

To give you New driving pleasure

Yes, the new Fiat 1100 Super-Select will give you better mastering comfort with these special and new features:

- 1. Engine with more power, increased fuel economy and better acceleration.
- 2. Shocking Damping! Dampers on the front axle combine to increase the forward thrust and give you great driving pleasure.
- 3. Fuel economy! Fuel under the door board.
- 4. Fuel tank that allows for better fuel economy and fuel economy.
- 5. New drive shaft gear.
- 6. New drive shaft gear.

Fiat has always been famous for reliability, economy and fuel economy. AVAILABLE IN 3 ENCHANTING COLOURS.

Manufactured by: THE PREMIER AUTOMOBILES LTD. SOMAT N.

A Planned Programme with a Future



MODEL RANGE AND FINANCIAL FACILITIES IN DOMESTIC CURRENCY THROUGH NEW BANK CREDIT.



FIAT 500C - you can depend on it

FIAT "500C" is the ultra-minor car of small dimensions, remarkably easy to handle, of high performance and minimum fuel consumption.

56 MILES PER GALLON

ASTH DISTRIBUTORS LTD. 34, Chatterjee Rd. Calcutta.

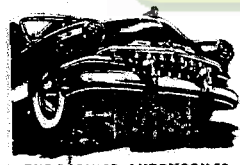
A thing of Beauty

GREATER COMFORT, BETTER SERVICE.

DESOTO (DIPLOMAT)

The new De Soto Diplomat is here to give you all the elements that make a car beautiful, comfortable and the last word in comfort.

Special features include plenty of leg room and head room, high, wide doors and smooth, reliable performance.



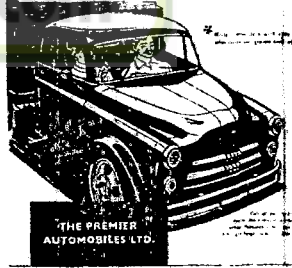
THE PREMIER AUTOMOBILES LIMITED

FACTORY: NEW ROAD, RAIPUR - 10, TELEPHONE HOUSE, BHOPAL.



The New FARGO trucks give maximum performance

Maximum torque and maximum economy. Every inch of the new Fargo truck is built to maximum performance. Maximum fuel economy. Maximum speed. Maximum power. Maximum quality of service performance.



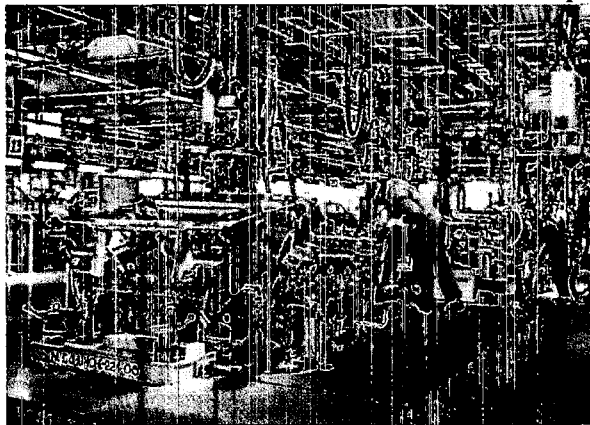
THE PREMIER AUTOMOBILES LTD.

52nd Annual Report



MD	✓		BKC	
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓		SHI	✓
YE	✓			

The Premier Automobiles Ltd.

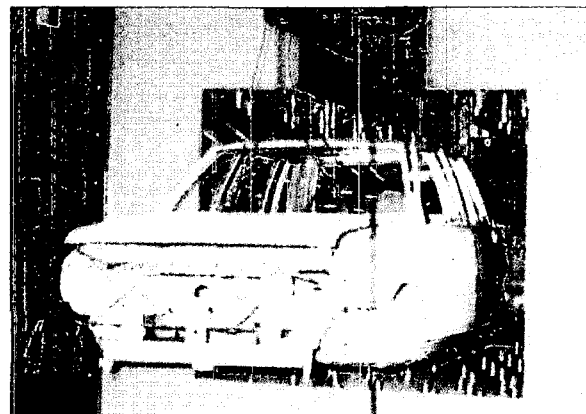
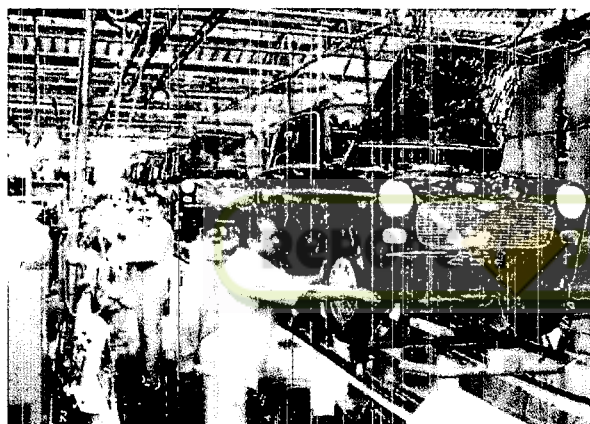


