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SEVENTEENTH ANNUAL REPORT 2003 - 2004

DESIGN AUTO SYSTEMS LIMITED

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**DESIGN AUTO SYSTEMS LTD.****BOARD OF DIRECTORS**

Mr. Sarvesh Garg	: Chairman & Managing Director
Mr. Prashant S. Rajgarhia	: Director
Mr. Pradeep Khandelwal	: Director
Mr. Ravindra Dharne	: Director
Mr. Abhitap Jain	: Director
Mr. Shyam Sunder Rathie	: Director (IDBI Nominee)
Mr. B.G. Parmar	: Director (Bank of Baroda Nominee)
Mr. Girish Chandra Tewari	: Director (Bank of India Nominee)
Mr. P.V.V. Kamath	: Director (Syndicate Bank Nominee)

Registered Office

Plot No. 58, Sector-1
Pithampur Industrial Area
Dist. Dhar (M.P.)

Corporate Office

5/5-B, Navaratan Bag Road,
Near Geeta Bhawan Square,
A.B. Road, Indore - 452 001

Works

Plot No.58, Sector-1
Pithampur Industrial Area
Dist. Dhar (M.P.)

Plot No.25, Sector-1
Pithampur Industrial Area
Dist. Dhar (M.P.)

Registrar & Share Transfer Agent

Ankit Consultancy Private Limited
Alankar Chamber, A.B.Road,
Indore 452 001

Bankers

Bank of India
Bank of Baroda
Syndicate Bank

Auditors

S.N. Kabra & Company
Chartered Accountants
207-C, IInd Floor, Silver Mall
R.N.T Marg
Indore - 452 001

Annual General Meeting will be held at
Plot No. 58, Sector - 1, Pithampur
Industrial Area, Dist. Dhar (M. P.) on
30th March 2005 at 11.00 A. M.

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**DESIGN AUTO SYSTEMS LTD.****NOTICE**

Notice is hereby given that the Adjourned Seventeenth Annual General Meeting of the company will be held on Wednesday, the 30th March, 2005 at 11.00 AM at the Registered Office of the Company at Plot No. 58, Sector-1, Industrial Area, Pithampur, Dist. Dhar [M.P.] to transact the following business.

ORDINARY BUSINESS:

1. To receive consider and adopt the Profit and Loss Account of the Company for Year ended 30th September, 2004 and the Balance Sheet as at 30th September, 2004 together with the Auditors report and Directors' Report and its annexure and attachments thereon.
2. To appoint M/s S.N. Kabra & Company Chartered Accountants as Auditors of the Company, to hold office up to 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, following resolution as **Special Resolution**.

RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to approval of Central Government, Mr. Sarvesh Garg be and is hereby Re-appointed as Managing Director of the Company for a period of 5 years with effect from 1st January, 2004 upon the remuneration and on the terms and conditions set out below.

Terms and conditions

1. The Managing Director shall be vested with substantial Powers of Managing of affairs of the Company subject to the supervision and control of the Board of Directors and he shall also perform, from time to time, functions and powers to be entrusted to him by the Board of Directors.
2. Period of Agreement- 5 years with effect from 01.01.2004.
3. Remuneration
 - a. Salary: In the scale of Rs. 55,000-5,000-80,000 per month with the authority to the Board of Directors to fix the salary within the scale from time to time.
The annual increment, which will be effective 1st April each year, will be decided by the Board of Directors.
 - b. Perquisites & Allowances:
 - i. In addition to the salary and commission payable to the Managing Director shall also be entitled to perquisite like accommodation (furnished otherwise) or house rent allowance in lieu thereof; house maintenance allowance, together with reimbursement of expenses of allowances for utilities such as gas, electricity, water, furnishing and repairs, medical reimbursement, leave travel concession, club fees for two clubs for himself and such other perquisites and allowances in accordance with the Rules of the Company or as may be agreed to by the Board and such perquisites and allowances to be restricted to an overall limit of the annual salary of the Managing Director.
 - ii. For the purpose of calculating the above ceiling, perquisites shall be evaluated as per the Income Tax Rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated at actual cost.
 - iii. Provision for use of the Company's Car for official duties and telephone at residence shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.
 - iv. Company's contribution to Provident fund and superannuation fund or annuity fund, to the extent these either singly or together are not taxable under the Income Tax Act, Gratuity payable as per the rules to the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.
 - (c) Commission
Such remuneration by way of Commission, in addition to salary and perquisites and allowances payable, calculated with reference to the net profits of the Company for each financial year, subject to the overall ceiling stipulated in Section 198 and 309 of the Companies Act, 1956 and also such limit as may be decided by the Board of Directors of the Company at the end of each financial year.


