

# SCHLAFHORST ENGINEERING (INDIA) LIMITED



29TH ANNUAL REPORT & ACCOUNTS - 1ST **JANUARY** 2010 TO 31ST DECEMBER 2010

**SCHLAFHORST ENGINEERING (INDIA) LIMITED**

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**BOARD OF DIRECTORS**

Mr. Adrian Oehler	- Chairman (from 3rd January 2011)
Mr. Shalin S. Divatia	- Additional Director (from 3rd January 2011)
Mr. Jayvant H. Merita	- Additional Director (from 3rd January 2011)
Mr. Mahendra Sanghvi	- Additional Director (from 3rd January 2011)
Mr. Hemraj C. Asher	- Director (up to 18th February 2011)
Mr. Sanjay K. Asher	- Director (up to 18th February 2011)
Mr. Leen Osterloh	- Director (up to 23rd June 2010)
Mr. Ulrich Wunder	- Director (up to 3rd January 2011)
Mr. K.M. Thanawalla	- Director (up to 3rd January 2011)
Mr. CBK Pillai	- Managing Director (up to 30th June 2010)

**COMPANY SECRETARY**

Mr. CBK Pillai (up to 30th June 2010)

**COMPLIANCE OFFICER**

Mr. Y.J. Shah

**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@sify.com

**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 9th 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.

**SCHLAFHORST ENGINEERING (INDIA) LIMITED****1****NOTICE**

Notice is hereby given that the TWENTY NINTH 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 Monday, the 18th April, 2011 at 12.00 noon to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Profit & Loss Account of the Company for the year ended 31st December 2010 and the Balance Sheet as at that date together with the reports of the Directors' and Auditors'.
2. 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**

3. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Adrian Oehler, who was appointed under section 260 of the Companies Act, 1956, as Additional Director of the Company and whose term of Office expires at this Annual General Meeting and in respect of whom the Company has received a notice from a Member under section 257 of the Companies Act, 1956 proposing his candidature, be and is hereby appointed as Director of the Company."

4. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Shalin S. Divatia, who was appointed under section 260 of the Companies Act, 1956, as Additional Director of the Company and whose term of Office expires at this Annual General Meeting and in respect of whom the Company has received a notice from a Member under section 257 of the Companies Act, 1956 proposing his candidature, be and is hereby appointed as Director of the Company."

5. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Jayvant H. Mehta, who was appointed under section 260 of the Companies Act, 1956, as Additional Director of the Company and whose term of Office expires at this Annual General Meeting and in respect of whom the Company has received a notice from a Member under section 257 of the Companies Act, 1956 proposing his candidature, be and is hereby appointed as Director of the Company."

6. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Mahendra Sanghvi, who was appointed under section 260 of the Companies Act, 1956, as Additional Director of the Company and whose term of Office expires at this Annual General Meeting and in respect of whom the Company has received a notice from a Member under section 257 of the Companies Act, 1956 proposing his candidature, be and is hereby appointed as Director of the Company."

7. To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 21 of the Companies Act, 1956 and subject to the approval of the Registrar of Companies - Gujarat, the name of the Company be changed from Schlafhorst Engineering (India) Limited to "INTEGRA Engineering India Limited" and such other name and immediately upon the said change in name be substituted for the existing name wherever it appears in the Memorandum and Articles of Association of the Company and on such other documents as may be deemed necessary."

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

DIRECTOR

Registered Office:  
Chandrapura Village, Tal. Halol - 389 350  
Dist. Panchmahals, Gujarat.  
Place: Halol  
Date : 27th January 2011

**SCHLAFHORST ENGINEERING (INDIA) LIMITED****2****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 lodgment 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 Friday, the 15th April, 2011 to Saturday, the 16th April, 2011 (both days inclusive).

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

DIRECTOR

Registered Office:

Chandrapura Village, Tal. Halol - 389 350

Dist. Panchmahals, Gujarat.

Place: Halol

Date : 27th January, 2011

**EXPLANATORY STATEMENT**

The following Explanatory Statement sets out all material facts relating to Item No. 3, 4, 5, 6 & 7 in the accompanying Notice of the Annual General Meeting to be held on Monday, the 18th April, 2011 at the Registered Office of the Company at Halol.

**Item No. 3**

Mr. Adrian Oehler was appointed as Additional Director on 3rd January 2011 and holds office only up to the date of the Annual General Meeting. The Company has received a notice from a Member of the Company as required u/s 257 of the Companies Act, 1956 proposing Mr. Adrian Oehler as Director of the Company at the ensuing Annual General Meeting.

