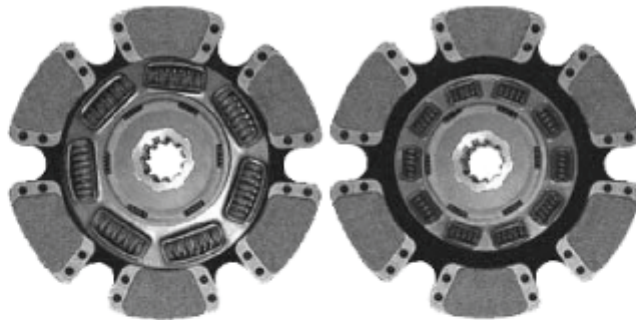




# 42<sup>nd</sup> ANNUAL REPORT 2012-2013



**CLUTCH AUTO LIMITED**  
**THE HARD WORKING CLUTCH**



**BOARD OF DIRECTORS:**

SH. V K MEHTA  
SH. K K TANEJA  
SMT. POOJA KAPUR  
SH. GIAN C NARANG  
SH. DHIRENDRA N CHATURVEDI

Chairman & Managing Director  
Director  
Director  
Additional Director  
Additional Director

**COMPANY SECRETARY:**

SH. MANISH RAI

Company Secretary

**AUDITORS:**

M/s. S. C. Garg & Associates,  
Chartered Accountants,  
171-172, Rajendra Place,  
New Delhi – 110 008

**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 – 110 055  
Telefax: (011) 23683548

**Works & Admn. Office:**

SP-173/174, RIICO Industrial Area,  
Kaharani,  
Bhiwadi,  
Distt. Alwar (Rajasthan)



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## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 42nd Annual Report of the Company, together with the Audited Accounts for the year ended 31st March 2013.

### FINANCIAL RESULTS

(Rs. in Lakhs)

	2012-13	2011-12
1. Income from Operations	9541.02	24467.73
2. Other Income (including increase/Decrease in value of goods in process)	(819.79)	418.75
3. Total Revenue (1+2)	<u>8721.23</u>	<u>24886.48</u>
4. Raw Materials and Components	6468.58	14489.42
5. Employees Costs	1652.34	1966.56
6. Other Expenses	1298.67	3915.90
7. Total Expenses (excl. Dep. & Interest)	<u>9420.59</u>	<u>20371.88</u>
8. PBDIT (3-7)	<u>(699.36)</u>	<u>4514.60</u>
9. Depreciation and Amortization	<u>593.90</u>	<u>1574.92</u>
10. PBIT (8-9)	<u>(1293.26)</u>	<u>2939.68</u>
11. Interest	2137.42	2101.62
12. PBT (10-11)	<u>(3430.68)</u>	<u>838.06</u>
13. Current Tax	-	160.00
14. Deferred Tax	<u>(9.13)</u>	<u>(103.37)</u>
15. PAT (12-13-14)	<u>(3421.55)</u>	<u>781.43</u>

### Business Performance and Operations

During the year under report that Company has reported a net income of Rs. 9541 Lacs. During the period under report, your Company had faced multiple challenges strike by Workers during April – May 2012 and shifting process from January 2013 (shifting of manufacturing facility from Faridabad to Bhiwadi) to name a few. Due to these reasons, operations of the company suffered drastically and Company has to incur losses.

As informed last year, the Company has established a manufacturing facility 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. Company has already shifted much of the machines from Faridabad to Bhiwadi. Production at Bhiwadi has already been started and is getting momentum.

Dividend

During the year, due to strike by workers during April-May 2012 and shifting of manufacturing facility from Faridabad to Bhiwadi have taken its toll on the operations resulting in severe losses. Hence, the Board of Directors are not in a position to recommend any dividend for the financial year ended 31.03.2013.

### 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) Resignation by Directors:

- Sh. C S Aggarwal resigned w.e.f 15th September, 2012
- Sh. Anuj Mehta resigned w.e.f. 1st October, 2012
- Sh. Avinash P Gandhi resigned w.e.f. & 15th March, 2013.

Your Board of Directors sincerely appreciates their contributions for the Company.

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

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

#### iii) Confirmation of the appointment of Additional Directors

- Your Board has appointed Sh. G C Narang (B.E., F.I.E., F.I.I.E.), as Additional Director of the Company. He is Chairman of Zenner Aquamet India Pvt. Ltd. and member of various prestigious Associations.
- Your Board has appointed Sh. Dharendra N Chaturvedi (B.A., LL.B., M.B.A., P.G.D.(IPR)), as Additional Director of the Company. He is an eminent Lawyer in the field of Taxation.

