



**AIA ENGINEERING LTD.**

**23rd ANNUAL REPORT  
2012-2013**



## NOTE FROM THE MANAGING DIRECTOR'S DESK



Dear Shareholders,

It gives me immense pleasure in addressing this communication to you, particularly considering the fact that the Fiscal Year 2012-13 in a way is a landmark year for your Company considering the fact that your Company has surpassed the Profit after Tax figure of Rs.200 crores on a consolidated basis and also considering the fact that we are now regarded as a serious long term player in the Global mining replacement markets; over and above the already strong position that your Company is enjoying in the Global cement consumable wear parts market space.

I am happy to note that your Company has been very conscious about its obligation towards the society and as elaborated later in this report we have contributed our bit towards the Corporate Social Responsibility initiatives.

Ultimately we believe, we owe a lot to the society and where we live and the CSR initiatives voluntarily undertaken by your Company are all in this direction.

Apart from our initiatives on CSR, we have embarked on reducing our Carbon Footprint, attempting to achieve Water neutrality where possible through reduced consumption and Rain Water Recharge. Our initiatives in these areas have been appreciated by Regulatory Authorities. More details about these initiatives are detailed subsequently.

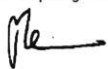
Let me share with you certain important developments which I feel are strategic in terms of charting the course of the future growth trajectory of your Company. Thus first and foremost, your Company has continued its strong march of further consolidating its position as a leading quality supplier of High Chrome consumable wear parts in the cement industry worldwide with our presence now being in more than 90 countries. Thus every single major cement group that you might have heard of are our customers. It is heartening to mention that notwithstanding the continuation of a relatively depressed economic growth scenario in the major markets of US and Europe, we have actually achieved a positive growth in the cement segment through a growth in the market share and also by geographical extension of our market reach which is now practically in every part of the world.

However, more heartening is the fact that the endeavour that we began in the mining space around 3 years ago has now gathered momentum and in the years to come this segment will be a major growth driver on a sustained basis. In Fiscal Year 2013 we have achieved a 13.38% volume growth which predominantly has come through increased sales in the mining segment. Today your Company is servicing major mining groups in major geographies of North America, Latin America, Africa, Australia, etc. Several new mines across all the key geographies are under development. I am of a firm belief that considering the significant opportunity offered by the mining space of 1.5 million tons per annum, we are just at the tip of the iceberg. Thus, the medium to long term growth prospects in mining segment are indeed bright.

No doubt, the process of finding right solution for a given mine is indeed a long and entails painstaking efforts. Nevertheless through a strong and dedicated team backed by equally dedicated research and development process your Company has demonstrated a proven capability profile of finding cost effective and innovative solutions for the customers and this process will continue on a consistent basis in the years to come; which will eventually help your Company in achieving its vision of becoming a Global leader in this niche business of High chrome mill internals.

If I talk of China, I believe China continues to be an exciting market opportunity for your Company specifically in the cement space since China is a major producer of cement in the world. However, it is equally important to understand that China is a tough market to do business with. Your Company has successfully started servicing this market with a niche range of products and going forward I believe that we should be able to increase our volumes in this huge market.

I gratefully acknowledge the un-stinted 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. 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, Odhav, 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

Citi Bank N.A.  
 1st Floor, Kalapurnam,  
 Nr. Municipal Market, C.G. Road,  
 Ahmedabad-380 009

