



EIGHTEENTH ANNUAL REPORT & ACCOUNTS 2004 - 2005

DESIGN AUTO SYSTEMS LIMITED


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 Rathi	: 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)

Works

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

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

Registrar & Share Transfer Agent

Ankit Consultancy Private Limited
Alankar Point, Near Geeta Bhawan Square,
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 Sept., 2005 at 11.00 A. M.

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NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of the company will be held on Friday, the 30th September, 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 six month's Financial Year ended 31st March, 2005 and the Balance Sheet as at 31st March, 2005 together with the Auditors report and Directors' Report and its annexure and attachments thereon.
2. To appoint a director in place of Pradeep Khandelwal who retires by rotation and being eligible offer himself for reappointment.
3. 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 :

To consider and if thought fit, to pass with or without Modification, following resolution as **Special Resolution**.

ITEM NO. 4.

CONSIDERATION FOR APPOINTMENT OF MR. PRASHANT S. RAJGARHIA AS, WHOLE TIME DIRECTOR AND TO FIX HIS REMUNERATION.

'RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, subject to approval of Central Government, the Consent of the Members be and is hereby accorded for appointment of Mr. Prashant S. RajGarhia, as Whole Time Director of the Company for a period of 5 years with effect from 1st May, 2005 upon the remuneration and terms conditions set out in the draft Resolution placed before this meeting and initialed by the chairman for the purpose of identification, on the terms and conditions set out below.

Terms and conditions

1. The Whole Time Director shall be vested with Executive Powers for Management of operations and production of the Company subject to the supervision and control of the Board of Directors and he shall also perform, 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 01.05.2005.
3. Remuneration
 - a. Salary: In the scale of Rs. 15,000-1,000-20,000 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 Director he shall also be entitled to perquisite like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance. 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.
 - ii. 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.
 - iii. 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.

**DESIGN AUTO SYSTEMS LTD.**

(c) Minimum remuneration ;

Where in any financial year during the tenure of the Director, the company has not made any profit or its profits are inadequate, the remuneration payable to the 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 Whole Time Director in accordance with Schedule XIII to the Companies Act, 1956 or any amendments made thereto.
5. The Whole Time Director shall be allowed leave as per rules of the Company. Leave accumulated and not availed of during his tenure as 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 Director, shall not be entitled to sitting fees for attending meetings of the Board or any committee thereof.
7. If at any time Mr. Prashant S. Rajgarhia cease to be Director or employee of the company for any cause whatsoever, he shall cease to be Whole Time Director.

In compliance with the provision of Section 309 of the Act, the terms of remuneration specified above, are subject to approval of members at the General Meeting.

By Order of the Board
For Design Auto Systems Limited

Date: 29th August, 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 28-09-2005 to 30-09-2005 [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. Mr. Pradeep Khandelwal is 39 year old. He is Commerce Graduate and has wide experience in field of marketing.

By Order of the Board
For Design Auto Systems Limited

Date : 29th August, 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 30th April, 2005 has appointed Shri Prashant S. Rajgarhia as Whole Time Director of the Company for the period of five years with effect from 1st May, 2005 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 resolutions.

Mr. Prashant S. Rajgarhia was appointed as Director of the Company at Annual General Meeting in 2002. With a view to enable Mr. Prashant S. Rajgarhia to focus on operations and Management of the company and in view of the financial performance of the company, upon recommendation of Remuneration Committee, the Board thought it fit that Shri Prashant S. Rajgarhia should be Appointed as Whole Time Director of the Company and adequate Salary, Perquisites and other Remuneration should be provided in line with the business experience of Mr. Prashant S. Rajgarhia. This will be helpful for achieving the desired business growth of the company and in the best interest of the company. The Remuneration and other terms and conditions are disclosed in Resolution.

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. Prashant S. Rajgarhia, aged 27, is commerce graduate and have wide experience of 7 years in auto bulbs/ Components manufacturing, production and administration.

In compliance with the provisions of Section 269, 309, 310, 311 and Schedule XIII and other applicable provisions of the Act, the terms, conditions and remuneration specified in resolution are now being placed before the members for their approval.

The Company has not made any default in repayment of the deposits accepted from public or in payment of interest thereon for continuous period of thirty days during the financial year previous to the date of appointment of Whole Time Director. The Company has not issued any debentures.

This may be treated as an abstract u/s 302 of the Act.

Mr. Prashant S. Rajgarhia is interested in item no. 4 of the notice.

The Directors re-commend the resolution at item no. 4 of the notice.

