

**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  
Director (Since Resigned w.e.f. 14.05.2011)

**COMPANY SECRETARY:**

Sh. Manish Rai

Company Secretary

**AUDITORS:**

M/s B. Aggarwal & Co.,  
Chartered Accountants,  
8/19, GF, Smile Chambers, W.E.A.  
Karol Bagh  
New Delhi- 110005

**BANKERS:**

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

**REGISTERED OFFICE:**

2E/14, (1st Floor),  
Jhandewalan Extn.,  
New Delhi-110055  
Telefax: (011) 23683548

**WORKS & ADMN. OFFICE**

Plot No. 1A, Sector 27D,  
12/4 Mathura Road,  
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## **CONTENTS**

### **Page No.**

Directors' Report	<b>3</b>
Management Discussion & Analysis Report	<b>5</b>
Corporate Governance Report	<b>8</b>
Auditors' Report	<b>16</b>
Balance Sheet	<b>19</b>
Profit & Loss Account	<b>20</b>
Schedules	<b>21</b>
Significant Accounting Policies	<b>27</b>
Cash Flow Statement	<b>34</b>
Balance Sheet Abstract and Company's Business Profile	<b>35</b>



## DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 40<sup>th</sup> Annual Report of the Company together with the Audited Accounts for the year ended 31<sup>st</sup> March 2011.

	(Rs. in Lakhs)	
	2010-11	2009-10
<b>FINANCIAL RESULTS</b>		
1. <b>Income from Operations</b>	27058.08	24781.65
2. Excise Duty	2005.94	1783.59
3. <b>Net Sales (1-2)</b>	<b>25052.14</b>	<b>22998.06</b>
4. Other Income (including increase/ Decrease in value in goods in process)	321.73	575.54
5. <b>Total Revenue (3+4)</b>	<b>25373.87</b>	<b>23573.60</b>
6. Raw Materials and Components	14592.61	13546.65
7. Employees Costs	2339.89	2210.99
8. Other Expenses	4211.47	4147.45
9. <b>Total Expenses (excl. Dep. &amp; Interest)</b>	<b>21143.97</b>	<b>19905.09</b>
10. <b>PBDIT (5-9)</b>	<b>4229.90</b>	<b>3668.51</b>
11. Depreciation and Amortization	1627.66	1404.22
12. <b>PBIT (10-11)</b>	<b>2602.24</b>	<b>2264.29</b>
13. Interest	1645.25	1351.92
14. <b>PBT (12-13)</b>	<b>956.99</b>	<b>912.37</b>
15. Current Tax	180.00	161.65
16. Deferred Tax	(100)	(89.00)
17. <b>PAT (14-15-16)</b>	<b>876.99</b>	<b>839.72</b>
18. Balance Brought Forward from last year	6779.02	5939.30
19. <b>Surplus carried forward to the Balance Sheet</b>	<b>7656.01</b>	<b>6779.02</b>
20. <b>Earning per Share (EPS in Rupees) - Basic</b>	<b>4.89</b>	<b>5.03</b>

### Business Performance and Operations

During the year under report your Company has achieved an overall growth of 8.93% whereas the Gross Profit before Interest & Depreciation has increased by 14.93% and PAT by almost 4.44%.

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.

### Expansion

The Expansion plan of the Company is on track. As reported last year your Company is expanding its manufacturing base at Bhiwadi, Rajasthan by setting a state of the art manufacturing plant which is almost double in its size and manufacturing facility in comparison to its existing manufacturing facility at Faridabad. The project is in its advance stage of the completion and already incurred Rs.2440 Lacs so far towards construction of the project. Although this project is facing cost over run due to steep increase in the price of construction material and labour cost, your company is hopeful to complete the construction activity as early as possible. To combat the problem of cost overrun your company is focusing to complete the first phase of construction activity

within the original stipulated cost so that commercial production could be started as early as possible. As reported earlier your Company has also undertaken a project to develop new generation of clutches under the aegis of CSIR in association with premier research organizations of the country. It is in the advance stage of the crystallization. Its successful commercialization will propel further growth for the Company in the niche product segment in which it operates.

