursuant to Section 198, 257, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approvals as may be required, the consent of the Company for the appointment of Mr. M.H.Jung, whose term as additional director is expiring at this Annual General Meeting and in respect of whom a notice for appointment under Section 257 has been received, be and is here by appointed as Director of the Company on the terms, conditions and remuneration as set out in the explanatory statement annexed with this notice.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised/empowered to accept any change and/or modification in the terms, conditions and remuneration of the appointee as per the consent and approvals of the Authorities."

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

"RESOLVED THAT pursuant to Section 257, 269, 309, 198 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approvals as may be required, the consent of the Company for the appointment of Mr. Y.J.Kim, whose term as additional director is expiring at this Annual General Meeting and in respect of whom a notice for appointment under Section 257 has been received, be and is here by appointed as Whole-time Director of the Company, on the terms, conditions and remuneration as set out in the explanatory statement annexed with this notice..

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised/empowered to accept any change and/or modification in the terms, conditions and remuneration of the appointee as per the consent and approvals of the Authorities."

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

"RESOLVED THAT pursuant to Section 257, 269, 309, 198 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approvals as may be required, the consent of the Company for the appointment of Mr. K.Y.Song, whose term as additional director is expiring at this Annual General Meeting and in respect of whom a notice for appointment under Section 257 has been received, be and is here by appointed as Whole-time Director of the Company, on the terms, conditions and remuneration as set out in the explanatory statement annexed with this notice.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised/empowered to accept any change and/or modification in the terms, conditions and remuneration of the appointee as per the consent and approvals of the Authorities."

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 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approvals as may be required, approval of shareholder be and is hereby grand for appointment of Mr. Vivek Khanna, General Manager-Finance of the Company as Whole-time Director, on the terms, conditions and remuneration as set out in the explanatory statement annexed with this notice".

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

"RESOLVED THAT subject to the approval of the Financial Institutions and Banks and such other approvals as may be required, approval (post-facto) of the Company be and is hereby accorded under Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company for sale/disposal of the fixed assets made during the Financial Year 2001-2002.

RESOLVED FURTHER that the Board of Director of the Company be and is hereby authorised for taking appropriate steps including execution and signing of the documents and such other incidental and ancilliary action as may be required in this regard."

By Order of the Board

Place : New Delhi
Dated : 25.11.02

VINAY SHUKLA
COMPANY SECRETARY



Notes:

1. Relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of resolutions set out under items 3 to 9 are annexed hereto.
2. 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 BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
3. The Register of Members of the Company will remain closed from 30.12.02 to 08.01.03 (both days inclusive).
4. All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all days, except holidays, between 11.A.M. and 1.00 P.M. up to the date of the Annual General Meeting.
5. Members are requested to bring their copy of the Annual Report for 2001-02, and attendance slip duly completed and signed in terms of specimen signature lodged with the Company, at the meeting.
6. No gifts and other pleasantries will be distributed at the AGM.
7. Members desiring any information in regard to accounts are requested to write to the Company at least 15 days before the date of annual general meeting to enable the management to keep the information ready.
8. Members desiring any information with regard to accounts are requested to write to the Company at least 15 days before the date of annual general meeting to enable the management to keep the information ready.
9. This may be treated as an intimation u/Section 302 of the Companies Act, 1956, with regard to the items concerning appointment/re-appointment/ change of terms and conditions of whole-time directors and shareholders may inspect/take copies thereof at/from the Regd. office during working hours.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956, IN RESPECT OF SPECIAL BUSINESS:

Item No.3

Mr. D.W.Kim has been appointed as Managing Director & CEO of the Company in the Board Meeting held on 30.09.2002, in place of Mr. Y.T.Cho in the terms & Conditions given below-

