



AIA ENGINEERING LIMITED
ISO 9001 CERTIFIED

22nd ANNUAL REPORT
2011 - 2012



NOTE FROM THE MANAGING DIRECTOR'S DESK



Dear Shareholders,

We would like to thank you for your unwavering support and faith in the Company's management in its pursuit in achieving its goals year after year. The Company has continued its growth trajectory in fiscal year 2011-2012 with a topline growth of 29.13%. We have begun making in-roads in to the mining space from where most of our growth has come from. The Company today services different sectors like iron, copper, gold, platinum and zinc for blue chip mining customers in geographies like Canada, Brazil, South Africa, Australia, Phillipines, USA etc. Your Company is already an established supplier of High Chrome wear parts to the cement industry globally.

As you are well aware, your 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. Your Company services the 'replacement' demand of these industries and the OEM requirements for which new capacities have been added in those industries.

Your Company closed the Fiscal Year 2011-12 with a growth of 15.68% in terms of tonnage and 22.05% in terms of revenue as compared to the previous year.

Fiscal year 2011-12 saw fortunes of several countries in Europe hang in the balance with cascading effects on growth in that region, while the growth in North America continues to be tepid. Your Company sells to customers in more than 72 countries and is quite naturally exposed to economic and geo-political environment in these countries. Our sale in the Cement segment globally continues to remain flat largely on account of these factors. Nevertheless, we are un-tiring in our commitment to improve operational efficiencies for our customers and engaging in operational reviews with customers knowing well that we should be the beneficiary as and when the markets improve. At the same time, our Mining sales continue to grow on back of the relatively strong mining market. Our mining customers remain bullish about their prospects which gives us confidence on continuing to increase our market share in that market.

At AIAE, we continue to emphasize research, development and innovation. We strive to be on the leading curve of innovation in our industry and continuously keep introducing new solutions for our customers including new alloys and designs. We believe that this is the key for your Company to steadily move towards achieving its vision of becoming a global leader in this niche business of High Chrome Mill Internals.

We continue to devote resources towards becoming a sustainable organization and ensuring that we grow our business keeping sustainable social development in mind. We are moving towards promoting a cleaner and greener environment.

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 the AIAE 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 the Company. I also acknowledge the kind co-operation and support of bankers. Last but not the least, I sincerely once again thank all the stake holders for supporting and encouraging in Company's endeavour.

Bhadresh Shah
Managing Director

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Rajendra S. Shah : *Chairman : Independent - Non-Executive*
 Mr. Bhadresh K. Shah : *Managing Director : Executive - Promoter*
 Mr. Vinod Narain : *Independent*
 Mr. Bhupendra A. Shah : *Independent*
 Mr. Sanjay S. Majmudar : *Independent*
 Dr. S. Srikumar : *Non Independent - Non-Executive Director*
 Mr. Yashwant M. Patel : *Whole-time Director*

COMPANY SECRETARY

Mr. S. N. Jetheliya

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

REGISTRAR & TRANSFER AGENTS

Link Intime India Private 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
 G.V.M.S.A.V. Ltd. Branch,
 Odhav Road, Odhav,
 Ahmedabad-382410

The Royal Bank of Scotland N.V.
 (Formerly known as ABN AMRO Bank)
 Viva Complex, Opp. Parimal Garden,
 Ellisbridge, Ahmedabad – 380 006

CONTENTS

Numbers Speak.....	02
Directors' Report	06
Report on Corporate Governance	14
Management Discussion & Analysis	25
Standalone Financial Statements	29
Consolidated Financial Statements	57
Notice	79



NUMBERS SPEAK
STATEMENT OF PROFIT AND LOSS (CONSOLIDATED)

