

# SCHLAFHORST ENGINEERING (INDIA) LIMITED

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20th ANNUAL REPORT & ACCOUNTS - 1ST JANUARY 2007 TO 31ST DECEMBER 2007

**BOARD OF DIRECTORS**

Mr. Suraj L. Mehta	- Chairman (from 31 <sup>st</sup> October 2007)
Mr. Sanjay K. Asher	- Director
Mr. K.M. Thanawalla	- Director
Mr. Leen Osterloh	- Director (from 30 <sup>th</sup> April 2008)
Mr. CBK Pillai	- Managing Director
Dr. Dirk Burger	- Director (up to 30 <sup>th</sup> April, 2008)

Mr. Josef Steiger	- Chairman (up to 19 <sup>th</sup> April 2007)
Mr. C.U. Mai	- Director (up to 19 <sup>th</sup> April 2007)
Mr. P.K. Banerji	- Special Director appointed by BIFR (up to 17 <sup>th</sup> May 2007)
Mr. Bjoern Bajan	- Director (up to 4 <sup>th</sup> June 2007)
Dr. Uwe Krueger	- Director (up to 4 <sup>th</sup> June 2007)
Mr. A.K. Bhagwati	- Director (up to 23 <sup>rd</sup> July 2007)

**COMPANY SECRETARY**

Mr. CBK Pillai

**AUDITORS**

Shah & Shah Associates

**REGISTERED OFFICE & WORKS**

Chandrapura Village, Tal. Halol – 389 350

Dist. Panchmahals, Gujarat State

Telephone No. (02676) 221870

Fax No. (02676) 220887

E-mail: [seilhalol@satyam.net.in](mailto:seilhalol@satyam.net.in)

**IMPORTANT NOTICE**

1. Members / Shareholders are requested to lodge their Equity Share certificates for transfer with the Company at its Registered Office.
2. With effect from 9<sup>th</sup> October 2000, the Company got admitted its Equity Shares to be dealt in dematerialized format and a tripartite agreement was signed between the Company, The Central Depository Services (India) Ltd., & Sharepro Services for providing electronic connectivity.

**NOTICE**

Notice is hereby given that the TWENTY SIXTH ANNUAL GENERAL MEETING of the members of SCHLAFHORST ENGINEERING (INDIA) LIMITED will be held at the Registered Office of the Company, Chandrapura Village, Tal. Halol – 389 350, Dist. Panchmahals, Gujarat on Friday, the 27<sup>th</sup> June, 2008 at 2.30 p.m. to transact the following business:

**ORDINARY BUSINESS**

1. To consider and adopt the audited Profit & Loss Account of the Company for the year ended 31<sup>st</sup> December 2007 and the Balance Sheet as at that date together with the reports of the Directors and Auditors.
2. To appoint a Director in place of Mr. Sanjay K. Asher, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint the Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS**

4. To appoint a Director in place of Mr. Suraj L. Mehta, who was appointed as Director by the Board of Directors on 31<sup>st</sup> October 2007 and whose term of office expires at this Annual General Meeting and in respect of whom the Company has received Notice in writing from a Member proposing his candidature for the office of Director and signifying his intention to move the following resolution as an Ordinary Resolution:  
"RESOLVED THAT Mr. Suraj L. Mehta be and is hereby appointed as a Director of the Company liable to retire by rotation."
5. To appoint a Director in place of Mr. Leen Osterloh, who was appointed as Director by the Board of Directors on 30<sup>th</sup> April, 2008 and whose term of office expires at this Annual General Meeting and in respect of whom the Company has received Notice in writing from a Member proposing his candidature for the office of Director and signifying his intention to move the following resolution as an Ordinary Resolution:  
"RESOLVED THAT Mr. Leen Osterloh be and is hereby appointed as a Director of the Company not liable to retire by rotation."

By order of the Board of Directors  
SCHLAFHORST ENGINEERING (INDIA) LTD.

