



**57th
Annual Report
2003**

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The Premier Automobiles Ltd.

**BOARD OF DIRECTORS**

Vinod L. Doshi
Executive Chairman

Arvind R. Doshi
Vice Chairman

Jyotindra M. Vakil
[upto 30.03.2002]

Pravinchandra V. Gandhi
[upto 08.10.2002]

Chakor L. Doshi
[upto 28.11.2002]

Maltreya V. Doshi
Managing Director

Sharayu Daftary (Smt.)

V. Ramakrishnan
[upto 29.06.2002]

***Jagdish. K. Khanna**

***S. Padmanabhan**

***Asit D. Javeri**

***M. Mohandas**

*(from 24th Dec. 2002)

L. Krishnamoorthy
Vice President & Company Secretary

57th Annual General Meeting

Day & Date:
Friday, the 22nd August, 2003.

Venue:
Patkar Hall, SNDT Women's University,
1, Nathibai Thackersey Road,
Mumbai - 400 020

Time: 10.15 a.m.

REGISTERED OFFICE

Lal Bahadur Shastri Marg
Kurla, Mumbai - 400 070
Email: krishnamoorthy@palauto.com

FACTORY

Chinchwad, Pune - 411 019

BANKERS

Bank of India

SOLICITORS

M/s Little & Co.

AUDITORS

K.S. Aiyar & Co.

SHARE TRANSFER AGENT

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound
Lal Bahadur Shastri Marg
Bhandup West
Mumbai - 400 078
Phone No. (022) 2592 3837
Fax No. (022) 2567 2693
Email: isrl@intimespectrum.com

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NOTICE

NOTICE is hereby given that the FIFTYSEVENTH ANNUAL GENERAL MEETING of THE PREMIER AUTOMOBILES LIMITED will be held at Patkar Hall, SNDT Women's University, 1, Nathibai Thackersey Road, Mumbai - 400 020, on Friday, the 22nd August, 2003, at 10.15 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 March, 2003 and the Balance Sheet as at that date.
2. To appoint a Director in place of Shri Arvind R. Doshi, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Smt. Sharayu Dattary, who retires by rotation and being eligible offers herself for reappointment.
4. To consider and, if thought fit, to pass with or without modification, the following resolution as Ordinary Resolution:

"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 plus service tax and out-of-pocket and/or travelling expenses as may be determined by the Board of Directors on the recommendation of the Audit Committee of the Board.

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 Jagdish K. Khanna, who was appointed in the casual vacancy caused by the resignation of Shri J.M. Vakil 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 Jagdish K. Khanna as a Director of the Company, in accordance with

Section-257 of the Companies Act, 1956, be and is hereby appointed as Director liable to retire by rotation."

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

"RESOLVED THAT Shri S. Padmanabhan, who was appointed in the casual vacancy caused by the resignation of Shri Pravinchandra V. Gandhi 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 S. Padmanabhan as a Director of the Company, in accordance with Section-257 of the Companies Act, 1956, be and is hereby appointed as Director liable to retire by rotation."

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

"RESOLVED THAT Shri M. Mohandas, who was appointed as an Additional Director and who holds office till the date of this AGM 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 M. Mohandas as a Director of the Company, in accordance with the Section-257 of the Companies Act, 1956, be and is hereby appointed as Director liable to retire by rotation."

8. 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 and Schedule - XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or reenactment thereof for the time being in force), the Company hereby accords its consent and approval to the reappointment of Shri Maitreya V. Doshi as the Managing Director of the Company, for a period of five years from 29th March, 2003 to 28th March, 2008, 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 this meeting and initialled by the Chairman for the purpose of identification, which Agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said reappointment and/or agreement so as not to exceed the limits specified in Schedule-XIII to the Companies Act, 1956, including any statutory modification or reenactment thereof for the time being in force 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 authorized 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 authorized to take such steps as may be necessary, proper or expedient to give effect to the foregoing resolution."

