PREMIER

58th Annual Report

2003-2004

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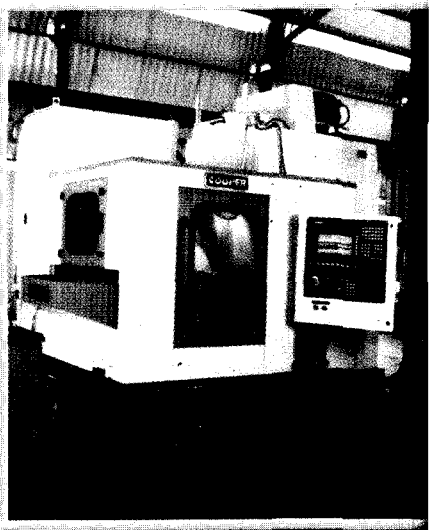
PREMIER

Vehicles



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BOARD OF DIRECTORS:

VINOD L. DOSHI
Executive Chairman

ARVIND R. DOSHI
Vice Chairman

MAITREYA V. DOSHI
Managing Director

SHARAYU DAFTARY [SMT.]

JAGDISH KHANNA

S. PADMANABHAN

ASIT D. JAVERI

M. MOHANDAS

L. KRISHNAMOORTHY
Vice President & Company Secretary

58th ANNUAL GENERAL MEETING:

Day & Date:
Tuesday,
July 20, 2004.

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

Time:
11:00 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. Amarchand Mangaldas and
Suresh A. Shroff
M/s. Kanga & Co.
M/s. ABZ & Partners,

AUDITORS:
K.S. Aiyar & Co.

REGISTRAR & TRANSFER AGENTS:
Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound
Lal Bahadur Shastri Marg
Bhandup West, Mumbai – 400 078
Ph No.(022) 5555 54 54
Fax No. (022) 2567 2693
Email: isrl@intimespectrum.com

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NOTICE

NOTICE is hereby given that the FIFTYEIGTH ANNUAL GENERAL MEETING of THE PREMIER AUTOMOBILES LIMITED will be held at Patkar Hall, S. N. D. T. Women's University, 1, Nathibai Thackersey Road, Mumbai – 400 020, on Tueday, the 20th July, 2004, at 11.00 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, 2004 and the Balance Sheet as at that date.
2. To appoint a Director in place of Shri J.K. Khanna, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri S. Padmanabhan, 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 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."

5. SPECIAL BUSINESS

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

"RESOLVED THAT Shri Asit Javeri, who was appointed in the casual vacancy caused by the resignation of Shri Chakor L. Doshi 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 Asit Javeri 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".

By Order of the Board,

L. Krishnamoorthy
Vice President & Company Secretary

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

April 22, 2004

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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 No. 5 set out above is annexed hereto.

3) The Register of Members and Share Transfer Books will remain closed from Friday, 2nd July, 2004 to Monday, 19th July, 2004 (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 amount 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 1996-97 onwards are given below:

Financial Year	Declared on	Dividend	Amt. of dividend per share
01.041996 to 30.09.1997	15.07.1998	18%	Rs. 1.80
01.10.1997 to 30.09.1998	15.06.1999	10%	Rs. 1.00

Members who have not encashed the dividend warrants for the above years are requested to write to the Company giving necessary details.

5) At this Annual General Meeting Shri J.K. Khanna and Shri S. Padmanabhan, 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 Jagdish K. Khanna is aged 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 Audit Committee of the Company.

      Shri 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 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, Committee Membership held by him are:

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DIRECTORSHIP	COMMITTEE MEMBERSHIP
Khanna Corporate Services Private Limited	-
Tooltech Software India Private Limited	-
Tooltech Europe Oy	-

ii) Shri S. Padmanabhan is aged 64 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.

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

DIRECTORSHIP	COMMITTEE MEMBERSHIP
Videocon International Ltd.	-
Petrocon India Ltd.	-
Videocon Power Ltd.	-
Videocon Appliances Ltd.	-
Videocon Communications Ltd.	-
Videocon Leasing & Ind. Finance Ltd.	-
Kitchen Appliances India Ltd.	-
Desai Brothers Ltd.	-
Sudarshan Chemical Industries Ltd.	-
Smartchem Technologies Ltd.	-
Asian Electronics Ltd.	-
Applicomp (India) Ltd.	-
State Bank of India, Ahmedabad	-

iii) Shri Asit Javeri is aged 47 years. He is B.Sc. [Chemistry] from Bombay University, and has more than 25 years of experience in chemical industry.