DESIGN AUTO SYSTEMS LTD.

(d) Minimum remuneration;

Where in any financial year during the tenure of the Managing Director, the company has not made any profit or its profits are inadequate, the remuneration payable to the Managing Director shall not exceed the limit specified in Section II of Part II of the Schedule XIII to the Companies Act, 1956 as modified from time to time.

4. The extent and scope of the remuneration, including commission, perquisites & allowances and monetary value thereof, specified above may be enhanced, enlarged widened, altered or varied from time to time by the Board and the Board may in its discretion deemed fit, within the maximum amount payable to the Managing Director in accordance with Schedule XIII to the Companies Act, 1956 or any amendments made thereto.
5. The Managing Director shall be allowed leave as per rules of the Company. Leave accumulated and not availed of during his tenure as Managing Director shall be allowed to be encashed at the end of his tenure as per rules of the Company.
6. So long as he acts as Managing Director, shall not be entitled to sitting fees for attending meetings of the Board or any committee thereof.

In compliance with the provision of Section 309 of the Act, the terms of remuneration specified above are now being placed before the members at the General Meeting for their approval.

By Order of the Board
For Design Auto Systems Limited

Date: 4th March, 2005
Place: Indore

SARVESH GARG
[Managing Director]

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. THE INSTRUMENT APPOINTING PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Members/proxies should bring the attendance slip, duly filled in and signed for attending the Meeting.
3. Members/proxies attending the Meeting should bring their copy of the annual report for reference at the meeting.
4. Registers of Members and share transfer books of the company will remain closed from 28-03-2005 to 30-03-2005 [Both days inclusive].
5. Members are requested to notify the company immediately the change of address, if any, and also write to the company immediately about corrections, if any, in name, address and Pin code.
6. All Documents referred to in accompanying notice and explanatory statement, are open for inspection at the Registered office of the Company on all working days, between 11.00 A.M. to 1.00 P.M. upto the date of meeting.
7. Details under clause 49 of Listing Agreement with the Stock Exchange in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting are provided in the explanatory Statement.

By Order of the Board
For Design Auto Systems Limited

Date: 4th March, 2005
Place: Indore

SARVESH GARG
[Managing Director]

**DESIGN AUTO SYSTEMS LTD.****Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956**

The Board of Directors, at their meeting held on 1st January, 2004 has appointed Shri Sarvesh Garg as Managing Director of the Company for the period of five years with effect from 1st January, 2004 on remuneration determined by the Remuneration Committee of the Board of Directors, subject to approval of Central Government and shareholders by way of a special resolution.

Mr. Sarvesh Garg was appointed as Managing Director of the Company at Annual General Meeting held on 30th September, 1998 for the period of 5 years with effect from 1st January, 1999 on the terms and conditions specified in Agreement/ Resolution. Section 269 of the Companies Act, 1956 makes it obligatory for a company, having paid-up share capital in excess of Rs. Five Crores, to have a Managing Director. Also, with a view to enable Mr. Sarvesh Garg to focus on operations and Management of the company and in view of the financial performance of the company, the Board thought it fit that Shri Sarvesh Garg should be Re-Appointed as Managing Director of the Company and adequate Salary, Perquisites and other Remuneration should be provided in line with the vast business experience of Mr. Sarvesh Garg. This will be helpful for achieving the desired business growth of the company and in the best interest of the company.

Design Auto Systems Limited, the applicant Company, is a manufacturing and trading company and at present manufacturing Bulbs, coils and other Auto Parts. The Applicant Company was incorporated on 04.05.1987.