1. Period : 01.10.02 upto 15.06.2006 subject to retirement by rotation.
2. Remuneration
 - a) Basic - \$3485 p.m. (to be paid in Indian Rupees as per rate of exchange prevailing 15th of each month)
 - b) Perquisites/Benefits/Allowance -
 - i) Furnished lease hold accommodation/monetary value as per Income Tax Rules
 - ii) Car with chauffeur. Taxable value of car 2,200/-p.m.
 - iii) Medical (for self and family subject to one month salary in a year)
 - iv) Leave Travel : For self and family once in a year in accordance with the Company's rules and regulations.
 - v) Telephone : Free telephone facility at residence.
 - vi) Earned/Privilege Leave : Leave with full pay and allowances as per rules of the Company but not exceeding one month for 11 months of service. The leaves are accumulative upto 180 days and encashable on severance of service.
 - vii) Entertainment/Travel Expenses: Reimbursement of actual expenses including entertainment and travel incurred for the business of the Company as per rules of the Company.
 - viii) Gratuity : As per the provisions of the Gratuity Act.

Mr. D.W.Kim, Managing Director & CEO will have substantial power of the management subject to the supervision and control of the Board of Directors and terms and conditions of appointment are subject to the confirmation of the Remuneration Committee/Board of Directors.

Mr. D.W. Kim has vast experience in the automobile industry and has the Company in different capacity including position of Deputy Managing Director.

This may be treated as an abstract and memorandum as required U/S 302 of the Companies Act, 1956.

None of the directors except Mr. D.W.Kim, being appointee himself, is interested in or concerned with the resolution. Your Directors recommend to pass this resolution as Special Resolution.

Item No.4

The existing terms of Mr. I.K. Lee as Whole-time Director expired on 26.03.2002. He has been re-appointed as Whole-time Director by the Board for a period of 5 years w.e.f. 27.03.2002 in the terms, conditions and remuneration fixed by the shareholders in its meeting held on 29th December, 2000 as stated herein below."

- a) **SALARY** Subject to maximum ceiling of \$ 2655 per month in Indian Rupees.
- b) **PERQUISITES:**

Heads	Rs.
House Rent allowance value of Company leased accommodation value of accommodation	20000
Taxable value of car for personal use	1100
Taxable value of Hard Furnishings*	1687
Personel accident insurance Premium	88
Medical	1250
Total per Month	24105

*Appointment is subject to retirement by rotation and terms and conditions are as per Company rules.

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Terms & Conditions of appointment are subject to the confirmation of the Remuneration Committee/Board of Directors. This may be treated as an abstract and memorandum as required U/S 302 of the Companies Act, 1956. Copy of the terms and conditions of the appointment can be inspected/abstract can be taken from the Regd. office of the Company during working hours.

None of the directors except Mr. I.K. Lee, being appointee himself, is interested in or concerned with the resolution. Your Directors recommend to pass this resolution as Special Resolution.

Item No.5

Mr. M.H. Jung is a management professional. Mr. M.H. Jung possesses requisite qualification from reputed South Korean University and has rich experience in the Automobile Industry. Mr. Jung has extensively travelled many countries. Mr. Jung is providing his expertise and professional services as General Manager-Business Management co-ordination at monthly emoluments of \$1870 (Converted into INR at SBI TT Buying rate prevailing on 15th of the month) and other benefits as per Company rules. Lately he was appointed as director w.e.f 25.04.2002 without any additional payment as director. A notice under section 257 proposing his candidature as director liable to retire by rotation has been received by the Company, accordingly this resolution for his appointment is proposed to be passed as Special Resolution. The above resolution is subject to the approval/confirmation of the Central Government and/or other authorities, as may be required, under section 198, 309 and other applicable. This may be treated as an abstract and memorandum as required U/S 302 of the Companies Act, 1956.

None of the directors except Mr. M.H. Jung, being appointee himself, is interested in or concerned with the resolution. Your Directors recommend to pass this resolution as Special Resolution.

Item No 6 & 7

Mr.Y.J. Kim and Mr.K.Y.Song were appointed as additional directors w.e.f 25.04.2002. A notice as per Section 257 has been received from a shareholder of the Company. These appointments of and remuneration payable to, above directors are for a period of 5(five) years w.e.f 25.04.2002, subject to retirement by rotation at the Annual General Meetings. The terms and conditions and remunerations are as per Company rules and are set out herein below:

	Mr. Y.J. Kim	Mr. K.Y. Song
Salary (p.m)	\$1972	\$1972
Perquisites Rs. (P.M.)	4,500	4,083

The remuneration will be paid in Indian Rupees as per the rate of exchange (SBI TT Buying) prevailing on 15th of the month.