CBK PILLAI  
MANAGING DIRECTOR

Registered Office:  
Chandrapura Village, Tal. Halol – 389 350  
Dist. Panchmahals, Gujarat.  
Place : Mumbai  
Date : 30<sup>th</sup> April, 2008

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. An instrument appointing a proxy should be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
3. Members are requested to intimate the change of address, if any, immediately to Share Dept., Schlafhorst Engineering (India) Ltd., Chandrapura Village, Tal. Halol – 389 350, Dist. Panchmahals, Gujarat, quoting their Folio Number(s).
4. Shareholders seeking information on accounts published herein are kindly requested to furnish their queries to the Company at least TEN days before the date of the meeting addressed to the Secretary, Schlafhorst Engineering (India) Ltd., Chandrapura Village, Tal. Halol – 389 350, Dist. Panchmahals, Gujarat.
5. In view of the high cost of paper and printing, the practice of handing out copies of the Annual Report at the Annual General Meeting has been discontinued. Shareholders are therefore requested to bring their copies of the Report to the Meeting.
6. The Share Transfer Deeds should be sent to the Company at its Registered Office. In case the Share Certificates duly transferred are not received by the Members within one month from the date of lodgement and for resolving any Investors' Grievances, please write to the Secretariate (Investors' Grievances) at the Registered Office of the Company.
7. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 24<sup>th</sup> June, 2008 to Thursday, the 26<sup>th</sup> June, 2008 (both days inclusive).

By order of the Board of Directors  
SCHLAFHORST ENGINEERING (INDIA) LTD.

CBK PILLAI  
MANAGING DIRECTOR

Registered Office:  
Chandrapura Village, Tal. Halol – 389 350  
Dist. Panchmahals, Gujarat.  
Place : Mumbai  
Date : 30<sup>th</sup> April, 2008

**EXPLANATORY STATEMENT**

The following Explanatory Statement sets out all material facts relating to Item Nos. 4 & 5 in the accompanying Notice of the Annual General Meeting to be held on Friday, the 27<sup>th</sup> June, 2008 at the Registered Office of the Company at Halol.

**Item No. 4**

On 31<sup>st</sup> October 2007, the Board appointed Mr. Suraj L. Mehta as an additional Director of the Company. The Company has received a notice under section 257 of the Companies Act, 1956, from a Member of the Company signifying his intention to propose Mr. Mehta as a Director of the Company at the ensuing Annual General Meeting.

A graduate in B.A. Economics (Honours) from St. Xavier's College, Calcutta University, Mr. Mehta, aged around 64 years, is a Finance and Banking professional with wide range of experience in and outside the Country. He was with Grindlays Bank Ltd. / ANZ Grindlays Bank from 1965 to 1994 holding various positions including All India Head of Corporate & Investment Banking, Head of Credit for South Asia (India, Bangladesh, Nepal & Sri Lanka), Managing Director of its subsidiary Esanda Finanz & Leasing Ltd. and all India Head of Commercial Banking in India. He was with Dresdner Bank A.G. as its CEO from January 1995 to December 2001 and retired from Nabil Bank Ltd. in December 2004 as its CEO, which position he held since January 2001. He was a Member of the Board of Directors of Dresdner Kleinwort Wasserstein Securities (I) Ltd. (1997 to 2001), Nabil Bank Ltd., Nepal (January 2005 to December 2006) & Web Tek Software Ltd (1998 to 2001) and he continues to be a Member of the Board of Directors of Bajaj Allianz Life Insurance Co. Ltd. (2002 onwards), Bajaj Allianz General Insurance Co Ltd. (2002 onwards) & BPL Industries Ltd (2001 onwards) and a Member of the Managing Committee of Indo German Chamber of commerce.

Except Mr. Mehta, none of the other Directors is in any way concerned or interested in the above resolution.

**Item No. 5**

On 30<sup>th</sup> April, 2008, the Board appointed Mr. Leen Osterloh as a Director of the Company in place of Dr. Dirk Burger, who was a director not liable to retire by rotation and who resigned with effect 30<sup>th</sup> April, 2008. The Company has received a notice under section 257 of the Companies Act, 1956, from a Member of the Company signifying his intention to propose Mr. Leen Osterloh as a Director of the Company, not liable to retire by rotation, at the ensuing Annual General Meeting.

