

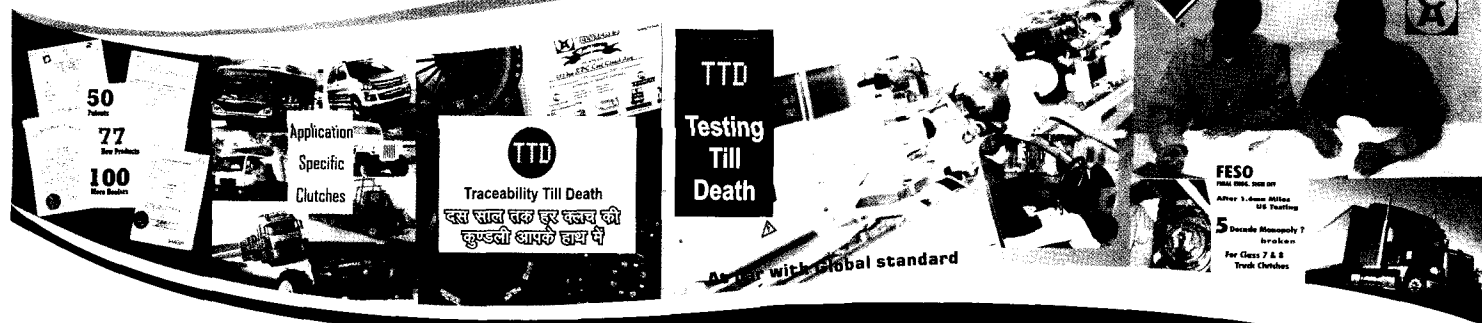


# 39th Annual Report

## 2009-2010

Tried n Tested in

# INDIA

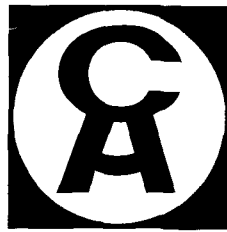


Made for the

# WORLD

# CLUTCH AUTO





# Premium Range CLUTCHES

**HI-LIFE**<sup>TM</sup>  
CLUTCHES

**HiWay**<sup>TM</sup>  
CLUTCH

**HD**<sup>TM</sup>

**Mining**<sup>TM</sup>  
Special

**tipper**<sup>TM</sup>  
special

**CITY**<sup>TM</sup>  
BUS CLUTCHES

**HiWay**<sup>TM</sup>  
KIT

**HEAVY DUTY**<sup>TM</sup>  
COIL CLUTCH

**TippEr**<sup>TM</sup>  
xtra

**UNIVERSAL**<sup>TM</sup>  
Clutch

**SUPER**<sup>TM</sup>

**MineKing**<sup>TM</sup>  
CLUTCH SET

**3X**<sup>®</sup>

**tipper**<sup>TM</sup>  
**SUPER**

**DOUBLE DISC**<sup>®</sup>

**XTRA**<sup>TM</sup>  
LIFE  
CLUTCHES

**TurboTOP**<sup>TM</sup>

**turboKing**<sup>TM</sup>

**SUMO**<sup>TM</sup>  
Special

**TAXI**<sup>TM</sup>  
CLUTCH

**CITY**<sup>TM</sup>  
CAR CLUTCHES

**TWIN**<sup>TM</sup>  
**CUBS**

**3in1**<sup>TM</sup>

**CANTER**  
**275 PREMIUM**

**SCORPIO**<sup>TM</sup>  
GENERAL

**SAFARI**<sup>TM</sup>  
Special

**LOADER**<sup>TM</sup>  
**KING**  
CLUTCH

**CatcherDisc**<sup>®</sup>

**8**<sup>TM</sup>  
c

8 improvement Clutch

**iPTO**<sup>TM</sup>  
Clutch

**Dual**<sup>TM</sup>  
**DOUBLE**

**DOUBLE**<sup>TM</sup>  
**Cushioned**  
Clutch

**Splitorque**<sup>TM</sup>  
Clutch

**Progressive**<sup>TM</sup>  
Clutch Discs

**Noise**<sup>TM</sup>  
Free  
Clutches

**Zircona**<sup>TM</sup>

**Road Raider**<sup>TM</sup>

**COOKIE**<sup>®</sup>  
Clutch

**TTD**<sup>®</sup>

Traceability Till Death

**TTD**<sup>®</sup>

Testing Till Death

**WAVY**<sup>®</sup>  
FULCRUM  
RING

**Krom-Silikon**<sup>®</sup>  
Springs

*Co-axial*<sup>TM</sup>

**THIK-THIN**<sup>®</sup>

**HI-KOPPER**<sup>TM</sup>

**Krom-vanadium**<sup>TM</sup>

**7+1**<sup>TM</sup>  
SOFT RATE

**HI-SINK**<sup>®</sup>

**Insulator**<sup>®</sup>

**VibroKits**

**COOL CLUTCH**<sup>®</sup>

**BOARD OF DIRECTORS:**

Sh. Vijay Krishan Mehta  
 Sh. Kewal Krishan Taneja  
 Sh. Chandra Shekhar Aggarwal  
 Sh. Anuj Mehta  
 Smt. Pooja Kapur  
 Sh. Avinash P Gandhi  
 Sh. Satish Sekhri

Chairman & Managing Director  
 Director  
 Director  
 Executive Director  
 Director  
 Director  
 Additional Director (w.e.f.01.04.2010)

**COMPANY SECRETARY:**

Sh. Sanjay Grover

Company Secretary

**AUDITORS:**

M/s. B. Aggarwal & Co.,  
 Chartered Accountants,  
 8/19, GF, Smile Chambers, W.E.A.  
 Karol Bagh,  
