PPAP Automotive Limited

(FORMERLY PRECISION PIPES AND PROFILES COMPANY LIMITED)

Annual Report 2013-14

Taking Challenges, Together

PRODUCTS - SEALING SYSTEMS

PRODUCTS - INTERIOR & EXTERIOR INJECTION

CORPORATE INFORMATION

BOARD OF DIRECTORS
(as on August 14, 2014)

Mr. Ajay Kumar Jain	Chairman & Managing Director
Mr. Bhuwan Kumar Chaturvedi	Non-Executive Independent Director
Mr. Ashok Kumar Jain	Non-Executive Independent Director
Mr. Pravin Kumar Gupta	Non-Executive Independent Director
Ms. Vinay Kumari Jain	Non-Executive Director
Mr. Abhishek Jain	Whole Time Director

CHIEF FINANCIAL OFFICER
Mr. Manish Dhariwal

COMPANY SECRETARY & COMPLIANCE OFFICER
Ms. Sonia Bhandari

STATUTORY AUDITORS
M/s O. P. Bagla & Co.
Chartered Accountants

BANKERS
ICICI Bank Limited
HDFC Bank Limited
State Bank of India
Yes Bank Limited
Allahabad Bank

CIN - L74899DL1995PLC073281

REGISTERED OFFICE
54, Okhla Industrial Estate,
Phase III, New Delhi – 110020

CORPORATE OFFICE
B-206A, Sector – 81, Phase II,
Noida - 201305 (U.P.)

REGISTRAR AND SHARE TRANSFER AGENT
M/s Link Intime India Private Limited
44, Community Centre,
2nd Floor, Naraina Industrial Area,
Phase-I, New Delhi-110028

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PPAP AUTOMOTIVE LIMITED
(FORMERLY PRECISION PIPES AND PROFILES COMPANY LIMITED)

DIRECTORS' REPORT

Dear Members,
PPAP Automotive Limited

Your Directors are pleased to present their Nineteenth Annual Report together with the Audited Statement of Accounts for the Financial Year ended March 31, 2014.

FINANCIAL HIGHLIGHTS
We are delighted to present the highlights of the Financial Results of your Company for the year ended March 31, 2014.

Rs. in lakhs

Particulars	**For the year ended**	
	31-Mar-14	31-Mar-13
Total Revenue	**25,525.02**	21,959.12
Earnings before Interest, Tax, Depreciation and amortization expense	**3,627.01**	1,974.61
Less: Interest	**304.04**	114.18
Depreciation & Amortization	**1,974.76**	1,811.13
Profit/(Loss) before exceptional and extra-ordinary items and Tax	**1,348.21**	49.30
Add: Exceptional items	**-**	8.66
Profit/ (Loss) before Extraordinary items and tax (PBT)	**1,348.21**	57.96
Less: Extraordinary items	**546.06**	-
Profit/ (Loss) before tax (PBT)	**802.15**	57.96
Add/ (Less): Tax Expenses		
Current Tax	**(331.39)**	7.28
Deferred Tax	**75.11**	88.75
Profit/(Loss) for the period	**545.87**	153.99
Add : Profit brought forward from previous year	**8,982.63**	8,828.64
Balance available for appropriation	**9,528.50**	8,982.63

BUSINESS OPERATIONS
The Total Sales (net of excise) of your Company for FY 2013-14 stood at Rs. 24,675.69 lakhs as against Rs. 21,542.83 lakhs in the previous year showing an increase of 14.54%.

Profit after tax increased by 254.48% from Rs. 153.99 lakhs in 2012-13 to Rs. 545.87 in FY 2013-14.

During the year under review, the management has taken several measures to improve the operational efficiency and to reduce the costs.

Your Company is in the expansion mode and has started the commercial production at its new manufacturing facility at Pathredi (Rajasathan) in the month of May 2014. The Company has also increased the production volume at its existing manufacturing facility at Chennai.

The Company has during the year under review, introduced new technologies viz. SUS type Extrusion (Bright Stainless Steel type), Slide Rail (exclusive Extrusion process) and Rotary Stretch Bending, to meet the demands of its customers for the passenger car segments.The Company, continuously focuses on acquiring the latest technologies.It has received further orders for Injection Molding parts for latest models of Maruti Suzuki India Limited, the production of which shall start in FY 2015-16 from the Pathredi plant.

The Company through its Joint Venture, utilises the Rubber (Metal and Non-Metal) and TPO (Glass Run Channel) Extrusion technology for making the Automotive Sealing Extruded Parts. Now, the Company has all the technologies to cater the complete demand of our customer for the Sealing System parts.

TRANSFER OF "WHITE GOODS BUSINESS DIVISION" AND "MAINLINE POWER DISTRIBUTION SYSTEM BUSINESS DIVISION"

During the Financial Year 2013-14, the Company has transferred its White Goods Business Division" and "Mainline Power Distribution System Business Division" as a going concern on slump sale basis to its related entities, 'Ajay Poly Private Limited' and 'Seiki Auto India Private Limited' respectively.

CHANGE OF REGISTERED OFFICE
The Registered Office of your Company has been shifted from '4561, Deputy Ganj, Sadar Bazar, Delhi – 110006' to '54 Okhla Industrial Estate, Phase III, New Delhi-110020'with effect from May 8, 2013.

CHANGE OF CORPORATE OFFICE
The Corporate Office of your Company has been shifted from Company from 'B-II/29, Mohan Co-operatives Industrial Estate Badarpur, New Delhi to 'B-206A, Sector – 81, Phase – II, Noida - 201305' with effect from May 8, 2013.

CHANGE OF NAME OF THE COMPANY
The name of the Company has been changed from 'Precision Pipes and Profiles Company Limited' to **'PPAP Automotive Limited'** with effect from May 16, 2014, subsequent to the Members approval vide Special Resolution passed through Postal Ballot on April 3, 2014 and consequently upon receipt of approval from Ministry of Corporate Affairs.

DIRECTORS' REPORT

SUBSIDIARIES
The Company has no subsidiary as on March 31, 2014.

TECHNICAL COLLABORATION
The Technical Collaboration with Tokai Kogyo Co. Limited, Japan and Nissen Chemitec Corporation, Japan, continues to be active and the Company is receiving the requisite support, whenever required.

JOINT VENTURE COMPANY
The Joint Venture Company, PPAP Tokai India Rubber Private Limited, has started its operations in the Financial Year 2013-14 and started supplying automotive parts to Maruti Suzuki India Limited and Honda Cars India Limited to meet the demand for the passenger cars. The JV Company also exports to Thailand.

DIVIDEND
With a view to conserve the resources for future business requirements and expansion plans, your Directors are of view that the current year's profit be ploughed back into the operations and hence no dividend is recommended for the year under review.

FIXED DEPOSITS
During the year under review, your Company has not invited or accepted any Fixed Deposits from the Public pursuant to the provisions of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

DIRECTORS
Mr. Ajay Kumar Jain and Mr. Abhishek Jain, in the past, were non-retiring Directors. However, in terms of the provisions of the Companies Act, 2013, the Board in its meeting held on August 14, 2014 categorized them as Directors liable to retire by rotation. Thus,Mr. Ajay Kumar Jain retires from the Board by rotation this year and being eligible, offers himself for re-appointment.

As per the provisions of the Companies Act, 2013, Independent Directors shall not be liable to retire by rotation. Accordingly,Mr. Pravin Kumar Gupta, who was earlier appointed by the Members as an Independent Director of the Company liable to retire by rotation, is proposed to be reappointed at the ensuing Annual General Meeting as an Independent Director not liable to retire by rotation for a period upto March 31, 2019. Your Board recommends the said appointment.

The Board of Directors of the Company co-opted Mr. Bhuwan Kumar Chaturvedi and Mr. Ashok Kumar Jain, as Additional Directors of the Company with effect from December 26, 2013 and May 27, 2014 respectively, in the category of Non-Executive Independent Directors and Ms. Vinay Kumari Jain, in the category of Non-Executive Director with effect from December 26, 2013, pursuant to Section 149, 161 of the Companies Act, 2013 read with the Articles of Association of the Company.

Mr. Bhuwan Kumar Chaturvedi, Ms. Vinay Kumari Jain and Mr. Ashok Kumar Jain, hold the office of Director, as Additional Directors, until the date of the ensuing Annual General Meeting of the Company and are eligible for appointment as the Directors. Keeping in view their experience and expertise, the Board considers it desirable that the Company should continue to avail the services of Mr. Bhuwan Kumar Chaturvedi, Ms. Vinay Kumari Jain and Mr. Ashok Kumar Jain, as their presence as Director on the Board would be of immense benefit to the Company. The Resolutions proposing their appointment will be placed before the Shareholders for their approval at the ensuing Annual General Meeting of the company.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges.

Mr. Sharat Chand Jain, Mr. Rajeev Jain, Mr. Anuj Jain have resigned from the Directorship of the Company with effect from April 29, 2013, Mr. Ashok Kumar Aggarwal with effect from November 20, 2013, Mr. Devendra Chandra Jain, with effect from December 30, 2013 and Mr. Manmohan Singh Kapur with effect from February 13, 2014. The Board of Directors placed on record their appreciation for the valuable services and guidance provided by them, during their tenure as Directors of the Company.

Brief resume/details of the Directors, who are to be appointed or re-appointed as mentioned herein above have been furnished in the Corporate Governance Report, forming part of the Annual Report. The Board recommends their appointment or re-appointment at the ensuing Annual General Meeting.

CORPORATE SOCIAL RESPONSIBILITY
The Companies Act, 2013 notified Section 135 of the Act concerning Corporate Social Responsibility alongwith the Rules made thereunder and revised Schedule VII to the Act on 27 February 2014 to come into effect from 1 April 2014.

The Company being covered under the provisions of the said section, has taken necessary initial steps in this regard. A Committee of the Directors, titled 'Corporate Social Responsibility Committee', has been formed by the Board in its meeting held on 27 May 2014, consisting of the following Directors:

1. Mr. Ashok Kumar Jain, Chairman
2. Ms. Vinay Kumari Jain
3. Mr. Abhishek Jain

The said section being enacted with effect from 1 April 2014, necessary details as prescribed under the said section shall be presented to the members in the Annual Report for the year 2014-15.

DIRECTORS' RESPONSIBILITY STATEMENT
To the best of our knowledge and belief and according to the information and explanations obtained, your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956:

i. that in the preparation of Annual Accounts for the Financial Year ended March 31, 2014, the applicable Accounting Standards have been followed;
ii. that appropriate accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at March 31, 2014 and of the profit of the Company for the Financial Year ended March 31, 2014;
iii. that the 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;

iv. that the Annual Accounts for the Financial Year ended March 31, 2014 have been prepared on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A report on Management Discussion and Analysis is appended as Annexure to this report as per the requirements of Listing Agreement with Stock Exchanges.

CORPORATE GOVERNANCE

The Company has been making every effort to improve governance and transparency in the conduct of the business. Your Company is committed to good Corporate Governance coupled with good corporate practices.

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a report on Corporate Governance is annexed as a separate section and forms part of this Annual Report.

AUDITORS

M/s. O.P. Bagla & Co. (Firm Registration No. 000018N), Chartered Accountants, the statutory auditors of the Company, will retire at the conclusion of the ensuing Annual General Meeting and are eligible to hold office for a period of four years, upto 2018, pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013, subject to the approval of the Members and thereafter, ratification by the Members annually.

The members are requested to appoint M/s. O.P. Bagla & Co. (Firm Registration No. 000018N), Chartered Accountants, as auditors for four years from the conclusion of the ensuing Annual General Meeting till the conclusion of the 23rd Annual General Meeting, in 2018.

The Notes on the Financial Statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

LISTING

The shares of the Company are presently listed on National Stock Exchange of India Limited ("NSE") and Bombay Stock Exchange Limited ("BSE").

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Energy Conservation

The particulars in respect of Energy Conservation are not applicable to your Company in terms of Section 217(1) (e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

Technology Absorption and Research & Development

As required under Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to Technology Absorption and Research and Development as per Form B are given in Annexure 'A' annexed herewith, which forms a part of this Directors' Report.

Foreign Exchange Earnings and Outgo

Rs. in lakhs

Particulars	**For the year ended**	
	31-Mar-14	31-Mar-13
Foreign Exchange Earning		
(a) Export	**1.15**	70.32
Foreign Exchange Outgo		
(a) Payment to Collaborators	**1236.63**	1,150.14
(b) Directors/ Employees Visit abroad	**92.76**	55.13
(c) Raw Materials & Consumable Stores	**5268,27**	7,803.11
(d) Machinery, Dies and Moulds	**1,284.28**	1,555.57
(d) Interest on ECB	**-**	1.53

PARTICULARS OF EMPLOYEES

None of the employee of the Company is in receipt of the salary exceeding the limits of Rs. 60,00,000/- per annum or Rs. 5,00,000/- per month as specified by Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended by Companies (Particulars of Employees) Rules, 2011.

ACKNOWLEDGEMENT

Your Directors wish to convey their appreciation to all the Company's employees for their enormous efforts, as well as, their collective contribution to the Company's performance.

Your Directors acknowledge with gratitude the co-operation and continuous support extended by the technical collaborators viz. Tokai Kogyo Co. Ltd., Japan, and Nissen Chemitec Corporation, Japan.

Your Directors also take this opportunity to convey their thanks to the shareholders, suppliers and all other business associates for the continuous support given by them to the Company and their confidence reposed in the management.

For and on behalf of the Board of Directors

Place : Noida
Date : 14.08.2014

Ajay Kumar Jain
Chairman & Managing Director

Abhishek Jain
Whole Time Director

ANNEXURE TO DIRECTORS' REPORT

ANNEXURE-A

FORM B

Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988. Form for Disclosure of Particulars with respect to Absorption 2013-14

Research and Development (R & D)

1. Specific areas in which R & D carried out by the Company	:	Designing and optimizing the manufacturing process for yield and quality improvement
2. Benefits derived as a result of the above R & D	:	Achieving customer delight and improvement in overall performance of the products.
3. Future plan of action	:	To maintain the above.
4. Expenditure on R & D		
(a) Capital	:	N.A.
(b) Recurring	:	N A
(c) Total	:	N A
(d) Total R & D expenditure as a Percentage of total turnover	:	N A

Technology Absorption, Adaptation and Innovation

1. Efforts, in brief, made towards Technology Absorption, Adaptation and Innovation.	:	Progress was made during the year in development of new products, and up gradation of technology to manufacture automotive products.
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development.	:	New products are being launched by the company to satisfy customer requirements Overall improvement in Product performance
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:		
(a) Technology Imported	:	Automotive Sealing System from Tokai Kogyo Co Ltd., Japan. Interior and Exterior Injection Molded Products from Nissen Chemitec Corporation, Japan
(b) Year of Import	:	(a) Tokai Kogyo Co Ltd., Japan, since 1989 (b) Nissen Chemitec Corporation, Japan, since 2007
(c) Has technology been fully absorbed?	:	Yes
(d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action.	:	N.A.

For and on behalf of the Board of Directors

Place : Noida
Date : 14.08.2014

Ajay Kumar Jain
Chairman & Managing Director

Abhishek Jain
Whole Time Director

PPAP AUTOMOTIVE LIMITED
(FORMERLY PRECISION PIPES AND PROFILES COMPANY LIMITED)

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Business Overview
PPAP Automotive Limited ("PPAP") is the principal manufacturer of Automotive Sealing Systems, Interior and Exterior Injection Molded Products. The Automotive Sealing system product range includes Outer Belt Moulding, Inner Belt Moulding, Windshield Moulding, Roof Moulding, Quarter Window Moulding, A-Pillar Garnish, B-Pillar Garnish, Body Side Moulding and Skirt Air Damper etc. The Company introduced new technologies viz. SUS type Extrusion (Bright Stainless Steel type) and Slide Rail to meet the demands of its customers for the passenger car segments. The Company also manufactures Injection molded products like Door Trims, Interior Pillars, Rear Parcel Shelf, Trunk Linings, and Fender Inner etc.

PPAP is the major supplier to major Automotive manufacturers in India. Some of the prestigious manufacturers like Maruti Suzuki India Limited, Honda Cars India Limited, General Motors India Private Limited, Toyota Kirloskar Motor Private Limited, Renault Nissan Automotive India Private Limited, Tata Motors Limited, Ford India Private Limited and Mahindra and Mahindra Limited along with the OEM's. The Company also caters the requirements of their respective Tier 1 suppliers. The Company has technical collaboration with Tokai Kogyo Co. Ltd, Japan, for Automotive Sealing System and Nissen Chemitec Corporation, Japan, for Injection Molded Products. The Company also has a Joint Venture with Tokai Kogyo Co. Ltd, Japan for manufacturing EPDM Rubber based Automotive System with products like Opening Trims, Hood Seals, Door Weatherstrip and TPV Glass Run Channels.

Industry Review
The year 2013-14 commenced with hopes of economic recovery, however ended as a year of uncertainty when expectations weathered serious setbacks. The deterioration in the Indian economic landscape created by lack of governance, policy and government spending impacted India's growth. The downward spiral in India's growth momentum, led by its persistently high inflation and slowing down of demand and investments in Infrastructure and Real Estate and deteriorating investment climate, pulled down the Industrial growth rate. Even as concerted efforts by the Government helped to address volatility in the foreign exchange market and narrow the current account deficit to a significant extent in the second half of FY 14, a number of factors continued to weigh heavily on industrial sector. The waning performance of the industrial sector, persistence of high consumer prices, inflation and interest rates, sluggishness in services sector and the weakening in private consumption and investment, resulted in subdued performance of many sectors.

Indian automobile industry is a major contributor to growth and development of Indian Economy. The auto industry currently employs more than 19.5 million people both directly and indirectly. The auto-industry is a key employment generator in the OEM segment that manufactures the vehicles, in the inbound auto component and logistics segment that makes and delivers components & systems and the outbound logistics and dealer network that sells, maintains and distributes the cars. Every vehicle produced, generates secondary and tertiary employment. The auto industry currently contributes 18% to excise revenue.

Car sales in India declined for a second straight year, with March sales also ending in the negative zone. Overall industry volumes slumped nearly 5%. Market leader Maruti managed a marginal rise, but most others saw sales dips. Domestic car sales in Financial Year 2013 -14 stood at 17,86,899 units as compared to 18,74,055 units in the previous fiscal. [Source: Society of Indian Automobile Manufacturers("SIAM")]

Future outlook
The rapid improvement in infrastructure, huge domestic market, increasing purchasing power, established financial markets and stable corporate governance framework have made the country a favorable destination for investment by global majors in the auto industry, as per Automotive Mission Plan (AMP) (2006-16).

Additionally, the introduction of alternative fuels like hydrogen and bio fuels need to be promoted to ensure sustainability of the industry over the long term. The vision of AMP 2006-2016 aims India to emerge as the destination of choice in the world for design and manufacture of automobiles and auto components with output reaching a level of US$ 145 billion accounting for more than 10 per cent of the GDP and providing additional employment to 25 million people by 2016.

In addition, the US-based car major, Ford aims to make India its export hub and plans to sell its products in more than 50 countries over a period of time. The luxury car market of India is set for growth over the medium and long term. The market is about 30,000 cars a year and is rising steadily.

Awards & Recognition
PPAP continued its track record of superior performance with its customers. The Company was awarded the prestigious Trophy-'Overall Excellence Award-Gold Trophy' from India's Largest Car manufacturer Maruti Suzuki India Limited (MSIL) during their Annual Supplier Convention in Dubai held on 7th - 8th May, 2014.PPAP has also received the shield for achieving focused cost down in specific models from MSIL.

PPAP also received Appreciation Certificate for achieving Targets in the category of Delivery and Special Effort in the area of Localisationfrom Toyota Kirloskar Motor Private Limited.

Opportunities and Threats

Opportunities

The growth of auto-ancillary is dependent on the automobile industry. India is being recognized as potential emerging auto market. The Indian passenger vehicle market is dominated by cars. Two-third of the auto components production is consumed directly by OEMs

As per industry estimates, out of the total turnover of the Indian auto components industry, around 60% is derived from sales to domestic OEMs, around 25% comes from sales to the domestic replacement market and around 15% is derived from exports.

The automobile industry has made investments worth Rs. 35,000 crores in the last three financial years and as a result the current production capacity for four-wheelers is of over 6.6 million. Thus the vehicle industry in India is currently carrying over 65% surplus capacity. India is still highly under penetrated. In India, there are only 16 passenger vehicles per'000 population, 5 commercial vehicles per'000 population and 85 two wheelers per'000 population. Globally, these figures are substantially higher. For instance, Germany has an estimated 518 cars per'000 population, Japan has 457 cars per'000 population and Thailand 68 cars per'000 population. In case of Commercial vehicles, the penetration in various countries is much higher – 388 in the USA, 121 in Japan, 86 in Thailand, etc. In two wheelers also, countries like Thailand (248), Indonesia (216), Japan (98), Germany (72), etc. have much higher penetration. (Source : SIAM)

There is big opportunity for the automotive component industries to meet the future demand of the automobile industry. The four wheeler demand is now growing slowly in small towns and rural areas of the country. Maruti has also got some benefit of the increased sales in rural areas during the current fiscal.

Indian Automobile component industry has been making rapid strides towards achievement of world class quality systems and reducing cost of production, which are the most important aspects for the automobile industry.

Threats

Key factors influencing the global car manufacturers have a ripple effect on the domestic automobile industry in different parts of the world, as well as, the auto ancillary industry which supplies parts to the auto industry. Internationally consumer preferences are determining the current styles, reliability, and performance standards of vehicles. Government regulations in relation to trade, safety, and environment etc. also make it necessary for modernization and changes in designs and production methods. Movement in oil prices also has an impact on demand for cars in India.

India continues to be an attractive destination for the global automotive players. To counter the threat of growing global competition, the Company is regularly bridging the quality gap between its products and foreign offerings while maintaining its low cost product development/sourcing advantage.

Further tightening of liquidity position, hardening of consumer interest rates would have an adverse impact in the domestic automobile market.

Outlook

Government has taken several policy initiatives and pro-active measures to enhance the effectiveness and drive growth in Automotive Sector. Major steps have been taken to make India a global automotive hub under the 'Automotive Mission Plan' for the period of 2006-2016. The Mission Plan aims to make India emerge as the destination of choice in the world for design and manufacture of automobiles and auto components.

Some of the other key initiatives include:

- Formation of National Automotive Board (NAB) to look into the issue of recall of vehicles that will result in improving manufacturing standards
- Reduction of excise duty on small cars
- Launch of the National Mission for Hybrid & Electric Vehicles under Budget FY12, to make hybrid vehicle kits cheaper by reducing the excise duty rebate to 5% from 10%
- State Government promoting industrial space especially in the automobile sector
- Open to Public Private Partnerships (PPP)
- Establishing special auto parks and virtual SEZ's for auto components industry by providing an interest subsidy on loans and investment in new plants and equipment
- Export benefits to intermediate suppliers of auto components against the Duty Free Replenishment Certificate (DFRC)
- Automatic approval for 100% Foreign Equity Investment in auto components

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Risks and Concerns

The Company is operating in the business of automotive components and the performance of auto component industry is largely dependent on the performance of automobile industry. The Company operates in an environment which is affected by various factors some of which are controllable, while others are outside the control of the Company. The Company is dependent on several factors such as changes in Government policies & legislation, economy's growth, market practices and pricing etc. The global automotive manufacturers are expanding their production capacities in India, leading to global competition which can only be countered by enhancing designing capability and maintaining low cost production.

Although rising inflation, interest rates and crude oil prices are concerns of short term, the Company is optimistic about medium and long term and is gearing up for growth. The Company is actively exploring all new business opportunities in terms of product diversification.

The Company is also exposed to financial risk from changes in interest rates, foreign exchange rates and commodity prices. The Company also faces challenges with regard to fast changing technology, sustaining cost efficiencies and planning capacity expansion in the wake of changing demand patterns.

FINANCIAL PERFORMANCE

1. **Income**

   Our total income has been increased from Rs. 219.59 crores in fiscal 2013 to Rs. 255.25 crores in fiscal 2014. The increase in income was on account of increase in sales of product manufactured by the Company.

2. **Profit and EBIDTA margin**

   The Company's Profit before Interest, Depreciation and Tax increased from Rs.19.74 crores in fiscal 2013 to Rs. 36.27 crores in Fiscal 2014. The EBIDTA margin for the fiscal 2013 and 2014 has been 9.20 % and 14.70% respectively. PAT increased to Rs. 5.45 crores in fiscal 2014 from Rs. 1.54 crores in fiscal 2013.

3. **Earning Per Share (EPS)**

   The Company recorded an EPS of Rs. 3.90 per equity share of Rs.10 each on 14,000,000 Equity Shares.

Internal Control System and their Adequacy

The Company has comprehensive internal control system for all major processes to ensure reliability of reporting. The system also helps management to have timely data / feedback on various operational parameters for effective review. It also ensures proper safeguarding of assets across the Company and its economical use of the same. The internal control system of the Company is commensurate with the size, scale and complexity of its operations. The systems and controls are periodically reviewed and modified based on the requirement. The Company has an internal audit function, which is empowered to examine the adequacy and compliance with policies, plans and statutory requirements. It is also responsible for assessing and improving the effectiveness of risk management, control and governance process. The scope of Internal Audit is well defined and documented and audit committee reviews the observations of the Internal Audit critically.

H**uman Resources**

The Company seeks respect and values the diverse qualities and background that its people bring to it and is committed to utilizing the richness of knowledge, ideas and experience. Acquiring the right talent for the right job, creating a motivating work environment, empowering employees to be pro-active, providing growth opportunities, and developing future leaders, our people management system and processes facilitate us to meet business commitments consistently and build a strong performing culture.

The Company recognizes the fact that leadership is a critical component of its organizational strategy. Hence it is focused on developing leadership across organizational levels and helps leaders to transition seamlessly from one level to another. In FY14, we continued to provide a comprehensive suite of leadership programs to all levels of career transitions. The work environment is stimulating and development of core competencies through formal training, job rotation and hands on training is an ongoing activity.

As on 31st March 2014 your company has 802 employees.

Cautionary Statement

Statements in this Report, particularly those which relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations, may constitute 'forward looking statements' within the meaning of applicable laws and regulations and actual results might differ materially from those either expressed or implied.