Mr. Oehler born on 7th November 1970 and is Lic. Oec HSG Master of Advanced Studies in Corporate Finance CFO with wide experience in Change Management, Strategic Management, Turnaround including Corporate Finance and Market Development and he is the CEO & Chairman of Integra Holding AG and Director of some other companies as mentioned in the Directors' Report.

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

**Item No. 4**

Mr. Shalin S. Divatia was appointed as Additional Director on 3rd January 2011 and holds office only up to the date of the Annual General Meeting. The Company has received a notice from a Member of the Company as required u/s 257 of the Companies Act, 1956 proposing Mr. Shalin S. Divatia as Director of the Company at the ensuing Annual General Meeting.

Mr. Divatia born on 8th January 1965 and is B.Com, LLB & FCA with 22 years experience of practicing Chartered Accountant and Director of other companies as mentioned in the Directors' Report.

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

**Item No. 5**

Mr. Jayvant H. Mehta was appointed as Additional Director on 3rd January 2011 and holds office only up to the date of the Annual General Meeting. The Company has received a notice from a Member of the Company as required u/s 257 of the Companies Act, 1956 proposing Mr. Jayvant H. Mehta as Director of the Company at the ensuing Annual General Meeting.

Mr. Mehta born on 21st January 1939 and is B.Com, MBA from Liverpool (UK), Fellow, Institute of Cost and Management Accountants, London with experience as Chief Accountant and Management consultant for

**SCHLAFHORST ENGINEERING (INDIA) LIMITED****3**

various companies in UK for a period of 8 years, Managing Director of Ireland based company for 5 years, Financial Controller of an Indian based company for 4 years and currently as Management Consultant & Financial Controller of various companies in India and abroad and is a Director of Sameer E-clipse (Products) Pvt. Ltd.

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

**Item No. 6**

Mr. Mahendra Sanghvi was appointed as Additional Director on 3rd January 2011 and holds office only up to the date of the Annual General Meeting. The Company has received a notice from a Member of the Company as required u/s 257 of the Companies Act, 1956 proposing Mr. Mahendra Sanghvi as Director of the Company at the ensuing Annual General Meeting.

Mr. Sanghvi born on 22nd February 1948 and is Chemical Engineer from Wayne State University, USA, MBA from Toronto University, Canada with more than 36 years of experience in Plastic Industries. Presently he is the Managing Director of Shaily Engineering Plastics Ltd. He is a Member of Committee of Administration of the Plastics Export Promotion Council, Member of Managing Committee of the Federation of Gujarat Industries and has been Co-chairman of Overseas of Plastindia Foundation and Director of other companies as mentioned in the Directors' Report.

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

**Item No. 7**

As a result of acquisition of the Company by INTEGRA Holding AG and as per the agreement, the Directors proposed to change the name of the Company to INTEGRA Engineering India Limited. As the Board of Directors could not approve the change of name in the 27th January 2011 meeting and have accordingly at their meeting held on 8th March 2011 approved the change in the name of the Company from Schlafhorst Engineering (India) Limited to "INTEGRA Engineering India Limited", subject to the approval of the Members and the approval of Registrar of Companies - Gujarat.

Under the provisions of Section 21 of the Companies Act, 1956 the approval of Shareholders of the Company in General Meeting by way of a Special Resolution is necessary for any change in the name of the Company. Accordingly, Special Resolution at item 7 is placed before the Members for their approval.

The Directors recommended the above resolution for the approval of Members.

None of the Directors of the Company is in any way concerned or interested in the said resolution.

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

DIRECTOR

Registered Office:  
Chandrapura Village, Tal. Halol - 389 350  
Dist. Panchmahals, Gujarat.  
Place: Halol  
Date : 27th January, 2011

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**SCHLAFHORST ENGINEERING (INDIA) LIMITED****4****DIRECTORS' REPORT**

To,

The Shareholders,

SCHLAFHORST ENGINEERING (INDIA) LIMITED

Your Directors submit their Twenty Ninth Annual Report & Audited Statement of Accounts for the year ended on 31st December, 2010.