 New Delhi – 110 005

**BANKERS:**

State Bank of Travancore  
 State Bank of Indore  
 Central Bank of India  
 DBS Bank Ltd.  
 Canara Bank  
 Export Import Bank of India

**REGISTERED OFFICE:**

2E/14, (1st Floor)  
 Jhandewalan Extn.,  
 New Delhi – 110 055  
 Telefax: (011) 23683548

**WORKS & ADMN. OFFICE:**

Plot No.1A, Sector 27D,  
 12/4, Mathura Road,  
 Faridabad – 121 003.  
 Tel: (91-129) 2565000  
 Fax: (91-129) 2276039  
 E-mail: [cal@nda.vsnl.net.in](mailto:cal@nda.vsnl.net.in)

**CONTENTS**

Page No.

Directors' Report	2
Management Discussion & Analysis Report	4
Corporate Governance Report	8
Auditors' Report	17
Balance Sheet	20
Profit & Loss Account	21
Schedules	22
Significant Accounting Policies	28
Cash Flow Statement	35
Balance Sheet Abstract and Company's Business Profile	36

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 39th Annual Report of the Company, together with the Audited Accounts for the year ended 31st March 2010.

### FINANCIAL RESULTS

	(Rs. in Lakhs)	
	<u>2009-10</u>	<u>2008-09</u>
1. <b>Income from Operations</b>	<b>24781.65</b>	21992.17
2. Excise Duty	<u>1783.59</u>	<u>2247.29</u>
3. <b>Net Sales (1-2)</b>	<b>22998.06</b>	<b>19744.88</b>
4. Other Income (including increase/ Decrease in value in goods in process)	575.54	87.88
5. <b>Total Revenue (3+4)</b>	<b>23573.60</b>	<b>19832.77</b>
6. Raw Materials and Components	13546.65	11200.99
7. Employees Costs	2210.99	2128.37
8. Other Expenses	<u>4147.45</u>	<u>3811.83</u>
9. <b>Total Expenses (excl. Dep. &amp; Interest)</b>	<b>19905.09</b>	<b>17141.19</b>
10. <b>PBDIT (5-9)</b>	<b>3668.51</b>	<b>2691.58</b>
11. Depreciation and Amortization	<u>1404.22</u>	<u>782.92</u>
12. <b>PBIT (10-11)</b>	<b>2264.29</b>	<b>1908.66</b>
13. Interest	<u>1351.92</u>	<u>1346.04</u>
14. <b>PBT (12-13)</b>	<b>912.37</b>	<b>562.62</b>
15. Current Tax	161.65	162.67
16. Deferred Tax	<u>(89.00)</u>	<u>(46.00)</u>
17. <b>PAT (14-15-16)</b>	<b>839.72</b>	<b>445.95</b>
18. Balance Brought Forward from last year	5939.30	5493.35
19. <b>Surplus carried forward to the Balance Sheet</b>	<b>6779.02</b>	<b>5939.30</b>
20. <b>Earning per Share (EPS in Rupees) - Basic</b>	<b>5.03</b>	<b>2.73</b>
- Diluted	-	-

### Business Performance and Operations

It gives a sense of accomplishment to report that your Company has achieved an overall growth of 17% whereas the Gross Profit before Interest & Depreciation has increased by 36% and PAT by almost 88%.

