



55th
Annual Report
2000



The Premier Automobiles Ltd.



Utility Van



Pickup Van

**BOARD OF DIRECTORS****Vinod L. Doshi***Executive Chairman***Arvind R. Doshi***Vice Chairman***Jyotindra M. Vakil****Pravinchandra V. Gandhi****Chakor L. Doshi****Maitreya V. Doshi***Managing Director***Sharayu Daftary (Smt.)****V. Ramakrishnan****L. Krishnamoorthy***General Manager (Legal) &
Company Secretary***REGISTERED OFFICE**Lal Bahadur Shastri Marg,
Kurla, Mumbai- 400 070.

Email: premierauto@vsnl.com

FACTORY

Chinchwad, Pune- 411 019.

BANKERS

Bank of India

Dena Bank

Bank of Baroda

SOLICITORS

M/s. Little & Co.

AUDITORS

K.S.Aiyar & Co.

SHARE TRANSFER AGENTIntime Spectrum Registry Pvt. Ltd.,
260, Shanti Industrial Estate,
Sarojini Naidu Road,
Mulund (West), MUMBAI- 400 080.

Tel.: 564 7731, 567 2716

Fax: 567 2693

Email: isrl@vsnl.com

55th Annual General Meeting**Day & Date :**

Monday, 30th April, 2001

Venue:Sheth Goculdas Tejpal Auditorium,
Near August Kranti Maidan, Tejpal Road,
Gowalia Tank, Mumbai- 400 007**Time : 10:30 a.m.****CONTENTS**

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**NOTICE**

NOTICE is hereby given that the FIFTYFIFTH ANNUAL GENERAL MEETING of THE PREMIER AUTOMOBILES LIMITED will be held at Sheth Goculdas Tejpal Auditorium, Near August Kranti Maidan, Tejpal Road, Gowalia Tank, Mumbai-400 007 on Monday, the 30th April, 2001, at 10.30 a.m., to transact the following business:

1. To receive and adopt the Directors' Report, the Audited Profit & Loss Account for the year ended on 31st December, 2000 and the Balance Sheet as at that date.
2. To appoint a Director in place of Shri Pravinchandra V Gandhi, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Arvind R. Doshi, who retires by rotation and being eligible, offers himself for reappointment.
4. To consider and, if thought fit, to pass with or without modification, the following resolutions as Ordinary Resolutions :
 - (a) " RESOLVED THAT 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 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

ending on 31st December, 2001 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

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

" RESOLVED THAT Shri V. Ramakrishnan, who was appointed in the casual vacancy caused by the resignation of Shri N.N. Jambusaria and in respect of whom, a notice with requisite deposit has been received by the Company from a member, signifying his intention to propose Shri Ramakrishnan as a Director of the Company, in accordance with section 257 of the Companies Act, 1956 and Article-155 of the Articles of Association of the Company, be and is hereby appointed as Director liable for retirement by rotation. "

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 Annual General Meeting.

- (b) The explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under item 5 set out above is annexed hereto.
- (c) The Register of Members and Share Transfer Books will remain closed from Tuesday,



the 17th April, 2001 to Wednesday, the 25th
April, 2001 (both days inclusive).

By Order of the Board

L. Krishnamoorthy,
General Manager(Legal)
& Company Secretary

Registered Office:
Lal Bahadur Shastri Marg
Kurla
Mumbai - 400 070
Date: 9th March, 2001.

EXPLANATORY STATEMENT

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

ITEM NO.5:

Shri V. Ramakrishnan, who represents Life Insurance Corporation of India (LIC) as a member of the Company, has been appointed in the casual vacancy caused by the resignation of Shri N.N. Jambusaria. Had Shri N.N. Jambusaria continued, he would have retired by rotation at this Annual General Meeting. Hence, this resolution. Shri Ramakrishnan, a Chartered Accountant, is a senior executive in LIC and has held various senior positions. The Board of Directors considers that it would be in the best interest of the Company to continue to avail of Shri Ramakrishnan's advice and counsel as Director. The Directors recommend the resolution to the shareholders for their approval.

Except Shri Ramakrishnan, none of the directors is concerned or interested in the resolution.

By Order of the Board

L. Krishnamoorthy,
General Manager(Legal) &
Company Secretary



CHAIRMAN'S STATEMENT

Dear Shareholders,

I welcome you to the 55th Annual General Meeting of your Company.

During the last year, the country has faced an industrial slowdown. The impact of lower agricultural and industrial output is less consumer buying power directly affecting two wheeler and car purchases. The slowdown of the transport sector also impacted the sale of commercial vehicles and the stagnation in agriculture hurt tractor demand. The automobile industry which has a multiplier effect on the whole economy in terms of industrial output and employment witnessed virtually no growth in almost all sectors. Only motorcycles bucked the trend posting robust double digit growth. This caused increasing concern amongst all the automakers.

The Finance Minister's response to this in his budget 2001 has been exemplary. The reduction in excise duty rates for cars and two wheelers is long over due and will give an attractive boost to the demand as all manufacturers have passed on the entire benefit to the consumer causing price reduction from Rs. 10,000/- to Rs. 50,000/- in cars which is a significant amount of saving. It clearly shows that the government's aim to have a vigorously competitive automotive market place to benefit the consumer has been achieved. The customs duty reduction has offset, to some extent the adverse impact of rupee devaluation. Given India's poor operating conditions, overloading and faulty driving habits, the proposed depreciation of 50% for commercial vehicles is necessary. This should boost demand and encourage replacement to new "greener" trucks.

The high tariff protection provided by the budget, for both new and second-hand fully built vehicles is a necessary step in the right direction. The duty impact ranges from 67% for new commercial vehicles to 86% for cars. This is adequate protection for the domestic industry against imports. However, concerns regarding

the influx of second-hand vehicles, despite the high duty impact at 180% are genuine. Many countries where second-hand Japanese reconditioned cars are dumped on local markets totally disrupt local production and even, in some cases, result in plant closures. Such imports could also have serious negative implications for buyers due to a lack of proper parts and service support, inability for older cars to meet pollution norms and unreliable road worthiness and safety of such vehicles. The government should impose stringent standards for registration of such vehicles, not so much to provide further protection to domestic manufacturers, but to protect the end consumer from sub-standard imported vehicles. Finally, thanks to these first steps by Mr. Sinha, India should have a vibrant, modern automobile industry with a level playing field devoid of constant government interference and favouritism as in the past, which your Company had to suffer for nearly two decades.

The current year ended has, once again, been disappointing and contrary to expectation. The main cause, as elaborated in the Director's report, is the lack of production in the automotive division due to various problems faced in the taxi market. It is difficult to predict whether the Premier Padmini will continue to sell in the niche taxi segment in future, since last year's situation has been totally contrary to past demand. The silver lining is that no other manufacturer such as HM, despite concerted efforts, has been successful in capturing this market.

Your Company has made a conscious policy decision not to produce diesel taxis and only offer CNG or alternative fuel versions as its contribution towards improving pollution in Mumbai. The Padmini CNG version is fully EURO II certified. Your Company also offered engines to retrofit the 3 cylinder diesels required by the High Court's order.

Interestingly, modern diesel engines, in cars, are actually "greener" and more energy efficient than



petrol engines. In fact, in Europe, the ratio of diesel cars has increased from 20% to nearly 40% of the total market over the last 5 years. However, if not maintained properly or filled with poor and adulterated fuel, diesel engines tend to emit large quantities of particulates or black smoke resulting in a needlessly bad image.

With the continuing uncertainty of the taxi business, the best course of action is to move away from the brutally competitive and loss making car segment and reposition your Company to manufacture other products like light utility vehicles such as pickup trucks and passenger vans, catering to potential niche markets. As mentioned in my statement last year, your Company has prepared such a range of vehicles which should reduce the problems of the recent past. A word of caution here. There is no guarantee in today's market that any product will succeed despite extensive market research. This inherent risk in the automobile business is now here to stay. Therefore, the issue confronting your Company is whether to continue manufacturing and marketing vehicles or invest the resources generated from real estate in new businesses. Your board deliberated extensively on this question before giving its approval for this project in view of its low fixed investments and breakeven volumes and very high return on investment.

The management jointly with ICICI, the debenture trustee for PAL-Peugeot Ltd.(PPL) is trying to recommence operations at the Kalyan plant for making the Van on a contract basis and in all probability, will start operation this year. I would like to clarify - since many shareholders have expressed a concern - by this arrangement PAL will not, in any way, be exposed or obligated directly or indirectly to the liabilities of PPL. In the event the use of Kalyan does not materialize, there are options for similar conversion arrangements with other manufacturers having excess production capacity.

The performance of the machine tool division was affected this year due to the slow down in industry. However, the knowledge base of this division continues to grow. It has designed and developed a Highspeed

Horizontal Machining Centre (CHM-500) entirely from scratch for the first time in India. The management is working on plans to augment this division's turnover with additional business of making auto components such as gear-boxes and axles which should boost its future operating performance.

Our partnership in FIAT India Limited (formerly Ind Auto Limited) is progressing smoothly and remains cordial. I am convinced that FIAT is a long term player in India and their new model, i.e. Palio, will be a strong success in the small car segment. The new Managing Director, Mr M.P.Bianchi, who recently took over, has wide experience in managing entire plants of FIAT, both in Italy and overseas and he is gearing up the launch of the new Palio. I am positive he will successfully execute this project within its planned parameters. I once again reiterate my sincere appreciation and gratitude to the top management of FIAT for their continuing friendship, support and cooperation.

The country was shocked by a devastating earthquake in Gujarat claiming thousands of lives and resulting in destruction of property, business and the state's economy worth several thousand crores of rupees. We express our heartfelt condolences to the people of Gujarat, who have lost their near and dear ones and appreciate the courage and fortitude with which they have braved this natural calamity.

Before I conclude, I would like to express my gratitude to our shareholders, Bank of India, HDFC and the Government of Maharashtra for all their cooperation and support in the Company's hour of need.

With best wishes and regards

Yours sincerely

Vinod L. Doshi
Chairman

Mumbai: 12th March, 2001

DIRECTORS' REPORT

To The Members

The Directors present the fifty-fifth annual report of the Company and the audited statement of accounts for the year ended on 31st December, 2000.

	This year from 01.01.2000 to 31.12.2000 (12 months) (Rs. in lakhs)	Previous period from 01.10.1998 to 31.12.1999 (15 months) (Rs. in lakhs)
OPERATING RESULTS		
Profit/(loss) before depreciation	374.16	(1002.53)
Less: Depreciation	214.13	(259.10)
Profit (Loss) for the year/period	160.03	(1261.63)
Add: Surplus brought forward from last period	1098.60	2235.23
Transferred from Investment Allowance Reserve (on expiry of statutory period)	175.00	125.00
Surplus available for appropriation	1433.63	1098.60
APPROPRIATIONS		
Balance carried to balance sheet	1433.63	1098.60
(Figures have been regrouped wherever necessary)		

OPERATING HIGHLIGHTS**a) Auto Division:**

During the year the operations were adversely affected due to an unexpected loss of demand for taxis which currently is the Company's main automotive activity. The Company produced 194 Premier Padmini cars with dedicated CNG for taxi operators, on the directive of the Mumbai High Court, that all taxis plying in Mumbai city be fitted with petrol engines with option to fit CNG kits. During the year, the Company sold

111 vehicles. Premier Padmini cars with dedicated CNG met the EURO-II emission norms and were certified accordingly. However, taxi operators did not opt to buy new vehicles preferring second hand, untested cars with re-conditioned engines fitted with spurious CNG kits. The Company's vehicles are fully tested for safety, emission, CNG, at the time of manufacture. Although the Regional Transport Authority of Maharashtra, has ordered that second hand vehicles more than six years old to not be registered as taxis,



the R.T.Os. continue to register such vehicles fitted with CNG. Though many banks are not ready to finance taxi operators due to high NPAs, the Company took the lead and tied up with a leading nationalized bank for providing such finance on attractive terms. The taxi operators, however, have not come forward to avail the finance. The delay in refund of excise duty to the taxi operators also affected the purchase of new vehicles. The Company is hopeful that with considerable reduction in excise duty from 24% to 16% for taxis in the Central Budget for 2001, the demand for Company's vehicles would revive soon.

b) Machine Tool Division

Due to demand recession in the engineering industry and prevailing tight money conditions with customers, the demand for machine tools remained sluggish. Despite this adverse situation, during the year under report, the Company's machine tool division has been able to achieve a sales turnover of Rs.24.15 crore as against Rs.23.86 crore (annualized) during the previous year.

DIVIDEND

In view of the adverse performance of the Company and the continuing difficult conditions, the Directors do not recommend dividend for the year ended on 31st December, 2000.

PRODUCT DEVELOPMENT & IMPROVEMENT

Product Development

The Machine Tool Division of the Company has completed the design & development of the following products for its customers:

- 5 Axis gear tooth chamfering machine, Model : GTC204.
- High speed, high velocity horizontal machining centre, Model : CHM500
- Fine boring special purpose machine for swing arm of motor cycle, Model : SPM96.
- Fine boring SPM for frame of motor cycle, Models : SPM97 and SPM98

- Valve oscillating SPM for four stroke engine cylinder head, Model : SPM99
- Idle running test rig for tractor transmission, Model : SPM100
- Hydraulic lift test rig for tractor Model : SPM101
- Multispindle drilling and reaming SPM for scooter crank case cover, Model : SPM102.

Product Improvement

The Machine Tool Division of the Company has carried out the following product improvements:

- Twin spindle head for gear tooth chamfering machine, Model : GTC200.
- Mechanical helical guide for gear shaping machine, Model : PS300
- Extended spur hydrostatic guide for gear shaping machine, Model : CS253
- Rapid and feed rate from 16m/sec. to 24m/sec and improvement in chip to chip time for Horz. Machining centre, Model : HC500
- Self centering chuck for vertical turret lathe with radial/axial hydraulic clamping arrangement with composite rotary hydraulic cylinder.

FINANCE

As mentioned in last year's report, the Company has availed of working capital finance of Rs. 7.5 crores from Bank of India, which has been fully utilized during the year. The Company has also taken inter-corporate deposit of Rs.1.50 crores for its operational needs from HDFC Ltd., which is secured.

The Company has repaid all matured fixed deposits, at the close of the year, except Rs.19.82 lacs, which remained unclaimed. These fixed deposit holders have been intimated about the deposits unclaimed by them. During the year under review, the Company has not accepted or renewed any fixed deposits.



LIGHT MULTI-UTILITY VEHICLE PROJECT

As reported in the last period, the Company has taken several steps to implement the above project. Indigenisation of all the components/parts, including important items like gear box, axle, part of engine, etc is completed. Homologation of the prototype and certifications is in an advanced stage. Discussions with the labour of PAL-Peugeot Ltd. (PPL) Kalyan plant to restart operations to make this Van on fresh working norms have begun. Discussions are in progress with ICICI Ltd. to work out the modalities for manufacture of the vehicle at PAL-PEUGEOT LTD.'s Kalyan plant and its consequent rehabilitation.

The van has been shown to the PAL's dealers in October, 2000 and their response is positive. An all India clinic test has been conducted in December, 2000 in 19 cities surveying over 800 people and the direct feedback from potential customers is also very encouraging, reconfirming market acceptance and projected demand levels for the product.

This product will require a low level of fresh capital investment in the range of Rs. 10-12 crores since the PPL plant is readily available requiring little or no investment. Furthermore, the Company proposes to import the body sheet metal from CMC, Taiwan thereby saving huge die investments. This has given the project a very low breakeven level of 40% of planned production of 10,000 units per year.

DEVELOPMENT OF REAL ESTATE

a) Chinchwad, Pune

The Company has entered into a Memorandum on 8th February, 2001, with a leading developer in Pune for the development of a part of the unutilized real estate at the Company's Machine Tool Division at Chinchwad, for a total consideration of Rs.10.75 crores, out of which Rs.1 crore has been received by the Company as earnest money deposit. After all the statutory approvals are received, which are expected around May, 2001, the final Development Agreement/Deed of Conveyance would be executed by the Company,

at which time the balance Rs.9.75 crores will be paid to the Company.

b) Kurla, Mumbai

The Company holds residential as well as industrial real estate at Kurla. This real estate being near the fast developing Bandra-Kurla Business Complex is primarily located. All the required approvals from ULCR, BMC and other statutory authorities for development of the residential real estate are obtained and valid. Similar work is in process for converting the industrial property for commercial use. The Company had evaluated several proposals from eminent developers, such as GESCO, TATA Housing, Godrej Properties, Raheja Group, etc. for this project. Currently, discussions for the development of both the plots with reputed developers are at an advanced stage of finalization.

HUMAN RESOURCE DEVELOPMENT

At the Machine Tool Division, there is a continuous emphasis on training with 17 ongoing programmes on various related subjects like communication skills, Concept of 5 'S', SAP, hyd.systems, PLC, and self-inspection. It also conducted joint participation forum activities such as, quality circle, quality improvement teams and suggestion schemes as well as training sessions on employee health and management in relief funds, education, hospitalization and quality education.

INDUSTRIAL RELATIONS

The industrial relations at the Company's Machine Tool Division continue to be cordial and peaceful.

SAFETY

The Company emphasizes on safety and has an integrated safety and health policy observed by the Safety Committee. The Machine Tool Division celebrated a Safety Week from 4th March, 2000 to 11th March, 2000 and has been granted the "Consent to Operate" under the Water Act, 1979, Air Act, 1981 and Hazardous Waste Rules 1989, by Maharashtra Pollution Control Board.