Born on 3<sup>rd</sup> March 1975, Mr. Leen Osterloh, a Nominee of the majority Shareholder - W. Reiners Verwaltungs-GmbH - is a Graduate in Economics from University of Potsdam and has undergone training in Deutsche Bank AG & Arthur Andersen Corporate Finance Beratung GmbH and Executive Development Programme in the Wharton School. He was the Managing Director of RKT Ireland Ltd. in 2002-03 and thereafter as Managing Director of RKT Rodinger Kunststoff-Technik GmbH up to 2005. He joined Oerlikon Textile GmbH & Co. KG in 2006 as Business Unit Controller, Business Unit Ring Spinning and currently is its Chief Financial Officer.

Except Mr. Leen Osterloh none of the other Directors is in any way concerned or interested in the above resolution.

The relevant document referred to herein above can be inspected anytime between 9 am to 4 pm on any day except Saturday & Sunday before the meeting at the registered office of the Company.

By order of the Board of Directors  
SCHLAFHORST ENGINEERING (INDIA) LTD.

CBK PILLAI  
MANAGING DIRECTOR

Registered Office:  
Chandrapura Village, Tal. Halol - 389 350  
Dist. Panchmahals, Gujarat.

Place: Mumbai  
Date: 30<sup>th</sup> April, 2008

**DIRECTORS' REPORT**

To,  
The Shareholders,  
SCHLAFHORST ENGINEERING (INDIA) LIMITED

Your Directors submit their Twenty Sixth Annual Report & Audited Statement of Accounts for the year ended on 31<sup>st</sup> December, 2007.

**1. FINANCIAL RESULTS**

	Current Year Rupees (‘000)	Previous Year Rupees (‘000)
Net Income from manufacturing	89,568	84,941
Income from trading in spare parts	24,100	23,491
Other income (Interest, Lease Rent, etc.)	12,914	11,409
Total operating income	126,582	119,841
Depreciation	5,304	5,462
Interest paid	119	4,211
Profit/(Loss) before Tax & exceptional items	18,707	6,937
Provision for taxation	305	202
Profit/(Loss) after tax and before exceptional items	18,402	6,735
<i>Exceptional items:</i>		
Profit on Sale of Vadodara property	-	157,224
Loss on obsolete assets / inventories / investments written off	-	58,649
Plant shifting expenses	-	3,660
Profit/(Loss) after Tax and exceptional items	18,402	101,650
Brought forward balance of previous year losses	239,339	340,989
Cumulative losses	220,937	239,339
Net worth	159,346	140,944

**2. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:**

- a) The Company sold 50 Draw Frames of the aggregate value of Rs.46.52 mio as against 63 Draw Frames of the aggregate value of Rs. 55.42 mio in the previous year and executed job work aggregating to Rs.57.94 mio as against Rs. 42.84 mio in the previous year. Job work constituted around 57% of the total manufacturing income. The nominal increase from Rs.24.58 mio in the

previous year to 24.76 mio for the year under review of income from sale of spare parts is mainly on account of increase in the price and not in quantitative terms. In the coming years too, on account of phasing out of old model Autoconers AC138 (which was discontinued in 1993) and AC 238 (which was discontinued in 1997) from the market, spare parts business will have negative growth. Other income includes interest from deposits of Rs.5.14 Mio (Rs.3.53 Mio in the previous year) and rent from the lease of company's Factory premise surplus to its current requirement of Rs.6.13 Mio (previous year Rs.5.14 Mio).

- b) Though the company has fully paid off most of its long term liabilities, the preference shares which are repayable anytime after 15<sup>th</sup> December, 2006 (but before 28<sup>th</sup> October 2024) are yet to be redeemed. The preference share holder (Oerlikon) has sought the redemption of preference shares as early as possible.

**3. SEGMENT WISE PERFORMANCE**

The operations of the company are in a single segment of Textile Machinery – High Speed Draw Frame. The job work and the sale of spare parts are not considered as separate product segments.