Shri Javeri was a director of Indo Berolina Industries Private Limited [IBI] engaged in the field of engineering from designing to setting up of chemical plants which provided him enriched experience in negotiation and implementation of various chemical plants. He was also instrumental in setting up a pharmaceutical unit from grass root level to manufacture anti-malarial drug intermediate for BEC Chemicals Private Limited [BEC] of which he became an Executive Director having responsibility of the overall management such as production, quality control, marketing, finance, etc. of that company. He resigned from IBI and BEC in 1984.

In 1984, Shri Javeri became director of Sadhana Nitro Chem Limited [SNCL], a company primarily engaged in manufacture of basic organic chemicals and chemical intermediates.

In 1985, he became Managing Director of SNCL and under his dynamic leadership, SNCL not only turned the corner but achieved notable progress in terms of turnover, exports, profitability, etc. He

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has successfully implemented several expansion and diversification projects besides carrying out technological up-gradation aiming at enhancing operating synergy and efficiency through well directed in-house R&D efforts. His emphasis on quality standards and expertise in international marketing earned SNCL international reputation among the global clientele. This enabled SNCL to bag several export awards and status of GOLDEN Export House.

In 2002, he assumed the position of Chairman & Managing Director of SNCL.

The details of other directorships and committee memberships held by him are :

DIRECTORSHIP	COMMITTEE MEMBERSHIP
Sadhana Nitrochem Limited, *Chairman & Managing Director*	1
Indian Extractions Limited.	2
Phathalo Colors & Chemicals [I] Ltd.	-
Maneckchand Panachand Trading Investment Co. P. Ltd.	-
Anuchem BVBA, Belgium	-

EXPLANATORY STATEMENT

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

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Item: 5

As part of restructuring of the Board in accordance with the Corporate Governance Regulation, the Board, at its meeting held on 24th December, 2002, appointed Shri Asit Javeri in the casual vacancy caused by resignation of Shri Chakor L. Doshi. The Board has felt that it would be in the beneficial interest of the Company to avail of the rich and varied experience of Shri Asit Javeri. Had Shri Chakor L. Doshi continued, he would have retired at this Annual General Meeting.

The Company has received from a member notice with the deposit proposing the candidature of Shri Asit Javeri.

Except Shri Asit Javeri, none of the other directors is concerned or interested in the resolution.

By Order of the Board,

L. Krishnamoorthy
Vice President & Company Secretary

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

April 22, 2004

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CHAIRMAN'S STATEMENT

Dear Shareholders,

The fiscal year 2003-2004 has been positive for the automobile and engineering industries. Buoyed by strong economic fundamentals, abundant low cost consumer finance and a wide array of products, the automobile market has recorded a phenomenal 28% domestic as well as 79% export growth. The latter is a clear sign that Indian vehicles are increasingly being accepted in global markets, which can only lead to further development of this vital sector. Judicious government policies, gradual reduction of tariffs coupled with liberal import-export policies have spurred quality improvement, sharper competition and product diversity. I hope the government will pursue this pragmatic course permanently forsaking the old discriminatory, protectionist and consumer unfriendly shibboleths of past automotive policies.

Your Company has achieved an operational turn around this year with a modest profit of Rs 69.54 lakhs against a large loss of Rs 731.01 lakhs last year. The past decade has unfortunately been a turbulent and precarious period for your Company. However, the courage, dedication and steadfastness of our management team has enabled us to weather this storm. Particularly difficult has been the unreasonable and crippling income tax demand of Rs 235 crores which was finally fully nullified in appeal resulting in refund of nearly Rs 14 crores this year and the arbitrary order by the Collector, (Mumbai Suburban) demanding 50% of the value of your Company's Kurla land sale as "unearned income", which was eventually quashed, after 2 years, by the State Government in appeal. This situation completely disrupted your Company's day today operations and future plans for nearly 4 years due to an acute liquidity mismatch and paucity of working capital as banks were extremely uneasy to provide finance until these heavy potential contingent liabilities and restraints against your Company's valuable assets were resolved. Although eventually overcome, these problems, particularly the freezing of our land sale inflicted severe damage in this period.

