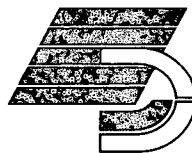


*20th
Annual Report
&
Accounts 2006-2007*



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DESIGN AUTO SYSTEMS LIMITED



DESIGN AUTO SYSTEMS LIMITED

Board of Directors

Mr. Sarvesh Garg	: Chairman & Managing Director
Mr. Ravindra Dharne	: Director
Mr. Pradeep Khandelwal	: Director
Mr. R.C. Khurana	: Director (Bank Of India Nominee)
Mr. V. K. Seth	: Director (Bank of Baroda Nominee)
Mr. P.V.V. Kamath	: Director (Syndicate Bank Nominee)
Mr. Abhitap Jain	: Director

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
25 - White Church Colony,
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, 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

20th ANNUAL GENERAL MEETING

Annual General Meeting will be held at
Registered Office of the Company at

Venue : Plot No. 58, Sector-1,
Pithampur Industrial Area,
Dist. Dhar (M.P.)
Date : 27th October, 2007
Day : Saturday
Time : 11.00 A.M.

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DESIGN AUTO SYSTEMS LIMITED

NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the company will be held on Saturday, the 27th October, 2007 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 Financial period ended 31.03.07 and the Balance Sheet as at 31.03.2007 together with the Auditors report and Directors' Report and its annexure and attachments thereon.
2. To appoint a director in place of Mr. Sarvesh Garg 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.

By Order of the Board
For Design Auto Systems Limited

Place : Indore

Date : 12th September, 2007

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. Register of Members and share transfer books of the company will remain closed from 20th October 2007, to 27th October, 2007 [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.

By Order of the Board
For Design Auto Systems Limited

Place : Indore

Date : 12th September, 2007

SARVESH GARG

[Managing Director]



DESIGN AUTO SYSTEMS LIMITED

DIRECTOR'S REPORT

Dear Shareholders,

Your Directors have pleasure in presenting Twentieth Annual Report for the financial period ended on 31st March, 2007.

FINANCIAL HIGH LIGHTS

	2006-07 (9 Months ended 31.03.2007)	(Rs. in Lacs) 2005-06 (15 Months ended 30.06.2006)
Sales and other Income	3050.69	5507.21
Gross Profit/(Loss)		
before depreciation	(-)261.58	(-) 428.75
Depreciation	86.60	140.69
Profit before tax	(-)348.18	(-) 569.44
Provision for Taxation for the year (FBT)	(-) 2.75	(-) 3.62
Prior Period Expenses/Income	198.63	11.61
Profit/(Loss) after Taxation	(-) 152.30	(-) 561.45
Balance brought forward from previous period	(-)1747.20	(-) 1185.75
Profit/(Loss) for Appropriation	(-)1899.50	(-) 1747.20
Amount carried to Balance Sheet	(-)1899.50	(-) 1747.20

PERFORMANCE

Your company's Turnover for the period under review (9 Months) have been Rs. 30.51 Crores as against Rs. 55.07 Crores in the preceding 15 Months period. The prices of major raw materials mainly Electric Grade Steel, Copper Wire, Brass, Filament etc. have gone up during the period which adversely impacted the profitability of the Company.

The price increases obtained by the Company, from the OE business segment, could off set only a portion of input cost increase, severely impacting the bottom line, in view of the size of this business segment. In spite of sustained cost reduction measures, your Company incurred a loss of Rs. 3.48 Crores during 9 Months period as against Rs. 5.69 Crores in the previous period of 15 Months. In view of the unabated increase in the input cost till now, your company is seeking to get a reasonable price adjustment in all the business segments of the company. Your company has lined up a series of cost reduction measures and productivity improvement programs to partially offset the impact of spiraling input cost increases.

DIVIDEND

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

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 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.

EXPORTS

Your Company continues to explore various new business segment and geographical territories, for identifying profitable growth opportunities.



DESIGN AUTO SYSTEMS LIMITED

EXPANSION

Your company has completed expansion by expanding the capacity in Auto Bulb manufacturing by adding two new lines and have installed facilities for manufacture of silencers for 2 wheelers. The capital expenditure was funded from internal accruals and unsecured loans.