HSBC Bank Ltd.  
 Maradia Plaza,  
 Upper Level, C.G. Road,  
 Ahmedabad-380 009

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**NUMBERS SPEAK**  
**STATEMENT OF PROFIT AND LOSS (CONSOLIDATED)**

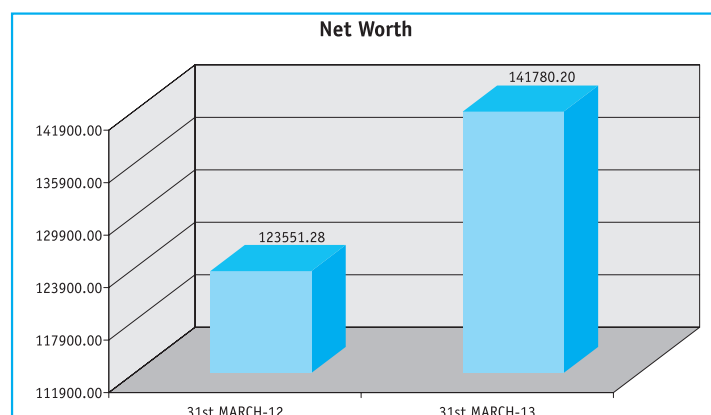
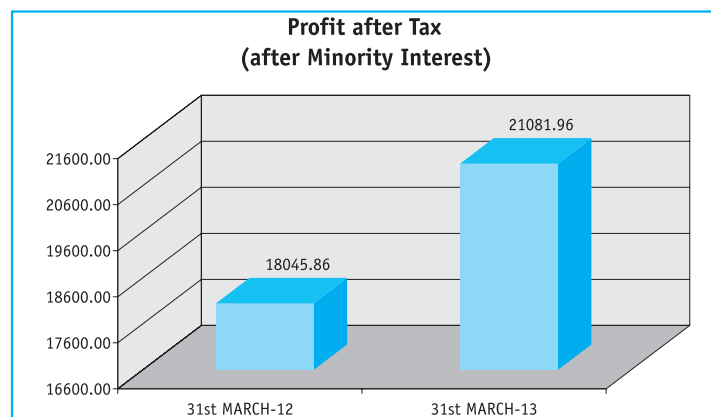
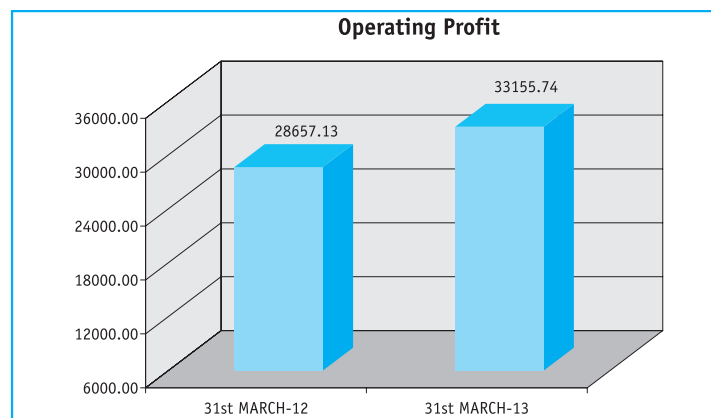
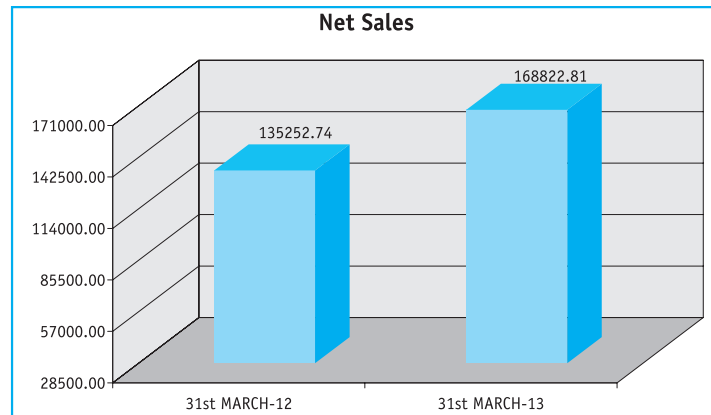
Particulars	Year Ended 31st March, 2013 ₹ Lacs	Year Ended 31st March, 2012 ₹ Lacs
<b>I.</b> Revenue from Operations	183699.77	147887.06
Less : Central Excise Duty	8568.70	6220.42
Revenue from Operations (Net)	175131.07	141666.64
<b>II.</b> Other Income	2131.94	1327.31
<b>III. Total Revenue (I +II)</b>	<b>177263.01</b>	<b>142993.95</b>
<b>IV. Expenses:</b>		
Cost of Materials Consumed	68593.16	58000.76
Changes in Inventories of Finished goods, Work-in-process and Stock-in-Trade	(3163.26)	(3758.02)
Employee Benefits Expense	8089.34	6488.52
Finance Costs	549.85	439.18
Depreciation and Amortization Expense	3448.40	2944.43
Other Expenses	70588.03	53605.56
<b>Total Expenses</b>	<b>148105.52</b>	<b>117720.43</b>
<b>V.</b> Profit before Tax (III-IV)	29157.49	25273.52
<b>VI. Tax Expenses:</b>		
(1) Current Tax	7879.21	6962.47
(2) Deferred Tax	115.95	190.62
<b>Total Tax Expenses</b>	<b>7995.16</b>	<b>7153.09</b>
<b>VII.</b> Profit for the period before Minority Interest (V-VI)	21162.33	18120.43
<b>VIII.</b> Minority Interest	80.37	74.57
<b>IX.</b> Profit for the period after Minority Interest (VII-VIII)	21081.96	18045.86
Earning per Equity Share: (Face Value of ₹ 2 each )		
Basic & Diluted	22.35	19.13