In order to avoid duplication and overlap between the Directors' Report and the Management Discussion & Analysis, your directors request you to refer to the Management Discussion & Analysis Section of this Annual Report, which cover the Company's performance, Industry trends and other material change with respect to the Company as well as suitable note on Research & development activities.

### Expansion

The Company has been undergoing an expansion cum

modernization project for quite sometime. The present facility at Faridabad on a 6.55 acre (26,500 Sqm) land area would leave no scope for expansion after implementation of the ongoing expansion & modernization project. Company's project under NMITLI (New Millennium Indian Technology Leadership Initiative) scheme under the aegis of CSIR in association with prestigious partnering Institutions is also under advance stages of crystallization. The outcome of NMITLI project will altogether create a new product segment for the Company and its successful commercialization would require additional space to set up separate manufacturing/ assembly line for this new generation range of Clutches.

The Company has already purchased plot admeasuring  $\approx$  50,340 Sq. Mtr., at Kahrani (Bhiwadi Extn.) Distt. Alwar, Rajasthan, for setting up an additional facility which will enable the Company to accommodate its present line of business with double capacity and also to manufacture new range products under NMITLI project.

### Dividend

Considering the expansion projects and future growth plans, the Directors have decided to plough back the profits of the Company for financial year 2009-10. Accordingly the Board does not recommend any dividend payment for the year ended 31st March 2010. The Directors believes that this decision will contribute to the future growth of the Company and enhancement of shareholders wealth in the long run.

### Share Capital

During the year, the Company has allotted 24,45,000 Equity Share Warrants of Rs.10/- each at premium of Rs.40/- each to promoter under preferential allotment to finance its Bhiwadi Project stated as above, out of which 3,68,000 share warrants have been converted into equity shares of Rs.10/- each. Paid up Capital of the Company has increased to 1,66,81,880 shares of Rs.10/- each.

### Fixed Deposits

The Company has not accepted any public Deposits within the meaning of Section 58A of the Companies Act, 1956, as such no amount of Principal as interest on fixed deposits was outstanding on the date of Balance Sheet.

### Directors

- i) Additional Director : Sh. Satish Sekhri was co-opted on the Board by your Directors w.e.f. 1.4.2010). Sh. Satish Sekhri is a B.E.(Mech) from Delhi College of Engineering and MBA (Gold Medalist) from Chandigarh University. He has retired as Managing Director of Bausch Chassis Systems Ltd.

Yours Directors commends the said appointment of Sh. Satish Sekhri as a Non Executive Independent Director, for consideration and approval of Shareholders at the ensuing Annual General Meeting of the Company. His brief Resume is given in Corporate Governance Report.

Sh. Satish Sekhri does not hold any shares in the Company.

## ii) Disclosures regarding re-appointment of Directors liable to retire by rotation

In terms of Section 256 of the Companies Act, 1956, Ms. Pooja Kapur and Sh. Avinash P Gandhi Directors are liable to retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Their brief profile is given in the Section of the Corporate Governance Report.

Your Directors recommend their re-appointments for a further term from the conclusion of the ensuing Annual General Meeting in the larger business interests of your Company.

## Management Discussion & Analysis Report

The Board presents Management Discussion and Analysis Report as **Annexure – A** to this Report.

## Corporate Governance Report

Your Company has adopted the best possible corporate governance norms and it has been our endeavour to comply and upgrade the same to the changing norms as per Clause 49 of the Listing Agreement and maintaining highest level of transparency, ethics, accountability and fairness in all of its operations. The Company believes in attaining the best business interests to enhance overall shareholders' value by adopting sound business practices.

A separate section on Corporate Governance and a Certificate from the Practicing Company Secretary regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement(s) with the Stock Exchange(s) form part of the Annual Report.

In terms of sub clause (v) of the Clause 49 of the Listing Agreement, a certificate of the CEO/CFO inter alia, confirming the correctness of the financial statements, adequacy of the internal control measures and reporting of matters to the Audit Committee in terms of the said Clause, is also enclosed as a part of the Report.

## Auditors

M/s. B. Aggarwal & Co., Chartered Accountants, New Delhi, the Statutory Auditors of the Company, retire at the close of this Annual General Meeting and being eligible, offer themselves for re-appointment.

Your Directors recommend their re-appointment, subject to approval of the shareholders of the company, for a further term at such remuneration as may mutually be agreed between the Board and the Auditors.

## Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2010, the applicable accounting standards have been followed along with appropriate explanation relating to material departures;

- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates 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 and of the profit or loss of the Company for the year under review;

- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;

- (iv) that the Directors have prepared the accounts for the financial year ended 31st March, 2010 on a "going concern" basis.