### Dividend

To retain the profit to utilize towards future expansion and growth plans your Board of Directors are not recommending any dividend for the financial year ended 31.03.2011. This will create long term wealth for the Share holders of the Company.

### Share Capital

During the year, the Company has allotted 1249700 Equity Shares on conversion of Warrants of Rs.10/- each issued at premium of Rs.40/- each to promoter under preferential allotment to finance its Bhiwadi Project stated as above. Paid up Capital of the Company has increased to 17931580 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.

### Regarding Board Members:

#### i) Director :

Sh. Satish Sekhri was co-opted on the Board by your Directors w.e.f 1.4.2010 as additional director. His appointment was subsequently regularized by the share holders of the Company during the last Annual General Meeting of the Company. Due to some personal reasons Mr. Satish Sekhri has resigned from the Board of Directors of the Company w.e.f 14<sup>th</sup> of May, 2011. Your Board sincerely appreciates his contributions for the Company.

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

a) In terms of Section 256 of the Companies Act, 1956, Mr. K. K. Taneja is liable to retire at the ensuing Annual General Meeting and being eligible, offer himself for re- appointment. His brief profile is given in the section of the Corporate Governance Report. Your Directors recommend his re-appointment for a further term from the conclusion of the ensuing Annual General Meeting in the larger business interest of your Company.

b) In terms of Section 256 of the Companies Act, 1956 Mr. C.S. Aggarwal is liable to retire at the ensuing Annual General Meeting and being eligible, offer himself for re- appointment. His brief profile is given in the section of the Corporate Governance Report. Your Directors recommend his re-appointment for a further term from the conclusion of the ensuing Annual General Meeting in the larger business interests of your Company.

c) Your Board of Directors has re-appointed Mr. V. K. Mehta as Managing Director for another term of two years. A brief terms of his appointment has been mentioned in the section of the Corporate Governance Report. Your Directors recommend his appointment as Managing Director of the Company in the larger business interest 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 interest 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 as **Annexure-B**.

In terms of Clause 49(I)(D)(ii) of the Listing Agreement, a certificate affirming compliance with the Code of Conduct of the Company has been signed by the Managing Director of the Company is enclosed as part of the Report as **Annexure–C**.

## 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.

## De-merger

Your Board has approved the scheme of de-merger of the Company in its Meeting held on 28<sup>th</sup> May, 2011. Brief facts regarding de-merger of company has been explained herein below.

**Clutch Auto Limited (Demerged Company)** is the Industrial Partner of esteemed “**New Millennium Indian Technology Leadership Initiative (NMITLI)**” Project of CSIR and over the period has developed various technologies relating to auto parts. Hiving off of the “**Auto Ancillary Technology Division (including NMITLI Project)**” in a separate Company will allow a focused approach and harnessing the maximum commercial advantage of the Technologies. The NMITLI Project in Clutch Auto Limited will not only be used by this Company but would be of major commercial advantage. Ramifications of the NMITLI Technology being across the board, hiving-off will allow this project to cater to the entire clutch auto industry globally (not confined to clutch auto industry in India only)

and will enable maximum commercial exploitation possible, which is also the basic objective of CSIR's initiative for this market driven technology development.

The De-merged Undertaking has the potential of being developed into a parallel and independent profitable business segment in future. Keeping in view the potentials of demerged business and to unlock the value of shares of all its stakeholders the De-merged Company is being developed into an independent business segment by hiving- off Auto Ancillary Technology Division into C A Clutch Vision Limited (Resulting Company).