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 9 month financial period ended 31st March 2007.

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.

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 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 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 Sarvesh Garg, 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 Banks/Institutions nominated following Directors:

Mr. V.K. Seth - Nominee director Bank of Baroda.

During the period under review nomination of Mr.V.Sreedharan was withdrawn by Bank of Baroda and Shri Prashant S. Rajgarhia resigned from the Board of the company. Your Directors place on record their appreciation of the valuable services rendered by them during their tenure as Directors of the Company.



DESIGN AUTO SYSTEMS LIMITED

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

Our reply to Auditors observations mentioned at 2 (d), (f), (g), (h) & (i) of the auditors report to the members is as under :-

- 2-(d) In view of past experience wherein company have paid the retirement benefits as and when became due, no provision has been made.

As most of the investments were neither traded nor Quoted, quotations were not available and as they were lying since long they are valued at cost.

- 2-(f) Directors are taking effective steps such as close monitoring of the outstanding, follow up with the party to collect money/material, reconciliation of the accounts etc. Directors are confident of recovery from the debtors.

As regards outstanding advances company is hopeful to recover from Sterling Auto Private Limited, who are in process of disposing of assets shortly. Company is also following up with balance parties for recovery of the advances made.

- 2-(g) Corporate Guarantee to the Bank of Baroda for loan to Design Auto Distribution Ltd was given in 2001. Similarly advance to Sterling Auto Pvt. Ltd. also related to period 1997-98 to 2002-03. Design Auto Distribution Ltd and Bank of Baroda have agreed for settlement of dues. Similarly Assets of Sterling Auto Pvt. Ltd. are also at the advance stage of sale.

- 2-(h) As per CDR sanction, company will provide for interest sacrifices in the final year of repayment of loan. i.e. 2012 and thereafter payment of interest sacrifice will be made in 3-4 Years as per cash flow of the company.

- 2-(i) Company will provide for differential interest (FITL- II) immediately upon receipt of IDBI advise in this regard.

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 has suspended on the Stock Exchange, Mumbai since 10th January, 2002. The Securities Appellate Tribunal has directed BSE to reconsider the listing application of the company.

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 service and continued co-operation and support.

Dated :12th September, 2007
Place : Indore

For and on behalf of the Board of Directors
(SARVESH GARG) (PRADEEP KHANDELWAL)
MANAGING DIRECTOR DIRECTOR



DESIGN AUTO SYSTEMS LIMITED

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 nine months period ended 31st March, 2007.

		Curent year 2006-07 (9 months ended <u>(31.03.2007)</u>)	Previous Year 2005-06 (15 months ended <u>30.06.2006)</u>
1. CONSERVATION OF ENERGY			
A) Power & Fuel Consumption			
1. Electricity			
a) Units Purchased	777551	1310907	
Total Amount(Rs.)	3769680	5881949	
Rate/Unit(Rs.)	4.85	4.49	
(b) Own Generation (Th.D.G.Set)			
Units produced	26300	17600	
Total Amount (Rs.)	396058	271600	
Rate/Unit (Rs.)	15.06	15.43	
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.

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 EARNINGS AND OUTGO

During the year under review, the foreign exchange outgo was Rs. 541.38 Lacs (Previous year Rs. 334.16 Lacs) and the foreign exchange earning on exports was Rs.18.47 Lacs (Previous Year Rs 23.24)

For and on behalf of the Board of Directors

Dated :12th September, 2007
Place : Indore

(SARVESH GARG)
MANAGING DIRECTOR

(PRADEEP KHANDELWAL)
DIRECTOR



DESIGN AUTO SYSTEMS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Industry Structure & Developments

The year under review saw continued buoyancy in the OEM markets. The table below highlights the segmental growth of the Indian automotive industry.

<u>2005-06 (%)</u>		<u>2006-07(%)</u>
9	Passenger Cars	19
7	Utility Vehicles	13
23	Light Commercial Vehicles	7
4	Medium and Heavy Commercial Vehicles	34
15	Farm Tractors	15
17	Three-wheelers	28
18	Two-wheelers	11

Source: Society of Indian automobile Manufacturers and the Tractor Manufacturers Association.