## Employees

The Company has maintained cordial relationship with its Employees throughout the year. The workforce of the Company is most committed with their duties. I would like to express appreciation of the good work done and co-operation extended by employees at all levels in accomplishing Company's tasks and goals.

The information required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Report is placed as **Annexure – B** to this report.

## Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo

A Statement containing the necessary information as required under the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 as part of the Directors' Report for the year ended 31st March, 2010 is furnished in **Annexure – C** to this report.

## Acknowledgement

Your Directors wish to place on record their thanks for the assistance, guidance and cooperation extended to the Company from time to time by our Customers, Financial Institutions, Banks, Central & State Governments and our dear Members (Shareholders) during the year under report. They also wish to place on record their deep appreciation of the loyal, diligent and devoted services provided by the employees at all levels of the Company.

**For and on behalf of the Board of Directors**

New Delhi,  
11th August, 2010

**Vijay Krishan Mehta**  
**Chairman & Managing Director**

## MANAGEMENT DISCUSSION & ANALYSIS

### I. Industry Structure & Opportunities

#### Economy

During the last financial year Indian Economy has registered a tremendous growth. A huge increase in demand of commodities both necessities & luxury by Indian middle class people is evidencing the growth of Indian Economy. In the last fiscal the purchasing power of the middle class people has increased to a great extent. RBI has also endorsed the growth of Indian Economy by increasing growth projection from 8% to 8.5% for the financial year 2011. IIP has recorded a year on year growth of 14%. Indian economic growth recovered strongly and relatively faster from the effects of the global financial crisis. The Government responded quickly to the crisis with a large stimulus package including reduction in the indirect taxes and other fiscal and monetary measures to boost demand. As a result, industrial growth made rapid strides, registering a double digit increase in the second half of Financial Year 2010, as compared to nearly zero growth in the comparable period of Financial Year 2009. However given the poor monsoon and rise in global commodity prices, inflation has risen sharply since November 2009. Containing inflation is likely to remain a key challenge for the Government and policymakers in the near term.

#### Indian Automotive Sector

The global Automobile Industry was one of the worst affected by the financial crises. Global Automobile Production declined by about 13% in financial year 2009. Recognizing the importance of the Automobile Industry to their economic and employment growth, many countries in developed and emerging markets responded with measures to boost demand for automobiles, especially through providing incentives for scrapping old vehicles and by reducing taxes. Helped by the Indian Government's stimulus package primarily comprising a 6% point reduction in excise duty and multiple new product launches by manufacturers, the Indian Automobile Industry registered a healthy growth of about 30% in Financial Year 2010 as compared to a decline of 4.8% in Financial Year 2009.

In the race to be a superpower, India is making frequent and astounding advancements in all fields. From power generation to constructing modern roads, every sector has a huge impetus. Rising above all in a very distinct and appreciable way is the Automobile Sector of India. The automobile sector forms one of the fastest growing sectors in the Indian economy and so is the popularity of automobiles in India. A number of cars and other automobiles are imported and exported every year. Indian Automobile market witnesses a large scale manufacturing of cars, bikes, vans, buses and tractors.

Indian automobile industry is the tenth largest in the world. Every year new and advanced model of cars, bikes and other vehicles are launched by various leading manufacturers suiting the consumer needs. Occupied by various major automobile manufacturers like Tata Motors, Ford Motors, Volkswagen, Maruti Udyog, Hero Honda, Bajaj Auto, Yamaha Motor etc, Indian Automobile industry

has become a battlefield of technology, performance and styling. Automobile industry in India is one of the fastest growing automobile industries and has made its position in the world market.

Within the overall Automobile Industry, performance of different segments varied significantly during the year, with commercial vehicle industry registered a growth of about 39%, LCV showed an increase of about 42% and passenger car segment showed a healthy growth of about 25% indicating the rising income levels, wealth and aspirations of the Indian consumer. The Indian Tractor Industry, the world's largest grew by about 32% this year, despite a weak monsoon and a badly affected Kharif crop this year.

Sales of multi-axle trucks and trailers are one of the best indicators to gauge the momentum of economic activity in the country. Data from SIAM shows that trailers with capacities of 16 to 35 tones and 35 to 49 tones have reported a sales growth of 77% and 73 % respectively over the previous year. Similarly sales of multi-axle trucks in the 25-31 tone capacity range have registered growth rate of 158% from 2008-09 to 2009-10. These are used to transport materials used in construction, infrastructure and heavy engineering industries. Overall, truck sales across all categories doubled in March this year, as compared to the same month last year. However, it should be noted that overall sales figures for M&HCV are still lower than the pre-recession sales figures. Doubtless, the segment is witnessing a turnaround but needs to grow even more to achieve the targets laid down in the Automotive Mission Plan. For the upcoming year, it is expected that the LCV segment will continue to grow at a rapid pace.

