



AIA ENGINEERING LIMITED

24th
ANNUAL REPORT
2013-2014



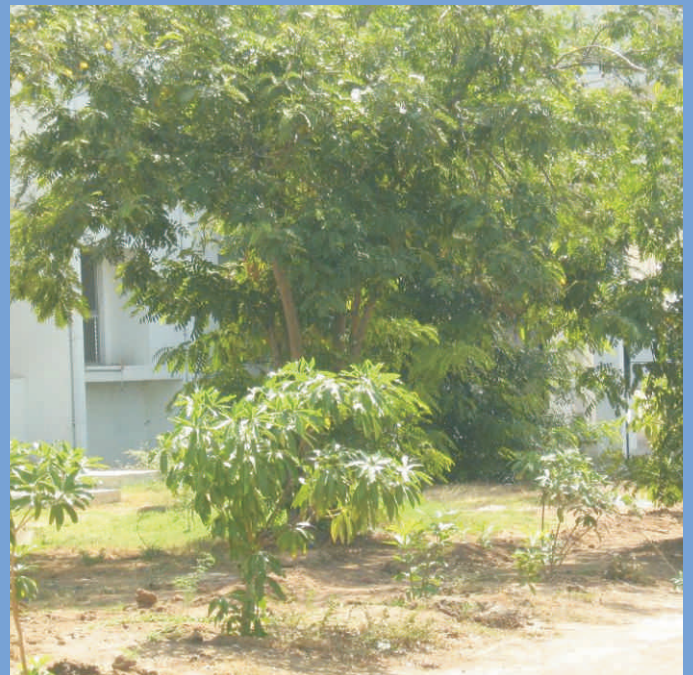
Tree plantation project at the Air Force Base in Chiloda, Gandhinagar.



Tree plantation project at the Air Force Base in Chiloda, Gandhinagar.



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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*
 Mr. Dileep C. Choksi : *Additional Director - w.e.f. 27th January 2014*

EXECUTIVE DIRECTOR (FINANCE)

Mr. Kunal D. Shah

COMPANY SECRETARY

Mr. S. N. Jetheliya

AUDITORS

M/s.Talati & Talati,
 Chartered Accountants,
 Ambica Chambers, Near Old High Court,
 Navrangpura, Ahmedabad-380 009
 Firm Regn. No.: 110758W

REGISTERED OFFICE

115, GVMM Estate,
 Odhav Road, Odhav,
 Ahmedabad - 382 410
 Phone : 079-22901078 Fax: 079-22901077
 e-mail : ric@aiaengineering.com
 Website: www.aiaengineering.com
 CIN : L29259GJ1991PLC015182

CORPORATE OFFICE

11-12, Sigma Corporates,
 Behind HOF, Sindhu Bhavan Road,
 Off. S. G. Highway,
 Bodakdev,
 Ahmedabad - 380 058
 Phone : 079-66047800 Fax : 079-66047848
 e-mail : snj@aiaengineering.com

REGISTRAR & SHARE TRANSFER AGENT

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

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)