◀ Body welding shop

Welding of Uno floor assembly/engine compartment on automated fixture with centralised control system.

▶ New state-of-the-art Paint shop

Uno body coming out of ED Line after electrocoating in the new paint shop at the Kurla plant.

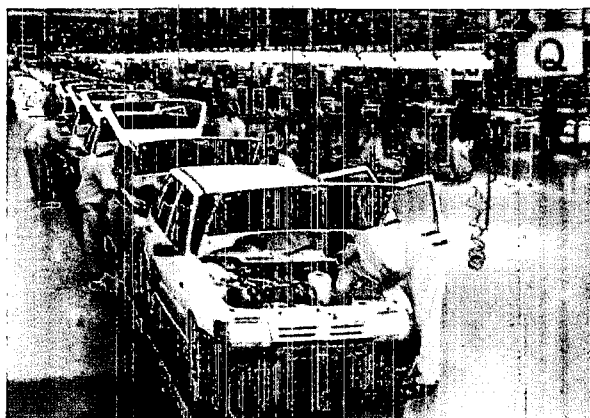
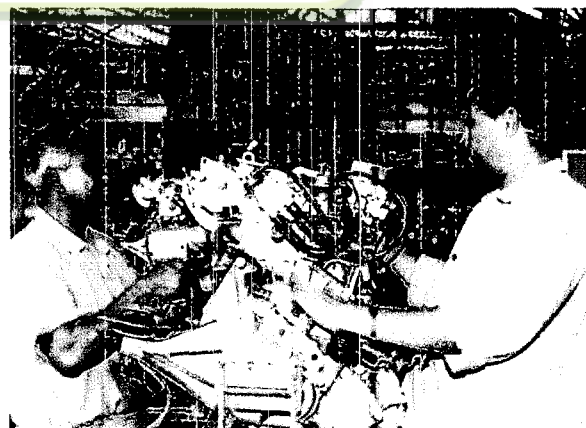


▶ Premier car Assembly

Fully refurbished assembly line for Premier cars at the Kurla plant.

▶ Engine/ Gear box Assembly Line

Assembly of Uno F.I.R.E. engine with gear box.



▶ Uno Car Completion(powerised) Line

Uno car for final assembly being done on Slat conveyor.

The Premier Automobiles Ltd.**BOARD OF DIRECTORS**

Vinod L. Doshi
Executive Chairman

Jyotindra M. Vakil

Pravinchandra V. Gandhi

Chandra Mohan

B.K. Khare

Arvind R. Doshi
President & Managing Director

R.S.Peddar
(ICICI-Nominee)

Chakor L. Doshi

Maitreya V. Doshi
Managing Director

N.N. Jambusaria

Arun R. Gandhi (upto 16th June, 1997)

Sharayu Daftary (Smt.)

REGISTERED OFFICE

Lal Bahadur Shastri Marg,
Kurla, Mumbai - 400 070

FACTORY

Chinchwad, Pune 411 019

BANKERS

Bank of Baroda
Dena Bank
Bank of Maharashtra
Canara Bank
Citibank NA

SOLICITORS

M/s Matubhai Jamietram
M/s Little & Co.

AUDITORS

K.S.Aiyar & Co.
Dalal & Shah
R.Nanabhoy & Co.
Cost Auditors

Adjourned 52nd Annual General Meeting**Day & Date :**

Wednesday, 15th July, 1998

Venue :

BIRLA MATUSHRI SABHAGAR
Sir Vithaldas Thackersey Marg,
Mumbai 400 020.

Time : 3.00 p.m.