By Order of the Board
For Design Auto Systems Limited

Date : 29th August, 2005
Place : INDORE

SARVESH GARG
[Managing Director]

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

Dear Shareholders,

Your Directors have pleasure in presenting Eighteenth Annual Report for the six months' financial year ending on 31st March, 2005.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	2004-05 (6 Months ending 31.03.2005)	2003-04 (12 Months ending 30.09.2004)
Sales and other Income	2907.31	5885.49
Gross Profit/(Loss) before depreciation	- 210.72	- 556.58
Depreciation	55.61	112.31
Profit before tax	- 266.33	- 668.89
Provision for Taxation for the year/period	---	---
Prior Period Expenses/Income	7.82	- 37.03
Profit/(Loss) after Taxation	- 258.51	- 705.92
Balance brought forward from previous period/year	- 927.23	221.31
Profit/Loss for Appropriation	- 1185.74	- 927.23
Amount carried to Balance Sheet	- 1185.74	- 927.23

DIVIDEND

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

OPERATIONS :

The financial year 2004-05 was a challenging year for Indian Industry and automobile industry in particular, as it had to bear a major burnt of spiraling costs triggered by huge increase in commodity prices during the year. Turn over of the company for six months' financial year was Rs. 2907.31 Lacs as compared to Rs. 5885.49 Lacs in previous financial year. During the period, the company incurred a net loss before tax of Rs. 266.33 lacs as compared to Rs. 668.89 lacs during previous financial year. Reduction in losses was due to efficient management of cost containment 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 period under review. For this purpose, all necessary formalities have been complied with. During the period 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.

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 six months' financial year ended 31st March, 2005.

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

HUMAN RESOURCE & INDUSTRIAL RELATIONS

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



DESIGN AUTO SYSTEMS LTD.

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 period under review. Pursuant to Section 217(2AA) of the Companies Act, 1956, and in respect of the annual accounts for the period 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 period and of the loss of the Company for that period;
- 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, 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.

During the period under review, Shri. P.V.V. Kamath, was appointed as Nominee Directors of Syndicate Bank.

CORPORATE DEBT RESTRUCTURING

Companies request for modification in terms of CDR sanction was approved by CDR-EG at their meeting held on 25.8.2005. Approval of modification in terms will help the Company to tide over the financial liquidity problem.

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 Bombay Stock Exchange Limited and Madhya Pradesh Stock Exchange.

The trading in shares of the company remains 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. Director also take this opportunity to thank the employees for their devoted service and continued co-operation and support.

For and on behalf of the Board of Directors

Dated : 29th August, 2005
Place : INDORE

(SARVESH GARG)
MANAGING DIRECTOR

(PRASHANT S. RAJGARHIA)
DIRECTOR

**DESIGN AUTO SYSTEMS LTD.****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 six months' financial year ended 31st March, 2005.

	Current Year 2004-05 (6 Months ending 31.03.2005)	Previous Year 2003-04 (12 Months ending 30.09.2004)
1. CONSERVATION OF ENERGY		
A) Power & Fuel Consumption		
1. Electricity		
(a) Units Purchased	487785	1017014
Total Amount (Rs.)	2380858	5093436
Rate/Unit(Rs.)	4.88	5.01
(b) Own Generation		
Units produced	15710	7310
Total Amount (Rs.)	217401	81355
Rate/Unit (Rs.)	13.84	11.13
2. Coal	-	-
Quantity (in MT)		
Total Cost (Rs.)		
Average Rate per MT (Rs.)		
3. Furnace Oil		
Quantity in		
Total Cost (Rs.)		
Rate Per Unit (Rs.)		
B) Consumption per unit of production		
Electricity (Unit)		

2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Both the units of the company are having separate earmarked section dedicated for the development activities. Engineering Department of the respective units are continuously working on development of components for new models of automobile and also development of alternate process to enhance quality and to reduce costs.

3. FOREIGN EXCHANGE EARNING AND OUTGO

During the period under review, the foreign exchange outgo was Rs. 143.90 lacs (Previous year Rs. 218.79 Lacs) and the foreign exchange earning on exports was Rs.NIL (Previous Year Rs. 41.09 lacs)

For and on behalf of the Board of Directors

Dated : 29th August, 2005
Place : INDORE

(SARVESH GARG)
MANAGING DIRECTOR

(PRASHANT S. RAJGARHIA)
DIRECTOR



DESIGN AUTO SYSTEMS LTD.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

DESIGN AUTO SYSTEMS LIMITED

Business Overview

The Company is in the automotive business offering a comprehensive range of bulbs and coils for two wheelers, cars and other vehicles. With most of the economic indicators of the country recording steady growth during 2004-05, the bulb industry continued to face stiff competition, increasing input cost and squeezing operating margins.

Indian two-wheeler industry crossed a six million mark in the year 2004-05. Motorcycles continued to stride a colossus within the two-wheeler segment accounting for nearly 80% or 4.96 millions units during the year. In spite of healthy growth of two wheeler industry and in particular the continuing dominance of principle customers, HHML, BAL etc., sales of your Company's remained stagnant due to various reasons.