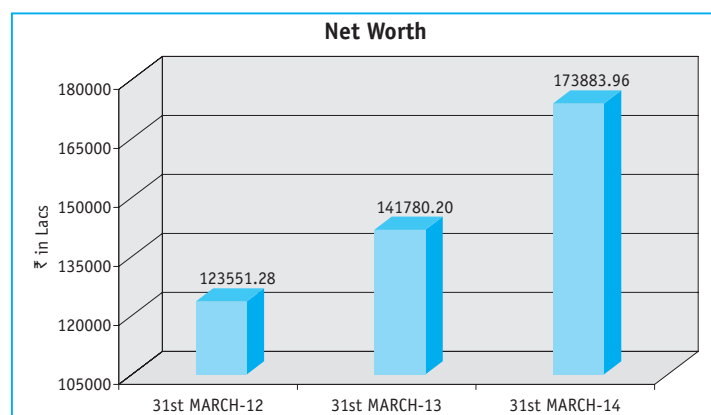
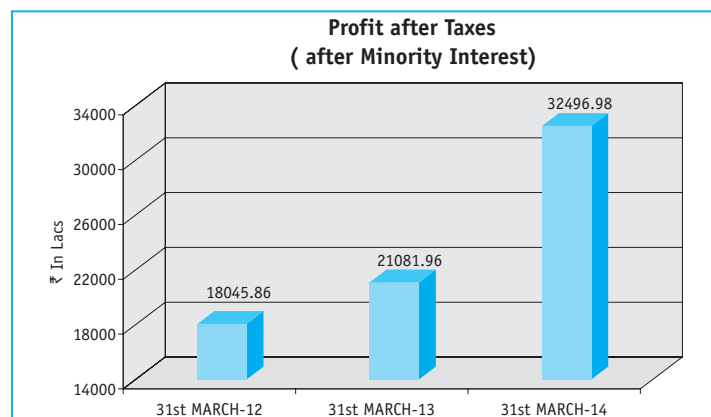
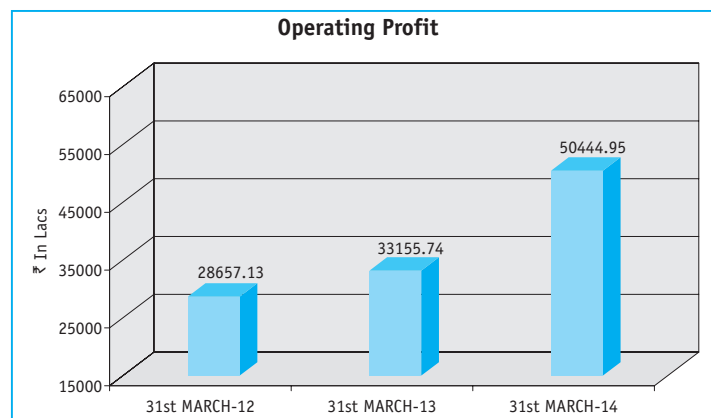
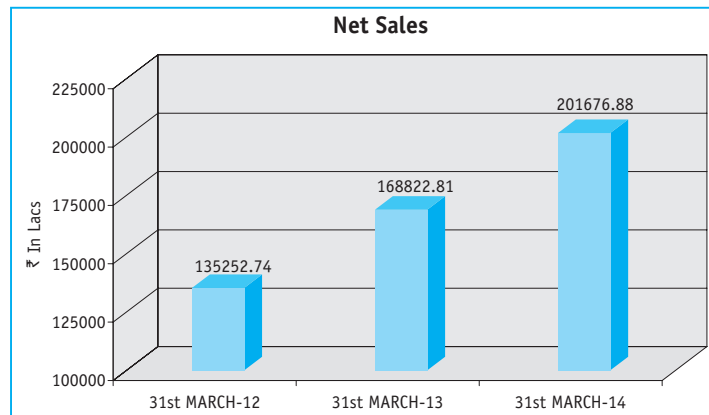
Particulars	Year Ended 31st March, 2014 ₹ Lacs	Year Ended 31st March, 2013 ₹ Lacs
I. Revenue from Operations	216,162.11	183,699.77
Less : Central Excise Duty	8,154.28	8,568.70
Revenue from Operations (Net)	208,007.83	175,131.07
II. Other Income	3,341.49	2,131.94
III. Total Revenue (I +II)	211,349.32	177,263.01
IV. Expenses:		
Cost of Materials Consumed	72,681.49	68,593.16
Changes in Inventories of Finished goods, Work-in-progress and Stock-in-Trade	6,958.68	(3,163.26)
Employee Benefits Expense	8,883.53	8,089.34
Finance Costs	636.45	633.85
Depreciation and Amortisation Expense	3,814.22	3,448.40
Other Expenses	69,269.67	70,588.03
Total Expenses (IV)	162,244.04	148,189.52
V. Profit Before Exceptional Items and Tax (III - IV)	49,105.28	29,073.49
VI. Exceptional Items (Refer Note No.19)	3,111.00	-
VII. Profit Before Tax (V - VI)	45,994.28	29,073.49
VIII. Tax expense:		
(1) Current Tax	13,254.74	7,795.21
(2) Deferred Tax	167.62	115.95
IX. Profit for the period before Minority Interest (VII - VIII)	32,571.92	21,162.33
X. Minority Interest	74.94	80.37
XI. Profit for the period after adjustment of Minority Interest (IX-X)	32,496.98	21,081.96
XII. Earnings per Equity Share: (Face Value of ₹ 2 each)		
Basic and Diluted (₹)	34.45	22.35

BALANCE SHEET (CONSOLIDATED)