Happily, the storm has since abated and your Company is on the threshold of a fresh beginning aptly symbolized by our new corporate logo to demarcate this break from the past. The future focus will be in our areas of experience and core competency namely : vehicles, machine tools and engineering with currently no plans to diversify into new or unrelated businesses.

Vehicles: Your Company has set up a new assembly line and will continue to expand its automotive operations at its Chinchwad, Pune factory. It continues to have a technical relationship with China Motor Corporation of Taiwan and has commenced commercial production and delivery of its light utility vehicles

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from 22nd April, 2004 onwards. This project is attractive because it targets growing market niches, is nearly 85% indigenous with over 80% of parts outsourced resulting in a very low fixed investment and hence, a low breakeven and low risk.

Machine Tools: Your Company continues to be a leading player in the Indian machine tool market with a strong order book of nearly one year's sales and a dominant market share of nearly 70% in the gear machines segment. With robust industrial growth and companies re-tooling for the future there is a resurgent demand for such machines which will continue to remain in the long term. Your Company's products are competitive against imports (even second hand) and it has resumed exporting machines to Europe. There is a continuous upgradation of technology taking place and the future focus will be on broadening the product range to cater to global markets.

Engineering: Your Company provides services and components to major Indian companies such as Tata Motors, Bajaj Tempo, TVS Motors, Larsen & Toubro, etc. Although currently small, this business is forecast to grow substantially with excellent profitability and export potential. It is a major thrust area in future.

Henceforth, your Company's industrial activities will be centralized at its Chinchwad, Pune site resulting in a huge improvement in cost saving, efficiency and overall productivity. It is well located between Bombay and Pune, with a highly skilled, cooperative labour force and surrounded by engineering and auto component industries resulting in shortened supply times.

In conclusion, I am optimistic about your Company's future and would like to thank all our employees, partners, suppliers, dealers, bankers and other associates for their patience and support during these trying times. Their faith in our ability to overcome the various crises has been borne out and I now look forward to a long term, mutually beneficial working relationship with each one in the future.

Finally and most important, I would like to express my sincere appreciation and gratitude to our shareholders, who have faithfully supported this Company through six decades of good and bad times. I assure you that we will spare no effort to resume providing regular dividends to them at the earliest.

With best wishes
Yours sincerely

Vinod L. Doshi
Chairman

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REPORT OF THE DIRECTORS & MANAGEMENT DISCUSSION & ANALYSIS

To The Members

The Directors present the fifty-eigth annual report of the Company and the audited statement of accounts for the financial year ended on 31st March, 2004. This report includes management discussion and analysis of the Company's operations.

1. OPERATING RESULTS

	THIS YEAR (1.4.2003 - 31.3.2004)	PREVIOUS YEAR (1.1.2002 - 31.3.2003)
Profit/(loss) before depreciation	171.71	[596.84]
Less: Depreciation	102.17	134.17
Profit (Loss) for the year	69.54	[731.01]
Add: Surplus brought forward from last year	-	329.91
Transferred from general reserves	-	401.10
Surplus available for appropriation	69.54	-
Appropriations : Provision for Income tax	3.80	-
Balance carried to balance sheet	65.74	-

(Rs. in lakhs)

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1.2 Operating Highlights

Machine Tool Division:

During the year under report, the division achieved a gross turnover of Rs.37.88 crores in 12 months as against Rs.42.29 crores [annualized] during the corresponding previous period of 15 months. Order position gathered momentum from the second quarter of the financial year. The division could have achieved improved sales turnover had adequate working capital facility been available.

Under 'Business Review', an analysis of Company's business, present and future, has been given.

1.3 Light-utility Vehicle Project:

The implementation of the Project has been progressing smoothly. As the shareholders are aware, this Project is implemented at the Company's machine tool division at Chinchwad, Pune. The Company has already established the assembly line for assembling of the light utility vehicles. On 21st March, 2004, two Vans have been productionized by assembling local made parts and imported body parts at Chinchwad on pilot basis for the purpose of evaluation. The Company proposes to extend its manufacturing facilities at Chinchwad to meet the increased demand for the Van. Civil work for extension of manufacturing facilities has already commenced and would be completed in six months' time.

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