Overall, the industry has been back to good shape and there is a positive feeling about the current fiscal (2010-11). Automotive Components Manufacturers' Association in its vision 20:20:1 forecast that the Indian auto component industry will achieve domestic turnover of US\$20 billion, export turnover of US\$20 billion and in the process create additional one million jobs by 2016. These figures reflected significant potential of growth in auto components industry both for the domestic market and exports from India. Growth of auto component industry also depends largely on the growth of automobile sector in India.

It has taken a long time for India's components industry to reach a point where it is being taken seriously. An influx of overseas technology and know-how has provided the impetus for improvements in quality and productivity, to a point where many global companies now view India more favorably than China as a source point for components.

Visually, the clutch has not changed much, but there have been some significant technical advances during the last decade. New environmental and fuel efficiency legislation, combined with major advances in electronics and manufacturing techniques have paved the way for a flood of new automated transmission technologies, including high-performance AMTs (Automated Manual Transmissions), dual-clutch transmissions (DCTs), CVTs (Continuously Variable Transmissions), and highly innovative new technologies such as Torotrak's IVT (Infinitely Variable Transmission) and Antonov's Automatic Drive Transmission. So although automatic transmissions are gaining a greater market

share, in Northern Europe over three-quarters of passenger cars are still sold with manual transmission - and with consumer resistance to automatic transmissions remaining strong, can Europe's sceptical consumers be persuaded to change to new dual-clutch transmissions is the question needs to be seen.

## ADVANTAGE CAL

CAL product strengths have been amply acknowledged and recognized by the OEMs and Aftermarket alike wherein each product has units, kits or components are rated to have plus features and better engineering designs and have been termed as 1:1+1, 1:1+1+1, 1:1+1+1+1 i.e. instead of going for extended warranty as per Eaton's policy which is purely in remunerative terms, we are in a position to back up with substantive product features which can make a quantum difference for the users confidence in the product longevity of services.

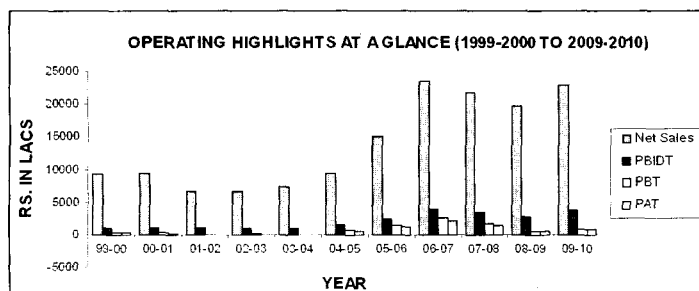
## EXCLUSIVE PRODUCTS

Other than Eaton, CAL is the only manufactures to have:

- self adjusting clutches
- true low pedal effort EZ N LITE clutches with maximum interchangeable components
- COOL N EZ – low pedal effort in MD clutches – Even Eaton doesn't have
- OEM approval
- HIGH TORQUE DISCS – 7W Feather Touch, NVL, PDHT
- TM range - Even Eaton doesn't have

## II. FINANCIAL PERFORMANCE OF THE COMPANY

The overall commercial vehicle segment witnessed a growth of 39%, LCV 42%, passenger Cars 25% and Tractor Industry 32% despite a weak monsoon and a badly affected khariff crop during this financial year. However, Company has registered a 16% growth in Sales Turnover in 2009-10 over the previous year.



Due to slow down in the global market, the export has, however, declined by 19% over the previous year, the domestic front has grown by 24%.

With spare part business and Emission IV norms vehicle growth of Tata Motors, current year's outlook is very promising

Company has launched various new products in the replacement market which are giving overwhelming response. Company will be able to get a good business against these products.

**Turnover, net of excise duties**, at Rs. 229.98 Cr. vs. Rs. 197.45

Cr. in 2009-10 was increased by 16% due to increase in demand in Replacement market segment in India and also slight improvement in OEM segment.

**Raw Material consumption** has increased marginally from Rs.112 Cr (56.50%) to Rs. 135.47 Cr (57.53%) in 2009-10 due to increase in input material.

**Employee Cost** decreased to Rs.22.11 Cr. (9.39%) from Rs. 21.28 Cr. (10.74%) last year due to effective control measures taken by the Management..

