



AIA ENGINEERING LTD.

**19TH ANNUAL REPORT
2008-2009**



BOARD OF DIRECTORS

| | | |
|------------------------|--|-------------------------------|
| Mr. Rajendra S. Shah | Chairman | - Non-Executive - Independent |
| Mr. Bhadresh K. Shah | Managing Director | - Executive - Promoter |
| Mr. Vinod Narain | Independent Director | |
| Dr. S. R. Ganesh | Independent Director | |
| Mr. Bhupendra A. Shah | Independent Director | |
| Mr. Sanjay S. Majmudar | Independent Director | |
| Dr. S. Srikumar | Non-Independent Non Executive Director | |

COMPANY SECRETARY

Mr. S. N. Jetheliya

STATUTORY AUDITORS

M/s. Talati & Talati
Chartered Accountants,
Ambica Chambers,
Near Old High Court,
Navrangpura,
AHMEDABAD-380 009

REGISTERED OFFICE

115, GVMM Estate,
Odhav Road,
AHMEDABAD – 382 410
Phone No. 079-22901078-81
Fax No. 079-22901077
Website : www.aiaengineering.com

REGISTRAR & TRANSFER AGENT

Link Intime India Pvt. Ltd.
(Formerly - Intime Spectrum Registry Limited)
C/13, Pannalal Silk Mills Compound,
Kantilal Maganlal Ind. Estate,
L.B.S. Marg, Bhandup (West)
MUMBAI – 400 078
Phone No. 022-25960320-28
Fax No. 022-25960329

BANKERS

State Bank of India
GVMSAV Ltd. Branch,
Odhav Road,
Ahmedabad - 382 410

ABN AMRO BANK N.V.
Viva Complex, Opp. Parimal Garden,
Ellisbridge, Ahmedabad - 380 006

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NOTE FROM THE MANAGING DIRECTORS' DESK

Mr. Bhadresh Shah

Dear Shareholders,

Fiscal Year 2008-09 was an exceptional year as far as business environment is concerned. Every assumption that we made for our business model was tested. On reviewing the progress for the year, we are happy to note that we have been able to withstand the various challenges thrown at us and we have not only evolved as a stronger organization but with renewed confidence in the resiliency of our business.

The Company is operating in a high technology oriented niche engineering segment, involving manufacturing of impact, abrasion and wear resistant, high chrome mill internal products used by Cement, Mining and Utility Industries. The Company services the 'replacement' demand of these industries and the OEM requirement for new capacities added in those industries.

The domestic 'replacement' market is healthy thanks to the demand of Metals and Cement. In overseas market it should improve once activity level improves. The OEM business, which had seen a dip in last few quarters, will show increased activity as the global economy recovers.

The implementation of the ongoing Greenfield project at Moraiya is completed and both the phases with an aggregate capacity of 1,00,000 TPA have been commissioned. The first phase of 50,000 MT. was commissioned in June 2007 and the second phase of 50,000 MT in May 2008.

Fiscal Year 2008-09 – particularly the second half of Fiscal Year 2008-09 witnessed on set of deep recessionary trends in the major global markets. The regions which were particularly worst hit include North America, South America, European Subcontinent as well as Eastern European countries. Since your company is strongly present in the Cement segment in all these major markets, it has witnessed a temporary impact of this slow down in the Cement replacement demand from the above markets. This impact is likely to be felt till the first half of the Fiscal Year 2009-10

Even on the Mining front, since your Company had focused strongly on Iron Ore for its worldwide foray into mining business, significant slow down in the iron ore production world wide resulted into a sizeable de-stocking activity by the major iron ore mines, which affected your Company's plan to ramp up its production for servicing this segment in near term.

However, your Company firmly believes that the long term prospects are bullish. Further, there are already earlier signs of some recovery starting to happen in the second half of Fiscal Year 2009-10.