**1. FINANCIAL RESULTS**

	<b>Current Year Rupees ( '000)</b>	<b>Previous Year Rupees ( '000)</b>
Net Income from manufacturing	<b>46,362</b>	37,990
Income from trading in spare parts	8,184	11,632
Other income (Interest, Lease Rent, etc.)	<b>17,237</b>	22,418
Total operating income	71,783	72,040
Operating profit before depreciation, Interest & taxation	<b>5,558</b>	15,298
Depreciation	<b>3,292</b>	3,732
Profit / (Loss) before Tax	<b>2,266</b>	11,566
Provision for taxation	-	1,345
Profit / (Loss) after tax	<b>2,266</b>	10,221
Brought forward balance of previous year losses (before prior year item)	196,162	206,383
Cumulative losses carried forward	<b>192,636</b>	196,162

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

- a) During the year under review, 7 Draw Frame machines sold aggregating to Rs.53.75 lacs as against 4 Draw Frame machines aggregating to Rs.28.55 lacs in the previous year. Job work has been executed worth Rs.409.87 lacs as against Rs.351.35 lacs previous year. The decrease of income from sale of spare parts from Rs.116.32 lacs in the previous year to Rs.81.84 lacs during the year under review is mainly on account of phasing out of old model Autoconers AC 138, which was discontinued in 1993 and AC 238, which was discontinued in 1997 from the

market. The other income mainly includes interest from deposits of Rs.71.85 lacs (Rs.88.42 lacs in the previous year) reduced due to reduction in interest rate and rent from lease of Company's Factory premises, surplus to its current requirement, Rs.84.31 lacs (previous year Rs.78.74 lacs). The net profit after provision for tax is Rs.22.66 lacs (after providing for write off of obsolete/slow/ non moving inventory of Rs.44.56 lacs) as against Rs.102.21 lacs in the previous year.

- b) The current liabilities have decreased to Rs.115.74 lacs from Rs.134.39 lacs in the previous year. The Current assets includes cash/Bank balance of Rs.1222.65 lacs.

**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

The Company was set up in 1983 to produce Autoconers (Yarn Tester & Rectifier). The Autoconer 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.

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 made technological improvement in it, by replacing PCB with PLC and some other minor changes. It is a small value product.

- (b) Opportunities and Threats

The fortunes of Textile Machinery Industry are tied with the fortunes of Textile Mills Industry which has enormous scope for enormous growth. Your Company was set up



**SCHLAFHORST ENGINEERING (INDIA) LIMITED****5**

during an era of protected market and has not been able to face the onslaught of competitive product with superior technology under the liberalized economy policies initiated since 1991. The Draw Frame being manufactured by your Company is of very old design and technology. Draw Frames of superior technology are available in the market. The Mills increasingly prefer Autoleveller Draw Frame for which your Company does not have the required technology and R & D facilities. 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.

(c) Outlook, risk and concerns:

During the year 2010, the company has booked orders for 11 Draw Frames and executed orders for 7 Draw Frames. However, during the year 2011, Company expects improvement in sale of Draw Frames. During the year 2010, the Company achieved sale of Rs.410 lacs from Job Work activities. The Company is also sourcing avenue for job work to utilize the existing capacity.

(d) Material development in Human Resources:

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

(e) Internal control systems and their adequacy:

The company has adequate internal control systems commensurate with its size. The Internal Auditors submit their 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. All the fixed assets of the company are physically examined and recorded at regular intervals. In all operational matters, the Company follows the systems and procedures as set out in ISO 9001 : 2008 certification manual.

## 5. QUALITY ACCREDITATION

The Company got ISO 9001 : 2000 certification in December 2006, through M/s. TÜV India Pvt. Ltd.

Further, in 2009 re-certification Audit was conducted and subsequently in December 2010, Annual Surveillance Audit was conducted by M/s. TÜV India Pvt. Ltd. and the company has complied with the norms successfully advancing to ISO 9001 : 2008.

This ensures the continuous improvement in the existing quality system and laid processes, which lead to total customer satisfaction for both product as well as services rendered. This is a result of the efforts and inherent culture of the employees who yearn to deliver the best (optimum quality) in all faces of activities.

## 6. DIVIDEND

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

## 7. PARTICULARS OF EMPLOYEES:

- a) The particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 for the year 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 09-02-1995	Managing Director Overall Management	B.A., LLB, A.C.S. 41 years	Rs.39,41,054/-	60	Eimco Elecon (India) Ltd. Company Secretary 4 years

\* Retired and also ceased from Directorship w.e.f. 30th June 2010.

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

- b) All the employees' liabilities namely Superannuation, Gratuity & Leave Encashment have been fully funded with Life Insurance Corporation of India as on the date of this report.

**SCHLAFHORST ENGINEERING (INDIA) LIMITED****6****8. DIRECTORS**

- a) Mr. Adrian Oehler, has been appointed as Additional Director on 3rd January 2011 and shall hold office up to the conclusion of the forthcoming Annual General Meeting. The Board recommended the name of Mr. Oehler as Director of the Company liable to retire by rotation. The resolution recommending the name of Mr. Oehler as mentioned in the notice attached to this report is with a request to accord your consent.

