



GKN Driveline (India) Limited

**27th
Annual Report
2011**

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Board of Directors

Dr. D.V.Kapur	Chairman
Mr. Ravindra Ojha	Managing Director (upto May 5, 2012)
Mr. Mansoor Anwar	Director
Mr. D.P.Mehta	Director
Mr. Marc Louis Gustave Vuarchex	Director
Mr. Rajeev Dogra	Manager (with effect from May 6, 2012)

Audit Committee

Dr. D.V.Kapur	Chairman
Mr. Mansoor Anwar	Member
Mr. Marc Louis Gustave Vuarchex	Member

Sr. Manager– Finance & IS/IT

Mr. Madan Singh Sisodia

Company Secretary

Mr. Ashish Kumar Pandey

Auditors

Price Waterhouse
Gurgaon

Technical Colliaborators

GKN Driveline International GmbH
Germany

Bankers

HDFC Bank Ltd.
Canara Bank
The Hongkong and Shanghai Banking Corporation Ltd.
Citibank N.A.

Registered Office & Faridabad Works

270, Sector 24
Faridabad 121 005 (Haryana)
Tel: +91 (129) 4091100, 2232531
Fax: +91 (129) 2230580
Website: www.gkndriveline.com

Dharuhera Works

34 & 35, Industrial Area,
Dharuhera 122 106 (Haryana)
Tel.: +91 (1274) 398000, 242579
Fax: +91 (1274) 242581

Oragadam Works

Plot NO. B-13, SIPCOT Industrial Park
Sriperumbadur, Kancheepuram 602105
(Tamil Nadu)
Tel: +91 (44) 27142380
Fax: +91 (44) 27142300

Pune Works

Plot No. 4,
Village Lonikand,
Taluka – Haveli,
Pune – 412 216
Tel: +91 (20) 20260565 / 575

Share Transfer Agent

MCS Ltd.
F-65, 1st Floor, Okhla Industrial Area, Phase I,
New Delhi 110 020
Tel: +91 (11) 41406149 / 41406151 / 52
Fax: +91 (11) 41709881

NOTICE

Notice is hereby given that the 27th Annual General Meeting of the Company will be held at **1.30 p.m. on Tuesday, June 19, 2012 at Registered Office, Plot No. 270, Sector 24, Faridabad 121005 (Haryana)** to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at December 31, 2011, the Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To re-appoint a Director in place of Mr. Mansoor Anwar who retires by rotation and is eligible for re-appointment.
3. To re-appoint a Director in place of Dr. D. V. Kapur who retires by rotation and is eligible for re-appointment.

4. Appointment of Auditors and fixing their remuneration:

To consider and if thought fit, to pass with or without modification, the following **Ordinary Resolution**:

"RESOLVED THAT M/s. Price Waterhouse, Chartered Accountants (Firm Registration Number: 012754N), be appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting to conduct the audit of its Accounts for the year ending December 31, 2012, at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors, plus service tax and out of pocket expenses."

SPECIAL BUSINESS:

5. Revision in remuneration of Mr. Ravindra Ojha, Managing Director:

To consider and if thought fit, to pass with or without modification, the following **Ordinary Resolution**:

"RESOLVED THAT in accordance with provisions of Sections 198, 269, 309, 310, Schedule XIII and other applicable provisions of Companies Act, 1956, if any, as amended to date and the laws prevailing for the time being in force and subject to approval of Central Government, if required, the Company hereby approves the revision in remuneration of Mr. Ravindra Ojha, Managing Director of the Company with effect from January 1, 2012 upon the terms and conditions (including the remuneration to be paid in the event of loss or inadequacy of profit if in any financial year) as set out in the explanatory statement which forms part of this resolution and as mentioned in the Agreement submitted to this Meeting and signed by the Chairman for the purpose of identification.