Clutch Auto Limited is in the process of shifting of its manufacturing facility to its new location at Bhiwadi, Rajasthan. After shifting of manufacturing facility to new location, the Property at Faridabad would get vacant and being situated at commercially important location it may be put to better commercial use. Transferring the Property at Faridabad into Clutch Developers Limited, Wholly Owned Subsidiary of Clutch Auto Limited as first part of the scheme will allow Clutch Developers Limited to explore the best possible real estate opportunities available/possible out of the land/property.

Keeping the Real Estate Business as a subsidiary of C A Clutch Vision Limited will give strength to the balance sheet of C A Clutch Vision Limited, especially in the initial stages when it will be in its gestation period. The revenue stream coming from the Real Estate project will accrue to C A Clutch Vision Limited which will be useful in making this new business a long term viable business proposition. Your Company has filed the scheme of De-merger with the Stock Exchanges to seek approval on 5<sup>th</sup> of July, 2011 under clause 24(f) of the Stock Exchange. Bombay Stock exchange has given its approval vide its letter dated 30<sup>th</sup> August, 2011. Simultaneously, National Stock Exchange has given its approval vide their letter dated 13<sup>th</sup> of September, 2011. Your Company is in the final stage of filing the petition with Delhi High Court.

## Re-Schedulement of the Loan of DEG, Germany

Your Company has requested the term Loan Lender, DEG, Germany to re-schedule its loan considering the liquidity crunch being faced by the Company and further to complete its Bhiwadi Project in time. The Company is hopeful of favourable consideration at the hands of DEG, Germany.

## 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 31<sup>st</sup> March, 2011 the applicable accounting standards have been followed along

## Annexure-A to the Directors' Report

- 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 31<sup>st</sup> March, 2011 on a "going concern" basis.

### Employees

During the year under report, Management-Employee relationship was healthy & cordial. We sincerely appreciate the good work done at all level and the valuable co-operation extended by the employees towards attainment of the Company's goal.

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 – D** 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 31<sup>st</sup> March, 2011 is furnished in **Annexure – E** 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,  
24<sup>th</sup> November, 2011

**V.K. Mehta**  
Chairman & Managing Director

### Management Discussion & Analysis

#### I. Industrial Structure & Development

Gross domestic product recorded a growth of 8.6% (7.2%) and 7.8% (10.4%) respectively, reflecting the strong fundamentals of Indian economy during the financial year 2010-2011. Indian Auto Component Industry recorded a growth of 34% during the fiscal ended 31st March, 2011.

The global economy showed signs of slow recovery with emerging economies registering a sizable growth, while developed economies responded slowly to stimulus packages implemented during the period of economic meltdown. The US economy limped back to growth; however the European economies have not shown similar growth due to financial crisis in some of the European countries.

During 2010-11, the manufacturing sector in India including the automotive sector showed a smart recovery to register an unprecedented growth as evident from the following table.

#### Automobile Sales Trends

Category	Vehicle Sales in nos. during			
	2009-10	2010-11	% increase over previous year	CAGR % over 5 years
Medium & Heavy Commercial Vehicles	250,171	344,542	37.72	3.19
Light CVs	316,437	408,193	29.00	12.83
Total Cvs	566,608	752,735	32.85	7.78
Passenger Cars	1,926,484	2,453,113	27.34	14.09
Utility Vehicles	272,848	318,576	16.76	7.24
MPVs	151,908	215,607	41.93	20.63
Total Passengers Vehicles	2,351,240	2,987,296	27.05	13.61

The domestic market showed a record growth. There has been a perceptible shift in the type of production of Medium and Heavy Commercial Vehicles to larger and multi-axle vehicles. In the case of Light Commercial vehicles, there has been a shift to similar vehicles with low haulage capacities. Sales of cars, utility vehicles, MPVs and LCVs two-wheelers grew throughout the year due to introduction of new models and entry of new manufacturers. Increase in disposable incomes and need for personal transportation combined with availability of finance contributed to a strong growth of passengers vehicles.

There was an improvement in the sales of passenger cars during 2010 in the US and Europe. The CV industry has continued to struggle, with growth of sales remaining at low levels. Growth levels in sales of passenger cars may remain muted during 2011 due to high levels of unemployment, stringent increase in gasoline prices and volatile consumer confidence.