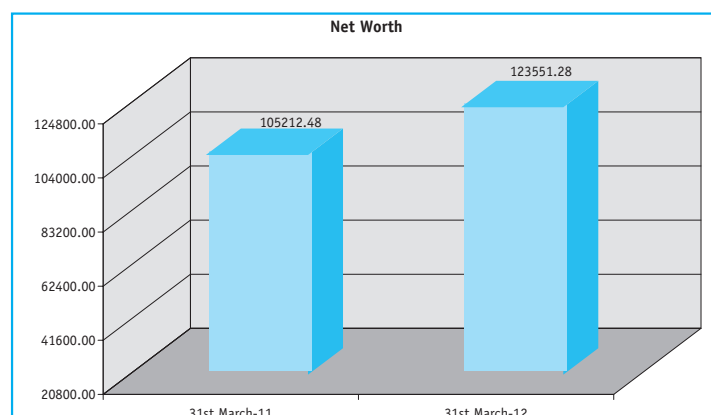
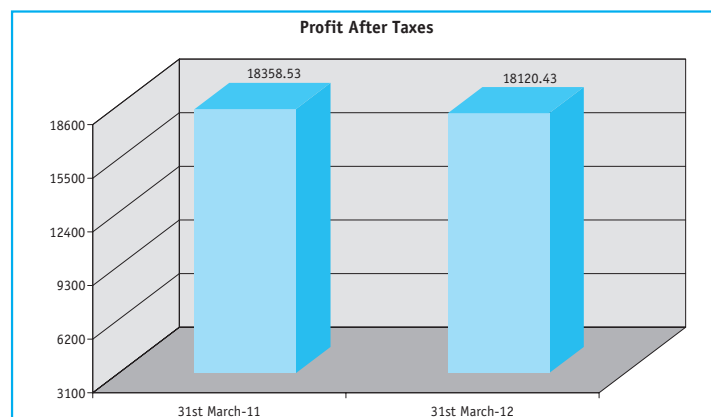
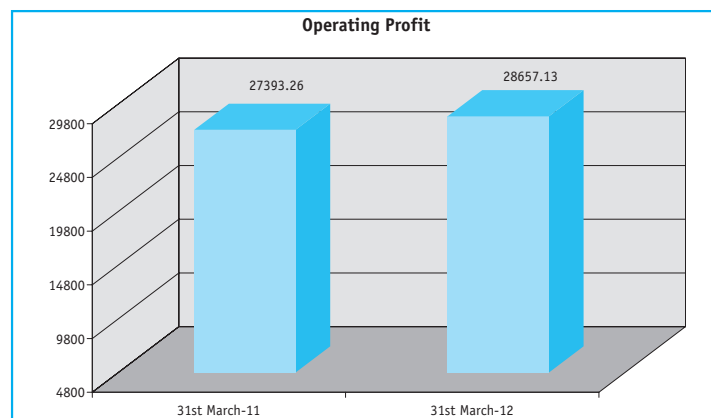
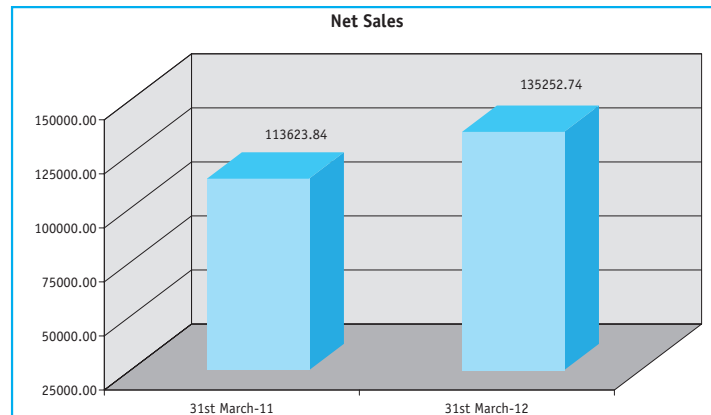
Particulars	Year Ended 31st March, 2012 ₹ Lacs	Year Ended 31st March, 2011 ₹ Lacs
I Revenue from Operations	147,887.06	121,781.17
Less : Central Excise Duty	6,220.42	5,715.49
Revenue from Operations (Net)	141,666.64	116,065.68
II Other Income	1,327.31	2,472.32
III Total Revenue (I +II)	142,993.95	118,538.00
IV Expenses:		
Cost of Materials Consumed	58,000.76	44,740.00
Purchase of Stock-in-Trade	4,678.45	10,898.70
Changes in Inventories of Finished goods, Work-in-process and Stock-in-Trade	(3,758.02)	(7,045.22)
Employee Benefits Expense	6,488.52	5,226.05
Finance Costs	439.18	202.54
Depreciation and Amortisation Expense	2,944.43	2,539.70
Other Expenses	48,927.11	37,325.21
Total Expenses (IV)	117,720.43	93,886.98
V Profit Before Tax (III - IV)	25,273.52	24,651.02
VI Tax Expense:		
(1) Current Tax	6,962.47	6,044.55
(2) Deferred Tax	190.62	247.95
VII Profit / (Loss) from the period before Minority Interest (V - VI)	18,120.43	18,358.52
VIII Minority Interest	74.57	19.27
IX Profit / (Loss) for the period After Minority Interest (VII-VIII)	18,045.86	18,339.25
Earnings per Equity Share: (Face Value of ₹2/- each)		
Basic & Diluted (₹)	19.21	19.46