Mr. Sarvesh Garg, aged, 42 years, is Director of the Company since 1987. He is Graduate in Science. He has 20 year experience of the industry. The Remuneration payable to Mr. Sarvesh Garg will comprise salary, allowances and perquisites. He will be entitled for the increment as may be decided by the Board from time to time. He does not have any pecuniary interest with the company other than getting remuneration as the Managing Director of the company.

The above may also be treated as an abstract of the terms of the contract/agreement between the company and Shri Sarvesh Garg pursuant to section 302 of the companies Act, 1956.

Save and except Shri Sarvesh Garg, none of the Directors of the company is, in any way, concerned or interested in the resolution.

Therefore the application to the Central Government has been made for the re-appointment and remuneration of the Managing Director.

By Order of the Board
For Design Auto Systems Limited

Date: 4th March, 2005
Place: Indore

SARVESH GARG
[Managing Director]

**DESIGN AUTO SYSTEMS LTD.****DIRECTOR'S REPORT**

Dear Shareholders,

Your Directors have pleasure in presenting Seventeenth Annual Report.

ADJOURNMENT OF ANNUAL GENERAL MEETING.

At the instance of the shareholders of the company, the seventeenth Annual General meeting convened on 31st December, 2004 was adjourned sine die for the purpose of adoption of accounts of the company to be laid before the shareholders for compliance of the requirement of Section 210 & 219 of the Companies Act, 1956

During the Year under review the company faced an investigation from Department of Company Affairs. The officers of Government Authorities, were investigating the affairs of the company in the month of October, 2004, therefore, the Final Accounts of the company could not be prepared, and consequently accounts could not be audited. Therefore your Directors could not present Audited Accounts for the Financial Year ending on September, 2004 at the AGM held on 31st December, 2004. Now accounts are ready for laying before the shareholders, your Directors are presenting audited accounts.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	<u>2003-04</u>	<u>2002-03</u>
	(12 Months)	(18 Months)
Sales and other Income	5885.49	9185.93
Gross Profit/(Loss) before depreciation	-556.58	- 949.23
Depreciation	112.31	166.21
Profit before tax	-668.89	-1115.44
Provision for Taxation for the year/period	-	-
Provision for Deferred Tax Asset for the year/period	-	345.57
Prior Period Expenses	-37.03	-144.32
Income tax adjustment for earlier periods	-	-4.84
Profit/(Loss) after Taxation	-705.92	-919.03
Balance brought forward from previous period	-221.31	22.17
Profit (Loss) for Appropriation	-927.23	-896.85
Transferred From General Reserve	-	675.54
Amount carried to Balance Sheet	-927.23	-221.31

DIVIDEND

On Account of loss incurred by the company during the financial year, no dividend is being recommended for the year under review.

OPERATIONS

During the Year under review, overall performance of the company was satisfactory, inspite of difficult market conditions. The Company achieved Revenue of Rs. 5885.49 Lacs as compared to Rs. 9185.93 Lacs in previous eighteen months period. During the year, the company incurred a net loss before tax of Rs. 668.89 lacs as compared to Rs. 1115.44 lacs during previous eighteen months period. This was due to efficient management, cost reduction measures and benefit of Corporate Debt Restructuring.

PUBLIC DEPOSITS

The Company has accepted and renewed public deposits within the meaning of Section 58-A of the Companies Act, 1956 and Rules made there under, during the year under review. For this purpose, all necessary formalities have been complied with. During the year under review Company do not have any unpaid deposits. The company has not made any default in repayment to small depositor within meaning of Section 58-AA.



DESIGN AUTO SYSTEMS LTD.

INSURANCE

All properties and insurable interests of the Company including Building, Plant & Machinery and stocks have been adequately insured.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

Information as per Section 217(1)(e) read with Companies (Disclosures of particulars in the report of Board of Directors) Rules, 1988 are given in the Annexure forming part of this Report.

PARTICULARS OF EMPLOYEES

None of the Employees in the Company is drawing remuneration in excess of the limits prescribed under Section 217 (2A) read with the Companies (Particulars of Employees) Rules, 1975 during the year ended 30th September, 2004.

There is no employee who is drawing remuneration in excess of remuneration to Managing Director during the year.

HUMAN RESOURCE & INDUSTRIAL RELATIONS

Industrial relations were harmonious throughout the year. The Board wishes to place on record their sincere appreciation to the co-operation extended by all employees in maintaining cordial relations:

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, a Management discussion and Analysis Report, Corporate Governance Report and Auditor's certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

DIRECTOR'S RESPONSIBILITY STATEMENT

The Company is in compliance with various accounting and financial reporting requirements in respect of the financial statement for the year under review. Pursuant to Section 217(2AA) of the Companies Act, 1956, and in respect of the annual accounts for the year under review, the Director hereby confirm that :

- I. In the preparation of the annual accounts, the applicable accounting standards had been followed.
- II. Appropriate accounting policies have been selected and applied 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 loss of the Company for that year;
- III. Proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities have been taken to the best of their knowledge and ability.
- IV. The annual accounts have been prepared on a "going concern basis".

DIRECTORS

Shri Pradeep Khandelwal and Mr. Abhitap Jain were appointed as Additional Directors by the Board pursuant to Section 260 of the Companies Act, 1956 and in exercise of the authority vested by the Company's Articles of Association. They shall vacate office at the ensuing Annual General Meeting. The Company has received notice(s) under Section 257 (1) along with the requisite amount of deposit from the members of the Company notifying their intention to propose the candidature of Mr. Pradeep Khandelwal.

During the year, Mr. Manish Chaturvedi has tendered his resignation from the Board. The Board places on record his appreciation of valuable services rendered by him during his tenure as Director.

**DESIGN AUTO SYSTEMS LTD.**

During the year under review, Mr. K.P. Mohanan, Mr. Girish Chand Tewari, And Mr. B.G. Parmar were appointed as Nominee Directors of Syndicate Bank, Bank of India & Bank of Baroda respectively.

Mr. P.V.V. Kamath was nominated by Syndicate Bank as nominee Director on 6th November, 2004 in place of Mr. K. P. Mohanan.

Shri Ravindra Dharne, Director of the Company retires by rotation in accordance with the provisions of the Articles of Association of the Company and being eligible offers himself for reappointment.

CORPORATE DEBT RESTRUCTURING:

Under the corporate Debts Restructuring Scheme, as Sanctioned by the CDR Cell, Debts of the Company were restructured under the Corporate Debt Restructuring (CDR) mechanism of Reserve Bank of India, during the year under review.

AUDITORS

The Auditors M/s. S.N. Kabra and Co., Chartered Accountants, retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

BOARD'S REPLY ON OBSERVATIONS/QUALIFICATIONS IN AUDIT REPORT

The Auditors' Report is self-explanatory and needs no comments.

AUDIT COMMITTEE

The Company has Audit Committee consisting of three non-executive Independent Directors. The Committee is periodically reviewing the accounting policies, financial statements and other matters within powers of the committee.

LISTING

The Shares of the company are listed on The Stock Exchange, Mumbai & Madhya Pradesh Stock Exchange, Indore.

The trading in shares of the company has suspended on the Stock Exchange, Mumbai since 10th January, 2002.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation of the assistance and support extended by the financial institutions, banks, government authorities, shareholders and business associates. Directors also take this opportunity to thank the employees for their devoted services, continued co-operation and support.

For and on behalf of the Board

Dated : 4th March, 2005

Place : Indore

(SARVESH GARG)
MANAGING DIRECTOR

(PRASHANT S. RAJGARHIA)
DIRECTOR



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ANNEXURE TO DIRECTOR'S REPORT

Information as per section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 30th September, 2004.