**Profit Before Depreciation, Interest, Exceptional items and Tax** increased to Rs.36.69.Cr. (15.58%) in 2009-10 from previous year of Rs.26.92 Cr. (13.58%).

**Depreciation** for the year 2009-10 increased to Rs. 13.97 Cr. (5.93%) from Rs. 7.76 Cr. (3.92%) of last year.

**Interest Cost** increased to Rs. 13.52 Cr. (5.74%) in 2009-10 from Rs. 13.46 Cr. (6.79%) of previous year. It was stagnant during the period under report.

**Profit Before Tax (PBT)** stood at Rs. 9.12 Cr. in 2009-10 as compared to Rs.5.63 Cr. in 2008-09. The tax provision for current year is at Rs. 1.62 Cr. as like in previous year.

**Profit After Tax (PAT)** stood at Rs. 8.40 Cr. in 2009-10 as compared to Rs. 4.46 Cr. in previous year resulting in increase in Earning Per Share (EPS) at Rs. 5.03 compared to Rs.2.73 of last year.

## Balance Sheet

**Ordinary Share Capital** – During the last fiscal, the Company had allotted 24,45,000 share warrants of Rs.10/- each to a promoter at a premium of Rs.40/- each under preferential allotment. Out of which, 3,68,000 warrants have been converted by allotment of 3,68,000 Equity Shares of Rs.10/- each to promoter. As such, the ordinary share capital of the Company has increased from Rs. 16.31 Cr. to Rs.16.68 Cr. as on March 31, 2010.

**Gross Secured Debt** stood at Rs. 163.07 Cr. as on March 31, 2010 as compared to Rs. 114.24 Cr. of the previous year.

**Current Assets** of the Company has increased to Rs.207.25 Cr. in 2009-10 as compared to Rs. 180.22 Cr. in previous year, mainly due to increase in Inventories at Rs.55.62 Cr. in 2009-10 from Rs. 46.31 Cr., increase in debtors at Rs.107.97 Cr. from Rs.96.74 Cr. and decline in Cash & Bank Balances at Rs.10.81 Cr. in 2009-10 from Rs. 12.57 Cr. in previous year. There was also increase in loans & advances from Rs.24.60 Cr. to Rs.32.86 Cr. in the year 2009-10.

**Current Liabilities** of the Company increased at Rs. 63.57 Cr. in the year 2009-10 as compared to Rs.61.53 Cr. in the previous year.

## OUTLOOK

- Company has entered into a Long-Term Supply Agreement with US major Heavy Duty Truck Manufacturer 'Navistar'. This supply agreement includes Clutches for new Vehicles & spares requirements including all makes Trucks. Final Engineering Sign-Off on 14" and 15½" have been awarded after enough field tests on US Roads. With this achievement,



there is an annual business of US\$ 30 Mn. Special Generation "B" Clutches suiting OE requirements has been designed, developed and tested under this agreement. These Clutches will be sold under proprietary 'MAXXPOWER' Drivetrain brand. With this breakthrough, Company is targeting to break the five decades monopoly of a single largest Clutch supplier in US.

2. Haldex is a leading Commercial Vehicles' Brake Manufacturer in US and has a very strong Sales network both in OE as well as in spares channels. They have a countrywide presence and caters to practically every market segment / point of sale. CAL has developed understanding with Haldex to sell Clutches under their "New Clutch Program". These Clutches are sold under Haldex name on the box with Clutch Auto Trade Marks on the products. It has been proved to be a win-win situation, CAL being strong in product, service and technical support, Haldex strong in market presence and distribution channels.

### III. SWOT ANALYSIS

#### Strengths –

- The only Standalone clutch manufacturer in the World, poised to grow based on strong fundamentals in Technology with no restrictions.
- Sustained Brand leadership in a highly technology intensive industry.
- Low manufacturing cost compared to other leaders of the Industry across.
- Efficient supply flow thru' vertical integration.
- Fiercely innovative & focus on needs of end customers.
- Strong planning & implementation skills.
- Versatile Clutch Dyno - testing facility.
- Products are virtually in the verge of Double life.
- Outcome of the NMITLI project will create altogether a different set of products with high economic benefits.
- MEOST (Multiple Environment Over Stressed Testing) facility.
- Preferred to remain low profile with biting capability.
- Customer Centric development with high care attitude.
- Improving credibility against MNC's.
- Steps taken during the last one year for increasing the Foundry capacity will supplement Company's efforts to tap new opportunities in the years to come.
- Timely assistance from International Bankers is likely to help establish need based capacities and test capabilities to meet the Company's International multifarious opportunities.
- Increase in market share of the leading Truck manufacturer in USA, with whom the Company has made long term supply contracts will enhance Company's business opportunity.