Terms and conditions of appointment are subject to the confirmation of the Remuneration Committee/Board of Directors.

The above Directors are Citizen of South Korea and are Qualified and having considerable experience in the automobile industry.

This may be treated as an abstract and memorandum as required U/S 302 of the Companies Act, 1956

None of the directors expect the appointees, being appointee himself, is interested in or concerned with the resolution. Your Directors recommend to pass this resolution as Special Resolution.

Item No. 8

Mr. Vivek Khanna was appointed as General Manager (Finance) in the Company on 18.04.2001. In the Board Meeting held on 30.01.2002, he was appointed as Director. Being Company Executive, he became Whole-time Director and accordingly return of appointment U/S 269 read with Schedule XIII has been filed with the ROC. This meeting being first Shareholders meeting since then, as required, terms and conditions of appointee is hereby mentioned for Shareholders approval.

Basic salary	Rs.25,101 p.m.
HRA	50% of Basic salary p.m
Flexi Payment	Rs.26,000 p.m.(inclusive of medical & LTA reimbursement)
Position allowance	Rs.5,500 p.m.
Company car	Cielo + Fuel (as per company rules)
P.F.Contribution	12% of Basic p.m.
Superannuation	15% of basic p.m.(as per company rules)
Entertainment Exp.	Rs.3,000 p.m.
Books and Periodicals	Rs.5,000 p.m.
Earned/Privilege Leave	Leave with full pay +and allowances as per rules of the Company but not exceeding one month for 11 months of service. The leaves are accumable upto 180 days and encashable on severance of service.
Gratuity	@ 1/2 month's salary for each completed year of service as per Gratuity Act.

Mr. Vivak Khanna has already resigned from the Services and directorship of the company w.e.f. 30/4/2002 & 28/9/2002, respectively. However, your directors recommend to pass them resolution as special Resolution for postfacto approval of his appointment and remuneration.

None of the directors except Mr. Vivek Khanna, being appointee himself, is interested in or concerned with the resolution.

Item No. 9

During the Financial Year 2001-2002, the Company has sold, worn out and depleted part of the LCV plant worth (Gross Block) Rs. 577 Lacs out of entire LCV plant worth (Gross Block) Rs. 4,448 Lacs. Said disposal was made with the Management sanction. However, as the matter was not taken up with the Lenders and the Board of Directors, therefore, as per the directions of the Board, process for applying for the permission of Financial Institutions for post-facto approval has been initiated and with a view to ensure due disclosure and to comply with the governance norms, resolution No. 9 in the notice of the Annual General Meeting has been put up for consideration and approval of the Shareholders for all the sale/disposal of the fixed assets made during the year 2001-2002.

None of the Directors are interested in or concerned with the resolution and reports on the aforesaid sale are available with the Company and open for inspection during 10.30 a.m. to 1.30 p.m. during working days of the Company. Your Directors recommend this resolution to be passed as Special Resolution.

By Order of the Board

Place : New Delhi
Dated : 25.11.02

VINAY SHUKLA
COMPANY SECRETARY

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the 19th Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2002.

1. FINANCIAL RESULTS

	<i>Rs. in Lacs</i>	
Particulars	2001-02	2000-01
Sale of Products and other Income	29,572	117,745
EBIDT (Earnings before Interest Depreciation & Tax)	(10,125)	13,353
Interest	13,221	13,004
Provision for Depreciation	9,173	19,998
Previous year adjustment (loss)	- (32,519)	(7) (19,642)
after tax for the year		
Balance brought forward from the previous years	(39,053)	(19,411)
Balance carried forward	(71,572)	(39,053)

2. OPERATIONS

The year under review was very difficult year for the Company. During the year Company produced 7668 cars and sold 8231 cars with the total turnover of Rs.29,572 Lacs. Loss for the year was Rs.32,519 Lacs. The Company is presently observing non-production schedule.