Mr. Oehler born on 7th November 1970 and is Lic. Oec HSG Master of Advanced Studies in Corporate Finance CFO with wide experience in Change Management, Strategic Management, Turnaround including Corporate Finance and Market Development and he is the CEO & Chairman of Integra Holding AG and Director of following other companies such as:

Aquametro AG  
 INTEGRA Biosciences AG  
 INTEGRA Holding AG  
 Immobiliengesellschaft Fadmatt  
 INTEGRA Immobilien AG  
 INTEGRA Personalvorsorgestiftung  
 ORGU Stiftung  
 Signal AG  
 SunVesta Holding AG  
 INTEGRA India Group Co. Ltd.

Mr. Oehler is not holding any share of the Company.

- b) Mr. Shalin S. Divatia has been appointed as Additional Director on 3rd January 2011 and shall hold the office up to the conclusion of forthcoming Annual General Meeting. The Board recommended the name of Mr. Divatia as Director of the Company liable to retire by rotation. The resolution recommending the name of Mr. Divatia as mentioned in the notice attached to this report is with a request to accord your consent.

Mr. Divatia born on 8th January 1965 and is B.Com, LLB & FCA with 22 years experience of practicing Chartered Accountant and Director of other companies as under:

Paradigm Esop Consultants Pvt. Ltd.  
 Pyramid Referral Laboratories Pvt. Ltd.

Mr. Divatia is not holding any share of the Company.

- c) Mr. Jayvant H. Mehta has been appointed as Additional Director on 3rd January 2011 and shall hold the office upto the conclusion of

forthcoming annual general meeting. The Board recommended the name of Mr. Mehta as Director of the company Company liable to retire by rotation. The resolution recommending the name of Mr. Mehta as mentioned in the notice attached to this report is with a request to accord your consent.

Mr. Mehta born on 21 st January 1939 and is B.Com, MBA from Liverpool (UK), Fellow, Institute of Cost and Management Accountants, London with experience as Chief Accountant and Management consultant for various companies in UK for a period of 8 years, Managing Director of Ireland based company for 5 years, Financial Controller of an Indian based company for 4 years and currently as Management Consultant & Financial Controller of various companies in India and abroad and is a Director of Sameer E-clipse (Products) Pvt. Ltd.

Mr. Mehta is not holding any share of the Company.

- d) Mr. Mehendra Sanghvi has been appointed as Additional Director on 3rd January 2011 and shall hold the office upto the conclusion of forthcoming annual general meeting. The Board recommended the name of Mr. Sangvi as Director of the company liable to retire by rotation. The resolution recommending the name of Mr. Sanghvi as mentioned in the notice attached to this report is with a request to accord your consent.

Mr. Sanghvi born on 22nd February 1948, Chemical Engineer from Wayne State University, USA, MBA from Toronto University, Canada with more than 36 years of experience in Plastic Industries. Presently he is the Managing Director of Shaily Engineering Plastics Ltd. He is a Member of Committee of Administration of the Plastics Export Promotion Council, Member of Managing Committee of the Federation of Gujarat Industries and has been Co-chairman of Overseas of Plastindia Foundation and Director of other companies such as:

Shaily Engineering Plastics Ltd.  
 Panax Appliances Pvt. Ltd.  
 Stallion Textiles Pvt. Ltd.  
 Sunido Textiles Pvt. Ltd.  
 IQMS ERP India Pvt. Ltd.  
 Shaily-IDC (India) Pvt. Ltd.  
 Munjal Auto Industries Ltd.

Mr. Sanghvi is not holding any share of the Company.



**SCHLAFHORSTENGINEERING(INDIA)LIMITED****7**

- e) Mr. CBK Pillai's term as Managing Director & Company Secretary came to an end on 30th June 2010 and ceased to be a Director from 30th June 2010. The Board also put on records its appreciation of the valuable services rendered by Mr. Pillai.
- f) With effect from 3rd January 2011, Mr. Ulrich Wunder & Mr. K.M. Thanawalla resigned. The Board put on records its appreciation of the valuable services rendered by Mr. Wunder & Mr. Thanawalla during their tenure as Nominee Directors of the Board.
- g) With effect from 18th February 2011, Mr. Hemraj Asher & Mr. Sanjay Asher resigned. The Board put on records its appreciation of the valuable services rendered by Mr. Hemraj Asher & Mr. Sanjay Asher during their tenure as Directors of the Board.

**9. 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. 2.94 lacs (previous year Rs.NIL). The total foreign exchange used for imports and on account of various remittances amounted to Rs.16.47 lacs (previous year Rs.33.01 lacs).