#### Weakness-

- Present Scale of operations (however, committed to increase capacity to double by December, 2010 in a phased manner).

- Limited Global reach due to lack of complementarity of the products across various continents.
- Single manufacturing facility, to be grown upto a full scale integrated facility.
- High dependence on Limited resource base.

#### Opportunities-

- Agricultural Segment- Five decade monopoly.
- Heavy duty segment – There is no compatibility among dominant players.
- Technology dissemination.
- Cost effective solutions.
- Long obsolescence.
- Retrofittability on 20-30 years old vintage cars has extended service life even on old vehicles.

#### Threat -

- Infringements by local players in unorganized sector.
- General market environment.
- Penetration of Spurious products in Aftermarket segment.
- New Technologies.
- Consolidation by the Competitors in domestic arena.
- OEM's target to have total control on the Aftermarket can significantly impact company's Replacement Market operations.
- Competition from Chinese low cost manufacturers can be a threat to Company's business in some segments.

### IV Technology

During the year under review, the NMITLI Project for development of Rigid & Cushion Bonded Clutch Discs and matching life Cover Assemblies has been under progress in various stages involving the respective participating Institutions. Clutch Auto Limited is now in the final phase of the project with validation planned during the next quarter and thereafter to plan for the possibilities for commercialization for the proven technologies coming out of the project. Prototype process plant have been installed and are in the production mode for various tests and evaluation. For the Adhesive bonding technologies, these will be installed in the next quarter. The Company hopes to reap benefits after the commercialization implementation of the technologies coming out of the project.

### V. IPR PORTFOLIO

Clutch Auto Limited is the ONLY Indian Auto Component Manufacturer with domestic & overseas Patents & Trade Marks. Company has made a tremendous progress in this portfolio. Company's continued efforts in R&D has generated unique products across all segments and further strengthened the IPR portfolio of the Company over a period of time. Snapshot of such IPR profile as on 1.8.2010 is as under:



Patents	Approved	Pending	Under filing
<b>Overseas</b>			
USA	1	2	11
Mexico	1	-	-
Australia	1	-	-
<b>Total overseas</b>	<b>3</b>	<b>2</b>	<b>11</b>
<b>Domestic</b>	<b>2</b>	<b>14</b>	<b>26</b>
<b>Designs</b>			
India	27	1	2
<b>Trade Marks</b>			
USA	11	1	13
India	22	30	9

### PATENTS & TRADE MARKS

#### Patents

##### APPROVED

EZ N LITE - Low Pedal Pressure Clutch  
Pre-Damp High Torque Clutch Disc

#### Trade Marks

##### APPROVED

EZ N LITE  
INTERLOCK CLUTCH  
ECO CLUTCH  
PRE DAMP HIGH TORQUE  
WHISPER  
PDHT  
MONO  
COOL CLUTCH  
AUTO N EZ  
COOL RAIDER  
COOL N EZ  
TWIN N QUIK  
3X  
CA LOGO  
CA Value for Money  
NVL  
Twin N Quik  
AUTO N COOL  
Angle Spring Clutch  
Hi-Sink  
Cookie Clutch  
Thik-Thin  
Gold Kits  
TTD  
Angle ring  
Insulator  
Catcher Disc  
Floating Clutch  
Wavy Fulcrum Ring  
Krom-Silikon

#### PATENTS UNDER CONSIDERATION

Wear Indicator Assembly (Pin Type)  
Clutch Wear Adjustment Indicator  
Clutch Wear Adjustment Tool  
Improved Clutch Disc Direct/ Dual Sintering  
Improved Clutch Disc with Spot Welding  
Bonded Disc  
Electronic Wear Adjustment for A Clutch  
Clutch Adjuster

Clutch Packing cum Setting Guage  
Self-Adjusting clutch Assembly

Self Aligning Clutch

Twin Diaphragm Spring  
Enclosed Window Clutch disc

#### TRADEMARKS UNDER CONSIDERATION

ROAD RAIDER  
AUTO COOL N EZ  
SELF ALIGNING CLUTCH  
ECO N AUTO  
AUTO  
Hi-life  
The Clutch that thinks it does not require a Mechanic  
Think of Clutch Think of Clutch Auto  
We call it Clutch Auto  
Clutch Auto India's No. 1 Clutch  
Innovation...thy name is Clutch Auto  
Tiger 3X  
Turbo King  
Co-axial  
Turbo Top  
Universal Clutch  
Vibro Kits  
Xtra Life  
City Bus  
Million Mile Clutch  
Hi-Kopper  
ZIRCONA  
CA Values – The Benchmark