## II. FINANCIAL PERFORMANCE OF THE COMPANY

The overall commercial vehicle segment witnessed a growth of approx. 33%, LCV 29%, passenger Cars 27% and Tractor Industry approx. 24% during this financial year. However, Company has registered a 8.93% growth in Sales Turnover in 2010-11 over the previous year.

Company has launched various new products in the replacement market which are giving overwhelming response and Company expects good business in this segment.

**Turnover, net of excise duties**, at Rs. 250.52 Cr. vs. Rs. 229.98 Cr. in 2010-11 was increased by 8.93% due to increase in demand in Replacement market segment in India and also slight improvement in OEM segment.

**Raw Material consumption** has increased from Rs. 135.47 Cr (57.53%) to Rs. 145.92 Cr (58.18%) in 2010-11 due to increase in input material and also cost thereof.

**Employee Cost** increased from Rs. 22.11 Cr. (9.39%) to Rs. 23.40 Cr. (9.33%) in FY 2010-11.

**Profit Before Depreciation, Interest, Exceptional items and Tax** increased to Rs.42.30 Cr.(16.86%) in 2010-11 from previous year of Rs.36.69 Cr. (15.58%).

**Depreciation** for the year 2010-11 increased to Rs.16.28 Cr. (6.49%) from Rs. 13.97 Cr. (5.93%) of last year.

**Interest Cost** increased to Rs.16.45 Cr. (6.56%) in 2010-11 from Rs. 13.52 Cr. (5.74%) of previous year.

**Profit Before Tax (PBT)** stood at Rs.9.57 Cr. in 2010-11 as compared to Rs. 9.12 Cr. in 2009-10. The tax provision for current year is at Rs. 1.80 Cr. as compared to Rs.1.62 Cr. in previous year.

**Profit After Tax (PAT)** stood at Rs. 8.77 Cr. in 2010-11 as compared to Rs. 8.40 Cr. in previous year. Due to increase in share capital, Earning Per Share (EPS) stood at Rs.4.89 compared to Rs.5.03 of last year.

**Balance Sheet Equity Share Capital** – During the last fiscal, the Company had allotted 12,49,700 shares of Rs.10/- each to a promoter at a premium of Rs.40/- each

under preferential allotment on conversion warrants allotted to her during the year 2010. As such, the ordinary share capital of the Company has increased from Rs. 16.68 Cr. to Rs.17.93 Cr. as on March 31, 2011.

**Gross Secured Debt** stood at Rs.177.76 Cr. as on March 31, 2011 as compared to Rs. 163.07 Cr. of the previous year.

**Current Assets** of the Company has increased to Rs.223.48 Cr. in 2010-11 as compared to Rs. 207.52 Cr. in previous year due to increase in Inventories at Rs.63.74 Cr. in 2010-11 from Rs. 55.62 Cr., increase in debtors at Rs.123.86 Cr. from Rs. 107.97 Cr. and decline in Cash & Bank Balances at Rs. 5.27 Cr. in 2010-11 from Rs. 10.81 Cr. in previous year. There was decrease in loans & advances from Rs.33.13 Cr. to Rs.30.60 Cr. in the year 2010-11.

## 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, Selective in house processing.
- Fiercely innovative & focus on needs of end customers.
- Versatile Clutch Dyno - testing facility
- Products are virtually in the verge of Double life.
- Effective cost cutting and competitive edge technology
- MEOST (Multiple Environment Over Stressed Testing) Facility.
- Quick response to OEMs and customers' need
- Steps taken during the last one year for increasing the Foundry and heat treatment .
- 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
- Limited Global reach due to lack of complementarity of the products across various continents.
- Single manufacturing facility, to be grown up to 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.

- Availability of CNG in more cities/town will lead to affordability of Vehicles.
- Rising middle class population with increasing purchasing power will boost the demand for passenger cars.