**10. AUDITORS**

The tenure M/s. Shah & Shah Associates as Auditors of the Company expires at the conclusion of the ensuing Annual General meeting. They have expressed their unwillingness to be re-appointed as Auditors. You are requested to appoint Auditors and fix their remuneration. M/s. K.C. Mehta & Co., Chartered Accountants, 2nd Floor, Meghdhanush, Race Course, Vadodara - 390 007, has expressed their willingness to act as Auditors of the Company.

**11. INSURANCE**

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

**12. 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.

SWAMI PRASAD

Y.J. SHAH

CHIEF EXECUTIVE  
OFFICERGENERAL  
MANAGER**13. DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to section 217 (2AA) of the Companies Act, 1956, your Directors confirm that

- a) in the preparation of the annual accounts, the applicable accounting standards have been

**SCHLAFHORST ENGINEERING (INDIA) LIMITED****8**

followed along with proper explanation relating to material departures.

- b) The Directors had 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 1st January 2010 to 31st December 2010.
- c) That they had 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 fraud and other irregularities. The annual accounts have been prepared on a going concern basis.

**14. CORPORATE GOVERNANCE:****A. 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.

**B. Board of Directors****i Board Meetings:**

During 2010, 5 meetings of the Board of Directors were held on January 27, 2010, on April 30, 2010, on June 23, 2010, on July 27, 2010 and on October 28, 2010.

**ii. Composition of the Board:**

The present Board consisting of 4 Directors and all 4 Directors are non-executive Directors. The Company does not have any Executive Director. The Chairman of the Company is non-executive and Independent Director. Mr. Adrian Oehler and Mr. Shalin Divatia are representatives of M/s. INTEGRA Holding AG. All other Directors are Independent Directors. Therefore, the composition of Board of Directors is in conformity with the Clause 49 of the Listing Agreement.

The name and categories of Directors on the Board, their attendance record, the number of Directorship and Committee position as on date of this report are as under:

Name of the Director	Category	Attendance of Board Meetings	Attendance of last AGM	Director ship	In other Companies Committee Member	Chairman ship of
*Mr. Hemraj Asher	Chairman from 23.06.2010 <b>Independent/ Rotational</b>	3	YES	17	-	-
*Mr. Sanjay Asher	(Chairman from 28.10.2009 to 23.06.2010) <b>Independent/ Rotational</b>	4	NIL	33	9	6
*Mr. KM Thanawalla	Promoter's <b>Nominee/ Rotational</b>	5	YES	16	3	-
*Mr. Ulrich Wunder	Promoter's <b>Nominee/ Non-Rotational</b>	2	NIL	8	-	1
***Mr. Leen Osterloh	Promoter's <b>Nominee/ Non-Rotational</b>	1	NIL	5	-	-
***Mr. CBK Pillai	<b>Mg. Director Rotational/ Executive</b>	1	YES	NIL	NIL	NIL
*Mr. Adrian Oehler	<b>Promoter/ Rotational</b>	1	NIL	10	-	-
IMr. Shalin S. Divatia	<b>Promoter/ Rotational</b>	1	NIL	2	-	-
*Mr. Jaywant H. Mehta	<b>Independent/ Rotational</b>	1	NIL	1	-	-
IMr. Mahendra Sanghvi	<b>Independent/ Rotational</b>	1	NIL	7	-	-

\* Ceased from Directorship w.e.f. 18th February 2011

- Ceased from Directorship w.e.f. 3rd January 2011

\*\*\* Ceased from Directorship w.e.f. 23rd June 2010

\*\*\* Ceased from Directorship w.e.f. 30th June 2010

\* Appointed Directors w.e.f. 3rd January 2011

**Note:** None of the Directors are inter se related to each other except Mr. Hemraj AZsher & Mr. Sanjay Asher.

**C. AUDIT COMMITTEE:**

- i. The Company has constituted an Audit Committee on 30th January 2001. During 2010, the members of the committee were (i) Mr. Hemraj Asher (Independent Director) Chairman from 23rd June 2010 to 27th January 2011 (ii) Mr.K.M. Thanawalla (Promoter's Nominee) up to 3rd January 2011 with Mr.CBK Pillai as its Secretary up to 30th June 2010, (iii) Mr.Sanjay Asher (Independent Director) Chairman up to 23rd June 2010, (iv) Mr. Jaywant Mehta (Independent Director) Chairman from 27th January 2011, (v) Mr. Adrian Oehler (Promoter) from 27th January 2011) & (vi) Mr. Mahendra Sanghvi (Independent Director) from 27th January 2011.

- ii. The Audit Committee is vested with the power to examine all the aspects of the Company's business, recommend capital expenditure and suggesting remedial measures on issues that are raised in the Internal Auditors' Report,