Particulars	As at 31st March, 2014 ₹ Lacs	As at 31st March, 2013 ₹ Lacs
I. EQUITY AND LIABILITIES:		
(1) Shareholders' Funds		
(a) Share Capital	1,886.41	1,886.41
(b) Reserves and Surplus	171,997.55	139,893.79
	173,883.96	141,780.20
(2) Minority Interest	781.01	808.41
(3) Non-Current Liabilities		
(a) Long-Term Borrowings	8,671.76	10,632.66
(b) Deferred Tax Liabilities (Net)	1,995.92	1,320.79
(c) Long Term Provisions	646.05	590.11
	11,313.73	12,543.56
(4) Current Liabilities		
(a) Short-Term Borrowings	325.00	5,243.33
(b) Trade Payables	13,289.94	11,263.58
(c) Other Current Liabilities	11,611.27	5,323.05
(d) Short-Term Provisions	12,084.68	7,503.59
	37,310.89	29,333.55
Total	223,289.59	184,465.72
II. ASSETS:		
(1) Non-Current Assets		
(a) Fixed Assets		
(i) Tangible Assets	36,515.47	36,049.67
(ii) Intangible Assets	2,349.53	1,666.92
(iii) Capital Work in Progress	9,976.19	3,157.44
(b) Non-Current Investments	0.60	739.63
(c) Long Term Loans and Advances	2,118.15	1,645.92
(d) Other Non-Current Assets	98.36	373.38
	51,058.30	43,632.96
(2) Current Assets		
(a) Current Investments	52,909.35	18,670.35
(b) Inventories	35,077.41	40,298.14
(c) Trade Receivables	43,148.15	34,007.17
(d) Cash and Bank balances	21,976.36	27,913.56
(e) Short-Term Loans and Advances	19,087.70	19,836.75
(f) Other Current Assets	32.32	106.79
	172,231.29	140,832.76
Total	223,289.59	184,465.72

**RATIOS (Consolidated)**

Particulars	Year ended 31st March, 2014	Year ended 31st March, 2013
FINANCIAL PERFORMANCE RATIOS %		
Operating Profits	26.56	19.64
PAT / Net Sales	16.11	12.49
Interest / Total Income	0.31	0.35
BALANCE SHEET RATIOS (TIMES)		
Debt / Equity Ratio	0.05	0.07
Current Ratio	4.62	4.80
PER SHARE DATA RATIOS (₹)		
Earning Per Share	34.45	22.35

GRAPHS ₹ Lacs


**DIRECTORS' REPORT**

The Members,
AIA Engineering Limited
 Ahmedabad

Your Directors take pleasure in submitting the 24th Annual Report and the Audited Annual Accounts of the Company for the year ended 31st March, 2014.

1. FINANCIAL HIGHLIGHTS:

P a r t i c u l a r s	Year ended 31st March, 2014 ₹ Lacs	Year ended 31st March, 2013 ₹ Lacs
Revenue from Operations & Other Income	181,557.92	160,536.72
Profit before Finance Cost, Depreciation & Amortization and Tax Expenses	45,785.46	27,979.07
Finance Cost	574.07	405.93
Depreciation & Amortization	3,629.48	3,069.32
Profit Before Tax	41,581.91	24,503.82
(i) Provision for Taxation (Current)	12,899.26	7,455.88
(ii) Provision for Taxation (Deferred)	178.72	137.59
Total Tax (i+ii)	13,077.98	7,593.47
Profit After Tax	28,503.93	16,910.35
Surplus Brought Forward from Previous Year	68,628.21	57,820.00
Balance available for appropriations	97,132.14	74,730.35
Transferred to General Reserve	2,851.00	1,691.10
Proposed Dividend on Equity Shares	5,659.22	3,772.81
Tax on Dividend on Equity Shares	957.73	638.23
Balance Carried to Balance Sheet	87,664.19	68,628.21

2. OPERATIONAL REVIEW:

During the year under review, the Revenue from Operations of the Company has gone up to ₹ 178,301.05 Lacs as compared to ₹ 158,603.66 Lacs in the previous Financial Year. Exports Turnover has also gone up to ₹ 122,970.36 Lacs as compared to ₹ 103,394.24 Lacs in the previous Financial Year.

During the year under review, Company has registered a Profit Before Tax (PBT) of ₹ 41,581.91 Lacs and Profit After Tax (PAT) of ₹ 28,503.93 Lacs as compared to PBT of ₹ 24,503.82 Lacs and PAT of ₹ 16,910.35 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 ₹ 208,007.83 Lacs as compared to the Turnover of ₹ 175,131.07 Lacs in the previous Financial Year. Correspondingly, the Consolidated Profit After Tax (PAT) [After Minority Interest] registered during the year under review is ₹ 32,496.98 Lacs as compared to PAT [After Minority Interest] of ₹ 21,081.96 Lacs in the previous Financial Year.

Your Directors are happy to inform the members that the consolidated Revenue from Operations has crossed the coveted ₹ 2,000 crore mark in the year under review, which is a significant milestone in the history of your Company's growth. The profitability for the year under review has also improved significantly.

3. DIVIDEND:

The Board of Directors are pleased to recommend a Dividend of ₹ 6 (300%) per Equity Share of the face value of ₹ 2 each amounting to ₹ 5,659.22 Lacs for the Financial Year 2013-14.