General Motors Company, USA, while finalising the takeover Agreement with Daewoo, Korea, has not included the Company in its buying list, though it has agreed to reserve the right of first refusal. To ensure the continuous flow of the Spare Parts and Services, your company has entered into an agreement, with newly formed GM Daewoo Auto & Technology Co. Korea on 02/10/02, which is yet to be approved by the Board.

After the recall of the loan in April 2002, Financial Institutions have filed recovery suits against the Company. DRT, Mumbai, has appointed the Receiver on the assets of the Company. Further, pursuant to the order dated 8/8/2002 of Hon'ble DRAT, Mumbai, in the case of ICICI Ltd. v/s DMIL & others, DRT Receiver has initiated the process of sale of assets of the Company and a public notice initiating the bids has been published in newspapers 22/11/02.

Director General of Foreign Trade (DGFT) has also revoked on 22/05/02 the extension of period granted to the Company for fulfillment of the Export obligation Special leave petition of the Company is pending before the Hon'ble Supreme Court of India and Hon'ble Supreme Court has granted an ad-interim order in favour of the Company directing not to encash Bank Guarantees in respect of the license of more than Rs.100 crores.

In view of minimum operational level, critical situation of the Company and also in view of sale of the company's assets under the direction

of DRT-Mumbai, there appear to be no alternative for the company but to resort to the closure of the plant and reduction of manpower.

3. DIRECTORS

Mr. M.Sudhendranath, Mr. Anand Gore and Mr. Rajeev Arora have been nominated by ICICI Bank Ltd. w.e.f. 25.04.02. Mr. O.P.Singal, Mr.S.K.Gautam, Mr.K.L.Garg, Mr.K.P.S. Dagur have been nominated by IDBI w.e.f.06.05.02 and Mrs. H.S. Advani and Mr.N.E.Ookabhoy have been nominated by Exim Bank Ltd. w.e.f.07.05.02 as Directors on the Board of the Company.

Mr.Y.T.Cho resigned as Managing Director & CEO w.e.f. 30.06.2002 and from the directorship w.e.f. 18.09.02, Wg.Cdr (Retd) H.D. Talwani, Director resigned from 01.01.02 and Mr. Vivek Khanna, Director, resigned w.e.f.28.09.02 from directorship of the Company. The Board has placed on record its deep appreciation for the valuable contribution made by them. Mr. D.W. Kim has been appointed as Managing Director & CEO w.e.f. 1.10.2002 and Mr.Y.J. Kim, Mr.M.H.Jung and Mr.K.Y. Song were appointed as additional directors w.e.f. 25.04.02 and being eligible, offer themselves, for reappointment.

4. LISTING REQUIREMENT

The Company's shares are listed at New Delhi, Mumbai, Chennai and Calcutta Stock Exchanges. The Company has paid the listing fees to the Stock Exchanges. As per Clause 32 of the Listing Agreement, Cash Flow Statement is appended with the annual accounts of the Company.

5. FIXED DEPOSITS

The Company has neither invited nor accepted any fixed deposit during the year within the meaning of Section 58A of the Companies Act, 1956 and the rules made thereunder. There were no deposits for which payments were claimed but not paid. In compliance of Section 205C of the Companies Act, 1956, the Company has deposited Rs.7.28 lacs unclaimed maturity amount lying with the Company for more than 7 years, with the Investor Education and Protection Fund.

6. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement giving details of conservation of energy, technology absorption and foreign exchange earnings and outgo is given at Annexure 'A' to the Report.

7. INDUSTRIAL RELATIONS

During the year, industrial relations of the Company continued to be cordial. With a view to reduce the cost, the Company has also entered into an agreement with Workers' Union for the purpose of informal lay off during non-production days. The Agreement would be valid uptill January 2003. As per said Agreement, workers will sacrifice 39% of their remuneration for the non working days and will be paid the full remuneration for the working days.

The particulars of employees as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are forming part of the Directors' Report for the year ended 31st March, 2002, and annexed as Annexure 'B' of the report.