Your Company has taken several initiatives for sustaining the growth momentum. For Cement segment we are widening our geographical reach and increasing our focus on multiple applications. On the Mining front your Company has aggressively diversified into other minerals like Copper, Platinum and Gold and the initial response is quite positive. Commercial dispatches in the Copper and Platinum segment have already begun. Similarly



on the utility front, your Company has also started initiatives for entering Chinese markets where your Company has excellent solutions. On the domestic marketing front, your Company continues to enjoy a significant share in all the three segments where it operates

We are using the slow down to our advantage by starting various initiatives across the group which include pruning down operational costs, employee training, manufacturing process improvement, optimization of supply chain etc.

Thus, I am happy to reiterate that in spite of a bit of aberration attributable to certain macro economic factors, with early signs of recovery now becoming visible by the time the Annual Report is in your hand, the Management of your Company reaffirms its faith in the robustness of the business model.

I gratefully acknowledge the unstinted support of all the Board Members and Senior Managerial Personnel, the Staff Members and Workers and each and every member of AIA family for their untiring efforts in making the Company what it is today. I cannot forget our customers, vendors and suppliers for reposing strong confidence in us. I also thankfully acknowledge the kind co-operation and support of our bankers. Last but not the least, I sincerely thank all the stake holders for whole heartedly supporting and encouraging us in our endeavour.

Bhadresh Shah
Managing Director

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**AIA ENGINEERING LIMITED****NUMBERS SPEAK****Profit & Loss Account (Consolidated)**

(Rs. in Lacs)

| Particulars | Year ended 31 st March 2009 | Year ended 31 st March 2008 |
|---------------------------------------|--|--|
| INCOME :- | | |
| Gross Sales | 108558.96 | 77137.59 |
| Less: Central Excise Duty | 6229.86 | 8019.44 |
| Net Sales | 102329.10 | 69118.15 |
| Other Income | 2184.34 | 3165.05 |
| Increase /(Decrease) in Stock | 1522.87 | 964.03 |
| T O T A L | 106036.31 | 73247.23 |
| EXPENDITURE :- | | |
| Trading Purchases | 2424.14 | 1172.27 |
| Raw material & Stores Consumption | 48576.28 | 32294.77 |
| Manufacturing Expenses | 13867.44 | 11091.91 |
| Employees emoluments | 4105.54 | 3123.42 |
| Administrative and Other Expenses | 5049.37 | 1852.77 |
| Selling & Distribution Expenses | 5157.13 | 4162.96 |
| Interest Expenses | 207.26 | 168.07 |
| Depreciation | 2025.19 | 1357.86 |
| T O T A L | 81412.35 | 55224.03 |
| Add:- Excess Provision written back | 309.14 | 0.00 |
| PROFIT BEFORE TAXES | 24933.10 | 18023.20 |
| PROVISION FOR TAXES | | |
| a) Current Tax | 7046.91 | 4131.09 |
| b) Deferred Tax | 419.99 | 427.26 |
| c) Fringe Benefits Tax | 35.00 | 43.90 |
| TOTAL TAX (a+b+c) | 7501.90 | 4602.25 |
| PROFIT AFTER TAXES | 17431.20 | 13420.95 |
| LESS : MINORITY INTEREST | 69.45 | 93.88 |
| PROFIT AFTER MINORITY INTEREST | 17361.75 | 13327.07 |