#### **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.
- Steep increase in fuel prices may have dampening effect on the rising demand for the vehicles.
- Increasing interest rates are making vehicle finance expensive and may have adverse impact on vehicles demand.
- Introduction of rapid transport system in metro cities may have adversely affect the domestic passenger vehicles demand.

#### **IV. IPR PORTFOLIO**

Clutch Auto Limited is the ONLY Indian Auto Component Manufacturer with domestic & overseas Patents & Trade Marks. Company has made good progress in this portfolio despite tough competition. 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 1.11.2011 is as under

<b>Patents</b>	<b>Approved</b>	<b>Pending</b>	<b>Under filing</b>
<b>Overseas</b>			
USA	3	-	9
Mexico	1	-	-
Australia	1	-	-
<b>Total overseas</b>	<b>5</b>	<b>-</b>	<b>9</b>
<b>Domestic</b>	<b>6</b>	<b>10</b>	<b>16</b>
<b>Designs</b>			
India	27	1	2
<b>Trade Marks</b>			
USA	11	1	13
India	22	30	9

**V.** The performance of the Company is directly related to the growth of the automobile manufacturers and general economic scenario prevailing in the country. To cope up with these risks, your company continues to broaden product profile, increase in customer profile and geographic reach. We are exposed to competition from domestic as well as overseas manufacturers. We are relentlessly trying to improve product performance, design support and higher level of engineering. Your Company is exposed to change in interest rates, foreign exchange rates and raw material prices. Your Company is implementing proper risks management system to counter these problems.

#### **VI. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has a comprehensive system of Internal Controls to safeguard the Company's Assets against loss from unauthorized use and ensure proper authorization of Financial Transactions. The Company maintains a system of internal controls designed to provide a high degree of assurance regarding effectiveness and efficiency of operations, the adequacy of safeguards for assets, the reliability of financial controls and compliance with applicable laws and regulations. The Company has an exhaustive budgetary control system to monitor all expenditures against approved budgets on an ongoing basis.

Recognizing the important role of internal controls, the Company has appointed a separate independent firm of Internal Auditors for looking over the operations of the Company. The Internal Auditor is separately responsible to examine the Internal Control Systems and Procedures of the Company. Continuous Internal Audit of the systems enables various business groups to plug any shortcomings sooner rather than later. In addition, the top management and the Audit Committee of the Board review the findings and recommendations of the Internal Auditors on regular basis.

#### **VII. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT**

The Management of the Company appreciates the cordial relations maintained with the employees during the year. The Management has been able to keep the employees moral high and has been able to motivate them to achieve the business goals of the Company. Regular training is being given to upgrade the skills of the employees so as to increase their productivity. As on 31.03.2011 the total number of employees on the payrolls of the Company were 627. According to the Policy of Government of India to give more and more employment to the Reserved Categories in the Private Sector, Company employs 261 persons belonging to SC/ST/OBC categories

# VIII. 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,**  
**24<sup>th</sup> November, 2011**

**V.K. Mehta**  
**Chairman & Managing Director**

## Annexure B to the Directors' Report

# 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 six Directors including an Executive Chairman cum Managing Director, one Executive Director and four Non-Executive Directors (out of which one is relative of the Promoter). As such 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:

Sl. No.	Name of Directors	DIN	Category
1	Sh. Vijay Krishan Mehta	00053482	Executive Chairman & Managing Director
2	Sh. Kewal Krishan Taneja	00053226	Non Executive, Independent Director
3	Sh. Chandra Shekhar Aggarwal	01539616	Non Executive, Independent Director

Sl. No.	Name of Directors	DIN	Category
4	Sh. Avinash P Gandhi	00161107	Non Executive, Independent Director
5	Sh. Anuj Mehta	00047381	Executive Director
6	Ms. Pooja Kapur	00047231	Non Executive, Non-Independent Director (Relative of Promoter)
7*	Sh. Satish Sekhri*	00211478	Non Executive Independent Director

\*Sh. Satish Sekhri Director, who joined Board on 01.04.2010, has since resigned w.e.f. 14.05.2011.