**4. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

- (a) Industry structure and development

Since 1984, your Company has been manufacturing Draw Frame, which is used as a spinning preparatory machine by textile mills. It is a very old product designed by Zinser several years back. Due to paucity of funds, difficulty in getting competent technical hands and lack of R&D facilities, the Company has not been able to make any material technological improvement in it, except replacing PCB with PLC and some other minor changes. The Autoconer, which is essentially a yarn tester and yarn rectifier, for which your Company was set up in 1983, was discontinued in 1997 due to high cost of production and competition from imported Autoconers of superior technology from various countries. The resources so released are being used for job work since 1998.

- (b) Opportunities and Threats

There is enormous scope for the growth of textile mills industry in India which provides ample opportunity to the textile machinery industry to grow with the right technology and equipment. However, Draw Frame being manufactured by your Company is of very old design and technology. Draw Frames of superior technology

are available in the market. In the case of mills setting up new projects, the tendency is to source the Draw Frames from the manufacturers who supply a line/range of products. Besides, the Mills increasingly prefer Autoleveller Draw Frame for which your Company does not have the required technology.

(c) Outlook, risk and concerns:

i) Since 1998, the Board has been reporting to you that in the absence of a profitable product, the future of the company is far from bright. With the cumulative losses of Rs. 289 mio in 1998 which rose to Rs. 527 mio in 2003 against the paid up capital of Rs.256 mio. and the aggregate outside liabilities of Rs.314 mio in 1998 which rose to Rs. 511 mio on 15<sup>th</sup> December, 2003, the compulsory winding up of the company was quite imminent which your Directors skillfully prevented. Winding up at that stage would not have been of any benefit to the Shareholders. With the various reliefs and concessions from banks, financial institutions and others and by converting the foreign currency loan of Rs. 124 mio of your collaborators into preference shares of the same value and the profits from sale of Vadodara property, the net worth was made positive and the company which was registered with BIFR in 1999 was deregistered in May, 2007.

ii) OC Oerlikon Corporation

Your collaborator, W. Reiners Verwaltungs GmbH, Germany (WRV), who held 53.78% of the total paid up equity capital of your company was a subsidiary of Saurer AG, Switzerland who was taken over by the Swiss based OC Oerlikon Corporation AG, Pfaffikon, Churerstrasses 120, 8808 Pfaffikon SZ (Community of Freienbach), Switzerland (Oerlikon) in January, 2007. Consequently, Oerlikon was required to make a public offer to the shareholders of your company to acquire from them 20% of the equity shares of the company. Against the public announcement made by it on 9<sup>th</sup> February 2007 and the subsequent offer, Oerlikon received 1,20,229 equity shares constituting 0.62% of the total issued equity share capital of the Company.

iii) The said offer according to Oerlikon, was made to comply with the SEBI take over code and not because it had interest in any additional equity holding in the company.

iv) The Board of Directors of your Company sought to know from Oerlikon their future plan with respect to this company. The Board was told that they have not been able to find any product for the type of resources available in your Company and that the policy of Oerlikon Management is to offer product license or to make any investment only in those Companies, where it has 100% equity holding. We have been told that Oerlikon, with a view to exit from your company, has been making efforts to sell their holdings. The face value of their investment in your company is Rs. 105.5 mio (54.40%) in equity shares and Rs. 124 mio in preference shares aggregating to Rs.229.5 mio

v) In view of the fact that the Promoters are not going to introduce any new product in the company with the required investment, any further continuation of the existing business - sale of small value Draw Frame of obsolete design, spare parts, most of which are imported, job work, interest and lease rent - may keep the company floating for some more time without any tangible gain for the shareholders. In view of this and in the interest of the stakeholders, an ideal option would be to sell all the assets of the company in one or more stages which may fetch reasonable prices, pay off all the liabilities including employees' compensation and taxes, where applicable, and then wind it up as a Voluntary Winding up.