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

"RESOLVED THAT pursuant to Section 258 and other applicable provisions if any of the Companies Act, 1956, the number of directors of the company in the office for the time being be and is hereby reduced from 12 to 10".

By Order of the Board,

L. Krishnamoorthy,
Vice President & Company Secretary

Registered Office:
Lal Bahadur Shastri Marg
Kurla
Mumbai - 400 070
28th June, 2003

NOTES:

- 1) **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.

- 2) The explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Item Nos. 5 to 9 set out above is annexed hereto.
- 3) The Register of Members and Share Transfer Books will remain closed from Friday, the 8th August, 2003 to Friday, the 22nd August, 2003 (both days inclusive).
- 4) Consequent to the amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amounts of dividends remaining unclaimed for a period of seven years is to be transferred to the Investor Education and Protection Fund

Details of dividend declared from the year 1994-96 onwards are given below:

Financial Year	Declared on	Dividend %	Amount of dividend per share Rs.P.
01-10-1994 to 31-03-1996	07-10-1996	18	1.80
01-04-1996 to 30-09-1997	15-07-1998	18	1.80
01-10-1997 to 30-09-1998	15-06-1999	10	1.00

Members who have not encashed the dividend warrants for the year ended 1994-96 and/or any subsequent dividends are requested to write to the Company giving the necessary details



- 5) At this Annual General Meeting Shri. Arvind R. Doshi and Smt. Sharayu Daftary, retire by rotation, and being eligible, offer themselves for reappointment.

The brief background and functional experience of the directors proposed for appointment/reappointment, are given below along with the details of the companies in which they are directors and committees of which they are members.

- i) Shri Arvind R. Doshi is aged about 63 years. He is associated with the Company as director from December-1988. He was the Managing Director from April, 1994 to April, 1999. He has been Vice Chairman from April, 1999. He has over 40 years of experience in industry, industrial relations and management. He has been associated actively with various professional bodies like trade, commerce, industrial relations, water supply, labour welfare etc. He is the Chairman and Managing Director of Premier Auto Electric Limited, a company engaged in marketing and distribution of automotive products of reputed ancillary manufacturers.

Due to his vast experience, he was elected as President of Indian Water Works Association and Maharashtra Chamber of Commerce & Industry, Chairman - Western Region of CII, Member - Zonal Advisory Board of LIC, Committee Member - Maharashtra Labour Advisory Board, President - Employers' Federation of India, Chairman - National Committee on Industrial Relations of CII, Member - National Commission on Labour, Government of India, Executive Board Member of the International Water Supply Services Association (IWSA), London. The details of other directorships and committee membership held by him are-

Directorship	Committee Membership
Premier Auto Electric Ltd. Chairman & Managing Director	Shareholders' Grievance Committee
PAL Credit & Capital Ltd.	Shareholders' Grievance Committee
Sadhana Nitrochem Ltd.	Share Transfer Committee
Kamadhenú Commercial Pvt. Ltd.	-

- ii) Smt. Sharayu Daftary is aged about 69 years. She is a graduate from Bombay University and has varied experience in industrial engineering and management. She was elected first woman president of Automotive Components' Manufacturers Association of India in 1971, and the first woman president of Indian Merchant Chamber, Mumbai in 1981. She is the first woman member of Executive Committee of Indian Chamber of Commerce and Industry. She held various positions in important public offices like Vice President of Mahila Arthik Vikas Maha Mandal, Government of Maharashtra, Vice President of Maharashtra Chamber of Commerce & Industry, Chancellor Nominee as Senate Member to Executive Council of the SNDT Women's University, Bombay, Member, Central Advisory Council for Industry, Govt. of India. She has been director of the Company from April-1996.

The details of other directorships and committee membership held by her are-

Directorship	Committee Membership
Bharat Radiators Pvt. Ltd. Chair person & Managing Director	-
Walchandnagar Industries Limited	Shareholders Grievance Committee

- iii) Shri. Jagdish K. Khanna is aged about 68 years. He is fellow member of the Institute of Chartered Accountants of India. He is senior partner of M/s. J.K. Khanna & Company, Chartered Accountants. He has varied experience in handling direct taxes, audit of accounts of large number of clients and finance. He is also Chairman of the re-constituted Audit Committee of the Company.