### b) Board Meetings

During the financial year under review, 10 Board meetings were held on 15.5.2010, 2.7.2010, 19.7.2010, 11.08.2010, 30.10.2010, 13.11.2010, 13.12.2010, 01.01.2011, 12.02.2011 & 31.03.2011.

Names of Member(s) of the Board	Category of Directors	Board Meetings attended	Attendance at the last AGM	No.* of Director-ships held (excluding Private Ltd. companies) as on 31.03.2011	No. of Membership of Committees (other than Private Ltd. Companies) as on 31.03.2011	No. of Chairmanship of Committees (other than Private Ltd. Companies) as on 31.03.2011
Sh. V. K. Mehta	CMD	9	Present	1	2	-
Sh. K.K. Taneja	NEDI**	9	Present	1	2	1
Sh. Anuj Mehta	Executive Director	10	Present	-	1	-
Sh. C.S. Aggarwal	NEDI	-	Absent	-	-	-
Ms. Pooja Kapur	NED	10	Present	None	2	1
Sh. A.P. Gandhi	NEDI	9	Present	9	9	5
Sh. Satish Sekhri*	NEDI	8	Present	-	-	-

\*\* NEDI – Non-Executive Director (Independent).

### (c) Information supplied to the Board

The Board has complete access to any information within the Company. At Board Meetings employees who can provide additional insights into the items being discussed are invited. The information regularly tabled to the Board includes:

- ◆ Capital Budgets and updates.
- ◆ Review of Quarterly results and annual results and all compliances related thereto.
- ◆ Disclosure of interest in other Companies made by the Directors.
- ◆ Minutes of meetings of audit committees and other committees of the Board.
- ◆ Future Business opportunities.
- ◆ Banking and funding arrangement proposals.
- ◆ Mitigation of risks related to Foreign currency.
- ◆ Internal control efficiencies and effectiveness.
- ◆ Alternate raw material sourcing whether indigenous or imported.
- ◆ Manpower strength and its productivity enhancement.
- ◆ R&D and Quality improvements etc.
- ◆ Progress of projects undertaken by the Company (NMITLI & Capacity Expansion & modernization project).
- ◆ Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- ◆ Show cause, demand, prosecution notices and penalty notices, which are materially important.
- ◆ Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- ◆ Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- ◆ Transactions that involve substantial payment towards goodwill, brand equity or intellectual property rights.
- ◆ Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
- ◆ Significant labour problems and their proposed solutions. Any significant development in Human Resources / Industrial Relations front like signing of wage agreement, implementation of voluntary Retirement Scheme etc.
- ◆ Non-compliance of regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc., if any.
- ◆ Other information as mentioned in Annexure 1A to Clause 49 of the Listing Agreement  
Clutch Auto has established procedures to enable its Board to periodically review compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances.

### (d) Directors with materially pecuniary or business relationship with the Company

All disclosures relating to financial and commercial transactions, where Director(s) may have a potential interest are provided to the Board, and the interested Directors do not participate in the discussion nor do they vote on such matters. We have made sufficient disclosures in respect of related party transactions in the notes on accounts of this annual report.

### (e) Shares held by non-executive directors

The details of shareholding of the Non-executive Directors as on 31.03.2011 are as under:

Sl. No.	Name of the Director	No. of Shares
1	Sh. Kewal Krishan Taneja	10,000

None of the other Non-Executive Directors hold any shares in the Company.

### (f) Remuneration of Directors paid or payable to Directors for the year ended 31.03.2011

Name of Director	Relationship with other Director	Salary & Perquisites (Rs.)	Commission (Rs.)	Total (Rs.)
Sh. Vijay Krishan Mehta	Father of Sh. Anuj Mehta	11737794	-	11737794
Sh. Anuj Mehta	Son of Sh. Vijay Krishan Mehta	8220328	-	8220328

### Sitting Fees

During the year 2010-11, the non-executive Directors were paid sitting fees of Rs.12,500/- (excluding reimbursement of travel and other expenses incurred for the Company's business) only for attending each Board Meeting and Committee Meetings of the Company.