vi) The company's business undertaking was valued by M/s Bahsi Mehta & Co in association with Mott MacDonald both based in Mumbai in September, 2007 at Rs.297 Mio. The value of all tangible fixed asset is Rs.185 Mio and net current asset is Rs.112 Mio. The machineries which constitute more than 40% of the value of the said Fixed Assets (Land, Building & Machinery) are quite old and is liable to further deterioration. Most of them are acquired during 1983 to 1994. Assuming that the company is able to fetch the valuation price on sale, the net amount available after redemption of Preference Shares, payment of current liabilities and estimated employees' severance cost would be Rs. 120 Mio subject to payment of capital gain tax. The Equity Capital is Rs. 193 Mio. and carry forward book losses are Rs. 221 mio. as at 31<sup>st</sup> December, 2007. In the event of any loss in realization of current assets or write off of inventory and payment against contingent liabilities, the availability of distributable surplus will further reduce.



## (d) Material development in Human Resources:

There has not been any material development in the year under review.

## (e) Internal control systems and their adequacy:

The company has adequate internal control systems commensurate with its size. A firm of Chartered Accountants has been appointed as Internal Auditors of the Company, who submits its quarterly reports to the Audit Committee /the Board of Directors. Every month, a detailed Management report containing statistics on sales, income, expenses and cash flow of the company is being submitted to the Audit Committee and the Board for their review.

## 5. DIVIDEND

In view of the carried forward accumulated losses, your Directors do not recommend any Dividend for the year under review.

## 6. ISO 9001 : 2000

The Company has on 5<sup>th</sup> February 2007 obtained ISO 9001 : 2000 certificate for design, manufacturing, supply and servicing of High Speed Draw Frame Machine and manufacture and supply of spares for the same and manufacture and supply of boxes for auxiliary converters with spares.

## 7. PERFORMANCE OF THE CURRENT YEAR:

Total income from sale of draw frames, job work, rental income and other receipts for the first quarter ended on 31<sup>st</sup> March, 2008 was Rs.23.44 Mio with a net profit of Rs.2.77 Mio. The total orders booked and pending execution as on 31<sup>st</sup> March 2008 stood at Rs.51.24 Mio.

## 8. PARTICULARS OF EMPLOYEES:

The particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are as under:

Name & Date of commencement of Employment	Designation & nature of duties	Qualification & Experience (including experience in previous concerns, if any)	Remuneration received during the year (Rupees)	Age	Last employment held Name of Employer, Post held & period
Mr. CBK Pillai 09-12-1995	Managing Director Overall Management	B.A., LLB A.C.S. 23 years	Rs.16,75,650/-	58	Emco Elecon (India) Ltd. Company Secretary 7 years

Notes: Remuneration as above includes Salary, Company's contribution to Provident Fund and Superannuation Scheme, Leave Travel Allowance, Medical Expense Reimbursement, other Allowances, Bonus/Ex-gratia, Personal Accident Insurance Premium, Company's Pension, Employees' G.S. Electricity and Gratuity - where applicable and Retirement benefit. None of the employees is related to any Director of the Company.

## 9. DIRECTORS

1. Mr. Suraj L. Mehta, an experienced banking and finance professional has joined the Board on 31<sup>st</sup> October 2007 as Chairman of the Company. His term expires at the ensuing Annual General Meeting and is proposed to be reappointed as Director at that Annual General Meeting. His Bio-data is given in the explanatory statement attached to the Notice convening the 26<sup>th</sup> Annual General meeting and the Board recommends you to appoint him as a Director liable to retire by rotation.

2. Mr. Sanjay K. Asher retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. The Board recommends that he be reappointed as Director.

Born on 26<sup>th</sup> November 1964, Mr. Asher is a Solicitor, Bachelor of Laws (LLB), Bachelor of Commerce and is a Chartered Accountant. He is a legal practitioner with wide experience and is Director of several other companies.

3. Mr. Leen Osterion has been appointed on 30<sup>th</sup> April 2008 as a Director in place of Dr. Dirk Burger. He is a nominee of the Promoter / Collaborator. His bio-data is given in the Explanatory Statement attached to the Notice convening the 26<sup>th</sup> Annual General Meeting and the Board recommends you to appoint him as a Director not liable to retire by rotation.