8. DIRECTORS' RESPONSIBILITY

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

- 1) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures.
- 2) Accounting policies have consistently been applied and disclosed alongwith the material departures and adjustments and estimation have been made with rational and prudence, 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 loss of the Company for the year under review which is subject to contingency as explained in the addendum to the Directors' Report attached as annexure-C with this report.
- 3) Proper and sufficient care has been taken 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. However, worn out & depleted LCV-Machinery & Equipment which was lying for many years, was partially disposed off by the Company under the Management Sanction. As the same was not taken up with FI(s) and the Board of Directors, it is placed before this AGM for Shareholders' approvals.
- 4) The Directors have arranged preparation of the accounts for the financial year 31st March, 2002, on the going concern basis.

9. AUDITORS' & THEIR REPORT

Your Board of Directors recommend the re-appointment of M/s V.Malik & Associates, Chartered Accountants, who have expressed their willingness and eligibility, as Statutory Auditors' at the ensuing Annual General Meeting.

M/s. K.L. Jaisingh & Co., Cost Accountants, have been appointed as Cost Auditors' of the Company for the year 2002-03.

The Auditors' observations are suitably replied and explained in the addendum to the Directors' Report, annexed as Annexure 'C'.

10. CORPORATE GOVERNANCE

Report on status of the compliance with the Corporate Governance under the Listing Agreement with the Stock Exchanges is enclosed as Annexure 'D'

11. ACKNOWLEDGEMENT

During this crucial time, your Directors wish to place on record their sincere appreciation for the support and co-operation received from the Central Government, State Government of U.P., District Administration, Customers, Shareholders, Bankers, Financial Institutions and Vendors of the Company.

The Directors also thank the employees at all levels for their co-operation, dedication and sincere efforts.

For and on behalf of the Board

New Delhi 25.11.02 **M.H. JUNG** Director **D.W. KIM** MD & CEO

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ANNEXURE 'A' TO THE DIRECTORS' REPORT

Information in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors' Report for the year ended March 31st, 2002.

A. ENERGY CONSERVATION

Energy Saving Activities were taken up on continuous basis all through the year. Following activities were completed during this period.

- Power supply source changed from Power Plant Diesel Generator to Car Plant Diesel Generator set resulting in an expected cost saving of approx. Rs.30 to Rs.35 lacs p.m.
- Twin lights of all offices and other areas reduced to single light.
- One out of four street lights have been activated, only emergency lights made operational during non production hours.
- Operation of airconditioner have been monitored and controlled to reduce energy cost.
- Close Energy Audit has been conducted to curb any excess energy unit and cost.

B. TECHNOLOGY ABSORPTION

RESEARCH & DEVELOPMENT

1. SPECIFIC AREAS IN WHICH R&D ACTIVITY WAS CARRIED OUT

- Development of Matiz-LPG variant with the Italian kit to provide alternate fuel option to customer. Testing of car on Indian roads and at ARAI, Pune have been completed. Final CMVR certificate is awaited.
- Development of Matiz CNG has been undertaken during the period.
- Continuous value engineering and increased localization to improve cost effectiveness.

a) Awards and recognitions

- DMIL R&D is re-recognized by Department of Science & Technology under Ministry of Industry for its in-house R&D activities.

- Rectification of the quality systems laid by DMIL for continuously meeting customer and product requirements by external agency TUV Sudeutschland is under process.

- Activities to ensure meeting vehicle regulations released by Ministry of Surface Transport, for example -

- Development of rear seat belt is under testing with ARAI Pune.
- Development of new warning triangle and spare headlamp bulbs.
- Development of auto dipper, however this regulation was dropped by Ministry of Surface Transport.

- Development of gasoline tank of five liters capacity for Cielo - CNG.

2. TECHNOLOGY TRANSFER, ABSORPTION, ADAPTION AND INNOVATION

- Development of Matiz-II with more appealing changes in the Body, enhanced braking and improvement in the emission performance.
- Regular updation of Matiz design with the support of Daewoo Motor Company, Korea.

3. BENEFITS DERIVED AS A RESULT OF ABOVE R&D ACTIVITIES

Above R&D activities have helped us in fulfilling environmental, technological advancement and product economies responsibilities by :

- Increased product competitiveness in the market.
- Introduction in near future of Matiz with alternate fuels.
- Timely meeting of the government regulation applicable from time to time.