Your Directors recommend their appointment 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 endeavor 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 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**. In terms of the Clause 49(V) of the Listing Agreement, a certificate from the Managing Director, 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 as **Annexure-D**.

#### **Auditors**

M/s. S C Garg & Associates, Chartered Accountants, New Delhi, the Statutory Auditors of the Company will retire at the close of this Annual General Meeting and has given consent for their re-appointment as Statutory Auditors of the Company.

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 Statutory Auditors.

#### **Re-Structuring of the Working Capital Facilities/Term Loans**

To meet additional working capital required for production to face liquidity crunch as well as for completion of the shifting process of machines from Faridabad to Bhiwadi, Company had approached the Consortium Banks as well as Term Lenders for restructuring of the Working Capital Facilities/Term Loans. The State Bank of Travancore, State Bank of India and Canara Bank have already sanctioned the restructuring of the Working Capital Facilities. Sanctions from other Banks/Term Lenders are awaited as yet.

#### **Observation of the Auditors**

¶ Due to continuous labour problem through out the year and coupled with shifting of existing manufacturing facility from Faridabad to Bhiwadi, access to records were limited for the purpose of audit. However, Management of the Company tried its level best to provide records & data for suitable audit purposes.

The Company was not able to operate at full capacity due to labour problem during the under review. Hence only 1/3rd depreciation of Rs. 5,93,90,306/- was provided instead of Rs. 17,99,67,348/-.

Due to losses & liquidity crunch, Company has not been regular in meeting its obligation towards financial institutions/banks and other statutory authorities but the Company is committed to clear the dues after the restructuring package is implemented fully.

#### **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, 2013, 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, 2013 on a "going concern" basis.

#### **Employees & Workers**

We sincerely appreciate the good work and the valuable co-operation extended by the employees and workers. But unfortunately workers resorted to illegal Strike in the Month of April and May, 2012 and further non co-operations by the Workers ultimately lead to settlement agreement with the Workers who were not ready to join at Bhiwadi on 08th July, 2013 under which compensation amount is to be paid in installments over a period of time.

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

The information required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is not applicable for the Financial Year 2012-13.

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, 2013 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**

**Place: New Delhi  
Date: 31.07.2013**

**Vijay Krishan Mehta  
Chairman & Managing Director**



**Annexure A to Directors' Report  
Management Discussion & Analysis**

**I. FINANCIAL PERFORMANCE OF THE COMPANY**

The overall growth in Vehicles segment witnessed a growth of approx. 7.2% during this financial year. However, Company has registered a down fall 2.39 % in Sales Turnover in 2011-12 due to strike during the period under report.

**Turnover, net of excise duties**, at Rs.95.41Cr. vs. Rs.244.67 Cr. in 2012-13 - a decrease by 61%.

Sale has come down due to strike by Workers & shifting of manufacturing facility from Faridabad to Bhiwadi during the year.

**Raw Material consumption** has decreased from Rs.144.89 Cr to Rs.64.70 Cr. (55.35%) in 2012-13.

**Employee Cost** decreased from Rs. 19.66 Cr. to Rs.16.52 Cr. (15.97%) in FY 2012-13.

**Depreciation** for the year 2012-13 decreased to Rs.5.94 Cr. from 15.74 Cr. (62.27%) of last year.

**Financial Cost increased** to Rs.21.37 Cr. in 2012-13 from Rs.21.01Cr. of previous year.

**Net Loss** incurred by the Company stands at Rs.34.21 Cr against profit of Rs.7.81 Cr of last year.

**II. SWOT ANALYSIS**

**Strengths –**

- The company has a strategy in place for the next stage of its expansion & diversification.
- Sustained Brand leadership in a highly technology intensive industry.
- Versatile Clutch Dyno - testing facility

**Weakness -**

- Rising cost of production.
- 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.

**Opportunities –**

- Government initiatives of assigning high priority to infrastructure development, especially roads and greater realization on the part of policy planners of industry specific reforms will provide necessary impetus for future growth.
- Rising middle class population with increasing purchasing power will boost the demand for two wheelers & passenger cars. Low average age of Indian population will be an additional advantage.
- Availability of CNG in more and more cities/towns will lead to affordability of vehicles.