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NOTICE

NOTICE is hereby given that the adjourned FIFTY SECOND ANNUAL GENERAL MEETING of THE PREMIER AUTOMOBILES LIMITED will be held at Birla Matushri Sabhagar, Sir Vithaldas Thackersey Marg, Mumbai 400 020 on Wednesday, the 15th July, 1998, at 3.00 p.m. to transact the following business :

1. To receive and adopt the Directors' Report, the Audited Profit & Loss Account for the year ended on 30th September, 1997 and the Balance Sheet as at that date.
2. To declare a dividend.
3. To appoint a Director in place of Shri B.K.Khare who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Shri N.N.Jambusaria who retires by rotation and being eligible offers himself for reappointment.
5. To consider and, if thought fit, to pass with or without modification, the following resolutions as Ordinary Resolutions :

- (a) "RESOLVED THAT M/s Dalal & Shah and M/s K.S.Aiyar & Co., Chartered Accountants, be and are hereby reappointed Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration to each firm as may be mutually agreed upon between the Board of Directors and the Auditors and they be paid in addition any out of pocket and/or travelling expenses they may

incur in carrying out their duties as such Auditors."

- (b) "RESOLVED THAT M/s K.S.Aiyar & Co. be and are hereby also reappointed to examine and audit the accounts of the Company's Machine Tool Division at Chinchwad, Pune for the financial year 1997-98 on such remuneration as may be mutually agreed upon between the Board of Directors and the said Auditors and they be paid in addition any out of pocket and/or travelling expenses they may incur in carrying out their duties as such Auditors".

SPECIAL BUSINESS

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

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 & Schedule-XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals and sanctions as may be necessary, the Company hereby accords its consent and approval to the re-appointment of Shri Maitreya V. Doshi, as the Managing Director of the Company, for a period of five years from 29th March, 1998 to 28th March, 2003, upon such terms and conditions, (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the aforesaid period), as set out in the draft agreement placed before the meeting and initialled by the Chairman for the purpose of identification, which agreement is

The Premier Automobiles Ltd.

hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said appointment and/or agreement so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956, or any amendments thereto that the Central Government may make from time to time and that the Board of Directors of the Company be and is hereby authorised to enter into an agreement with Shri Maitreya V. Doshi in terms of the said draft of the agreement with such modifications as may be agreed to and acceptable to the Board of Directors and Shri Maitreya V. Doshi."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take such steps as may be necessary and desirable to give effect to the foregoing resolution."

- (b) The explanatory statement pursuant to Section 173 of the Companies Act, 1956, which was forwarded to the members along with the Notice dated 9th March, 1998 is again annexed hereto.
- (c) The Directors' Report and the Audited Accounts together with the Auditor's Report are sent to the Shareholders. The same could not be circulated to the Members due to delay in audit and approval of the Audited Accounts by the Directors for the reasons explained earlier to the Members.
- (d) The dividend, if any, would be paid to the Shareholders whose names appeared in the Register of Members on 25th March, 1998.

By Order of the Board

NOTES :

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE 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 a proxy and the Power of Attorney, if any, under which it is signed, should be deposited at the registered office of the Company not less than 48 hours before the time for holding the adjourned Annual General Meeting.

L. Krishnamoorthy
General Manager (Legal)
& Company Secretary

Registered Office:
Lal Bahadur Shastri Marg,
Kurla, Mumbai - 400 070

Date : 5th June, 1998



EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956.

ITEM No.6:

Shri Maitreya Doshi's term of appointment as the Managing Director expired on 28th March, 1998.

Shri Maitreya V. Doshi has been instrumental in negotiating and finalising the joint venture with FIAT AUTO for Kurla operations. His other responsibilities include restructuring operations of the Company, negotiations with banks, financial institutions and interfacing with various government agencies. He has been entrusted with the additional responsibility of restructuring of operations of PAL-Peugeot Ltd., after withdrawal of Automobiles Peugeot.

To avail of his experience and expertise in the above aspects of business, the Board of Directors at the meeting held on 9th March, 1998 has re-appointed him as Managing Director of the Company for a period of five years from 29th March, 1998 to 28th March, 2003, on the following terms & conditions.

Salary : Rs 50,000 per month

Perquisites : Rs 4,50,000 per annum as described below :

Housing : The Company shall provide furnished accommodation. In case no accommodation is provided by the Company, he shall be entitled to house rent allowance. He shall also be entitled to house maintenance allowance

together with utilities therefor such as gas, electricity, water, furniture, furnishings and repairs.

Medical reimbursement : Medical expenses incurred for self and family, subject to the ceiling of one month's salary per year or 5 months' salary for a period of 5 years.