2. Outlook

Sustained spending on infrastructure and the continuing general economic growth are beneficial factors that should aid business growth in the medium and long term.

Inflationary pressures resulting from supply side constraints and increases in prices of commodities, which emerged during the latter part of 2005-06, continue to be a cause of concern. These have resulted in monetary measures, which have driven up the interest rates. It should be expected these would have a dampening effect on the growth sentiments in the immediate future. However, in the medium term, we foresee the growth potential for the domestic industry will continue to be in double digits.

Your company's strategy, in an era of continuing pressure on margins, calls for growth in profits driven primarily by larger volumes and cost management initiatives to mitigate the incidence of pressure on margins, calls for growth in profits driven primarily by larger volumes and cost management initiatives to mitigate incidence of pressure on margins. Your company is increasing capacities to align with the market demand and is working on new product variants to enhance competitive advantage.

During the year, your company launched major initiatives in information system and human resource development (HRD), which are vital in a dynamic, challenging and competitive environment.

Our continued emphasis is on established TQM practices, focus on value addition/Value Engineering initiatives and specialized competency development programmes has yielded and will continue to yield productivity gains.

All these initiatives bearing fruit would ensure that your company is in a position to exploit and capitalize on opportunities the buoyant automotive industry presents and grow at a handsome pace.

3. Opportunities, threats and risks:-

The continued attractiveness of the Indian auto component industry as a global outsourcing hub presents opportunities for growth through exports. Also, in the medium term, the growth potential for the domestic industry will continue to be in double digits.

The main threats arise out of:

- ♦ Volatility in commodity prices-Steel and other inputs
- ♦ Low-priced products imports from China
- ♦ Strengthening rupee
- ♦ Apprehended temporary slowdown of the economy.

Your company proposes to address these threats and convert the opportunities into growth of the company by cost reduction measures, developing economies of scale, process improvements, quality up-gradations, increase market share and by diversifying existing customer base with the addition of new strategic customers and enhancing the existing relationship.

4. Internal Control systems and their adequacy:-

Internal control procedures of the Company are designed to meet the needs of the Organization's size and complexity of operations. These procedures ensure compliance with various policies, practices and statutes. Internal Audit is carried out of all functional areas through-out the year.

5. Discussion of Financial performance with reference to operational performance

The Company posted turnover of Rs. 3021.39 lacs for 9-month period ended 31/03/07 and incurred loss of Rs. 348.18 lacs. The company continued to retain its leader ship position in organized sector as the major supplier of automotive Electrical bulbs to most of the two-wheeler manufacturers.

6. Human Resources and industrial relations:-

The company has given emphasis to upgrading the skills of its technical and marketing personnel. This is keeping with its policy of enhancing the individual's growth potential within the framework of corporate goals.

The HR policy and practices are constantly reshaped to meet newer demands. Not only better hiring practices, but also improved nurturing practices are in place. Company imparts training towards continuous enhancement of technical and managerial skills.

The Directors acknowledge and appreciate the contribution of all employees towards the performance of the company. During the year under review the Company, maintained cordial relationship with all employees.

7. Cautionary Statement:-

The information and opinion expressed in this report may contain certain forward looking statements which the management believe are true to the best of its knowledge at the time of its preparation. Actual results may differ materially from those either expressed or implied in this report.



DESIGN AUTO SYSTEMS LIMITED

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 Company believes in the philosophy of continuous improvement in all facets of its operations. Budgets, investment proposals, significant developments are placed before the Board. Audit, share transfer and shareholder and investors committee meet regularly to consider aspects relevant to each committee.

There are comprehensive internal control management reporting systems on all functions and the Senior Management and the Board reviews them.

2. BOARD OF DIRECTORS

The Board of Directors comprises of Seven Directors, out of which 4 Directors are non executive independent Directors. Shri Sarvesh Garg Managing Director holds the office of Chairman in the meeting.