4. FUTURE PLAN OF ACTION

Close coordination with supplier for development and implementation of high security futuristic registration plate.

EXPENDITURE INCURRED ON R & D

- Capital	Nil
- Revenue	Rs. 27,032,398
- R&D expenditure as percentage to turnover	0.916 %

TECHNOLOGY TRANSFER, ABSORPTION, ADAPTION & INNOVATION

- Technical data, drawings and documentation received from Daewoo Motors Co. Ltd., have been provided to vendors and production for transfer and adaptaion, on going basis.
- Modification of the technology to suit the domestic and exports market is a continuous process.

BENEFITS

- Indigenisation of various components to reduce of all segments.
- Modification in the Company's product to suit the need of the domestic and export market, with minimum cost escalation.
- Facilitating development of components/ system for meeting regulatory requirements.

FOREIGN EXCHANGE EARNINGS AND OUT GO:

- Activities relating to exports, initiatives to increase exports, development of new export markets for products, services and export plans:

Special emphasis has been given to export. Continuous efforts for exploration and development of new markets are on.

2. Total foreign exchange used and earned:

	Rs. in Lacs
a. Earnings in foreign Currencies	540.32
b. Expenditures in foreign Currencies	
i) import of goods	3429.32
ii) Interest, Travelling & Ors.	202.68

Annexure 'B' to the Directors' Report

Statement of particulars under section 217(2A) of the Companies Act, 1956 and the Companies (particulars of Employees) Rules, 1975 forming part of the Directors' Report for the year ended March 31, 2002.

S. No.	Name	Designation & Nature of Duties	Remuneration	Qualification	Experience	Date of Commencement	Age (Yrs)	Particulars of last Designation	Employment Name of employer
B. Employed for part of the year and were in receipt of remuneration at the rate which in aggregate is not less than Rs. 200000 pm									
1.	Y.T. Cho	M.D. & C.E.O.	2483538	Graduate	24	16.06.01	52	Executive Dir.	Daewoo Motors, Poland

* Service are Contractual

Notes : None of the employees mentioned above is relative of any Director of the Company.

No employees of the Company who received remuneration in excess of the remuneration drawn by the Managing Director or Wholotime Director holds by himself or alongwith his spouse or dependent children 2% or more equity shares of the company