#### PATENTS UNDER FILING

Belleville Lever Clutch  
Long Life Clutches – Bonded.  
Dual Sintered Clutches  
NVL Disc

### VI. RESEARCH & DEVELOPMENT

- During this year also Company was engaged in development of various ranges of new products to be supplied to OEMs situated India and abroad.
  - Company has installed a Dynamometer for testing new range of Clutches for OE domestic as well as abroad. This is the first Clutch Dynamometer in India having facility for simulating actual Vehicle loading conditions including road load simulation. With the installation of Dynamometer, OEMs has started giving positive response. In fact, Dynamometer is competent to validate Clutches upto 430 Dia. This Dynamometer covers BS 4 & BS 5 Emission covering norms in the next 4-5 years. We will be able to reduce the validation lead time for development.
- Further, we have been analyzing the designs and making them



Robust enough to guarantee nil warranty on products.

## VII. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

In order to ensure that all assets of the Company are safeguarded and protected against unauthorized use and the transactions are recorded and reported correctly, effective and adequate internal control systems are in place. Such controls are subjected to periodical review to ensure efficiency of operations, accuracy and promptness of financial reporting and compliance with all applicable statutory requirements. The Company's Internal control systems and procedures are subject to comprehensive internal audit by outside experts, whose reports are submitted to the Audit Committee through the CEO. The Audit Committee of the Board, comprising of independent Directors, oversees the function of internal audit, reviews the reports and monitors implementation of suggestions. The Audit Committee interacts with the Internal Auditors and the Statutory Auditors about the adequacy of internal control systems.

## VIII. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT

The Company appreciates that a dedicated, enlightened and contented work force is the backbone of any organization in achieving business goals. A sense of belongingness enhances responsibility and results in better delivery. The Company's HR initiatives stem from this philosophy. Industrial relations continued to be cordial during the year. As on 31.03.2010 the total number of employees on the payrolls of the Company were 674.

As per the Policy of Government of India to give more and more employment to the Reserved Categories in the Private Sector, it is submitted for information that CAL employs 281 (previous year 287) persons belonging to SC/ST/OBC categories.

According to Government of India policy 40% of the employees should belong to reserved categories in Private Sector. Clutch Auto Ltd. is providing employment to more than 40% employees belonging to Reserved Categories.

## IX. CLEAR AND PROVEN STRATEGY

The Company plans to go solo with total in-house development capabilities have stood well in the overall strategy where the technology base created has been enlist wide recognition with customer as well as clutch manufacturers alike. The low cost base is serving an icing in the cake for increasing opportunities for new assignment of outsourcing and co-manufacturing. This is backed with a well established marketing base in USA has established linkages for opportunities to be addressed on the support, if required, to offer not only JIT deliveries but also locally assembled next door 24 hr. deliveries with Product Liability Insurance and Service support and to meet with the local Policies and cultural compulsions. Technical innovations and solutions have given increasing dependence in the Hi-volume sophisticated customer base.

## X. CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the automobile industry (global or domestic or both) significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relations, exchange rate fluctuations, interest and other costs.

For and on behalf of the Board of Directors

New Delhi,  
11th August, 2010

Vijay Krishan Mehta  
Chairman & Managing Director

## CORPORATE GOVERNANCE REPORT

### COMPANY'S PHILOSOPHY

Clutch Auto Ltd believes that strong Corporate Governance Standards are vital not only for the healthy and dynamic Corporate Sector growth, but also for inclusive growth of the economy. Good Corporate Governance Practices enhance Company's value and stakeholder's trust resulting into strong and healthy development of the economy. The Company has implemented appropriate disclosure procedures, transparent accounting policies, independent Board practices and highest levels of ethical standards towards its stakeholders for sustaining corporate growth.

Clutch Auto Ltd.'s commitment to good corporate governance practices predicts the laws and regulations of Securities & Exchange Board of India (SEBI) and the Stock Exchanges through

Clause 49 of their listing agreement.

### (1) BOARD OF DIRECTORS

#### (a) Composition

The current Board comprises of Seven Directors including an Executive Chairman cum Managing Director, one Executive Director and five Non-Executive Directors (out of which one is relative of the Promoter). As such more than 50% of the Directors are independent Directors in terms of Clause 49 of the Listing Agreement with Stock Exchanges. The constitution of the Board of Directors and the composition of the Committees of the Board as on date are given below: