

21ST ANNUAL REPORT
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AIA ENGINEERING LTD.



NOTE FROM THE MANAGING DIRECTOR'S DESK



Dear Shareholders,

It gives me immense pleasure and a deep sense of gratification in addressing you specifically because of the fact that the Fiscal Year 2010-11 marks a major Milestone achieved by your Company. Your Company has started regular commercial supplies of the High Chrome consumable wear parts to the leading mines of the world. 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. Your Company is already an established supplier of High Chrome wear parts to the cement industry globally.

Your Company closed the Fiscal Year 2010-11 with a growth of 25.48% in terms of tonnage and 19.72% in terms of revenue as compared to the previous year.

As we all know, in Fiscal Year 2010-11, the markets of North America and Western Europe continued to remain sluggish and flat notwithstanding some faint signs of recovery coming from these markets. However, Fiscal Year 2010-11 saw a revival in the fortunes of mining industry and this augured very well for your Company. The Company has developed certain unique solutions for iron ore, copper, gold and platinum mines and your Company has now become a regular supplier for such consumable wear parts to these leading mining groups. To my mind, that this is only the tip of the iceberg as the global mining opportunity is indeed huge – in excess of over 2 million tons per annum. Based on the ongoing development in several new mines, your Company is confident of a healthy and sustained growth in the mining segment.

Another key feature is your Company's successful penetration in the Chinese cement market. As you are aware, China is one of the major producers of cement in the world and therefore a very important market for your Company. I am very happy to inform that your Company has started supplies of specialized vertical mill parts in China and the response is very encouraging. I am of a considered view that going forward China will become another major market for your Company.

At AIAE constant research, development and innovation is an area of prime focus and this has helped us not only in finding new and innovative solutions for the customers but also continuously improving the existing products and solutions which has taken your Company to new height in terms of product quality, superiority and performance. Your Company is steadily moving towards achieving its vision of becoming a global leader in this niche business of High Chrome Mill Internals.

Last fiscal your Company has consciously and voluntarily adopted a charter for sustainable development as a part of its Corporate Social Responsibility. I am happy to inform that your Company has already started implementing the avowed objectives of promoting a cleaner and greener environment in line with the said charter and going forward the Company will continue to strive to improve its endeavour in this direction.

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*
 Dr. S. R. Ganesh : *Independent*
 Mr. Bhupendra A. Shah : *Independent*
 Mr. Sanjay S. Majmudar : *Independent*
 Dr. S. Sri Kumar : *Non Independent - Non-Executive Director*
 Mr. Yashwant M. Patel : *Additional Director - Independent*

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

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NUMBERS SPEAK
Profit & Loss Account (Consolidated)

(₹ Millions)

Particulars	Year ended 31st March,2011	Year ended 31st March,2010
INCOME :-		
Gross Sales	11940.97	9868.01
Less:- Central Excise Duty	571.55	371.00
Net Sales	11369.42	9497.01
Other Income	489.77	322.42
Increase / (Decrease) in Stock	704.53	(76.46)
TOTAL	12563.72	9742.97
EXPENDITURE :-		
Trading Purchases	638.64	399.73
Raw material & Stores Consumption	5943.69	3989.13
Manufacturing Expenses	1800.96	1227.66
Employees emoluments	509.89	433.34
Administrative and Other Expenses	294.16	579.57
Selling & Distribution Expenses	638.76	502.41
Interest Expenses	18.58	13.99
Depreciation	253.97	227.09
TOTAL	10098.65	7372.92
PROFIT BEFORE TAXES	2465.07	2370.05
PROVISION FOR TAXES :		
a) Current Tax	604.51	630.88
b) Deferred Tax	24.80	26.80
c) Income Tax adjustment of earlier years	(0.06)	1.38
TOTAL TAX (a+b+c)	629.25	659.06
PROFIT AFTER TAXES	1835.82	1710.99
LESS : MINORITY INTEREST	1.93	3.62
PROFIT AFTER MINORITY INTEREST	1833.89	1707.37

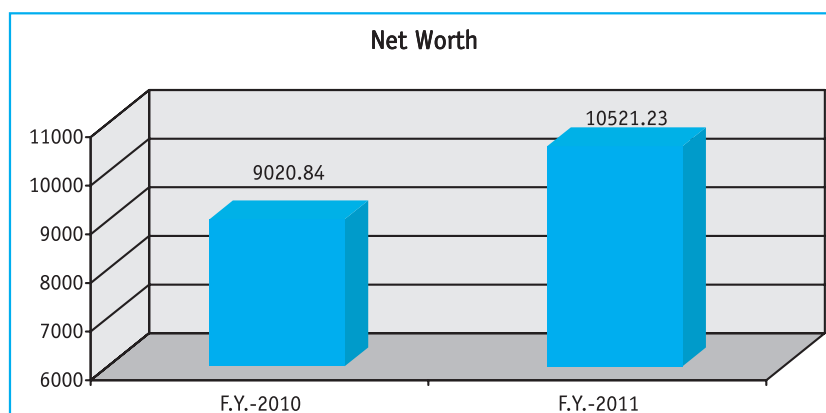
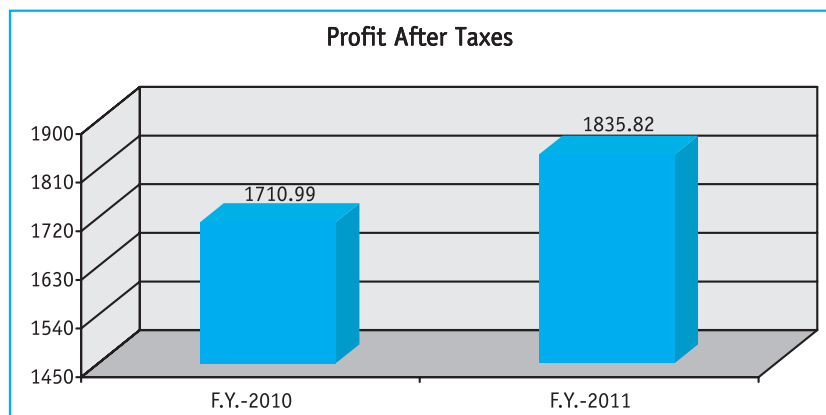
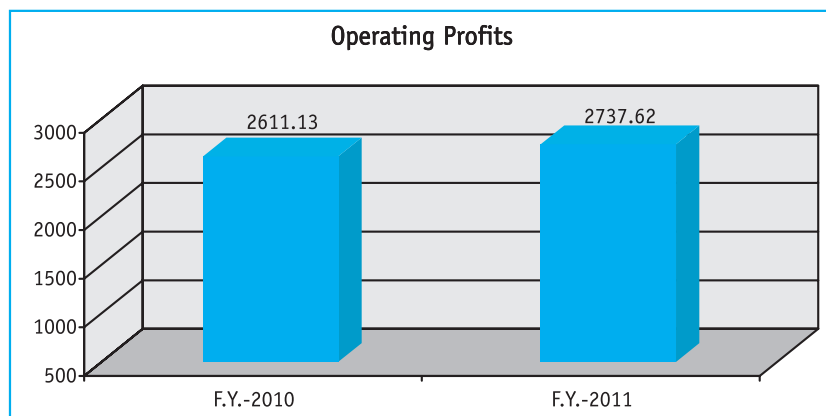
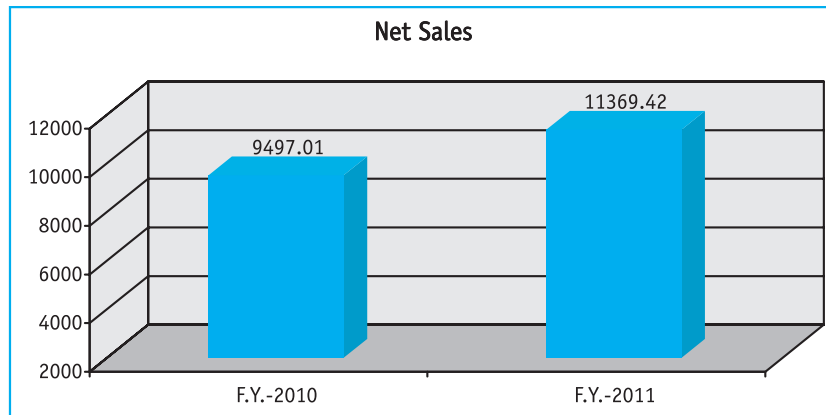
Balance Sheet (Consolidated)

(₹ Millions)