BALANCE SHEET (CONSOLIDATED)

Particulars	As at 31st March, 2012 ₹ Lacs	As at 31st March, 2011 ₹ Lacs
I. EQUITY AND LIABILITIES		
(1) Shareholders' Funds		
(a) Share Capital	1,886.41	1,886.41
(b) Reserves and Surplus	121,664.87	103,326.07
Sub Total Shareholders' Funds	123,551.28	105,212.48
(2) Minority Interest	437.96	646.70
(3) Non-Current Liabilities		
(a) Long-Term Borrowings	712.45	818.24
(b) Deferred Tax Liabilities (Net)	1,576.98	1,523.70
(c) Long Term Provisions	430.14	298.48
Sub Total Non-Current Liabilities	2,719.57	2,640.42
(4) Current Liabilities		
(a) Short-Term Borrowings	3,859.95	1,062.85
(b) Trade Payables	9,864.27	13,014.52
(c) Other Current Liabilities	3,558.44	2,257.27
(d) Short-Term Provisions	5,032.56	4,436.62
Sub Total Current Liabilities	22,315.22	20,771.26
Total Equity & Liabilities	149,024.03	129,270.86
II. ASSETS		
(1) Non-Current Assets		
(a) Fixed Assets		
(i) Tangible Assets	33,978.65	26,758.59
(ii) Intangible Assets	1,628.16	1,474.24
(iii) Capital Work in Progress	1,808.49	1,516.44
(b) Non-Current Investments	0.10	0.10
(c) Long term Loans and Advances	1,798.27	930.63
(d) Other Non-Current Assets	619.08	486.74
Sub Total Non-Current Assets	39,832.75	31,166.74
(2) Current Assets		
(a) Current Investments	14,025.83	15,013.32
(b) Inventories	30,108.87	23,667.11
(c) Trade Receivables	37,172.56	35,438.85
(d) Cash and Bank balances	14,964.17	15,266.06
(e) Short-term Loans and Advances	12,583.63	8,711.04
(f) Other Current Assets	336.22	7.74
Sub Total Current Assets	109,191.28	98,104.12
Total Assets	149,024.03	129,270.86

**RATIOS (Consolidated)**

Particulars	Year ended 31st March, 2012	Year ended 31st March, 2011
Financial Performance Ratio %		
Operating Profits	21.19	24.11
PAT / Net Sales	13.40	16.16
Interest / Total Income	0.30	0.16
BALANCE SHEET RATIOS (TIMES)		
Debt / Equity Ratio	0.01	0.01
Current Ratio	4.89	4.72
PER SHARE DATA		
Earning Per Share (₹)	19.21	19.46

GRAPHS (₹ Lacs)


**DIRECTORS' REPORT**

To,
The Members,
AIA Engineering Limited
Ahmedabad

Your Directors take pleasure in submitting the 22nd Annual Report and the Audited Annual Accounts of the Company for the year ended 31st March, 2012.

1. FINANCIAL HIGHLIGHTS:

P a r t i c u l a r s	Year ended 31st March, 2012 ₹ Lacs	Year ended 31st March, 2011 ₹ Lacs
Revenue from Operations & Other Income	128,421.31	100,180.19
Profit before Finance Cost, Depreciation & Amortisation and Tax Expenses	24,759.72	21,066.14
Finance Cost	213.40	2.38
Depreciation & Amortisation	2,547.20	2,138.21
Profit before tax	21,999.12	18,925.55
(i) Provision for Taxation (Current)	6,659.00	5,708.45
(ii) Provision for Taxation (Deferred)	249.37	242.17
Total Tax (i+ii)	6,908.37	5,950.62
Profit after tax	15,090.75	12,974.93
Surplus Brought Forward from Previous Year	47,525.51	39,135.24
Balance available for appropriations	62,616.26	52,110.17
Transferred to General Reserve	1,509.08	1,297.50
Proposed Dividend on Equity Shares	2,829.61	2,829.61
Tax on Dividend on Equity Shares	457.55	457.55
Balance Carried to Balance Sheet	57,820.02	47,525.51