4. Mr. Bjoern Bajan & Dr. Uwe Krueger, the nominees of your Collaborators, W. Reiners Verwaltungs GmbH, who joined the Board on 19<sup>th</sup> April 2007, ceased to be the directors from 4<sup>th</sup> June 2007. Dr. Dirk Burger, another nominee of your Collaborators, who joined the Board on 19<sup>th</sup> April 2007 in place of Mr. Josef Steiger also ceased to be the Director with effect from 30<sup>th</sup> April 2008. The Board puts on record its appreciation of the services rendered by these Directors.

5. Mr. PK Banerji was a Special Director appointed by BIFR to monitor the affairs of the Company especially the sale of assets in accordance with the BIFR procedure. He chaired the Asset Sale Committee till all the assets specified in the scheme were disposed off. When the Company was transferred from BIFR, Mr. Banerji ceased to be the Director from 11<sup>th</sup> May 2007. The Board puts on record its appreciation of the services rendered by Mr. Banerji.

6. Mr. A.M. Bhagwat has resigned from the Board effective 30<sup>th</sup> June 2007 after the conclusion of the Board meeting in London and Mr. Bhagwat was associated with the Company from inception and the Board puts on record its deep

appreciation of the dedicated services rendered by Mr. Bhagwati.

#### 10. DISCLOSURE OF INFORMATION ON ENERGY CONSERVATION & TECHNOLOGY ABSORPTION

##### A) Conservation of Energy

The Company continues to take all possible steps to conserve energy.

##### B) Technology absorption, Research & Development and technology absorption, adaptation and innovation: NIL

##### C) Foreign Exchange earnings and outgo:

The total foreign exchange earned by the Company during the year under review from exports and other activities amounted to Rs.176 thousands. The total foreign exchange used for imports and on account of various remittances amounted to Rs.15,462 thousands.

#### 11. AUDITORS

The tenure of Shah & Shah Associates as Auditors of the Company expires at the conclusion of the 26<sup>th</sup> Annual General Meeting. You are requested to appoint Auditors and fix their remuneration.

#### 12. INSURANCE

All the properties of the Company are adequately insured against various perils.

#### 13. CEO / CFO CERTIFICATION:

This is to certify that –

##### a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:

- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
- (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

##### b) There are, to the best of our knowledge and belief, no transactions entered in to by the Company during the year which are fraudulent, illegal or violative of the company's code of conduct.

##### c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

##### d) We have indicated to the auditors and the Audit Committee

- (i) significant changes in internal control over financial reporting during the year;
- (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
- (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

CBK PILLAI

Y.J. SHAH

MANAGING DIRECTOR SR. MANAGER –

FINANCE & ACCOUNTS

#### 14. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217 (2AA) of the Companies Act, 1956, your Directors confirm that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures. The Directors have selected appropriate 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 and of the profit of the Company for the financial year 1<sup>st</sup> January 2007 to 31<sup>st</sup> December 2007. Proper and sufficient care has been taken 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 fraud and other irregularities. The annual accounts have been prepared on a going concern basis.

#### 15. CORPORATE GOVERNANCE:

##### 1. Company's Philosophy:

Transparency, accountability, full disclosure and compliance with the law are the governing factors at SEIL, which is committed to enhance the shareholders' value in the long term as its ultimate objective, while contributing to the welfare of the employees, state revenue and public interest.

##### 2. Board of Directors

##### 2a) Board Meetings:

During 2007, six meetings of the Board of Directors were held on January 30, 2007, on April 19, 2007, on June 4, 2007, on June 14, 2007, on July 23, 2007 and on October 31, 2007.



**2b) Composition of the Board:**

During the year under review, 11 Directors, whose names are given below, served the Board – a Managing Director & CEO, 6 non executive nominee directors representing the promoter – W.Reiners Verwaltungs GmbH, Germany, who are also employees of the promoter and 4 non-executive independent directors. The Chairman of the board is non executive and is no way connected with the Promoters. The non executive independent directors are one-third of the total strength.