ADDENDUM TO THE DIRECTORS REPORT

1. Apropos to the Para 3 of the Auditors Report read with Para 1,3,4 & 14 Annexure-1, regarding the deficiency in the records of the fixed assets, your Directors wish to state that the Company has maintained proper records for fixed assets of operating plants. However, record of consumption of some of the fixed assets lying in the inoperative LCV plant in last couple of years, have been recorded in the current year. The value of such consumed fixed assets, constituted less than 1% of the total fixed assets of the company and had been lying unused for last more-than 7 years. The objective of such consumption was to economize in the context of repair and maintenance of its running plant with car/ETA plant etc.
2. The Company has also provided full details regarding DRT proceedings and stock taking activity to the Auditors, except the, valuation report which has not been provided by the DRT Receiver to the company.
3. Apropos to Para 3 of the Auditors Report read with Para 9 of Annexure -1 para 4 (d) (Viii) of the Auditors Report, your Directors wish to state some recovery of outstanding Inter Corporate deposits have been made in past. Necessary actions, legal or otherwise, have been taken for recovery of outstanding deposits. Keeping in view, legal status, negotiations with the parties, financial health of companies and other inputs available, the Company has made adequate provisions in the accounts.
4. Apropos to Para 4 (a) of the Auditors Report read with para 1 & 2 under head "Loans" of annexure -2, your Directors wish to state that no new loan agreement was entered during the year under review and the Agreements are the same as in the previous year which were provided to the Auditors last year as well as this year. Balance confirmation in relation to the loans, from Daewoo Corporation, Korea and the Indian Financial Institutions are being obtained.
5. Apropos to Para 4 (a) of the Auditors Report read with Para 1 under head "Debtors and Creditors" of annexure-2, your Directors wish to refer Note 28 of schedule 12 of the Annual Report. Your Director also wish to state that the company is using MFG-Pro, a renowned ERP - F&A package implemented by the KPMG and the same is commensurate with the operations of the Company.
6. Apropos to Para 4 (a) of the Auditors Report read with Para 1 under head "Vouchers and other book keeping" and "Details not provided" your Directors wish to state that all the details mentioned in the annexure and the vouchers (except some vouchers related to Chennai Branch) were provided to the Auditors and were again provided to them subsequently for their verification.
7. Apropos to Para 4 (a) of the Auditors Report read with Para 9 of Annexure II, your Directors wish to refer Note 8 of Schedule - 12 of the Annual report.
8. Apropos to Para no. 4 (d) (i), (ii) & (iii) of the Auditors report, your Directors wish to refer notes 13, 14, & 15 of Schedule 12 of the Annual Report, wherein observation of the Auditors has been suitably explained by the Company.
9. Apropos to Para 4 (d) (iv) (v) & (vi) of the Auditor Report, your Directors wish to refer Notes 19,20 & 21 of Schedule 12 of the Annual Report. The company is following the same policy as regards to the provision of interest on ECB, running totally and interest on DA as in the previous year.
10. Apropos to the Para 4 (d) (vii) of Auditors Report, your Directors wish to state that the Company has provided interest on the loan from Financial Institution on the basis of contracted note of interest and penal interest as demanded by the F.I's. However, the recall letter by F.I's have indicated different amounts in relation to the regular interest liabilities. Inconsistancies between the figures are being reconcilled.
11. Apropos to Para 4 (d) (ix) of the Auditors Report, your Directors wish to state that the amount of Rs. 140 Lacs relates the tooling advance and has been considered good, accordingly provision has no been made.
12. Apropos to Para 4 (d) (x) & (xi) of the Auditors Report, your Directors wish to refer the Note 1 (iii) (d) - significant accounting policy under schedule 12 of the Annual Report and to state that depreciation for the year on the ETA plant has not been provided as the plant has not been used and is identified for sale Auditors have also recommended for non provision of depreciation of ETA Plant. Since accounts are prepared on going concern basis, net realizable value has not been estimated.
13. Apropos to the Para (4) (d) (xii) of the Auditors Report, your Directors wish to refer Note 23 of schedule 12 of the annual report. Extension of period of export obligations was revoked by DGFT in May 2002, therefore there was no requirement for making any provision during the year under review. The matter is sub judice before Hon'ble Supreme Court.
14. Apropos to Para 4 (d) (xiii) of the Auditors Report, your Directors wish to state that worn and depleted part of LCV plant, which was part of the assets mortgaged to banks and FI(s) but was lying inoperative for many years, has been disposed off as per management sanction. As the same was not taken up with the FIs and the Board of Directors, a resolution for shareholders approval to the aforesaid sale(s) is placed before ensuing AGM and is a part of the notice.
15. Apropos to Para 4 (d) (xiv) of Auditors Report, your Directors wish to refer Note 24 & 33 of schedule 12 of the Annual Report, No transfer has been registered in the company's records as no documents have been lodged with the company till date. Further having regard to the uncertainties in relation to the company and in view of substantial matters being sub-judice before the Court/Tribunal your Directors have presented the accounts on going concern basis as in the previous years.
16. Apropos to Para 4 (d) (xv) and para next there to numbered (xii) of the Auditors Report, your Directors are of the opinion that auditors observations has been adequately explained in the notes to accounts besides suitable explanation stated herein above.

CORPORATE GOVERNANCE

Annexure-D

1. INTRODUCTION

The Company understand value of Corporate Governance and adhere the rules to achieve this goal of transparency, equity and accountability in all facets of its operations over a sustained period of time.

The SEBI has introduced a code of Corporate Governance for implementation by all the listed companies vide an amendment to the Listing Agreement. As per this requirement, compliance of this code is required to be disclosed in the Directors' Report. The same is presented below:

2. BOARD OF DIRECTORS

Composition

The Board of Directors consists of 16 Directors with 5 Executive Directors and 11 Non-Executive Directors.