During the nine months' period ended 31st March, 2007 the Board met 3 times on the following dates.

Details of Board Meetings held during the financial period from 1st July, 2006 to 31st March, 2007.

Sr. No.	Date
1	29.07.2006
2	30.10.2006
3	20.11.2006

The following table gives details of Directors, attendance of directors at the board meeting and at the last annual general meeting.

Name of Directors	Category of Directors	No. Of Board Meetings Attended	Attendance at the last AGM
Mr. Sarvesh Garg	Chairman-MD	3	Yes
Mr. Prashant S. Rajgarhia	Executive Director	3	Yes
Mr. R.C.Khurana (Nominated on 09.05.2005)	Independent Director- Bank of India	3	No
Mr. Ravindra Dharne	Executive Director	1	No
Mr. O.S. Pillai (Nominated on 12.11.2005) withdrawn on 14.10.2006)	Independent director- Bank of Baroda	1	No
Mr. V. Sreedharan (Nominated on 14.10.2006 withdrawn on (12.06.2007)	Independent director- Bank of Baroda	2	No
Mr.Pradeep Khandelwal	Executive Director	1	No
Mr.Abhitap Jain	Independent Director	3	No
Mr.P.V.V. Kamath (Nominated on 6.11.2004)	Independent Director- Syndicate Bank	3	No



DESIGN AUTO SYSTEMS LIMITED

Shri Prashant .S. Rajgarhia and Shri V. Sreedharan ceased to be Directors during the financial year.
Number of membership held by directors in the board/committees of various companies: -

Name of Director	No. of Directorships in other Boards*	No. of Memberships in other Board Committees#	No. of Chairmanships in other Board Committees #
Mr. Sarvesh Garg	3	Nil	Nil
Mr. Prashant S. Rajgarhia	1	Nil	Nil
Mr. Ravindra Dharne	-	Nil	Nil
@ Mr. R. C. Khurana	-	Nil	Nil
@ Mr. O.S. Pillai	-	Nil	Nil
@ Mr. V. Sreedharan	-	Nil	Nil
Mr. Pradeep Khandelwal	-	Nil	Nil
Mr. Abhitap Jain	-	Nil	Nil
@ Mr. P.V.V. Kamath	-	Nil	Nil

@ Nominee Director:

* Directorships in Private Limited Companies are also included in the above table.

Memberships in Audit Committees/ Shareholders' Grievance Committee/ Remuneration Committee of all public limited companies (excluding Design Auto Systems Limited) have been considered.

None of the Directors is a member in more than ten Committees and acts as a chairman in more than five committees across all companies in which he is a director.

3. AUDIT COMMITTEE

The Audit Committee constituted by the Board of Directors consists of three independent Non Executive Directors. All the Directors have the good knowledge of the corporate and the project finance, accounts and the company law. Audit Committee Meetings were held on 29.07.2006, 30.10.2006 and 20.11.2006 , (Three times) during the financial Period ended on 31st March 2007. Audit Committee also advises the Company in the area where the internal audit could be improved. The minutes of the meeting of the Committee are placed before the Board.

Upto 12.06.2007

Name of Director	No. Of Meetings attended
Mr. Prashant.S. Rajgarhia (Chairman)	3
Mr. R.C.Khurana	3
Mr. Abhitap Jain	3

Reconstituted as on 12.06.2007

Name of Director	No. Of Meetings attended
Mr. Abhitap Jain (Chairman)	
Mr. V.K. Seth	
Mr. R.C.Khurana	

Mr. M.K.Jain Chief Financial Officer of the Company was invited to attend the Audit Committee meeting.

Terms of Reference:

The terms of reference and powers of this Committee are wide enough covering the matters specified under the Listing Agreement and the Companies Act, 1956.

4. REMUNERATION COMMITTEE (NON MANDATORY)

The remuneration Committee of the Board is constituted to formulate and recommend to the Board from time to time a compensation Structure for the Whole time Directors and the Managing Directors of the Company. It also reviews the market practices and to decide on the remuneration packages applicable to the executive Director of the Company. The Committee comprises of 3 Independent Directors. No meeting was held during the financial year.