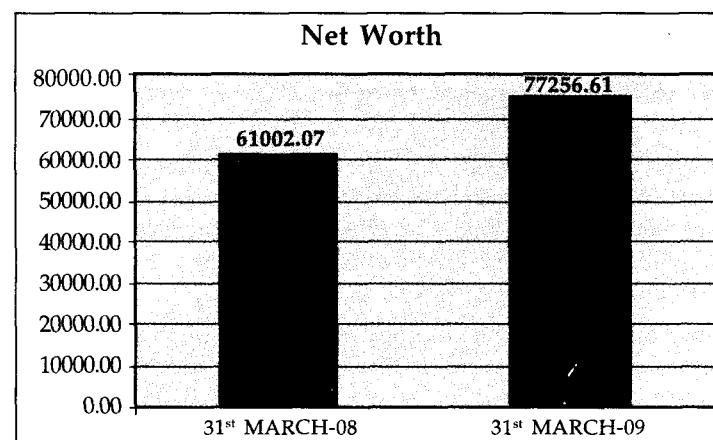
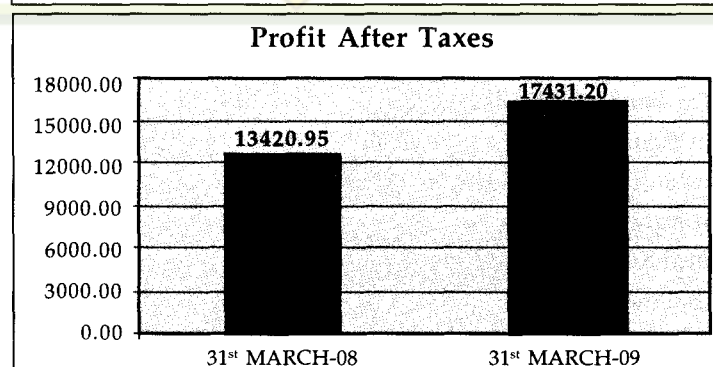
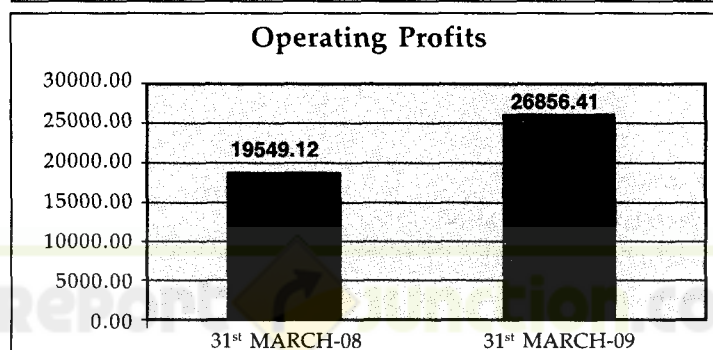
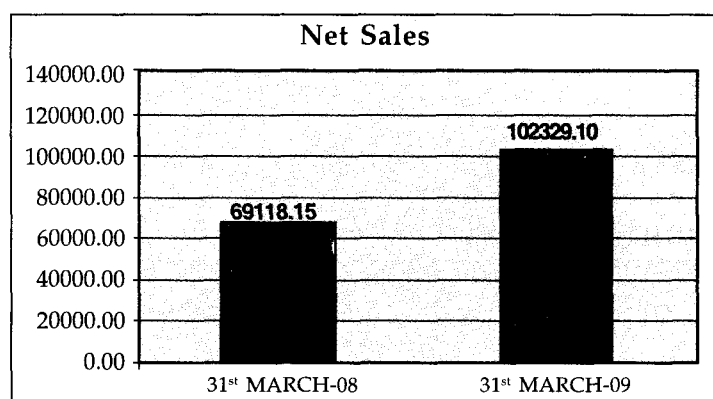
Balance Sheet (Consolidated)

(Rs. in Lacs)

| Particulars | As at 31 st March 2009 | As at 31 st March 2008 |
|--|---|---|
| SOURCES OF FUNDS | | |
| SHAREHOLDERS' FUNDS : | | |
| (a) Share Capital | 1879.68 | 1879.68 |
| (b) Share Capital Suspense | 6.73 | 0.00 |
| (c) Reserves and Surplus | 75370.20 | 59122.39 |
| | 77256.61 | 61002.07 |
| MINORITY INTEREST | 569.67 | 836.05 |
| LOAN FUNDS : | | |
| (a) Secured Loans | 4246.11 | 1187.35 |
| (b) Unsecured Loans | 169.16 | 172.63 |
| | 4415.27 | 1359.98 |
| DEFERRED TAX LIABILITIES (NET) | 995.13 | 589.04 |
| TOTAL | 83236.68 | 63787.14 |
| APPLICATION OF FUNDS | | |
| FIXED ASSETS : | | |
| (a) Gross Block | 31269.08 | 24890.72 |
| (b) Less : Depreciation | 8108.51 | 6477.78 |
| Net Block | 23160.57 | 18412.94 |
| (c) Capital Work In Progress | 667.94 | 3086.66 |
| | 23828.51 | 21499.60 |
| INVESTMENTS | 4138.09 | 9469.92 |
| CURRENT ASSETS, LOANS AND ADVANCES : | | |
| (a) Interest Accrued on Investment | 346.77 | 7.56 |
| (b) Inventories | 13926.29 | 13599.02 |
| (c) Sundry Debtors | 18468.41 | 17477.19 |
| (d) Cash and Bank balances | 25872.95 | 2658.41 |
| (e) Loans and Advances | 26700.83 | 19483.14 |
| | 85315.25 | 53225.32 |
| Less : CURRENT LIABILITIES AND PROVISIONS : | | |
| (a) Current Liabilities | 7645.31 | 6279.30 |
| (b) Provisions | 22399.86 | 14128.77 |
| | 30045.17 | 20408.07 |
| NET CURRENT ASSETS | 55270.08 | 32817.25 |
| MISCELLANEOUS EXPENDITURE | | |
| (To the extent not written off) | 0.00 | 0.37 |
| TOTAL | 83236.68 | 63787.14 |