**BALANCE SHEET (CONSOLIDATED)**

Particulars	As at 31st March, 2013 ₹ Lacs	As at 31st March, 2012 ₹ Lacs
<b>I. EQUITY AND LIABILITIES:</b>		
<b>(1) Shareholders' Funds</b>		
(a) Share Capital	1886.41	1886.41
(b) Reserves and Surplus	139893.79	121664.87
	<b>141780.20</b>	<b>123551.28</b>
<b>(2) Minority Interest</b>	808.41	437.96
<b>(3) Non-Current Liabilities</b>		
(a) Long-Term Borrowings	10632.66	712.45
(b) Deferred Tax Liabilities (Net)	1320.79	1576.98
(c) Long Term Provisions	590.11	430.14
	<b>12543.56</b>	<b>2719.57</b>
<b>(4) Current Liabilities</b>		
(a) Short-Term Borrowings	5243.33	3859.95
(b) Trade Payables	11263.58	9864.27
(c) Other Current Liabilities	5323.05	3558.44
(d) Short-Term Provisions	7503.59	5032.56
	<b>29333.55</b>	<b>22315.22</b>
<b>Total</b>	<b>184465.72</b>	<b>149024.03</b>
<b>II. ASSETS:</b>		
<b>(1) Non-Current Assets</b>		
(a) Fixed Assets		
(i) Tangible Assets	36049.67	33978.65
(ii) Intangible Assets	1666.92	1628.16
(iii) Capital Work in Progress	3157.44	1808.49
(b) Non-Current Investments	739.63	0.10
(c) Long term Loans and Advances	1645.92	1798.27
(d) Other Non-Current Assets	373.38	619.08
	<b>43632.96</b>	<b>39832.75</b>
<b>(2) Current Assets</b>		
(a) Current Investments	18670.35	14025.83
(b) Inventories	40298.14	30108.87
(c) Trade Receivables	34007.17	37172.56
(d) Cash and Bank balances	27913.56	14964.17
(e) Short-term Loans and Advances	19862.92	12583.63
(f) Other Current Assets	80.62	336.22
	<b>140832.76</b>	<b>109191.28</b>
<b>Total</b>	<b>184465.72</b>	<b>149024.03</b>

**RATIOS (Consolidated)**

Particulars	Year ended 31st March, 2013	Year ended 31st March, 2012
<b>FINANCIAL PERFORMANCE RATIOS %:</b>		
Operating Profits	19.64	21.19
PAT / Net Sales	12.49	13.34
Interest / Total Income	0.30	0.30
<b>BALANCE SHEET RATIOS (TIMES):</b>		
Debt / Equity Ratio	0.07	0.01
Current Ratio	4.80	4.89
<b>PER SHARE DATA RATIOS (₹):</b>		
Earning per Share	22.35	19.13

**GRAPHS ₹ Lacs**




**DIRECTORS' REPORT**

To,  
The Members,  
**AIA Engineering Limited**  
Ahmedabad

Your Directors take pleasure in submitting the 23<sup>rd</sup> Annual Report and the Audited Annual Accounts of the Company for the year ended 31st March, 2013.