Mr. Khanna is the supporter of various humanitarian causes. He is the President of Women's Institute for Social Education, Mumbai and Vice President of Save the Children Trust, Mumbai, which runs Balwadies, teaching about 4000 under-privileged children, a full-fledged

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hospital in Usmanabad and school for handicapped children in Mumbai. He has been honoured with the highest award given by Rotary Foundation of Rotary International for service to humanity.

The details of other directorships and committee membership held by him are-

Directorship	Committee Membership
Drilco Seco Ltd.	-
Khanna Corporate Services Pvt. Ltd.	-
Tooltech Software India Pvt. Ltd.	-
Drilco Private Ltd.	-

- iv) Shri. S. Padmanabhan is aged about 62 years. He is I.A.S. (Retd.). He is M.Sc. (Physics) from Delhi University and Bachelor of General Law from Bombay University. He has diploma in Development Economics from University of Cambridge, U.K. and diploma in Management from Bajaj Institute of Management, Mumbai. He had held various positions in the Government of Maharashtra, including the post of Director, Tourism, Managing Director of SICOM, Commissioner, Aurangabad Division etc. He has been advisor to Videocon Group of Companies, Deepak Fertilizers and Walchandnagar Industries Ltd. He has wide experience in the industrial projects, banking, finance and administration.

Directorship	Committee Membership
Videocon International Ltd.	-
Videocon Petroleum Ltd.	-
Videocon Power Ltd.	-
Videocon Communications Ltd.	-
Videocon Leasing & Industrial Finance Ltd.	-
Kitchen Appliances-India Ltd.	-

Nirlon Limited	-
Sudarshan Chemical Industries Ltd.	-
Smartchem Technologies Ltd.	-
YGYAN Consulting Pvt. Ltd.	-
Applicomp (India) Ltd.	-

- v) Shri. Mohandas is aged about 67 years. He is B.Sc. (Physics) from the then Madras University. He has rich experience in production, marketing and foreign collaboration in machine tools. He worked with Cooper Engineering Limited, Satara Road, which was merged with Walchandnagar Industries Limited in the year 1981. He retired as President of the Machine Tool Division of the Company in the year 1998. He has excellent contact with all the leading manufacturers of machine tools in the world.

He is not a director in any other company.

EXPLANATORY STATEMENT

As required under Section-173 of the Companies Act, 1956.

Items: 5, 6 & 7

As part of restructuring of the Board in accordance with the Corporate Governance Regulation, the Board has appointed Shri Jagdish K. Khanna and Shri S. Padmanabhan as independent directors in the casual vacancies caused by resignations of Shri J.M. Vakil and Shri Pravinchandra V. Gandhi, respectively. The Board has also appointed Shri M. Mohandas, an independent director as Additional Director. The Board has felt that it would be in the beneficial interest of the Company to avail of their rich and varied experience in the respective fields. Had Shri J.M. Vakil and Shri. Pravinchandra V. Gandhi continued, they would have retired at this Annual General Meeting. As Shri Mohandas has been appointed as Additional Director, he holds the office upto the date of this Annual General Meeting. Hence, the resolutions for their respective appointments are placed before the members for their approval. The Board commends these resolutions for members' approval.



The Company has received from some members notices with the deposits proposing the candidature of Shri Jagdish K. Khanna, Shri S. Padmanabhan and Shri M. Mohandas.

Except Shri Jagdish K. Khanna, Shri S. Padmanabhan and Shri M. Mohandas, none of the other directors is concerned or interested in the resolutions.

Item:8

- i) Shri Maitreya Doshi's appointment as Managing Director of the Company has expired on 28th March 2003. The Company is on the threshold of implementing the van project at Chinchwad and the project for developing real estate. Shri Maitreya Doshi has been entrusted with the responsibility of implementation of these projects because of his close involvement in all the related matters from the beginning. To enable the Company to continue to benefit from his expertise, the Board has approved his reappointment for a period of 5 years from 29-03-2003.