Name of the Director	Category	Attendance of Board Meetings	Attendance of last AGM	Director ship	In other Companies Committee Member	Chairman ship of
Mr. SL Mehta	Chairman from 31.10.07 Non-executive Independent Rotational	NIL	NIL	3	-	-
Mr. Sanjay Asher	Independent, Rotational	5	NIL	15	10	5
Mr. KM Thanawalla	Promoter's Nominee Rotational	6	Yes	13	3	-
Mr. CBK Pillai	Managing Director Rotational, Executive	6	Yes	NIL	NIL	NIL
Dr. Dirk Burger	Chairman up to 31.10.2007 Non-Rotational, Promoter's Nominee	1	NIL	5	NIL	NIL
Mr. Josef Steiger	Non-executive Chairman up to 19.04.2007 Non-Rotational Promoter's Nominee	2	NIL	NIL	NIL	NIL
Mr. AK Bhagwati	Independent, Rotational	3	Yes	11	NIL	1
Mr. Ch. Hol	Promoter's, nominee Rotational	2	NIL	1	-	-
Mr. PK Banerji	Independent Appointed by BIFR	2	NIL	3	4	-
Mr. Boern Bojan	Promoter's Nominee Rotational	NIL	NIL	-	-	-
Dr. Uwe Krueger	Promoter's Nominee Rotational	NIL	NIL	-	-	-

**Note :** None of the Directors are inter se related to each other.

**3) AUDIT COMMITTEE:**

**3a)** The Company has constituted an Audit Committee on 30<sup>th</sup> January 2001. During 2007, the members of the committee were (i) Mr. Suraj L. Mehta (Chairman & Independent Director from 31<sup>st</sup> October 2007), (ii) Mr. Sanjay Asher

(Independent Director), (iii) Mr. A.K. Bhagwati (Chairman & Independent Director up to 23<sup>rd</sup> July 2007), (iv) Mr. Josef Steiger (Non Executive Director up to 19<sup>th</sup> April 2007), (v) Mr. P.K. Banerji (Special Director appointed by BIFR up to 17<sup>th</sup> May 2007) & (vi) Dr. Burger (Non-Executive Director from 19<sup>th</sup> April 2007 to 30<sup>th</sup> April 2008) with Mr. CBK Pillai as its Secretary.

**3b)** The Audit Committee is vested with the power to examine all the aspects of the Company's business, recommend capital expenditure and utilization of credit facilities, suggesting remedial measures on issues that are raised in the Internal Auditors' Report, Statutory Auditors Report and other Management reports being generated every month, review of quarterly performance, cost reduction measures, compliance with statutory regulations, interaction with the Statutory Auditors and officers of the Company and other matters specified in Clause 49 of Listing Agreement and Section 292A of the Companies Act, 1956.

**3c)** The Audit Committee had its meetings on January 30, 2007, April 19, 2007, July 23, 2007 & October 31, 2007. These meetings were attended by Mr. A.K. Bhagwati (2 Meetings), Mr. Sanjay Asher (all Meetings), Mr. Josef Steiger (2 Meetings), Mr. P.K. Banerji (2 meetings), Dr. Dirk Burger (1 meeting) & Mr. CBK Pillai (all meetings). Mr. Mukesh B. Banker, Statutory Auditor (all meetings).

**4) COMPENSATION AND REMUNERATION COMMITTEE:**

*The terms of reference of the Committee is to consider adequate compensation to Managing Director commensurate with the qualification, experience, past performance, future expected performance, etc.*

**4a)** The Remuneration Committee consists of Mr. Josef Steiger as Chairman (up to 19<sup>th</sup> April 2007), Mr. AK Bhagwati (up to 23<sup>rd</sup> July 2007), Mr. Sanjay Asher & Mr. KM Thanawalla for determining the appointment of and remuneration to the Managing Director.

**4b)** The Managing Director's remuneration is approved by the Remuneration Committee, the Board and the Shareholders. The special Director (up to 17<sup>th</sup> May 2007) was paid sitting fees for attending Board & Committee meetings. Except them, no other director draws any remuneration or expenses from the company.