**1. FINANCIAL HIGHLIGHTS:**

Particulars	Year ended 31st March, 2013 ₹ Lacs	Year ended 31st March, 2012 ₹ Lacs
<b>Revenue from operations &amp; Other Income</b>	<b>160536.73</b>	<b>128421.30</b>
Profit before Finance Cost, Depreciation & Amortization and Tax Expenses	27979.07	24759.72
Finance Cost	321.93	213.40
Depreciation & Amortization	3069.32	2547.20
<b>Profit before tax</b>	<b>24587.82</b>	<b>21999.12</b>
(i) Provision for Taxation (Current)	7539.88	6659.00
(ii) Provision for Taxation (Deferred)	137.59	249.36
<b>Total Tax (i+ii)</b>	<b>7677.47</b>	<b>6908.36</b>
<b>Profit after tax</b>	<b>16910.35</b>	<b>15090.75</b>
Surplus Brought Forward from Previous Year	57820.00	47525.51
<b>Balance available for Appropriations</b>	<b>74730.35</b>	<b>62616.26</b>
Transferred to General Reserve	1691.10	1509.10
Proposed Dividend on Equity Shares	3772.81	2829.61
Tax on Dividend on Equity Shares	638.23	457.55
Balance Carried to Balance Sheet	68628.21	57820.00

**2. OPERATIONAL REVIEW:**

During the year under review, the Revenue from Operations of the Company has gone up to ₹ 158603.66 Lacs as compared to ₹ 127256.00 Lacs in the previous Financial Year. Exports Turnover has also gone up to ₹ 103394.25 Lacs as compared to ₹ 75602.15 Lacs in the previous Financial Year.

During the year under review, Company has registered a Profit Before Tax (PBT) of ₹ 24587.82 Lacs and Profit After Tax (PAT) of ₹ 16910.35 Lacs as compared to PBT of ₹ 21999.12 Lacs and PAT of ₹ 15090.75 Lacs respectively in the previous Financial year.

During the year under review, on a Consolidated basis, your Company (together with its Subsidiaries) registered Revenue from Operations of ₹ 175131.07 Lacs as compared to the Turnover of ₹ 141666.64 Lacs in the previous Financial Year. Correspondingly, the Consolidated Profit After Tax (PAT) registered during the year under review is ₹ 21162.33 Lacs as compared to PAT of ₹ 18120.43 Lacs in the previous Financial Year.

**3. DIVIDEND:**

The Board of Directors is pleased to recommend a Dividend of ₹ 4 (200%) per Equity Shares of the face value of ₹ 2 each amounting to ₹ 3772.81 Lacs for the Financial Year 2012-13.

The dividend, if declared by the shareholders at the ensuing Annual General Meeting, will be paid to those shareholders, whose names stand registered in the Register of Members as on 3<sup>rd</sup> August, 2013. In respect of shares held in dematerialized form, it will be paid to the members whose names are furnished by National Securities Depository Limited and Central Depository Services [India] Limited, as beneficial owners.

The total Dividend outgo for the year ended 31<sup>st</sup> March, 2013 would be ₹ 4411.04 Lacs including the Corporate Dividend Tax of ₹ 638.23 Lacs.

**4. ACQUISITION OF REMAINING 30% EQUITY SHARES OF DCPL FOUNDRIES LTD.:**

The Company has acquired the remaining 3,00,000 (30%) Equity Shares of the face value of ₹ 10 at a price of ₹ 10 each of DCPL Foundries Ltd. from Dhandapani Cements Pvt. Ltd. and its Promoters.

With the acquisition of the said Equity Shares, DCPL Foundries Ltd. has become the Wholly-owned Subsidiary of the Company with effect from 5<sup>th</sup> September, 2012.

**5. JOINT VENTURE AGREEMENT WITH POLYEX MINERALS PVT. LTD.:**

The Company has entered into a Share Purchase Agreement on 11<sup>th</sup> April, 2013 for the acquisition of 5,000 Equity Shares of ₹ 10 each (being 50% of the Paid-up Share Capital) of Polyex Minerals Private Limited, Ahmedabad (Polyex) at a price of ₹ 10 per Share, for a total consideration of ₹ 50000. The Joint Venture has come into effect from 11<sup>th</sup> May, 2013.



The said Joint Venture proposes to establish a Silca Sand Refining Project with refining Capacity of 2,00,000 MT of raw sand per annum to produce 100,000 MT of Special graded Sand, subject to clearances of various approvals from Statutory Authorities.

The Joint Venture has significance for the Company as a backward integration project that will allay the Company's concerns with the procurement of Quality Sand on a continuous basis.

#### **6. CAPITAL EXPENDITURE OUTLAY:**

During the year under review, the Company has incurred ₹ 8647.20 Lacs (including ₹ 3174.85 Lacs of Capital work-in-progress) on Capital Expenditure.