AIA ENGINEERING LIMITED
RATIOS (Consolidated)

| Particulars | Year ended 31st March 2009 | Year ended 31st March 2008 |
|---------------------------------------|--|--|
| Financial Performance Ratios % | | |
| Operating Profits | 26.25 | 28.28 |
| PAT/Net Sales | 17.03 | 19.42 |
| Interest/Total Income | 0.20 | 0.23 |
| BALANCE SHEET RATIOS (TIMES) | | |
| Debt/Equity Ratio | 0.06 | 0.02 |
| Current Ratio | 2.84 | 2.61 |
| PER SHARE DATA RATIOS (Rs.) | | |
| Earning Per Share (EPS) | 18.41 | 14.18 (Restated) |

GRAPHS (Rs. in Lacs)


AIA ENGINEERING LIMITED
DIRECTORS' REPORT

To,
The Members,
AIA Engineering Limited
Ahmedabad

Your Directors take pleasure in submitting the 19th Annual Report and the Audited Annual Accounts of the Company for the year ended 31st March, 2009.

1. FINANCIAL HIGHLIGHTS:

| Particulars | Year ended 31.3.2009 Rs. in Lacs | Year ended 31.3.2008 Rs. in Lacs |
|---|--|--|
| Sales & Other Income | 94283.38 | 62136.57 |
| Profit before Interest, Depreciation and Taxation | 22283.01 | 15895.23 |
| Interest | 84.67 | 8.49 |
| Depreciation | 1617.08 | 827.03 |
| Profit before tax | 20581.26 | 15059.71 |
| (i) Provision for Taxation (Current) | 6775.00 | 3720.00 |
| (ii) Short / Excess provision of Taxation | 7.59 | 7.79 |
| (iii) Provision for Taxation (Deferred) | 421.90 | 466.90 |
| (iv) Provision for Fringe Benefits Tax | 31.00 | 34.00 |
| Total Tax (i+ii+iii+iv) | 7235.49 | 4228.69 |
| Profit after tax | 13345.77 | 10831.02 |
| Surplus Brought Forward from Previous Year | 19620.81 | 10752.55 |
| Balance available for appropriations | 32966.58 | 21583.57 |
| Interim Dividend on Equity Shares | 563.90 | 0.00 |
| Proposed Final Dividend on Equity Shares | 1792.09 | 751.87 |
| Tax on Dividend on Equity Shares | 400.40 | 127.78 |
| Transferred to General Reserve | 1334.58 | 1083.11 |
| Balance Carried to Balance Sheet | 28875.61 | 19620.81 |

2. OPERATIONAL REVIEW:

During the year under review, the Turnover of the Company has gone up from Rs.59380.54 Lacs to Rs.92285.94 Lacs. Exports of the Company have gone up from Rs. 27305.94 Lacs to Rs.49182.21 Lacs. The Profit Before Tax (PBT) has increased from Rs. 15059.71 Lacs to Rs.20581.26 Lacs. The Profit after Tax (PAT) has increased from Rs.10831.02 Lacs to Rs.13345.77 Lacs.