**Threat -**

- OEM's target to have total control on the Aftermarket can significantly impact company's Replacement Market operations.
- Raw material price volatility
- Steep increase in fuel prices
- Increasing interest rates
- Introduction of rapid mass transport systems in metro cities may adversely affect the domestic passenger vehicles demand.
- Recession in the economy leading to sluggish demand for Auto Companies.

**III. IPR PORTFOLIO**

Clutch Auto Limited is major 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 31.07.2013 is as under:

<u>Patents</u>	<u>Approved</u>	<u>Pending</u>	<u>Under filing</u>
<b>Overseas</b>			
USA	3	1	8
Mexico	1	-	-
Australia	1	-	-
<b>Total overseas</b>	<b>5</b>	<b>1</b>	<b>8</b>
<b>Domestic</b>			
	<b>6</b>	<b>11</b>	<b>15</b>
<b>Designs</b>			
India	28	-	2
<b>Trade Marks</b>			
USA	11	1	13
India	25	27	9

**IV. OUTLOOK**

The whole economy is suffering from recessionary conditions and auto industry is not an exception. Sluggish demand from all vehicle segment continued throughout the year and we expect a rebound in the Indian economy in coming quarters. Demand from OEMs and Replacement Market is expected to clock robust growth pursuant to recovery in global and Indian Economy.

**V. RISKS & CONCERNS**

Recession, competition from organized as well as un-organized sector may pose a big challenge for the Company. Further, meeting customer demand within the available timeframe and resources is also an area of concern for the company. Increasing liquidity crunch may play a severe impact on the operations of the Company. In brief, the Company is exposed to meet customer demand on time which is being taken care of with its limited resources and amidst other challenging problems.

## VI. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Given the nature of business and size of operations, the Company's internal control system has been designed to provide for:

- Accurate recording of transactions with internal checks and prompt reporting
- Adherence to applicable Accounting Standards and Policies
- Compliance with applicable statutes, policies and management policies and procedures
- Effective use of resources and safeguarding of assets

The summary of the Internal Audit observations and status of the implementation is submitted to the Audit Committee of the Board of Directors. The status of implementation of the recommendations is reviewed by the Committee on a regular basis and concerns, if any, are reported to the Board.

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

The company during the year under report faced severe labour problem which ultimately led to entering into a settlement on 8th of July, 2013 under which compensation is to be paid in installments over a period of time.

## VIII. CAUTIONARY STATEMENT

Management Discussion and Analysis Report may be "forward securities laws and regulations". Actual result may differ materially from those expressed or implied depending upon global and Indian regulations, tax regimes, and economic developments within India and overseas.

For and on behalf of the Board of Directors.

New Delhi  
Date: 31.07.2013

Vijay Krishnan Mehta  
Chairman & Managing Director

### Annexure B CORPORATE GOVERNANCE REPORT COMPANY'S PHILOSOPHY

Clutch auto Limited believes in appropriate disclosure procedures, transparent accounting policies, independent Board practices and highest levels of ethical standards towards its stakeholders for sustained 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 the listing agreement.

### (1) BOARD OF DIRECTORS (a) Composition

The current Board comprises of Five Directors including an Executive Chairman cum Managing Director and four 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:

Sl. No.	Name of Directors	DIN	Category
1	Sh. Vijay Krishan Mehta	00053452	Executive Chairman & Managing Director
2	Sh. Kewal Krishan Tanaja	00053226	Non Executive, Independent Director
3	*Sh. Chandra Shekhar Aggarwal	01539616	Non Executive, Independent Director
4	*Sh. Avinash P Gandhi	00161107	Non Executive, Independent Director
5	*Sh. Anuj Mehta	00047361	Executive Director
6	Ms. Pooja Kapur	00047231	Non Executive, Non Independent Director (Relative of Promoter)
7	*Mr. Gian Chandra Narang	00194065	Non Executive, Additional Director (Independent)
8	*Mr. Dharendra N Chaturvedi	02219011	Non Executive, Additional Director (Independent)

\*Sh. Chandra Shekhar Aggarwal, Director has resigned w.e.f. 15.09.2012

\*Sh. Avinash P Gandhi, Director has resigned w.e.f. 15.03.2013

\*Sh. Anuj Mehta, Executive Director has resigned w.e.f. 01.10.2012

\*Sh. G C Narang and Sh. D N Chaturvedi was appointed as Additional Director w.e.f. 10.11.2012

### b) Board Meetings

During the financial year under review, seven Board meetings were held on 15.06.2012, 30.06.2012, 13.08.2012, 22.08.2012, 10.11.2012, 17.12.2012, 15.03.2013.