Particulars	As at 31st March, 2011	As at 31st March, 2010
SOURCES OF FUNDS		
SHAREHOLDER'S FUNDS :		
a) Share Capital	188.64	188.64
b) Reserve & Surplus	10332.59	8832.20
	<u>10521.23</u>	<u>9020.84</u>
MINORITY INTEREST	64.67	60.20
LOAN FUNDS :		
a) Secured Loans	169.08	65.67
b) Unsecured Loans	42.44	16.35
	<u>211.52</u>	<u>82.02</u>
DEFERRED TAX LIABILITIES (NET)	152.37	116.86
TOTAL	10949.79	9279.92
APPLICATION OF FUNDS		
FIXED ASSETS :		
a) Gross Block	4102.12	3349.17
b) Less : Depreciation	1278.84	1033.74
Net Block	<u>2823.28</u>	<u>2315.43</u>
c) Capital Work in Progress	151.64	112.00
	<u>2974.92</u>	<u>2427.43</u>
INVESTMENTS	1501.34	1414.61
CURRENT ASSETS, LOANS AND ADVANCES :		
a) Interest Accrued on Investments	0.77	9.63
b) Inventories	2367.47	1531.85
c) Sundry Debtors	3583.00	2132.79
d) Cash and Bank Balances	1530.59	2093.05
e) Loans and Advances	3968.75	3349.45
	<u>11450.58</u>	<u>9116.77</u>
Less : CURRENT LIABILITIES AND PROVISIONS :		
a) Current Liabilities	1526.84	925.98
b) Provisions	3450.21	2752.91
	<u>4977.05</u>	<u>3678.89</u>
NET CURRENT ASSETS	6473.53	5437.88
TOTAL	10949.79	9279.92

**RATIOS (Consolidated)**

Particulars	Year ended 31st March, 2011	Year ended 31st March, 2010
Financial Performance Ratio %		
Operating Profits	24.08	27.49
PAT / Net Sales	16.15	18.02
Interest / Total Income	0.15	0.14
BALANCE SHEET RATIOS (TIMES)		
Debt / Equity Ratio	0.02	0.01
Current Ratio	2.30	2.48
PER SHARE DATA		
Earning Per Share (₹)	19.44	18.10

GRAPHS (₹ MILLIONS)




DIRECTORS' REPORT

To,
The Members,
AIA Engineering Limited,
Ahmedabad

Your Directors take pleasure in submitting the 21st Annual Report and the Audited Annual Accounts of the Company for the year ended 31st March, 2011.

1. FINANCIAL HIGHLIGHTS:

Particulars	Year ended 31st March, 2011 ₹ Millions	Year ended 31st March, 2010 ₹ Millions
Sales & Other Income	10018.02	8319.51
Profit before Interest, Depreciation and Taxation	2106.81	2058.69
Interest	0.24	7.62
Depreciation	213.81	188.06
Profit before tax	1892.76	1863.01
(i) Provision for Taxation (Current)	571.10	610.00
(ii) Short / Excess provision of Taxation	-0.06	1.82
(iii) Provision for Taxation (Deferred)	24.22	25.57
Total Tax (i+ii+iii)	595.26	637.39
Profit after tax	1297.50	1225.62
Surplus Brought Forward from Previous Year	3913.52	3085.57
Balance available for appropriations	5211.02	4311.19
Interim Dividend on Equity Shares	0.00	75.46
Proposed Dividend on Equity Shares	282.96	160.35
Tax on Dividend on Equity Shares	45.76	39.30
Transferred to General Reserve	129.75	122.56
Balance Carried to Balance Sheet	4752.55	3913.52

2. OPERATIONAL REVIEW:

During the year under review, the Turnover of the Company has gone up to ₹ 9610.80 Millions as compared to ₹ 8041.95 Millions in the previous Financial Year. Exports Turnover has also gone up to ₹ 5671.72 Millions as compared to ₹ 4102.61 Millions in the previous Financial Year.

During the year under review, the Company has registered a Profit Before Tax (PBT) of ₹ 1892.76 Millions and Profit After Tax (PAT) of ₹ 1297.50 Millions as compared to PBT of ₹ 1863.01 Millions and PAT of ₹ 1225.62 Millions respectively in the previous Financial year.

During the year under review, on a consolidated basis, your Company (together with its Subsidiaries) registered a Turnover of ₹ 11369.42 Millions as compared to the Turnover of ₹ 9497.01 Millions in the previous Financial Year. Correspondingly, the Consolidated Profit after Tax (PAT) registered during the year under review is ₹ 1835.82 Millions as compared to PAT of ₹ 1710.99 Millions in the previous Financial year.

3. DIVIDEND:

The Board of Directors is pleased to recommend a Dividend of ₹ 3.00 (150%) per Equity Shares of the face value of ₹ 2 each amounting to ₹ 282.96 Millions for the Financial year 2010-11 subject to the approval of the shareholders.

The total Dividend outgo for the year ended 31st March, 2011 would be ₹ 328.72 Millions including the Corporate Dividend Tax of ₹ 45.76 Millions.

6. INCORPORATION OF A STEP-DOWN SUBSIDIARY IN CHINA:

During the year under review, a step-down Subsidiary Company in the name of Wuxi Weigejia Trade Co. Limited, China has been incorporated which is a Wholly-owned Subsidiary of Vega Industries (Middle East) FZE, UAE.

7. ACQUISITION OF SHARES OF DCPL FOUNDRIES PRIVATE LTD.:

During the year under review, the Company has acquired 70% of the Equity Shares of ₹ 10 each of DCPL Foundries Private Ltd., Trichy (DFPL) at a price of ₹ 10 per share. With the acquisition of 70% of the Equity Shares of DFPL, it has become a Subsidiary of the Company with effect from 13th December, 2010.

8. CAPITAL EXPENDITURE OUTLAY:

During the year under review, the Company has incurred ₹ 715.83 Millions (including ₹ 134.76 Millions of Capital work-in-progress) on Capital Expenditure.

9. HUMAN RESOURCE POLICY:

The Company's business is highly specialized and involves the 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 parts at the customer's end. It requires dedicated staff at all levels. The Company enjoys very low attrition levels and endeavors to ensure retention of staff by putting in place best in class human resource practices. In addition to opportunities for growth, the Company also ensures that there is sufficient learning imparted to the employees through regular cross-functional interactions and expert training seminars.

10. BUSINESS PROSPECTS:

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.

The Company closed the fiscal year 2010-11 with a growth of 25.48% in terms of tonnage and 19.72% in terms of revenue as compared to the previous year. This was attained largely on account of the successful penetration in the mining space. The Company today services different mineral ores like iron, copper, gold, platinum and zinc for blue chip mining customers in countries like USA, Canada, Brazil, South Africa, Australia, etc.

In addition to in-roads in the global mining space, the Company continued to build on its market share in the global Cement market and the Utility market in India.

For the upcoming fiscal year, i.e. 2011-12, 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 including China, where the Company has started to make firm progress.

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.

11. FUTURE EXPANSION:

AIAE has implemented brown field expansions at various locations in Fiscal Year 2010-11 and the capacity has effectively increased to 200,000 tons per annum. The Company has also charted out further expansion plans through a combination of greenfield and brown field projects whereby the Company would be in a position to increase the overall capacity by additional 100,000 tons per annum so as to be effectively available in Fiscal Year 2013-14.

12. 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.

Central Government, Ministry of Corporate Affairs vide its General Circular No. 2/2011 and its Order No. 5/12/2007-CL-III dated 8th February 2011 has granted a General Exemption to the Companies from attaching the audited accounts of the subsidiaries to this Annual Report subject to the compliance of terms and conditions as mentioned in the said Circular.

The Company has Subsidiaries in India and abroad. A statement containing brief financial details of these companies for the year ended 31st March, 2011 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. 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.

13. INSURANCE:

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

14. DEPOSITS:

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

**15. 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. Company has always tuned its policy and process to help staff and workers to have a healthy working environment and keep high morale in the organization. Company has regular interactions with the business and industrial fraternity through organisations like the Confederation of Indian Industries (CII), the Gujarat Chamber of Commerce and Industries (GCCCI) and Ahmedabad Management Association (AMA).

16. INTERNAL CONTROL AND AUDIT:

Company has a proper and adequate system of Internal Control commensurate with its size and the nature of its operation 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 a firm of Chartered Accountants.

17. 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.

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

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

19. DIRECTORS:

Mr. Yashwant M. Patel was appointed as an Additional Director by the Board of Directors of the Company in their meeting held on 12th November, 2010. Mr. Yashwant M. Patel will be Additional Director upto the ensuing Annual General Meeting.

The Board of Directors of the Company in their meeting held on 30th May, 2011 appointed Mr. Yashwant M. Patel as a Whole-time Director of the Company for a period of three years with effect from 01.04.2011.

Mr. Bhupendra A. Shah and Mr. Vinod Narain, Directors of the Company retire by rotations at the ensuing Annual General Meeting and being eligible, offered themselves for re-appointment.

The Board recommends the re-appointments of Mr. Bhupendra A. Shah and Mr. Vinod Narain as Directors of the Company.

20. 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.

21. 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 have 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.

22. PARTICULARS OF EMPLOYEES:

The particulars of employees, as required under Section 217 (2A) of the Companies Act, 1956 are given as an Annexure-A to this report.

23. 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 are given as an Annexure-B to this report.

24. 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;
- (ii) sound accounting policies have been selected and applied consistently and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year ended 31st March, 2011 and the Profit and Loss Account for the year ended on that date;