On a consolidated basis, your company (together with its Subsidiaries) registered a Turnover of Rs. 102329.10 Lacs during the year under review as compared to the Turnover of Rs. 69118.15 Lacs registered in the Financial Year 2007-2008. Correspondingly, the Consolidated Profit After Tax (PAT) has increased to Rs. 17431.20 Lacs in Financial Year 2008-09 as compared to PAT of Rs.13420.95 Lacs in Financial Year 2007-08.

The figures of the previous year do not include the figures of the erstwhile Reclamation Welding Limited and Paramount Centrispun Castings Private Limited, the subsidiaries of the Company which have been merged with the Company effective from 01.04.2008, being the appointed date and accordingly the Current Year's figures are not comparable to those of the previous year.



3. DIVIDEND:

During the Financial year 2008-09, the Company has paid an Interim Dividend of Rs.0.60 (30%) per share on 93983940 Equity Shares of Rs.2 each aggregating to Rs.659.74 Lacs (including Corporate Dividend Tax) on 12.11.2008.

The Board of Directors is pleased to recommend a final dividend of Rs.1.90 per Equity Share of Rs.2 each (including a Special Dividend of Rs.1.00 per share of Rs.2 each) amounting to Rs.1792.09 Lacs for the Financial Year 2008-09 subject to the approval of the Shareholders.

The total Dividend outgo for the year ended 31st March, 2009 would be Rs.2756.39 Lacs including the Corporate Dividend Tax of Rs.400.40 Lacs.

4. SPLITTING OF THE FACE VALUE OF THE EQUITY SHARES OF Rs.10 EACH TO Rs.2 EACH:

During the year under review, the Equity Shares of the face value of Rs.10 each in the share capital of the Company has been sub-divided / splitted into 5 Equity Shares of the face value of Rs.2 each with effect from 21.10.2008.

5. ALTERATION IN THE AUTHORIZED SHARE CAPITAL OF THE COMPANY:

During the year under review, Company has re-classified its existing un-issued Preference Share Capital of Rs.20,00,00,000 divided into 20,00,000 Redeemable Cumulative Preference Shares of Rs.100 each into the Equity Share Capital of Rs.20,00,00,000 divided into 10,00,00,000 Equity Shares of Rs.2 each.

With the re-classification of the Preference Share Capital into Equity Share Capital and splitting of the face value of Equity Shares of Rs.10 each into the face value of Rs.2 each, the Authorized Share Capital of the Company is Rs.46,00,00,000 divided into 23,00,00,000 Equity Shares of Rs.2 each.

6. AMALGAMATION OF RECLAMATION WELDING LIMITED AND PARAMOUNT CENTRIPUN CASTINGS PRIVATE LIMITED WITH THE COMPANY:

Your Directors are pleased to inform that the Scheme of Amalgamation of Reclamation Welding Limited (Reclamation) and Paramount Centrispun Castings Private Limited (Paramount) with the Company has been sanctioned by the Hon'ble High Court of Gujarat, Ahmedabad vide its order dated 08.05.2009.

The Scheme has become effective with effect from 20.05.2009 and has been implemented with effect from the Appointed Date i.e. 01-04-2008. The Company has given the accounting effects of the Scheme of Amalgamation of the above two Companies in its Annual Results for the year ended 31st March 2009 and therefore in view of this, the previous year's figures are not comparable with this year's figures.

7. CAPITAL EXPENDITURE OUTLAY:

During the year under review, the Company has incurred Rs. 6671.55 Lacs (including Rs.667.95 Lacs of Capital work-in-progress) on Capital Expenditure.

8. HUMAN RESOURCE POLICY:

Company takes pride of its highly motivated and committed team of employees, some of them with the Company, since inception. While the employees strength have increased sizably with addition of Moraiya unit, instilling confidence and encouraging long term bonds, the Company offered higher remunerations to both, existing as well as new employees. On their part the employees performed to their full potential and contributed to the growth and development of the Company.

9. BUSINESS PROSPECTS:

The Company is operating in a high technology niche Engineering segment, involving design & manufacturing of impact, abrasion and wear resistant, Mill Internals in high chromium metallurgy. These Mill Internals are consumable parts in the process of Grinding / Crushing in the Mills in the Cement Industry, Mining Industry and Utility and quarry industries.