#### **7. 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 full cycle from designing solutions for customer specific applications, production of highest quality material, supervision of installation of parts at the customer's end. This requires dedicated staff at all level. Company's HR policy is aligned periodically to energize the employees for giving competitive edge to the customers in the present volatile market.

#### **8. BUSINESS PROSPECTS:**

The Company closed the Fiscal Year 2012-2013 with a growth of 13.38 % in terms of tonnage and 24.76% 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.

While the cement sector worldwide continuous to remain flat, your company has managed to achieve a nominal growth in this segment in Fiscal Year 2012-13 as compared to the previous year. However, in all fairness it must be stated that while this may be read as some early signs of recovery, the same could be confined only to a select few geographies only. Thus, the European markets particularly Western Europe still continue to face very difficult situation while some revival may be seen in North American market and a few other markets.

Bulk of your company's growth is therefore focused on mining segment where the company relies heavily in its endeavour of replacing its products in place of the conventional forged parts or taking away some market share from its existing key competitor based out of Belgium. The addressable market opportunity relating to the replacement demand of consumable ware parts from the key ores can be regarded to be at least 1.5 million tons per annum and as against that not more than 15% has been converted into the high Chrome use – which is the opportunity on which your company is very much focused upon. No doubt this entails a tremendous degree of customization which involves a long process of anywhere between 9 to 15 months or even longer in some cases. However with a sales tonnage of over 75000 tons already attained in the mining space in Fiscal Year 2013 your company is now positioned as a serious long term committed player in this space and with many new mines under development, your company continues to remain bullish about a steady and sustainable Growth over a medium to long term from this particular segment.

For the upcoming Fiscal Year, i.e. 2013-14, 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.

#### **9. FUTURE EXPANSION:**

AIAE's effective capacity at end of Fiscal Year 2012-2013 stood at 200,000 Metric tons. The company is on target in implementing its Capex plans for Fiscal Year 2013-14 and 2014-15 so as to effectively augment the total available capacity from the existing level of 2 lac TPA as on 31.03.2013 to 3 lac TPA by 31.03.2015. Out of this in the current Fiscal Year 2013-14 the company has plans to implement the Moraiya Brown field capacity expansion project and in Fiscal Year 2014-15 the Kerala Greenfield project is expected to come on stream.

#### **10. SUBSIDIARY COMPANIES:**

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-23 on Accounting for Investments in Associates and as provided under the Listing Agreement with the Stock Exchanges, the audited Consolidated Financial Statements are provided in the Annual Report, which show the financial resources, assets, liabilities, income, profits and other details of the Company, its associates companies and its subsidiaries as a single entity.

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. As required under the circular, the Board of Directors at its meeting held on 30<sup>th</sup> May, 2013 passed a resolution giving consent for not attaching these documents with the Balance Sheet of the Company.

The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include financial results of its 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.

**11. INSURANCE:**

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

**12. 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.

**13. 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.

**14. 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.

**15. 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 is included as a part of the Annual Report.

**16. 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.

**17. DIRECTORS:**

Mr. Sanjay S. Majmudar, Director and Mr. Yashwant M. Patel, Whole-time Director, 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. Sanjay S. Majmudar, Director and Mr. Yashwant M. Patel, Whole-time Director as Directors of the Company.

Mr. Bhupendra A Shah, an Independent Director of the Company expired on 23-2-2013. Board of Directors in their meeting held on 30-5-2013 has decided not to fill the casual vacancy created by the sad demise of Mr. Bhupendra A. Shah, Independent Director as the present composition of the Board of Directors of the company is in compliance with Clause 49 of the Listing Agreement.

**18. STATUTORY AUDITORS:**

M/s. Talati & Talati, Chartered Accountants, the Company's Statutory Auditors will hold office until 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.

**19. AUDITORS' REPORT AND NOTES ON ACCOUNTS:**

The Board has duly reviewed the Statutory Auditor's Report on the Accounts. The observations and comments, appearing in the Auditor's Report are self-explanatory and do not call for any further explanation / clarification by the Board of Directors under section 217[3] of the Companies Act, 1956.

**20. COST AUDITORS:**

In compliance with the Ministry of Corporate Affairs' order No. 52/26/CAB-2010 dated 3<sup>rd</sup> May 2011, on the recommendations of the Audit Committee, 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 2012-13.

The Cost Auditor has filed the cost audit reports for the financial year ended 31<sup>st</sup> March, 2012 within the due date.

**21. 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.