Opportunities and Threats

a) Opportunities

In future your Company can reap benefits by availing opportunities that abound to the growth of automobile industries. First and foremost, as an supplier to the industry leaders, OEMs like HHML, Tata Motors, Bajaj, and to replacement market, the growth potential in volume of business will be immense and closely aligned to that of OEMs. Your Company is heavily dependent on the prospects of growth of two-wheeler and car industry. It has started making efforts to broaden its range of auto bulbs and coils supply, particularly exploring the possibilities of establishing its presence in the two and four-wheeler industry through technology upgradation, developing marketing chain and internal control.

The road development, as being carried out in India, would also give considerable impetus to people movement that will see improvement in sales of vehicles and consequently sale of bulbs.

Several countries are opening up and have shown positive response to the Company's products. Number of countries have been tried for special focus and strategic entry by choosing appropriate segments and products to increase the export sales.

b) Threats:

Competition

India and China, being the destinations for services and manufacturing in the international market, many automobiles manufacturers are entering India with a range of products who would also leverage the Indian low cost to their advantage. The Company plans to address these with new product introductions.

New Project

The Company plans to launch a production unit for manufacturing Halozen Bulbs.

Interest rate hardening

The company has approached to its Bankers and Term Lenders, for modification in terms of corporate debt restructuring for reducing high interest rates & deferment of loan repayment so that the company can face high competition with its Domestic competitors.

Risks and Concerns

a) Input Costs

The input cost of metal and other materials continue to spiral like it has had in the last year, that could be a real challenge to combat the pressure on operating margins.

In 2004-05, prices of metal, filaments and glasses touched abnormal high levels. While the increase in cost has cast pressure on the Company's sales and consequently on profitability, it was partly countered through cost reduction measures, improved efficiencies & productivity.

b) Fuel prices

During the year, oil prices in domestic and international markets remained volatile. Increase in International oil prices witnessed in the last couple of months is another major concern, which threatens to bring in inflationary pressure in all economies of the country and in turn, can dampen the growth potential in future.

c) Unforeseen circumstances

Through the Company is equipped with guidelines and controls in place for constant monitoring and timely action to mitigate the adverse impact, if any, a sudden downturn in business environment due to external factors like oil price shock and consequent inflationary pressure and/or uncontrolled spiral of input costs, the risk of squeeze in operating margins remains.

While the Company continues to derive benefit from the impressive growth and performance of its principal customers, the OEMs, that also makes it more vulnerable to any adverse development or slow down in the growth of business of OEMs.



DESIGN AUTO SYSTEMS LTD.

OUTLOOK

Although the Company is committed to improve its competitive position in the market, continuing upward pressure of input prices, particularly Metal and glass, is likely to put pressure on profitability. The competition in the bulbs market is likely to increase with new players and models. The Company has a pipeline of new products under development which should enable it to sustain and grow its market presence in the coming years.

INTERNAL CONTROLS AND ADEQUACY

Your company has an adequate system of internal controls commensurate with the size and nature of business of the Company to ensure adequate protection of the Company's resources, provision of accurate and speedy financial statements and reports and compliance with the Company policies, procedures and legal obligations. It is continuously developing its internal control system.

Your company has a balanced organization structure, welldefined authority levels and set guidelines and rules for conducting business transactions and to promote ethical conduct. The company's Internal Auditors conduct audit to ensure adequacy of internal control systems, adherence to management instructions and policies and compliance with laws and regulations of the country.

HUMAN RESOURCES AND DEVELOPMENT

To meet the various emerging challenges, the Company has made significant strides in an organizational renewal programme with focus on enhancing organizational efficiencies, employee competencies and commitment. Human resources are highly valued assets at DASL, we continue to maintain a healthy and cordial 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 period 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.

REPORT ON CORPORATE GOVERNANCE

In Compliance with clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the report on the matters mentioned in the said clause and practices as followed by the Company.

1. COMPANY'S PHILOSOPHY OF CORPORATE GOVERNANCE

The basic philosophy on the Corporate Governance in the Company is to achieve business excellence, comply with the law and the regulations and dedicate itself for increasing the long term shareholder value and keeping in view the needs of the stakeholders. The Board of Directors and Management of the Company commit themselves to strive towards sound business decisions, prudent financial management and high standards of ethics. The Board envisages the attainment of high levels of transparency, accountability in the functioning of the Company and the conduct of its business internally and externally. It wants to achieve excellence in corporate governance by conforming to and exceeding wherever possible, the prevalent mandatory guidelines on corporate governance and regularly reviewing the Board process and the Management systems for further improvement.

2. BOARD OF DIRECTORS

The Board of Directors comprises of Nine Directors, out of which 8 Directors are non executive independent Directors. Shri Sarvesh Garg Managing Director holds the office of Chairman in the meeting.

During the Six Months' Financial Year ending 31st March, 2005 the Board met 3 times on the following dates.

Details of Board Meetings held during the period from 1st October 2004 to 31st March, 2005.

Sr. No.	Date
1.	16.10.2004
2.	29.01.2005
3.	04.03.2005