2. OPERATIONAL REVIEW:

During the year under review, the Revenue from operations of the Company has gone up to ₹127,256.00 Lacs as compared to ₹98,547.19 Lacs in the previous Financial Year. Exports Turnover has also gone up to ₹75,602.15 Lacs as compared to ₹56,717.19 Lacs in the previous Financial Year.

During the year under review, Company has registered a Profit Before Tax (PBT) of ₹21,999.12 Lacs and Profit After Tax (PAT) of ₹15,090.75 Lacs as compared to PBT of ₹18,925.55 Lacs and PAT of ₹12,974.93 Lacs respectively in the previous Financial Year.

During the year under review, on a Consolidated basis, your Company (together with its Subsidiaries) registered a Revenue from operations of ₹141,666.64 Lacs as compared to ₹116,065.68 Lacs in the previous Financial Year. Correspondingly, the Consolidated Profit After Tax (PAT) registered during the year under review is ₹18,120.43 Lacs as compared to PAT of ₹18,358.51 Lacs in the previous Financial Year.

3. DIVIDEND:

The Board of Directors is pleased to recommend a Dividend of ₹3/- (150%) per Equity Shares of the face value of ₹2/- each amounting to ₹2,829.61 Lacs for the Financial Year 2011-12 subject to the approval of the Shareholders.

The total Dividend outgo for the year ended 31st March, 2012 would be ₹3,287.16 Lacs including the Corporate Dividend Tax of ₹457.55 Lacs.

4. CAPITAL EXPENDITURE OUTLAY:

During the year under review, the Company has incurred ₹10,445.52 Lacs (including ₹1,808.49 Lacs of Capital work-in-progress) on Capital Expenditure.

5. HUMAN RESOURCE POLICY:

The Company has till date witnessed very low attrition levels. This is on account of its special emphasis on ensuring a fair and sustainable working environment in addition to sufficient growth opportunities. Staff undergoes regular functional and cross-functional training to ensure they are current with skill sets relevant in today's time. The Company has inducted some senior staff to further augment its HR function in this Fiscal Year. The Company's business is highly specialized and involves the periodically full cycle from design of solutions for specific applications at the customer's end to production of highest quality material to supervision of installation of the parts at the customer's end. It requires dedicated staff at all levels. Company's HR policies are reviewed periodically to ensure their relevance.

6. BUSINESS PROSPECTS:

The Company closed the Fiscal Year 2011-2012 with a growth of 22.25% in terms of tonnage and 29.13% in terms of revenue as compared to the previous year. Bulk of this growth has come from the mining space. The Company continued its pace of customer addition in this business segment. The Company today services different mineral ores like iron, copper, gold, platinum and zinc for blue chip mining customers in geographies like USA, Canada, Brazil, South Africa, Australia, etc.

The global economic recovery that began in 2009 again showed signs of distress in the Fiscal Year and brought increased economic uncertainty. With reported issues in Europe, slow-down in China and uncertain growth in US, there is a lot of skepticism in terms of economic prospects going forward. The Company derives bulk of its revenues from consumable wear parts used in Cement, Mining and Utility industries and its revenues to that extent are shielded from the significant pull back in capital spending.

The Company continues to build on its market share in the Cement and Utility segments while investing in new segments like Aggregate crushing (Quarry) for which it remains very bullish.

For the upcoming Fiscal Year, i.e. 2012-13, the Company expects to further increase its market share in the mining space by targeting increased business from existing customers as well as new customers. In the Cement market, the company will continue to focus on countries with high growth potential.

In the utility market in India, there is a lot of optimism in relation to the planned commissioning of coal fired thermal power stations in the country and the Company will continue to benefit from its strong presence in this market.

7. FUTURE EXPANSION:

AIAE's effective capacity at end of Fiscal Year 2011-2012 stood at 200,000 Metric tons. The Company is also in the process to chart out further expansion plans through a combination of Greenfield and Brownfield projects whereby the Company would be in a position to increase the overall capacity by additional 100,000 tons per annum.