### c) Details of Directorship of Member(s) of the Board and their Attendance at the Board/Committee Meetings and Annual General Meeting held during financial year 2012-13.

Names of Member(s) of the Board	Category of Directors	Board Meetings attended	Attendance at the last AGM	No. of Directorships held (excluding Private Ltd. companies) as on 31.03.2013	Memberships of Committees (other than Private Ltd. Companies) as on 31.03.2013	No. of Chairmanships of Committees (other than Private Ltd. Companies) as on 31.03.2013
Sh. Vijay Krishan Mehta	Chairman & Managing Director	6	Present	1	2	-
Sh. Kewal Krishan Tanaja	NEDI**	7	Present	1	2	1
Ms. Pooja Kapur	NEO	8	Present	Nare	2	1
Sh. D N Chaturvedi	NEDI**	3	Absent	2	-	-
Sh. G C Narang	NEDI**	2	Absent	1	3	-
@Sh. Anuj Mehta	Executive Director	4	Present	-	-	-
@Sh. Chandra Shekhar Aggarwal	NEDI*	Absent	Absent	-	-	-
@Sh. Avinash P Gandhi	NEDI*	3	Present	-	-	-

\*Includes directorship/alternate directorship(s), membership(s) and Chairmanship(s) of Committee(s) of the Company.

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

@ Sh. Chandra Shekhar Aggarwal resigned on 15.09.2012

@ Sh. Anuj Mehta resigned on 01.10.2012

@ Sh. Avinash P Gandhi resigned on 15.03.2013



**(d) 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.

**(e) 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.

**(f) Shares held by non-executive directors**

The details of shareholding of the Non-executive Directors as on 31.03.2013 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.

**(g) Remuneration of Directors paid or payable to Directors for the year ended 31.03.2013**

Name of Director	Relationship with other Director	Salary & Perquisites (Rs.)	Commission (Rs.)	Total (Rs.)
Sh. Vijay Krishan Mehta	Father of Sh. Anuj Mehta	4707343	-	4707343
Sh. Anuj Mehta	Son of Sh. Vijay Krishan Mehta	1585784		1585784

Note: Sh. V K Mehta & Sh. Anuj Mehta, Directors have foregone their remuneration keeping in view of the losses & liquidity crunch in the Company.

**Sitting Fees**

During the year 2012-13, 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.

**(h) Code of Conduct –**

The board of directors has laid down a code of conduct for all board members and Senior Management of the company in furtherance of its emphasis towards good Corporate Governance practices. The same Personnel for avoidance of conflict of interest.

The declarations with regard to compliance of code of Conduct have been received for the year 2012-13 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).

### 3. 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. Vijay Krishan Mehta	Chairman & Managing Director	Permanent Invitee	Member	Member
2	Sh. Kewal Krishan Tareja	Director NEI*	Chairman	-	Member
3	Sh. Avinash P. Gandhi	Director NEI*	Member	-	Chairman
4	Sh. Chandra Shekhar Aggarwal	Director NEI*	-	-	Member
5	Sh. Anuj Mehta	Executive Director	Permanent Invitee	Member	-
6	Mr. Paraja Kapur	Director NEI**	Member	Chairperson	-
7	Mr. G C Narang	Director NEI**	Member	Member	Member
8	Mr. D N Chaturvedi	Director NEI**	-	-	-

\* 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 2012-13 are given below.

Name of Director	Category	Status	No. of Audit Committee Meetings attended	
			Held	Attended
Shri Kewal Krishan Tareja	NEI*	Chairman	5	5
Shri Avinash P Gandhi	NEI*	Member	5	4
Smt. Paraja Kapur	NE**	Member	5	4
Shri G C Narang	NEI**	Member	5	1
Shri V.K. Mehta	CMD	Permanent Invitee	5	4
@Shr Anuj Mehta	Executive Director	Permanent Invitee	5	4

\* Non-Executive Independent Director

\*\*Non-Executive Director

@ Sh. G C Narang has been inducted as member of the Committee on 15.03.2013

@ Sh. Anuj Mehta resigned on 01.10.2012

@ Sh. AP Gandhi has resigned on 15.03.2013

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 5 times during the year 2012-13 on 30.06.2012, 13.08.2012, 22.08.2012, 10.11.2012 & 15.03.2013. The time gap between any two meetings was less than four months.

No person has been declined access to the Audit Committee

**Besides others, the Audit Committee of Clutch Auto reviews the following information:**

- Management discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions (as defined by the Audit committee) submitted by management.