RESOLVED FURTHER THAT the payment of performance linked bonus amounting to Rs. 874,157/- as recommended by the Board of Directors of the Company for the period January 1, 2011 to December 31, 2011 in its meeting held on March 15, 2012 be and is hereby approved.

RESOLVED FURTHER THAT the Board of Directors of the Company, subject to the approval of Central Government and /or the Members in immediately next general meeting, as may be required, be and is hereby authorized to alter, vary, modify and increase the remuneration including perquisites within the limits or ceilings prescribed under the Schedule XIII of the Companies Act, 1956 as amended to date or any statutory modification or re-enactment thereof and to alter the terms and conditions between the Company and Mr. Ravindra Ojha as given in the explanatory statement which forms part of this resolution & also given in the Agreement as mentioned above."

6. Appointment and payment of remuneration to Mr. Rajeev Dogra, Manager:

To consider and if thought fit, to pass with or without modification, the following **Ordinary Resolution**:

"RESOLVED THAT in accordance with provisions of Sections 198, 269, 310, 311, 312, 387, 388, Schedule XIII and other applicable provisions of Companies Act, 1956, if any, as amended to date and the laws prevailing for the time being and subject to approval of Central Government, if required, the Company hereby approves the appointment and terms of remuneration of Mr. Rajeev Dogra as a Manager of the Company from May 6, 2012 to May 5, 2015 upon the terms and conditions (including the remuneration to be paid in the event of loss or inadequacy of profit if in any financial year during the aforesaid period) as set out in the explanatory statement which forms part of this resolution and as given in the Agreement submitted to this Meeting and signed by the Chairman for the purpose of identification.

RESOLVED FURTHER THAT the Board of Directors of the Company, subject to the approval of Central Government and /or the shareholders in next general meeting held immediately after the amendment, as may be required, be and is hereby authorized to alter, vary, modify and increase the remuneration including perquisites within the limits or ceilings prescribed under the Schedule XIII of the Companies Act, 1956 as amended to date or any statutory modification or re-enactment thereof and to alter the terms and conditions between the Company and Mr. Rajeev Dogra as given in the explanatory statement which forms part of this resolution & also given in the agreement as mentioned above."

EXPLANATORY STATEMENT

The following Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 as amended to date sets out all material facts relating to the business mentioned at item nos. 5,6 & 7 in the accompanying Notice dated March 15, 2012.

Special Business:

Item No. 5

Revision in remuneration of Mr. Ravindra Ojha, Managing Director:

Mr. Ravindra Ojha is having total experience of 29 years and is associated with the GKN group for the last 9 years. Considering his experience, association with the Company and performance and subject to the Members Approval & Central Government Approval as may be required; the Board of Directors of the Company in their meetings held on September 30, 2011 and on March 15, 2012 revised the remuneration of Mr. Ravindra Ojha, Managing Director of the Company. The details are as under:

1. Remuneration:
 - Basic salary revised from Rs. 2,850,480/- per annum to Rs. 3,990,672/- per annum with effect from July 1, 2011.
 - Basic salary revised from Rs. 3,990,672/- per annum to Rs. 43,89,739/- per annum with effect from January 1, 2012.
 - Discretionary Allowance Rs. 120,000/- per annum.
2. Perquisites, Allowances & Retirement Benefits:
 - i) Accommodation: Company leased accommodation or House Rent Allowance, subject to maximum of 60% of the basic salary per month or Rs. 100,000/- per month whichever is less.
 - ii) House Maintenance: The expenditure incurred by the Company for maintaining the accommodation of Mr. Ravindra Ojha subject to a maximum of Rs. 40,000/- per annum.
 - iii) Furnishings: To the maximum of Rs. 200,000/-.
 - iv) Medical Reimbursement: Rs.15,000/- per annum.
 - v) Leave Travel Concession: Expenses to be incurred for Mr. Ravindra Ojha and his dependents to the maximum of Rs.125,000/- per annum.
 - vi) Car and Telephone: The Company will provide a car with driver for use on Company's business as well as for limited personal use. The Company will also provide a telephone at Mr. Ravindra Ojha's place of residence for official calls and personal local calls. Personal long-distance calls on the telephone will be to the account of Mr. Ravindra Ojha.
 - vii) Provident Fund: 12% of Basic salary.
 - viii) Superannuation Fund: 15% of Basic salary.
 - ix) Gratuity: The Company will provide gratuity benefit equivalent to 4.16% of Basic salary for every completed year of service at the end of the tenure of service with the Company.
 - x) Group Accident and Mediclaim Insurance: In accordance with the rules of the Company.
3. Performance Linked Bonus: Rs. 874,157/- for the year ending December 2011.