The composition of the Board of Directors as on date of this Report as well as their brief resume are given below :

Name of Directors/ Designation	Category	No. of Board Meet-ings	Atten-dance	Number of		Remarks
				Other Dire-ctorship	Committee Membership	
Y.C. Kim, Mg. Director & CEO	Executive	1	1			Resigned 16.06.01
C.S. Park, Director	Executive	1	1			Resigned 16.06.01
I.S. Kim, Director	Executive	1	1			Resigned 16.06.01
K. Viswanathan, Director	Executive	1	1			Resigned 30.06.01
Wg. Cdr. (Retd) H.D. Talwani, Director	Executive	3	3			Resigned 01.01.02
Y.T. Cho, Mg. Director & CEO	Executive	5	5			Resigned 18.09.02*
Vivek Khanna, Director	Executive	1	1			Resigned 28.09.02*
D.W. KIM, Mg. Director & CEO	Executive	5	5	4	4	
I.K. LEE, Director	Executive	5	5	1	3	
M.H. JUNG, Director	Non-Executive/Professional			1	1	
Y.J. KIM, Director	Executive			0	3	
K.Y. SONG, Director	Executive			0	3	
V.K. SAXENA, Nominee-IDBI	Non Executive Independent		2	1		
SANDEEP MALHOTRA, Nominee- ICICI	Non Executive Independent		2	0		
M.SUDHENDRANATH, Nominee- ICICI	Non Executive Independent		2	1		
ANAND GORE, Nominee- ICICI	Non Executive Independent		4	3		
RAJIV ARORA, Nominee- ICICI	Non Executive Independent		0	0		
O. P. SINGAL, Nominee- IDBI	Non Executive Independent		0	2		
S.K. GAUTAM, Nominee- IDBI	Non Executive Independent		1	0		
K. L. GARG, Nominee-IDBI	Non Executive Independent		2	0		
K.P.S.DAGUR, Nominee-IDBI	Non Executive Independent		0	1		
H. S. ADVANI (MRS), Nominee-EXIM Bank	Non Executive Independent		0	4		
N.E.OOKABHOY, Nominee -EXIM Bank	Non Executive Independent		0	0		

14 Directors appointed during the year Mr. M.H. Jung, Mr. Y.J. Kim and K.Y. Song are Korean National having requisite qualification and experience in the automobile industry. Other appointees Mr. M. Sudhendranath, Mr. Anand Gore and Mr. Rajeev Arora-Nominees of ICICI, Mr. O.P. Singal, Mr. S.K. Gautam, Mr. K.L. Garg and Mr. K.P.S. Dagur-Nominees of IDBI and Mrs. H.S. Advani and Mr. N.E. Ookabhoy-Nominees of Exim Bank are well qualified and experienced and are in the senior positions in the respective Financial Institutions.

3. COMMITTEES OF THE BOARD OF DIRECTORS

S.No.	Particulars	Audit Committee	Remuneration Committee	Share Transfer/Grievance Committee
1	Brief reference	As per Clause 49 of the Listing Agreement	Fixation and review of remuneration of Directors.	To approve Transfer/Demat shares and redressal of shareholders' Grievances
2	Composition *	4 Members. Mrs.H.S.Advani, Mr.K.P.S. Dagur, Mr. Anand Gore, Nominee independent directors and Mr.M.H. Jung, Director	3 Members. Mr.V.K. Saxena, Mrs. H.S.Advani and Mr.M.Sudhendranath, Nominee Independent Directors	4 Members. Mr.D.W.Kim, Mr.I.K.Lee, Mr.Y.J.Kim, Mr.K.Y.Song. Mr. Vinay Shukla- Co.Secretary is the Compliance Officer.
3	Meeting/Attendance	Two meetings, attended by all the Members.	Formed on 30.09.02.	18 meetings, attended by all Members.
4	Remarks		POLICY- Remuneration policy as per existing industry norms and suitable to present position of the Company.	387 complaints received, 349 resolved and 38 complaints are pending at the end of financial year.

* Please refer Para 3 of Directors' Report