Leave travel concession : For self and family once in a year, as per rules of the Company.

Club fees : Fees of clubs.

Medical/Accident Insurance : Hospitalisation and Domiciliary Hospitalisation Benefit Policy and Personal Accident Insurance.

For the purpose of calculating the ceiling, perquisites shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated on actual cost.

'Family' means the spouse, dependant children and dependant parents.

In addition to above perquisites, the Managing Director shall also be entitled to the following benefits. These benefits will not be included in the computation of ceiling on perquisites :

Company's contribution towards Provident Fund and Superannuation or Annuity Fund : As per rules of the Company.

Gratuity : Gratuity is payable as per rules of the Company.

Earned Privilege Leave : As per rules of the Company.

The Premier Automobiles Ltd.



Encashment of leave : Leave accumulated but not availed of during the tenure, will be allowed to be encashed.

Car : Provision of Company's car with driver.

Telephone : Free telephone facility at residence.

Commission : Such remuneration by way of commission calculated with reference to the net profits of the Company in a financial year as may be determined by the Board of Directors of the Company at the end of each financial year, subject to ceilings stipulated in Sections 198 and 309 of the Companies Act, 1956.

Where in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, he will be entitled only to the remuneration by way of salary and perquisites, and the benefits as specified above.

Shri Vinod L. Doshi, who is a relative of Shri Maitreya V. Doshi, may be deemed to be concerned or interested in the said Resolution.

None of the other Directors is concerned or interested in the said Resolution.

The proposed draft agreement is available for inspection at the Registered Office of the Company from 11.00 a.m. to 1.00 p.m. on all working days except Saturdays.

By Order of the Board

L. Krishnamoorthy
General Manager (Legal)
& Company Secretary

Registered Office:

Lal Bahadur Shastri Marg,
Kurla, Mumbai - 400 070

Date : 5th June, 1998



CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to welcome you all at the 52nd Annual General meeting of the company.

Political scenario

We have a new government at the Centre - the fourth one in a little more than two years. This time we have a coalition of many political parties, under the umbrella of the BJP in the government. Based on this trend one can say that coalition governments will be the most likely scenario in India for the foreseeable future. Despite the pulls and pressures from its coalition partners, the BJP Government under the mature and able leadership of our Prime Minister, Shri Vajpayee has been able to maintain a balanced situation under the given circumstances.

The nuclear tests conducted were necessary to safeguard India's national security. However due to geopolitical pressures and sanctions I anticipate that India will face an economically trying time over the next two years. However I am sure that all Indians, like in the past when faced with adversity, will stand together and

weather the storm.

The new government has presented its maiden budget on 1st June 1998 which attempts to provide a more "level playing field" to the Indian industry. This is, indeed, a welcome concept. However, the Finance Minister has had to subsequently backtrack on some of the budget proposals due to an inadequate advance examination of their side-effects. The fact that the budget does almost nothing for the capital market is unfortunate. To "kick-start" the stagnating economy, some bold measures in that direction are very essential. The disinvestment of shareholding in non-strategic public sector undertakings upto 26%, private participation in the insurance sector, no increase in direct taxation are all welcome aspects of the budget. However, the increase in import duty by 8% (subsequently rolled back to 4%) to "protect" domestic industry was too high a dose as the proposal had a cascading effect on cost structure. Coupled with reduced modvat credit upto 95% it puts a burden of almost 20% on the CIF value of imports by the automobile industry translating into a price increase of nearly 18-30% to the final customer. The clear message to industry is to accelerate local production by indigenizing components faster than planned earlier. While this will offset the cost increase in the long run, it will severely pressure margins in the short term.

Automobile Industry

In my letter dated 19th July, 1997 addressed to you, the shareholders, I had pointed out that there is a slow down in the rate of growth of the automobile industry from over 25% in the past few years to as low as 4% this year. Vehicle sales in 1997 have continuously come down

The Premier Automobiles Ltd.

quarter by quarter and the same trend is continuing in 1998. Against this down trend in demand, manufacturing capacity is increasing with the entry of several global players in the field, who are able to continuously offer new models of vehicles with advanced technology and absorb losses. This has made the business, particularly passenger cars, brutally competitive and unremunerative. Even if projections based on the earlier hefty growth rate were reached, future production capacity will still out-strip demand. This will lead to idleness, increased cost, and therefore a severe erosion in margins. To sustain such an adverse viability for any length of time would require colossal financial investment with little or no return for several years - a situation no Indian company can afford or justify.

Consequently, it can be seen that almost all Indian companies have now entered into joint-ventures with large global auto companies. Even in those joint ventures the Indian partners are progressively beginning to dilute their shareholdings thereby ceding control to the foreign partner, mainly due to their inability or unwillingness to match the kind of long term investment required. This is already evident in the passenger car sector but soon a similar trend will occur in other sectors of the automobile industry.

Anticipating this situation, your company, PAL, took your approval in November 1997 to convert its plant at Kurla into a joint venture with Fiat India Automobiles Private Ltd., (FIAL) a 100% subsidiary of Fiat Auto of Italy. In this joint venture called IND AUTO LTD., PAL holds 49% of the equity and FIAL 51%. PAL's contribution comes from the consideration received for the transfer of Kurla plant. The transfer was effected

on 29th September 1997 and FIAL's contribution to the equity, in cash came on 29th April 1998. As a result of this joint venture with FIAL, PAL has extinguished virtually all its liabilities and has now become debt-free. While continuing to do the Uno business, IND Auto does only the manufacturing of the Padmini under contract for PAL.

I would like to specially mention my happiness that we are once again tied up with our traditional partner - FIAT. For over 35 years, PAL has been synonymous with FIAT in India and in our current time of difficulty the management of FIAT has stood behind PAL like a rock. Were it not for their commitment to help PAL I dread to think where we would be today. I am deeply grateful for the faith they have placed in us and our people at Kurla.

I believe that we at Kurla can learn a lot from the global experience that FIAT has particularly in areas of technology, manufacturing, quality, marketing and I am happy to convey that both teams are working well side by side with each other. The expatriates and technicians sent by FIAT are not only knowledgeable but are sensitive to local culture and sentiments. It is a very positive integration.

Knowing FIAT and its people I have no doubt that it will be one of the "winners" in the Indian market and I am happy that PAL can be a part of it. I look forward to another 35 years of fruitful partnership between the two groups.

Operations

The 18 month period ended September 1997 has proved to be most difficult for PAL. Starting with the go-slow by labour at Kurla plant in April, 1996, followed by a prolonged lock-out from



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June, 1996 this agitation which lasted for almost about 7 months, made the things difficult for the company. After the lock-out was lifted in November, 1996, the operations continued to suffer for sometime due to the time required to reach normalcy. By that time the demand recession had set into the auto industry coupled with increasing competition. The necessity to absorb a substantial part of the increasing cost due to competition made the operating results of the company unremunerative and loss making. All these adverse factors created a severe liquidity problem for the company. The surplus on the spin-off of the business under the slump sale agreement has helped to off-set the loss as well as enabled PAL to extinguish its debts to banks and financial institutions which would otherwise have been a difficult task. Under the arrangement with FIAL, all the cash requirements of IND Auto will be met by FIAL. As PAL did not receive any cash in this transaction, it continues to face a liquidity tightness. All efforts are being made to strengthen the existing auto business of the company. It is proposed to take up, component manufacturing in addition to the Padmini car business. PAL continues to have its Machine Tool Division at Chinchwad and this unit is doing well given that the machine tool buyers are also facing difficulties due to the economic slow down.

PAL - PEUGEOT LTD.

After an amicable conclusion of the legal dispute between PAL and Automobiles Peugeot (AP) last year which arose out of PAL's necessity to have a joint venture with FIAT for the survival of the Kurla plant, unfortunately AP suddenly decided to unexpectedly and unilaterally withdraw from

India and consequently from PAL-Peugeot Ltd. (PPL), the joint venture between PAL and AP at Kalyan.

Due to this sudden development, PPL has been placed in a serious and difficult situation with its operations severely affected. All efforts are being made to resolve the situation and discussions are in progress with other manufacturers who may be interested in a modern state-of-the-art car manufacturing plant which this company has at Kalyan. The management has been regularly briefing the State and Central governments as well as the financial institutions about the situation. We are also in dialogue with Peugeot to share in the JV's problem. I hope some solution will emerge soon.

I would like to take this opportunity to express my appreciation to the financial institutions and banks as well as the employees of the Kurla plant for their support and co-operation during this difficult tenure and particularly for the smooth concluding of the spin-off transaction.

I also thank all the shareholders of the company for their continued patience, co-operation and support to the management.

With best regards

Vinod L. Doshi
Chairman

Mumbai
Dated : 13th June, 1998