The Basic salary and other allowances/perquisites which are fixed on annual basis shall change proportionately according to term (period) of appointment.

Other conditions of the Agreement entered between the Company and Mr. Ravindra Ojha and approved by the Members of the Company in its meeting held on June 24, 2011 shall remain same.

In view of Mr. Ravindra Ojha's enormous contribution in growth of the Company, the Board recommends increase in the remuneration and requests the Members to approve it by passing the resolution as set out in the Item No.5 of the Notice.

The said Agreement referred to in the Resolution is available for inspection to Members at the Registered Office of the Company on any working day between 11 a.m. to 1.00 p.m. prior to the date of the Annual General Meeting.

No Director except Mr. Ravindra Ojha is concerned or interested in the Resolution as set out in Item No. 5 of the Notice.

* Mr. Ravindra Ojha has resigned from the Company with effect from May 6, 2012.



Item No. 6

Appointment of Mr. Rajeev Dogra as Manager of the Company:

The Board of Directors in their meeting held on March 15, 2012 appointed Mr. Rajeev Dogra as Manager of the Company for the period May 6, 2012 to May 5, 2015. Mr. Rajeev Dogra is General Manager – North Operations of the Company.

Mr. Rajeev Dogra is having total experience of 23 years and is associated with the Company since beginning of his career. Considering his experience, association with the Company and performance, the Board of Directors appointed him as Manager of the Company pursuant to Section 269 of the Companies Act, 1956. The appointment is subject to the Members Approval and/or Central Government Approval as may be required.

The agreement entered between the Company and Mr. Rajeev Dogra contains the following principal terms and conditions:

1. Mr. Rajeev Dogra, Manager shall be entrusted with substantial powers of management of the business and affairs of the Company, provided that he shall exercise such powers subject to the superintendence, control and direction of Board of Directors.
2. Tenure of the Agreement: May 6, 2012 to May 5, 2015.
3. Remuneration: Basic salary Rs. 149,199/- per month (Rs. 1,790,388/- per annum).
4. Perquisites, Allowances & Retirement Benefits:
 - i) Accommodation: Company leased accommodation or House Rent Allowance, subject to maximum of 60% of the Basic salary i.e. Rs. 89,519/- per month (Rs.1,074,228/- per annum) or Rs. 100,000/- per month (Rs. 1,200,000/- per annum) whichever is less.
 - ii) Furnishings: To the maximum of Rs. 150,000/- as per the Company Policy.
 - iii) Medical Reimbursement: Rs.15,000/- per annum.
 - iv) Leave Travel Concession: Expenses to be incurred for Mr. Rajeev Dogra and his dependents to the maximum of one month Basic salary i.e. Rs.149,199/- per annum.
 - v) Car and Telephone: The Company will provide a car with driver for use on Company's business as well as for personal use. The Company will also provide a telephone at Mr. Rajeev Dogra's place of residence.
 - vi) Provident Fund: 12% of Basic salary.
 - vii) Superannuation Fund: 15% of Basic salary.
 - viii) Gratuity: The Company will provide gratuity benefit equivalent to 4.16% of base salary for every completed years of service at the end of the tenure of service with the Company.
 - ix) Group Accident and Mediclaim Insurance: In accordance with the rules of the Company.
5. Performance Linked Bonus: As may be approved by the Board of Directors from time to time.