	Current Year <u>2003-04</u> (12 Months)	Previous Year <u>2002-03</u> (18 Months)
1. CONSERVATION OF ENERGY		
A) Power & Fuel Consumption		
1. Electricity		
(a) Units Purchases	1017014	1125039
Total Amount (Rs.)	5093436	5857515
Rate/Unit(Rs.)	5.01	5.21
(b) Own Generation		
Units produced	7310	74020
Total Amount (Rs.)	81355	730575
Rate/Unit (Rs.)	11.13	9.87
2. Coal		
Quantity (in MT)		
Total Cost (Rs.)		
Average Rate per MT (Rs.)		
3. Furnace Oil		
Quantity in KL		
Total Cost (Rs.)		
Rate Per Unit (Rs.)		
B) Consumption per unit of production		
Electricity (Unit)		

2. TECHNOLOGY ABSORPTION

The Company is keeping pace with the developments in the Auto Electric Components Industry.

3. FOREIGN EXCHANGE EARNING AND OUTGO

During the year under review, the foreign exchange outgo was Rs. 218.79 Lacs (Previous year Rs. 197.34 Lacs) and the foreign exchange earning on exports was Rs.41.09 Lacs (Previous Year Rs. 47.13 Lacs)

For and on behalf of the Board

Dated : 4th March, 2005

Place : Indore

(SARVESH GARG)
MANAGING DIRECTOR

(PRASHANT S. RAJGARHIA)
DIRECTOR

**DESIGN AUTO SYSTEMS LTD.****MANAGEMENT DISCUSSION AND ANALYSIS REPORT****DESIGN AUTO SYSTEMS LIMITED****INDUSTRY STRUCTURE**

The Company is engaged in manufacturing of auto electric bulbs and ignition coils etc. mainly for two, three and four wheeler industry.

The company's growth is linked to the growth in demand from vehicle manufacturers (OEMs) and the After Market. During the 2003-2004, the growth in production of two and three wheelers and the After Market demand were subdued. Consequently there was limited growth in the sales of products of the company.

The Bulb industry in India appears to be on the verge of changes due to the ongoing process of globalisation.

OUTLOOK

Good growth is expected in the automobile sector during the years ahead. The two wheeler majors manufacturer are raising their capacities and making further investments in plants. Therefore the growth in demand of products of the company is expected in coming future. However the risk in procurement cost of the product due to increased cost of Glass, metal, brass, fuel and uncertainty of implementation of Value Added Tax may affect growth potential of this sector.

Company expects a modest rise in sales realization during the year in progress to partially offset the cost increases on its major inputs. The company believes that its efforts at product development, market development and improvement in its operations will help it to meet the challenges of the future.

INTERNAL CONTROL SYSTEM

The company has an internal control system for operation of company. The Accounts and Finance Department is adequately staffed with experienced and qualified persons who play good role in implementing and monitoring the internal control environment. Your company's internal auditors evaluate the internal control in design and in operation; there the senior management and the audit committee review observations.

The internal control system of company is designed to safe guard the assets, to ensure that transactions are properly recorded and authorised, to ensure maintenance of proper records and to ensure compliances with applicable laws and regulations.

RISKS AND CONCERNS

The industry is dependent on OEMs requirements and the market is fiercely competitive. Majority of the company's products are sold in the domestic market and hence the local economic conditions will have a strong impact on the company's performance. Your company has taken adequate insurance cover, wherever the risk is insurable.

Cost increases for some of the major inputs for product manufactured are out of the control of the company and selling price of its products is under pressure due to competition. Demands of products from various segments fluctuate. The higher interest burden and repayment obligations are also a cause of concern and demands debt restructuring and relaxation by banks and financial institutions.

The focus of management is to achieve substantial savings in costs of energy, materials and getting them at best possible commercial terms. Management is making efforts to add greater value to OEMs and other customers to retain the market share.

HUMAN RESOURCES AND DEVELOPMENT

Human resources are highly valued assets at Company, we continue to maintain a healthy and professional environment, which enables everybody to give his best thereby contributing to the overall growth of the organization. The relationship between employee and management were cordial during the year under review.

CAUTIONARY STATEMENT

Statement in this management discussion and analysis describing the company's objectives, projections, estimates and expectations may be "Forward looking statements" within the meaning of applicable laws and regulations, actual results might differ substantially or materially from those expressed or implied.