8. SUBSIDIARY COMPANIES:

As required under the Listing Agreements with the Stock Exchanges and in accordance with the Accounting Standard 21 (AS-21), Consolidated Financial Statements being prepared by the Company includes financial information of its Subsidiaries.

In accordance with the provisions laid down in Section 212 of the Companies Act, 1956, the Company is required to attach the Annual Accounts of the Subsidiary Companies to its Annual Accounts.

Pursuant to the General Circular No. 2/2011 of the Central Government, Ministry of Corporate Affairs and its Order No. 5/12/2007-CL-III dated 8th February, 2011, the Balance Sheet, Statement of Profit and Loss Accounts and other documents of Subsidiary Companies are not being attached with the Balance Sheet of the Company.

The Company has Subsidiaries in India and Abroad. In compliance with the said Circular, a statement containing brief financial details of these companies for the year ended 31st March, 2012 forms part of this Annual Report. The Annual Accounts of the Subsidiary Companies will be available for inspection by any member at the Registered Office of the Company and also at the respective Subsidiary Companies. The Annual Accounts of the Subsidiary Companies and the related detailed information will be made available to the members of the Company seeking such information at any point of time.

9. INSURANCE:

The Company has taken adequate insurance coverage of all its assets and Inventories against various calamities viz. fire, floods, earthquake, cyclone etc.

10. DEPOSITS:

The Company has not accepted any deposit from the public during the year under review, within the meaning of Section 58A of the Companies Act, 1956.

11. INDUSTRIAL RELATIONS:

The Company is extremely sensitive in dealing with its staff and workers and continues to take steps towards achieving the highest standards of industrial harmony. All statutory compliances are maintained and its focused efforts towards nurturing its Staff are



reflected in its work culture. Company has always tuned its policy and process to help staff and workers to have a quality life and keep high morale in the organization. Company has continued regular interaction with the business and industrial fraternity through prestigious institutions like Confederation of Indian Industries (CII), Gujarat Chamber of Commerce and Industries (GCCII), Ahmedabad Management Association (AMA) and other recognized associations and institutes.

12. INTERNAL CONTROL AND AUDIT:

Company has a proper and adequate system of Internal Control commensurate with its size and the nature of its operations to ensure that all assets are safeguarded and protected against loss from un-authorised use or disposition and those transactions are authorised, recorded and reported correctly.

During the year under review, Internal Audit of the Company has been carried out by M/s. Kunte & Associates, Chartered Accountants, Ahmedabad.

13. CORPORATE GOVERNANCE:

In line with the Company's commitment to good Corporate Governance Practices, your Company has complied with all the mandatory provisions of Corporate Governance as prescribed in Clause 49 of the Listing Agreement with the Stock Exchanges.

A separate report on Corporate Governance and Practicing Company Secretaries Report thereon are included as a part of the Annual Report.

14. MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA):

MDA covering details of operations, International markets, Research and Development, Opportunities and Threats etc. for the year under review is given as a separate statement, which forms part of this Annual Report.

15. DIRECTORS:

Mr. Rajendra S. Shah and Dr. S. Srikumar, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offered themselves for re-appointment.

The Board recommends the re-appointments of Mr. Rajendra S. Shah and Dr. S. Srikumar, as Directors of the Company.

16. STATUTORY AUDITORS:

M/s. Talati & Talati, Chartered Accountants, the Company's Statutory Auditors will retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

The Company has received a letter to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956 and that they are not disqualified for re-appointment within the meaning of Section 226 of the said Act.

17. COST AUDITORS:

In compliance with the Ministry of Corporate Affairs' order No. 52/26/CAB-2010 dated 3rd May, 2011, the Board of Directors of the Company on the approval of the Central Government, has appointed M/s. Kiran J. Mehta & Co., Cost Accountants, Ahmedabad as the Cost Auditors of the Company to audit the Cost Accounting Records of the Company for the Financial Year 2011-12.

The first Cost Audit Report for the Financial Year 2011-12 will be submitted to Central Government on or before 27th September, 2012.

18. PARTICULARS OF EMPLOYEES:

The particulars of employees, as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended are given as an Annexure - A to this report.

19. PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The additional information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo, stipulated under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 are provided as an Annexure-B to this report.

20. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, your Directors hereby confirm that:

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed;