

# ANNUAL REPORT 2004 - 2005

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**PORWAL AUTO COMPONENTS LIMITED**

Thirteenth Annual Report 2004 - 2005

**FORWAL AUTO COMPONENTS LTD.**

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**ANNUAL REPORT 2004 - 2005**

**BOARD OF DIRECTORS**

DEVENDRA JAIN	:	Managing Director
MUKESH JAIN	:	Whole-time director
NITIN DAFRIA	:	Director
ASHOK MEHTA	:	Director

<b>AUDITORS</b>	:	ASSG & ASSOCIATES Chartered Accountants "Kanti Mansion" 6, Murai Mohalla, Indore (M. P.)
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<b>BANKERS</b>	:	STATE BANK OF INDIA SSI Branch, Pologround INDORE - (M. P.)
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<b>REGISTERED OFFICE</b>	:	KANTI MANSION 6, Murai Mohalla Indore (M. P.)
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<b>WORKS</b>	:	Plot No. 209, Sector No. 1, Industrial Area, Pithampur Distt. Dhar (M. P.)
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<b>CUSTODIAN AND SHARE TRANSFER AGENT</b>	:	<b>Ankit Consultancy Pvt. Ltd.,</b> 2nd Floor, Alankar Point, Geeta Bhawan Chouraha, A. B. Road, INDORE
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**PORWAL AUTO COMPONENTS LTD.****DIRECTOR'S REPORT**

To,  
The Members of  
**Porwal Auto Components Limited,**  
Indore.

Your Directors have pleasure in presenting 13th Annual Report of your Company together with the audited accounts for the year ended on 31st March 2005.

**1. STATE OF COMPANY'S AFFAIRS :****Financial Results****(Rs. in Lacs)**

	<b>As on 31.03.2005</b>	<b>As on 31.03.2004</b>
Sales & Other Income	<b>2745.41</b>	1908.73
Interest & Depreciation	<b>112.69</b>	136.75
Profit before Tax	<b>159.47</b>	69.89
Provisions for Tax	<b>14.45</b>	27.19
Profit after Tax	<b>145.02</b>	42.70
(Loss) brought forward	<b>(142.33)</b>	(185.04)
Balance Carried to Balance Sheet	<b>2.69</b>	(142.33)

**Dividend :**

Your directors do not recommend any dividend for the year due to inadequacy of the profits.

**Operating Results And Outlook :**

Your directors have great pleasure in presenting another exceptionally good operating performance year. The turnover of the Company has almost doubled in last two financial years. Yours directors are further pleased to inform you that there has been a considerable increase in the overall efficiency at all levels of the operations. The same is mainly attributable to apt application of available resources and overall good governance at all levels of management in your company. In addition to the above the vision and perception of your Board of Directors have also contributed significantly in the fast paced growth of the Company. Your Directors have not only ensured development of new products on continuous basis suiting to the customized needs of dynamic automobile market but also they have drawn out a full fledged plan of Technical and Financial Expansion which will add considerable value to the products of the Company both in terms of realization and in terms of market share. Your company is fully geared to take on the challenges of this dynamic market and your directors are quiet hopeful of withering any competition and barring unforeseen circumstances, they expect better results in the years to come.

**2. EXPANSION PLAN :**

After the above Operating Results and Outlook we shall add the following note for our expansion plans which may be as under :

**Industry Scenario**

India is emerging as a global automobile giant. In recent years this industry has made pioneering efforts in adopting modern technology and allowing the entry of foreign players. This is well supported by the economic conditions particularly in the financial sector and in foreign direct investment. During the last decade, conscious efforts have been made to fine-tune state policy to enable the Indian automobile industry realize its potential to the fullest. The freeing of the industry from this restrictive environment has helped it to apopt itself to global development. Increasing competition as result of liberalization has led to continuous modernization as well as international compliance of standards. Moreover, auto finance with aggressive marketing strategies has played a big role in boosting the automobile demand. Commercial vehicles, widely considered to be the economy's barometer, have had a good start for the year.

**ORVAL AUTO COMPONENTS LTD.****Industry Growth**

- The auto ancillary industry is estimated to have grown by around 20 percent in the first 9 months of 2004-05 in terms of value of production as compared with the same period last year. The growth was led by the strong domestic growth posted by almost all the segments of the automobile industry and high growth in exports. The passenger cars and utility vehicles segment grew by 27 percent, commercial vehicles by 30 percent, two-wheelers by 14 percent and tractors by 40 percent in the first 9 months of 2004-05. For the full year of 2004-05, the auto ancillary industry is expected to grow by 18-20 percent, while exports are seen growing by 25-30 percent.
- In 2005-06, the auto ancillary industry is likely to post a relatively lower growth of 12-13 percent. The lower growth will be due to the reduced growth rate in almost all the automobile segments. However, exports are expected to continue the strong growth momentum in 2005-06 at 20-25 percent. This will be led by the continued thrust on exports by domestic manufacturers as well as increase in outsourcing of components from India by global OEMs and Tier-I vendors.

**Export Potential**

Auto components manufacturers have been slowly gaining global recognition and maintaining a certain level of exports despite the recent downturn. It should be possible to achieve an export target of US \$ 1 billion by 2005 and US \$ 2.7 billion by 2010. This would require three pronged marketing strategy; exports through OEMs for their global sourcing requirements, export to tier I manufacturers as a part of their international supply chain and direct exports to after market. The main challenges are lower volume-low scale, fragmentation, inadequate R & D / technology support, lower productivity levels, limited resources for international marketing and establishment of an efficient supply chain.

**Future expansion plan of the Company**

In view of substantial growth potential in Auto segment as enumerated above, the Company has identified growth potentials and has accordingly drawn up plans for increasing capacity of CI & SG Iron castings from 600 MT to 21600 MT with a total capex outlay including working capital margin of Rs. 35 Crores. The same would be funded through a combination of equity and debt. Presently the Company is not able to service the demand of various existing & new customers due to capacity constraints from local parties. The company is already accredited with ISO 9001:2000 and the products are already established with our customers. Further the Company has also received several enquiries from global market players for export of our products. The Company's plant is situated at Pithampur (Indore) which is close to leading auto giants like Mahindra Motors Ltd., Force Motors Ltd. & T Case Equipments. Pithampur is considered as the Detroit of India. The company has also taken up pre-feasibility report on the manufacturing of forging used by automobile industry and may include forging unit in its expansion plans.

**DIRECTORATE :**

Shri U.C. Gaur was appointed as Nominee Director by SIDBI replacing Shri P. N. Mandal. However, during the year itself, Shri U.C. Gaur was also withdrawn by SIDBI. Shri Ashok Sodhani and Shri Surendra Jain are being appointed as Additional Directors of the Company and further their nominations have been received in respect of appointment of Shri Ashok Sodhani and Shri Surendra Jain under the provisions of Section 257 of the Act proposing to appoint these two additional directors as regular directors by the members in the ensuing Annual General Meeting. Shri Nitin Dafaria retires by rotation and offers himself for re-appointment. There is no other change in the Board of Directors. There is no other change in the directorship.

**DIRECTORS RESPONSIBILITY STATEMENT :**

As required under the provisions of Section 217 (2AA) of the Companies Act, 1956, we confirm that :

1. In the preparation of the annual accounts, the applicable accounting standards have been followed;
2. the directors had selected such accounting policies and applied them consistently and made judgements and estimates that have been reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the year under review;

**PORWAL AUTO COMPONENTS LTD.**

3. The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. The directors had prepared the annual accounts for the financial year ended 31st March, 2005 on a "going concern" basis; and
5. The properties of the company are adequately insured.

**5. CORPORATE GOVERNANCE :**

Though Clause 49 of the Listing Agreement is not applicable on the company, however, as a matter of good governance, a report on corporate governance is attached with this report forming part of this report and marked as Annexure - 1.

**6. AUDITORS**

M/s ASSG & Associates, Chartered Accountants, statutory auditors of the Company, retire at the end of ensuing Annual General Meeting and are eligible for re-appointment as statutory auditors of the Company. The Auditors' Report read with notes to accounts is self-explanatory including the observation to the Auditors in para (iv) & (vi) of their report which is already well explained in Note No. 5 & 6 of Schedule N of the Balance Sheet under review and hence, needs no further clarification here. The observation of the auditors in para (iii) of the Annexure to their report need no further clarification as loans have been taken and maintained to comply with the terms and conditions of currency of the term loan of SIDBI & SBI.

**7. PUBLIC DEPOSITS :**

Your Company has not accepted or invited any deposits from public within the meaning of Section 58 A of the Companies Act, 1956, during the year under review.

**8. PARTICULARS OF EMPLOYEES ETC.**

Your Company did not have any person in employment who, if employed throughout the financial year or part thereof, was in receipt of remuneration, particulars of which are required to be included in this report as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975.

**9. ENERGY CONSERVATION AND OTHER REPORTING u/s 217 (1)(e) :**

The details of Energy Conservation in terms of section 217 (1) (e) of the Companies Act, 1956, are enclosed forming part of this report as Annexure - 2.

Your directors place on record their sincere appreciation for the co-operation extended to the company by the lending institution and banks and for the devoted performance by company's entire staff & associates.

For and on behalf of the Board of

**PORWAL AUTO COMPONENTS LIMITED**

Sd/-

**DEVENDRA KUMAR JAIN**  
(CHAIRMAN)

Place : INDORE  
Date : 07.06.2005

**PORWAL AUTO COMPONENTS LTD.**

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of board of Directors) Rules, 1988 forming part of the Director's Report for the year ended 31st March 2005.

**CONSERVATION OF ENERGY****Power and Fuel Consumption****Electricity**

Particulars	For the year ended 31.03.2005	For the year ended 31.03.2004
<b>a. Purchased</b>		
Total Units	5235017	5386086
Total Amount (Rs.)	2,20,35,625	2,37,04,534
Cost/Unit (Rs.)	4.21	4.40
<b>b. Own Generation (Diesel Generator)</b>		
Total Units	22520	82911
Total Amount (Rs.)	2,43,243	6,40,897
Cost/Unit (Rs.)	10.80	7.73
<b>c. Consumption per unit of production (in units)</b>	904/M.T.	1342/M.T.

Note : Quantity of Diesel and LDO consumed during the year is 38292 Litres (79088 liters), of which 10725 litres (34600 liters) was consumed in D. G. Set and the remaining 27567 litres (44488 liters) was consumed Sand Dryers, Laddle Heating and Heat Treatment furnace.

<b><u>Coal</u></b>	58,20,644	18,72,926
<b><u>Furnace Oil</u></b>	NIL	NIL
<b><u>Other Fuels</u></b>		
Quantity (Litres)	27567	44,488
Value (Rs.)	10,66,363	8,32,615

**TECHNOLOGY ABSORPTION**

The company is using manufacturing technology which is entirely indigenous.

**FOREIGN EXCHANGE EARNINGS & OUTGO**

The company did not have any foreign exchange earnings or expenditure during the year under review. However during previous year the company did incur a foreign currency expenditure of Rs. 8.23 lakhs.

**PORWAL AUTO COMPONENTS LTD.****CORPORATE GOVERNANCE REPORT**

Annexure - 1

(forming part of the Director's Report of of Porwal Auto Components Limited, Indore)

The importance of Corporate Governance lies in the contribution it makes to the overall growth and direction of the business, management accountability, transparency and equity with stakeholders. Though the provisions of Clause 49 of Listing Agreement are not applicable on the company, yet for the continuing good governance and transparency the same is submitted hereunder.

**1. Company's Philosophy on code**

The company has outlined the procedures and practices as per the requirements of the corporate governance and certain steps have been taken to ensure transparency and accountability. Your company shall continue to follow the same with a desire for further development on continuous basis.

**2. Board of Directors**

The Board of Directors of the company consists of eminent persons with considerable professional expertise and experience of trade, commerce, profession and industry. The present composition is three promotor directors in the whole time employment of the company and three independent professional directors. The particulars of the Board with their interest in other concern is presented before you in the following table:

Name of the Director	Interested in	Nature of interest
1. Shri Devendra Kumar Jain	Nil	Nil
2. Shri Mukesh Kumar Jain	Porwal Udyog (India)	Proprietor
3. Shri Ashok Mehta	Hod Laboratories Ltd. Brahma Interactive Limited D & H Secheron Electrodes Pvt. Ltd. Madhya Pradesh Glychem Industries Ltd. Madhya Pradesh Stock Exchange, Indore	Independent person appointed as professional director in the companies and public representative on the board of the Stock Exchange
4. Shri Nitin Dafria	Nil	Nil
5. Shri U.C. Gaur*	Employee of SIDBI and appointed as Nominee Director hence not deemed as interested	Nil
6. Shri P. N. Mandal*	Employee of SIDBI and appointed as Nominee Director hence not deemed as interested	Nil

\*Ceased to be the Directors w.e.f. 9<sup>th</sup> September 2004

**3. Board Procedure**

The Board meet at least once in a calendar quarter to review overall business operations including to consider the business which are related to formulation and execution of policies relating to production, finance, marketing, personnel, materials and general administration. Notice and agenda papers are sent to the directors in advance.

**4. Directors Attendance -**

Name of the Director	Attendance at Board Meetings	Attendance at AGM/EGM
1. Shri Devendra Kumar Jain	5	2
2. Shri Mukesh Kumar Jain	6	2
3. Shri P. N. Mandal	0	0
4. Shri U.C. Gaur	0	0
5. Shri Ashok Mehta	6	0
6. Shri Nitin Dafria	6	0