Other terms and conditions:

- a) During his tenure as a Manager of the Company, Mr. Rajeev Dogra shall be directly in-charge of the overall operations of the Company and will oversee and co-ordinate all other functions of the business under supervision and control of Board of Directors.
- b) He shall devote his full time, attention and abilities to the business of the Company.
- c) He shall not during the term of his appointment engage himself in any other business or undertaking or calling.
- d) He shall not make known or communicate to any person or persons or himself make use of the Company's secrets.
- e) The appointment may be terminated by the Company or by Mr. Rajeev Dogra by giving not less than three month prior notice in writing.
- f) He shall be entitled to all business traveling and related expenses incurred in connection with the Company's interest in line with Travel Policy of the Company.
- g) He shall not become interested or otherwise concerned directly or through his relatives in any place of profit including selling agency to the Company in future without complying the provisions of the Companies Act, 1956.

The Directors are of the opinion that the knowledge and experience of Mr. Rajeev Dogra in various spheres of management will be useful to the Company. The Board, therefore, recommends his appointment for approval.

The said Agreement referred to in the Resolution is available for inspection to Members at the Registered Office of the Company on any working day between 11 a.m. to 1.00 p.m. prior to the date of the Annual General Meeting.

The contents of this explanatory statement should also be treated as an abstract of the terms of contract between Mr. Rajeev Dogra and the Company as required to be circulated under Section 302(1) of the Companies Act, 1956.

No Director except Mr. Rajeev Dogra is concerned or interested in the Resolution as set out in Item No. 6 of the Notice.

Item No. 7

Alteration of Articles of Association (AOA) of the Company Allowing Meeting(S) Through Electronic Mode:

The Ministry of Corporate Affairs (MCA) vide its General Circulars No. 27/2011 and 28/2011 dated May 20, 2011 has clarified that the Meeting of the Board of Directors/Committee of the Board and the General Meeting(s) of the Members of the Company can be convened through electronic mode via video conferencing.

MCA vide its General Circular No. 35/2011 dated 6th June, 2011 has clarified that it is not mandatory for Companies to provide its Directors, the facility to attend meetings through video conferencing. Therefore, for your company it is not mandatory to hold General Meetings through video conferencing as in case of Listed Companies. However, in order to save cost, enabling the Directors / Shareholders to participate in the meetings even from distant places, the Company has proposed to avail the video conferencing facility for holding Board/Committee and General Meetings.

The Company shall comply with the procedures prescribed in the Circular no. 27/2011 and 28/2011 dated May 20, 2011 while holding the Meetings through video conferencing.

For availing the video conferencing facility to hold meetings, the Articles of Association (AOA) of the Company needs to be altered and the new Article No. 72A after the existing Article No. 72 and new Article No. 139A after Article No. 139 thereof respectively as detailed below are to be inserted:

Article 72A

Facility of Video Conferencing Facility at the General Meeting of the Members:

"Notwithstanding anything contrary contained in the Articles of Association, the Company may, in pursuance of applicable rules, regulations, circulars, guidelines, notifications etc. as may be specified by the Ministry of Corporate Affairs (MCA) or any other competent authority and the provisions, if any, which may be laid down in this regard by any amendment in or re-enactment of the Companies Act, 1956 or by the rules, regulations etc. made there under from time to time, allow the member(s) of the Company to participate in the General Meeting(s) of the members through electronic mode i.e. video conferencing and the members so participating shall be deemed to be present in such General Meeting(s) for the purposes of the quorum, voting, recording of minutes and all other relevant provisions in this regard. For the purpose of participation of Member(s) in General Meeting(s) through electronic mode i.e. video conferencing, the Company shall follow the procedure specified under the applicable laws for the time being in force and the rules, regulations, circulars, notifications, guidelines etc. issued/to be issued from time to time by the Ministry of Corporate Affairs(MCA) or any other competent authority(ies) in this regard."