Except as above, no director has any material pecuniary relationship or business transaction with the company. None of the Directors is related to any other Director. The Managing Director is under a service contract for a period of three years commencing 1<sup>st</sup> January 2007 to 31<sup>st</sup> December 2009. His service is terminable by giving 6 months notice. There are no severance fees except as provided in Section 318 of the Companies Act, 1956. The Company has not introduced any stock option. The Managing Director's remuneration for the period 2007-2009 is set out in the explanatory statement annexed to the notice given in the annual report convening the 25<sup>th</sup> Annual General Meeting. The committee last met on 31<sup>st</sup> October, 2006 to approve the Managing Director's remuneration for the above period and was attended by Mr. Josef Steiger, Mr. AK Bhagwati, Mr. Sanjay Asher & Mr. KM Thanawalla.

4c) None of the Non-Executive Directors hold any Equity Share of the Company.

4d) During the year no meeting was conducted.

4e) As the Managing Director's remuneration is decided by the Remuneration Committee, the Board & the Shareholders based on experience and merit and no remuneration is paid to any other Director other than the sitting fee paid to the Special Director, no separate remuneration policy has been laid down for the directors generally.

**5) SHAREHOLDERS' / INVESTORS' COMMITTEE:**

5a) On 29<sup>th</sup> January, 2002 a Shareholders' / Investors' Grievance Committee headed by Mr. Josef Steiger (Non executive director - up to 19<sup>th</sup> April 2007) of the company was formed by the Board to review the status of investors' grievances and redressal mechanism and to suggest measures to improve the level of investor services. With the resignation of Mr. Steiger, Mr. K.M. Thanawalla is heading this Committee.

**5b) COMPLIANCE OFFICER:**

Mr. CBK Pillai, Company Secretary, is the Compliance Officer overseeing the Investors' grievances. He can be contacted at Schlafhorst Engineering (India) Ltd., Chandrapura Village, Tal. Halol - 389 350, Dist. Panchmahals, Gujarat, Telephone No. (02676) 221870, Fax No. (02676) 220887, E-mail: seilhalol@satyam.net.in

5c) During the year the Company has received 29 complaints and all the complaints have been resolved well in time. No complaints are pending at the end of the financial year.

**6) GENERAL BODY MEETING:**

The previous 3 General Body Meetings were held as under :

Annual General Meeting	Day, Date & Time	Venue
23 <sup>rd</sup> Annual General Meeting	Thursday 21.04.2005 at 2.30 p.m.	Registered Office of the Co. Vishwamitri Road, Near Bulbaur, Vadodara 390 001 Gujarat
24 <sup>th</sup> Annual General Meeting	Friday 16.06.2006 at 2.30 p.m.	Registered Office of the Co. Chandrapura Village Tal. Halol-389 350 Dist. Panchmahals, Gujarat
25 <sup>th</sup> Annual General Meeting	Monday 04.06.2007 at 2.30 p.m.	Registered Office of the Co. Chandrapura Village Tal. Halol-389 350 Dist. Panchmahals, Gujarat

On 6<sup>th</sup> May 2004, the company passed two special resolutions at its general meeting (1) reducing the face value of equity shares from Rs.10/- per share to Rs.3/- per share and (2) altering the Articles of Association to give effect to the proposal. As that proposal was not implemented, the general meeting held on 21<sup>st</sup> April 2005, a special resolution was passed altering the Articles of association to restore it to the original position. At the aforesaid general meeting in 2004, a special resolution was also passed by the Shareholders to delist the shares from the Vadodara and Ahmedabad stock exchanges, which was implemented. At the general meeting in 2005 as aforesaid a special resolution was passed, besides postal ballot to shift the registered office from Vadodara to its works at Halol, which was implemented.

No special resolution was passed in the 24<sup>th</sup> or in the 25<sup>th</sup> Annual General Meetings or proposed to be passed in the 26<sup>th</sup> Annual General Meeting.

**7) DISCLOSURES:**

7a) The Company has not entered into any contract or transaction of material nature that may have a potential conflict with the interest of the company with any of the directors or their relatives or promoters during the year. There were no penalties or strictures imposed on the company by the Stock Exchanges or SEBI or