### (g) Code of Conduct

The Company has laid down a code of conduct, under clause 49 of the Listing Agreement, for all its Board members and Senior Management Personnel for avoidance of conflict of interest.

The declarations with regard to compliance of code of Conduct have been received for the year 2010-11 from all the Board members and Senior Management personnel. All Board members and Senior Management personnel have affirmed compliance of the Code of Conduct and the Chairman & Managing Director has confirmed the same. The Code of Conduct is also available on Company's website [www.clutchauto.com](http://www.clutchauto.com).

## 2. COMMITTEES OF THE BOARD

The Board and its Committees are constituted as under –

Sl. No	Name of the Director	Board of Directors	Audit Committee	SSSG Committee	Remuneration Committee
1	Sh. V.K. Mehta	Chairman & Managing Director	Permanent Invitee	Member	Member
2	Sh. K.K. Taneja	Director NEI*	Chairman	-	Member
3	Sh. Avinash P Gandhi	Director NEI*	Member	-	Chairman
4	Sh. C.S. Aggarwal	Director NEI*	-	-	Member
5	Sh. Anuj Mehta	Executive Director	Permanent Invitee	Member	-
6	Ms. Pooja Kapur	Director NE**	Member	Chairperson	-
	<b>Total Nos.</b>	<b>6</b>	<b>3</b>	<b>3</b>	<b>4</b>

\* Non-Executive Independent Director

\*\* Non-Executive Director

The above composition of the Board Committee fulfills the requisite composition under Clause 49 of the Listing agreement vs-a-vis provision of Section 292A of the Companies Act, 1956.

### (a) Audit Committee

The composition of the Audit Committee and the attendance of members at the meetings held during the financial year 2010- 11 are given below.

Name of Director	Category	Status	No. of Audit Committee Meetings attended	
			Held	Attended
Shri Kewal Krishan Taneja	NEI*	Chairman	4	4
Shri Avinash P Gandhi	NEI*	Member	4	4
Smt. Pooja Kapur	NE**	Member	4	4
Shri V.K. Mehta	CMD	Permanent Invitee	4	4
Shri Anuj Mehta	Executive Director	Permanent Invitee	4	4

\* Non –Executive Independent Director

\*\*Non –Executive Director

The role and terms of reference of the Audit Committee covers the areas mentioned in Clause 49 of the Listing Agreement with Stock Exchanges and Section 292A of the Companies Act, 1956 as amended from time to time besides other matters as may be referred by the Board of Directors.

The committee derives its powers from clause 49(II)(C) of the Listing Agreement. Apart from its other functions, the committee has been regularly reviewing the information as prescribed in Clause 49(II)(E) of the listing agreement.

In generality, the scope and functions of the Audit Committee of the Company revolves around the following:

- ♦ Oversight of the Company's financial reporting process and the disclosures of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ♦ Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- ♦ Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- ♦ Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on the exercise of judgment by management.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with listing and other legal requirements relating to financial statements.
  - Disclosure of any Related party transactions
  - Qualifications, if any, in the draft Audit report.
- ♦ Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- ♦ Reviewing, with the management, performance of statutory auditors, adequacy of the internal control systems.
- ♦ Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- ♦ Discussion with internal auditors any significant findings and follow up thereon.
- ♦ To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors
- ♦ Investigate into any matter as specified in Section 292A or referred to it by the Board.
- ♦ Reviewing Company's financial and risk management policies.

The Audit Committee meetings were held 4 times during the year 2010-11 on 15.05.2010, 11.08.2010, 13.11.2010 and 12.02.2011. The time gap between any two meetings was less than four months. No person has been declined access to the Audit Committee.