Article 139A

Meetings of the Board/Committee through Electronic Mode:

"Notwithstanding anything contrary contained in the Articles of Association, the Company may, in pursuance of and subject to compliance with the applicable rules, regulations, circulars, guidelines, notifications etc. as may be specified by the Ministry of Corporate Affairs(MCA) or any other competent authority and the provisions, if any, which may be laid down in this regard by any amendment in or re-enactment of the Companies Act, 1956 or by the rules, regulations etc. made there under from time to time, the Director(s) may participate in the meeting(s) of the Board or any Committee thereof through electronic mode i.e. video conferencing and the Director(s) so participating shall be deemed to be present in the meeting for the purpose of the quorum, voting, recording of minutes and all other relevant provisions in this regard. For conducting the said meetings through electronic mode, the Company shall follow the procedure specified under the applicable laws for the time being in force and the rules, regulations, circulars, notifications, guidelines etc. issued/to be issued from time to time by the Ministry of Corporate Affairs (MCA) or any other competent authority (ies) in this regard."



In terms of Section 31 of the Companies Act, 1956 and such other provisions of the Act as may be applicable, the alteration of the Articles of Association(AOA) of the Company requires approval of the Shareholders of the Company by a Special Resolution.

The Board of Directors accordingly recommends the resolution set out in the accompanying notice for the approval of the Members

None of the Directors of the Company is, in any way, concerned or interested in the resolution as set out in Item No. 7 of the Notice.

For and on behalf of the
Board of Directors

Sd/-
Ashish Kumar Pandey
Company Secretary

New Delhi, March 15, 2012

REPORT OF THE BOARD OF DIRECTORS ATTACHED TO THE BALANCE SHEET OF THE COMPANY AS AT DECEMBER 31, 2011 PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956.

To the Members of
GKN Driveline (India) Limited

Your Directors have pleasure in presenting their 27th Report on the audited Accounts of your Company for the year ended December 31, 2011.

1. Financial Results:

The summarized financial figures are given below:

	(Rs. in '000)	
	<u>2011</u>	<u>2010</u>
Turnover, net of excise	6,376,296	5,785,288
Other Income	57,200	67,310
Profit before Tax and Depreciation	586,341	847,620
Profit before Tax	225,432	547,121
Tax on Profit	82,928	184,606
Net Profit	142,504	362,515
Transfer to General Reserve	Nil	Nil
Profit & Loss account balance carried forward	2,640,020	2,497,516

2. Financial performance:

The Company's top-line sales continued to grow during the year inspite of slowdown in second half of 2011. However, the profit margin was adversely impacted by increase in raw material cost, currency devaluation and depreciation.

3. Operations:

Indian auto market grew at rate of 2.19% during the year 2011-12. The market sentiment was particularly weak during second half of the year. Slow growth was mainly due to higher interest rates for car loans, rising fuel expenses and workmen strike in Maruti.

Your company posted growth rate of 10.52% in terms of value and 6.68% in terms of number of vehicle sets produced. Your company has supplied Driveshafts for 1.91 Mn. cars during the year as against 1.79 Mn. cars in the same period of previous year.

During the year, your company commenced production at its in-house forging plant located within Oragadam Plant of the Company.

4. Dividend:

In view of ongoing expansion plan to increase its capacity in line with customers' requirement, your Directors do not recommend any dividend for the year under review.

5. Outlook:

The auto industry showed steady signs of revival in the first quarter of 2012. With interest rates expected to come down during 2012, consumer sentiments seem to be improving in the domestic market.

Indian economy is poised to achieve growth rate of around 7% during FY 2012-13 and car sales are expected to grow 11-13 percent in the same period, therefore, the performance of auto industry during the year 2012-13 is likely to be much better as compared to the last fiscal.

Your company has started implementation of another Greenfield project in Pune, Maharashtra. The first phase project cost is Rs. 1,300 Mn. which will increase the capacity by 300,000 vehicle sets.