Shri Maitreya Doshi, aged about 40 years, is an MBA from IMEDE (Switzerland) and B.A. (Econ.) from Stanford University, U.S.A. He has been associated with the Company from 1984 and became Executive / Managing Director from March-1993. He is a member, Western Regional Council, Confederation of Indian Industries (CII), Chairman, Marketing Sub-committee, CII, and Member, Family Business Sub-committee, CII. He is the Education Chairman - Young Presidents' Organization [YPO], Mumbai. He held positions of Member - Governing Council of Automobiles Research Association of India [1995-2001] and Member - Executive Committee of Association of Indian Automobile Manufacturers [1995-2000].

- ii) On his reappointment, he will draw the same salary and perquisites as he was drawing prior to his reappointment. The details are as under:

- | | |
|----------------|-------------------------|
| 1) Salary | : Rs.50,000 per month |
| 2) Perquisites | : Rs.4,50,000 per annum |

Perquisites consist of:-

Housing : The Company shall provide furnished accommodation to the Managing Director. 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 of 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 : For self and family once in a year, as per rules of the Company.

Club fees : Fees of two clubs

Medical Accident Insurance : Hospitalization and Domiciliary Hospitalization Benefit Policy and Personal Accident Insurance.

For the purpose of calculating the ceiling, perquisites shall be evaluated as per Income-tax Rules.

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

- iii) In addition to above perquisites, 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.
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Gratuity	: Gratuity is payable as per rules of the Company.
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Earned Privilege Leave	: As per rules of the Company
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Encashment of leave	: Leave
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	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.

Item:9

As per the Articles of Association of the Company, the maximum number of directors on the board is fifteen. Under Section 253 of the Companies Act, 1956, a company, in general meeting, may, by ordinary resolution, reduce the number of its directors. The members at the 50th Annual General Meeting held on 12th April 1995 reduced the number from 15 to 12. It is proposed to reduce further this number from 12 to 10. None of the directors is concerned or interested in the resolution.

By Order of the Board,

L. Krishnamoorthy,
Vice President & Company Secretary

- iv) Commission: Such remuneration by way of commission calculated with reference to the net profit 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.

- v) In the event of loss or inadequacy of profits in any financial year, the Managing Director shall be paid the remuneration, perquisites and the benefits mentioned respectively at (i), (ii) and (iii) above.

The details of other Directorships / Committee Memberships held by him are-

Directorship	Committee Membership
PAL Credit & Capita Limited	Shareholders' Grievance Committee.
Vinod Shashank Chakor Private Limited	

Shri. Maitreya Doshi and Shri. Vinod L. Doshi and Smt. Sharayu Daftary, being relatives may be deemed to be considered as interested. None of the other directors is interested in the resolution.

The draft agreement proposed to be executed by the Company is available for inspection at the Registered Office of the Company between 11.00 a.m. to 01.00 p.m. during the week days. The directors recommend the passing of the resolution.



REPORT OF THE DIRECTORS & MANAGEMENT DISCUSSION & ANALYSIS

To The Members

The Directors present the fifty-seventh annual report of the Company and the audited statement of accounts for the extended financial year ended on 31st March, 2003. This report includes management discussion and analysis of the Company's operations.

	This year ended on 31 st March, 2003 (15 months) (Rs. in lakhs)	Previous year ended on 31 st December, 2001 (12 months) (Rs. in lakhs)
1. OPERATING RESULTS		
Profit / (loss) before depreciation	[596.84]	[979.20]
Less: Depreciation	[134.17]	[124.52]
Profit / (Loss) for the year	[731.01]	[1103.72]
Add: Surplus brought forward from last year	329.91	1433.63
Transferred from general reserves	401.10	-
Surplus available for appropriation	-	329.91
Appropriations	-	-
Balance carried to balance sheet	-	329.91

1.2 Operating Highlights

Machine Tool Division:

The turnover of the machine tool division for the year ended on 31st March, 2003 (15 months); was Rs.41.25 crores (annualized) compared to Rs.29.88 crores during previous year, showing an increase of about 38% on an annualized basis. This was possible mainly due to the general revival of industry, particularly the auto sector.

An analysis of the Company's business, present & future, has been given under "Business Review".

Auto Division:

As reported in the last year, the Company has decided to discontinue the manufacture and sale of Premier Padmini taxi vehicles in view of unstable

demand and uneconomic scales of production. The taxi vehicles held in stock during the year, have been sold.

1.3 Light-utility Vehicle Project

The Company has made considerable progress in implementation of the Project. The Company has signed a long term contract with TELCO for painting the bodies. Initial development cost required by TELCO for carrying out modifications in their paint shop line for accommodating the van bodies, has been made. Important components of the van like engine, axle and transmission have been indigenised by developing top level vendors. Important components and aggregates such as rear axle, fuel injection pump, starter motor, etc., would be received from self certified reputed



vendors. The Company has assembled prototypes of van and pick up at its plant at Chinchwad. Rigorous road tests have been carried out by running about 80,000 kms. and the vehicles are found to be versatile, reliable and fuel efficient. The Company has incurred Rs.2.75 crores on the project during the year.

1.4 Development of real estate

The proposal for development of the residential land at Kurla, is still pending with the Government of Maharashtra. Though the appeal against the Order passed by the Collector, Mumbai Suburban District, Mumbai, by the Company before the Appellate Authority under the Maharashtra Land Revenue Code was heard, orders from the Appellate Authority, are awaited.

With regard to the Company's agreement for development of its surplus residential land at the Company's Machine Tool Division at Chinchwad, Pune, requisite approval has been received from the Government of Maharashtra. The terms of the Memorandum of Understanding [MOU] originally entered into with the developer, were amended, taking into account upfront payment to the State Government towards unearned income, payment of stamp duty for completion of conveyance from Walchandnagar Industries Ltd. [WIL] to the Company and other related matters. These were borne by the developer. The net consideration received by the Company would be accounted for in the financial year ending on 31st March, 2004.

During the year, the Company has entered into a Memorandum of Understanding [MOU] with a leading developer for development of its residential land at Dombivli, measuring approximately about 3,46,000 sq.mtrs. for a consideration of 15 crores, subject to obtaining all requisite approvals. The amount receivable by the Company when the proposal fructifies after getting the requisite approvals, would be paid to the Government of Maharashtra towards the sales tax dues.

2. CHANGE OF FINANCIAL YEAR

Previously, the Company was following the calendar year, i.e., January to December, as its financial year as well. This was a remnant of the spin-off of the Kurla plant to FIAT in September, 1997. The Company's experience showed that maintenance and audit of accounts for the financial years under the Companies Act, 1956 and Income Tax Act, 1961, were being needlessly duplicated demanding greater human resources and auditors' time. To bring uniformity in the financial year for meeting the requirements of Companies Act, 1956 and Income Tax, 1961, the Board had decided to adopt the fiscal year (April-March) as the financial year. Accordingly, the financial year under report is for a period of 15 months from 1st January, 2002 to 31st March, 2003. Thereafter, it would be for 12 months, April - March.

3. DIVIDEND

In view of operational loss incurred for the year ended on 31st March, 2003, the Directors do not recommend any dividend.

4. CORPORATE GOVERNANCE

A detailed report on this subject is given in Annexure-A to this Report.

The Auditors' Certificate regarding compliance of the conditions of Corporate Governance, as stipulated in Clause-49 of the Listing Agreement with the Stock Exchanges, is enclosed.

5. BUSINESS REVIEW:

- 5.1 The Company is engaged in the machine tool business and is one of the major machine tool manufacturers in India. The activities involve design development, manufacture, servicing of machine tools, namely, gear machines, machining centres and special purpose machines and giving total customized engineering solutions. The Company's customers are mainly automobiles manufacturers, engineering industries, defence establishments, PSUs, etc.