The dividend, if declared by the Members at the ensuing Annual General Meeting, will be paid to those Members, whose names stand registered in the Register of Members as on 31st August, 2014. In respect of Shares held in dematerialized form, it will be paid to the Members whose names are furnished by National Securities Depository Limited (NSDL) and Central Depository Services [India] Limited (CDSL), as beneficial owners.

The total Dividend outgo for the year ended 31st March, 2014 would be ₹ 6,616.95 Lacs including the Corporate Dividend Tax of ₹ 957.73 Lacs.

4. CREDIT RATING:

CRISIL has upgraded the rating from "[CRISIL AA/Positive]" to CRISIL AA+/Stable for your Company's working capital lines of ₹ 1,000 million from bank indicating a higher stability for timely payment of financial obligations. The Short-term rating of ₹ 500 million has been reaffirmed by CRISIL at "[CRISIL A1+]" indicating the ability of timely servicing of financial obligations.

5. INCREASE IN THE SHAREHOLDING IN WELCAST STEELS LTD., A SUBSIDIARY OF THE COMPANY:

Your Directors are pleased to inform that the Company has increased its shareholding in Welcast Steels Ltd., Bangalore, a Subsidiary of the Company from 72.59% to 74.85% during the year under review.

6. AMALGAMATION OF DCPL FOUNDRIES LIMITED WITH THE COMPANY:

Your Directors are pleased to inform that the Scheme of Amalgamation of DCPL Foundries Ltd. with the Company has been sanctioned by the Hon'ble High Court of Gujarat, Ahmedabad vide its order dated 4th April, 2014 (received by the Company on 2nd May, 2014).

The Scheme has become effective from 3rd May, 2014 and has been implemented with effect from the Appointed Date i.e. 1st April, 2013. The Company has given the accounting effects of the Scheme of Amalgamation of the above Company in its Annual Results for the year ended 31st March, 2014 and 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 ₹ 10,956.23 Lacs (including ₹ 6,831.48 Lacs of Capital work-in-progress) on Capital Expenditure.

8. HUMAN RESOURCE POLICY:

The Company has till date witnessed very low attrition level. 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.

9. BUSINESS PROSPECTS:

The Company closed the Fiscal Year 2013-2014 with a growth of 13.09% 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.

Bulk of your Company's growth is 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 20% 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 anywhere between 9 to 15 months or even longer in some cases.

For the upcoming Fiscal Year, i.e. 2014-15, 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.

10. FUTURE EXPANSION:

Company's effective capacity at end of Fiscal Year 2013-2014 stood at 260,000 Metric tons, the Company having successfully completed the Brownfield expansion project at its Moraiya plant. The Company is on target in implementing its Capex plans for FY 2014-15 and 2015-16 so as to effectively augment the total available capacity from the exiting level of 2.60 Lac TPA as on 31.03.2014 to 4.40 Lac TPA by 31.03.2016. The major expansion in the capacity will be at a new Greenfield site at GIDC Kerala, which is close to the existing Moraiya plant which is expected to be commissioned in phases; partly in FY 2014-15 and partly in FY 2015-16.

11. SUBSIDIARY COMPANIES:

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements 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 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 27th January, 2014 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.

12. INSURANCE:

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

13. 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.

14. 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.

15. 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, M/s. Kunte & Associates, Chartered Accountants, Ahmedabad resigned as Internal Auditors of the Company on 31st August, 2013.

The Board of Directors at the recommendation of the Audit Committee appointed M/s. Shah & Shah Associates, Chartered Accountants, Ahmedabad as Internal Auditors of the Company for the period from 1st September, 2013 to 31st March, 2014.

16. 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.

17. 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.

18. DIRECTORS:

Dr. S. Srikumar, a Director, of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offered himself for re-appointment.

The Board recommends for the approval of the Members, the re-appointment of Dr. S. Srikumar, as Director of the Company, at the ensuing Annual General Meeting of the members of the Company.

The Board of Directors of the Company in their meeting held on 27th January, 2014 appointed Mr. Dileep C. Choksi as an Additional Director (Independent) of the Company who holds office of Director up to the date of the forthcoming Annual General Meeting. Notice has been received from a member proposing his name for appointment as a Director.

The Board recommends for the approval of the members, the re-appointment of Mr. Dileep C. Choksi, as an Additional Director (Independent) of the Company, at the ensuing Annual General Meeting of the members of the Company.

The Board also recommends the appointment of Mr. Vinod Narain, Mr. Sanjay S. Majmudar and Mr. Rajendra S. Shah as Independent Directors for the 2nd term of five years from 11th September, 2014 to 10th September, 2019 for approval of the Members at the ensuing Annual General Meeting.

19. STATUTORY AUDITORS:

M/s. Talati & Talati, Chartered Accountants, Ahmedabad 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 Audit Committee and the Board of Directors recommend their re-appointment as Statutory Auditors of your Company.