

Shaping the future



RAMKRISHNA FORGINGS LIMITED
ANNUAL REPORT 2012-13

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FORWARD LOOKING STATEMENT

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospect and take informed investment decisions. This Report and other statements – written and oral – that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We can not guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Corporate Information

DIRECTORS

Mr. Mahabir Prasad Jalan
Mr. Naresh Jalan
Mr. Pawan Kumar Kedia
Mr. Padam Kumar Khaitan
Mr. Satish Kumar Mehta
Mr. Subhasis Majumdar
Mr. Surendra Mohan Lakhota
Mr. Yudhisthir Lal Madan
Mr. Ram Tawakya Singh
Mr. Ravi Lekhrangani

Chairman
Managing Director
Finance Director
Non-Executive Director
Non-Executive Director
Nominee Director (Resigned w.e.f. 25.04.2013)
Non-Executive Director
Non-Executive Director
Non-Executive Director
Additional Director (Appointed w.e.f. 03.04.2013)

Company Secretary

Mr. Rajesh Mundhra

Chief Financial Officer (CFO)

Mr. Alok Kumar Sharda

Registered and Corporate Office

Ramkrishna Chambers,
72, Shakespeare Sarani, Kolkata - 700 017
Phone : +91 33 3984 0999
Fax : +91 33 3984 0998

Works

- (i) Plot No. M-6, Phase-VI, Gamaria, Jamshedpur - 832 108
- (ii) 7/40, Duffer Street, Liluah, Howrah - 711 204
- (iii) Plot No. M-15, 16 & NS-26, Phase VII
Adityapur Industrial Area, Jamshedpur - 832 109

Statutory Auditors

M/s Singhi & Co.
1B, Old Post Office Street, Kolkata - 700 001

Internal Auditors

M/s. Deloitte Haskins & Sells
Bengal Intelligent Park
Building Alpha, 1st Floor, Block-EP & GP, Sector-V
Salt Lake Electronics Complex
Kolkata - 700 091

Principal Bankers

DBS Bank
Export Import Bank of India
Hongkong & Shanghai Banking Corporation Bank
ICICI Bank
IDBI Bank
Development Credit Bank
Standard Chartered Bank
State Bank of India

Registrar and Share Transfer Agents

M/s Karvy Computershare (P) Ltd.
Plot No. 17-24, Vittal Rao Nagar
Madhapur, Hyderabad - 500 081
Andhra Pradesh, India
Phone : +91 40 2342 0815 - 28
Fax : +91 40 2342 0814
E-mail : mailmanager@karvy.com
Website : www.karvycomputershare.com



Notice

Notice is hereby given that the 31st Annual General Meeting of the Company will be held on 20th day of July, 2013 at 11.45 AM at Gyan Manch, 11, Pretoria Street, Kolkata-700071 to transact the following business.

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013 and the Profit & Loss Account for the year ended on that date together with the Director's Report and the Auditor's Report thereon.
2. To declare Dividend.
3. To appoint a Director in place of Mr. Mahabir Prasad Jalan who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Satish Kumar Mehta who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a Director in place of Mr. Surendra Mohan Lakhota who retires by rotation and being eligible offers himself for reappointment.
6. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION** :
"RESOLVED THAT M/s. Singhi & Co. , Chartered Accountants, be and is hereby appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors."

SPECIAL BUSINESSES :

7. To consider and if thought to pass with or without modification the following resolution as an **ORDINARY RESOLUTION** :
"RESOLVED that Mr. Ravi Lekhrjani who was appointed as an Additional Director of the Company by the Board of Directors under section 260 of the Companies Act, 1956 and Article 115 of Articles of Association of the Company and who holds office upto the date of the Annual General Meeting of the Company and in respect of which the Company has received a notice in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company not liable to retire by rotation."
8. To consider and if thought to pass with or without modification the following resolution as a **SPECIAL RESOLUTION** :
"RESOLVED that pursuant to Section 198, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of Central Government, consent of the Company be and is hereby accorded for payment of remuneration to Mr. Naresh Jalan, Managing Director of the Company, as set out in the explanatory statement attached to this notice convening the meeting, which remuneration was earlier approved by the Members in the General Meeting held on 28th July, 2012, for :
(a) the financial year commencing from 1st April 2012 to 31st March; and
(b) the balance of his tenure from 1st April 2013 and ending on 4th Nov' 2016.
RESOLVED FURTHER THAT that pursuant to the provisions of Section 198 of the Act, the remuneration as contained in the explanatory statement attached to this notice convening the meeting, be paid to Mr. Naresh Jalan as the minimum remuneration notwithstanding such remuneration is in excess of the limits as specified in Part II of Schedule XIII of the Companies Act, 1956."
9. To consider and if thought fit, to pass with or without modification the following resolution as an **SPECIAL RESOLUTION**:
"RESOLVED that pursuant to Section 198, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of Central Government, consent of the Company be and is hereby accorded for payment of remuneration to Mr. Mahabir Prasad Jalan, Chairman-cum-Wholetime Director of the Company, as set out in the explanatory statement attached to this notice convening the meeting, which remuneration has been approved by the Members in the General Meeting held on 30th June, 2011 for :
(a) the financial year commencing from 1st April 2012 to 31st March, 2013, and
(b) the balance of his tenure from 1st April 2013 and ending on 4th November, 2016.
RESOLVED FURTHER THAT that pursuant to the provisions of Section 198 of the Act, the remuneration as contained in the explanatory statement attached to this notice convening the meeting, be paid to Mr. Mahabir Prasad Jalan as the minimum remuneration notwithstanding such remuneration is in excess of the limits as specified in Part II of Schedule XIII of the Companies Act, 1956."

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10. To consider and if thought fit to pass with or without modification the following Resolution as an **SPECIAL RESOLUTION** :

"RESOLVED that pursuant to the provisions of section 198, 269, 309 and all other applicable provisions of the Companies Act, 1956 including schedule XIII thereto, consent of the Company be and is hereby accorded for the reappointment of Mr. Pawan Kumar Kedia as the Whole Time Director of the Company for the period of 3 years w.e.f 1st April, 2013 on such remuneration as is set out in the explanatory statement attached to this notice convening the meeting, which remuneration shall be within the limits as specified in Para B of Section II of Part II of Schedule XIII of the Act."

11. To consider and if thought fit, to pass with or without modification the following resolution as an **SPECIAL RESOLUTION**.

"RESOLVED THAT, pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Articles of Association of the Company be amended and are hereby altered/amended by substitution and/or addition and/or deletion as the case may be in the following manner :

- (i) Existing Article 1B be substituted with the following Article :

These Articles shall be read and construed harmoniously so as not to restrict the rights of IFC (as defined herein) and the Investor (as defined herein) under these Articles such that each of IFC and the Investor can exercise their rights as enumerated under Articles 193 to 207 and Articles 209 to 226, respectively, to the fullest extent.

- (ii) Following definitions be inserted in the existing Article 193 which is mentioned in Annexure - A. :

- (iii) The Article 194A(ii) of the article be substituted with the following Article :

(ii) *If the Company proposes to issue New Securities, it shall give IFC written notice of its intention, describing the New Securities, their proposed issue price ("Initial Subscription Price"), subject to compliance with the applicable pricing guidelines, and their general terms of issuance, and specifying IFC's pro-rata share of such issuance (the "Issue Notice"). IFC shall have thirty (30) days after any such notice is delivered (the "Notification Date") to give the Company written notice that it agrees to purchase part or all of its pro-rata share of the New Securities for the Initial Subscription Price and on the terms specified in the Issue Notice (the "Subscription Notice"), subject to compliance with the Floor Price requirements, provided that IFC may fix a cap of not less than the Initial Subscription Price for its participation. IFC may also notify the Company in the Subscription Notice that it is willing to buy a specified number of the New Securities in excess of its pro-rata share of such issuance ("Additional Securities") for the same price and on the terms specified in the Issue Notice. It is hereby clarified that (a) IFC shall be entitled to subscribe to the New Securities at a price not in excess of the Initial Subscription Price notwithstanding any later decision by the Board or the Company to issue all or any of the New Securities in the same round of fund raising at a price in excess of the Initial Subscription Price; and (b) such issue of Equity Shares in the same round of funding at a price higher than the Initial Subscription Price shall not separately require the prior consent of IFC under these Articles 193 to 207.*

- (iv) Following Articles 195(dd) and 195(ddd) be inserted after the existing Article 195(d) as mentioned in Annexure - A :

- (v) Article 194B(a) (Adjustment Event) shall be substituted with the following Article:

Adjustment Event: Notwithstanding any provisions to the contrary contained in Articles 193 to 207, it is agreed between the Company, the Sponsors and IFC that, in case of an Adjustment Event, IFC Initial Subscription shall be adjusted proportionately for such Adjustment Event and it is such adjusted Initial Subscription that shall be taken into account for the purposes of calculating the thresholds for exercise of IFC rights under Article 201 (Board Composition), Article 199 (IFC Consent Rights), Article 210 (Board Supermajority Requirements), Article 215(d)(iii) (Other Affirmative Covenants), Article 195(a) (Ownership and Share Retention), Article 194A (Preemptive Right), Article 195(d) (Tag-Along Rights), Article 195(dd) (IFC Put Option), Article 195(ddd) (Participation in FPO), Article 195(e) (Free Transferability of Subscription Shares) and Article 195(f) (Successor and Assigns).

- (vi) The following article shall be inserted after sub-article (iii) of Article 205(d):

(iv) *any amendment to the Wayzata Investment Agreement shall not be made without the prior written consent of IFC.*

- (vii) Following definitions be inserted in the existing Article 209 :

- (i) following definition of "Amount Payable" be included between the definitions of "Affiliate" and "Annual Business Plan":

"Amount Payable" has the meaning referred to in Article 223(m)(ii);"

- (ii) following definition of "FPO Updation Notice" be included between the definitions of "FPO" and "fully diluted basis":



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- ""FPO Updation Notice" has the meaning referred to in Article 214(a);".
- (iii) following definitions of "IFC Proportional Put Exercise Notice", "IFC Proportional Put Option" and "IFC Proportional Put Shares" be included between the definitions of "IFC Loan Agreement" and "IFC Tag Along Shares":
- ""IFC Proportional Put Exercise Notice" has the meaning referred to it in Article 212(b)(iii)(aa);".
- ""IFC Proportional Put Option" has the meaning referred to it in Article 212(b)(iii)(aa);".
- "IFC Proportional Put Shares" has the meaning referred to it in Article 212(b)(iii)(aa);".
- (iv) following definition of "Initial FPO Notice" be included between the definitions of "Individual Promoters" and "Initial Subscription Price":
- "Initial FPO Notice" has the meaning referred to in Article 214(a);".
- (v) following definition of "Investor Liquidated Damages Due" be included between the definitions of "Investor Exercise Notice" and "Investor Proportional Put Exercise Notice":
- "Investor Liquidated Damages Due" has the meaning referred to in Article 223(m)(ii);".
- (vi) following definition of "Minimum Float" be included between the definitions of "Memorandum of Association" and "Minimum Promoter Shareholding":
- "Minimum Float" has the meaning referred to in Article 214(c);".
- (vii) following definition of "Promoter Reimbursement Period" be included between the definitions of "Promoter Purchaser Notice" and "Promoter Seller":
- "Promoter Reimbursement Period" has the meaning referred to in Article 223(m)(i);".
- (viii) following definition of "Statutory Float" be included between the definitions of "Specified Stock Exchanges" and "Subscription Amount":
- "Statutory Float" has the meaning referred to in Article 214(d);".
- 3.2 Point 10 of FPO Actions shall be substituted with the following :
- "10. Carry out roadshows in relation to the FPO at the cost of the offering Shareholders and the Company in proportion to the number of Equity Shares being offered by the relevant Shareholders and the Company;"*
- 3.3 Article 210(d)(iii) be substituted with the following Article :
- (iii) the Investor shall be entitled to subscribe to the Equity Shares under Article 210(d)(i) and 210(d)(ii) at a price not in excess of the Initial Subscription Price notwithstanding any later decisions by the Board or the Company to issue all or any of the New Securities in the same round of fund raising at a price in excess of the Initial Subscription Price. Such issue of Equity Shares in the same round of funding at a price higher than the Initial Subscription Price shall not separately require the prior consent of the Investor under these Articles 209 to 226.*
- 3.4 Article 212 be substituted with the following Article as mentioned in Annexure - A :
- 3.5 Article 214 shall be substituted with the following Article as mentioned in Annexure - A :
- 3.6 Article 216(b) shall be substituted with the following :
- (b) The Promoters and the Company expressly agree that :
- (i) any amendment to the IFC Investment Agreement shall not be made without the prior written consent of the Investor, and
- (ii) other than strictly in accordance with the provisions of the IFC Loan Agreement or in accordance with Article 223(m) below, no indemnity payments shall be made by the Company to IFC unless the prior written consent of the Investor has been obtained, whether under the IFC Investment Agreement or otherwise, and all such indemnity payments to IFC shall be made by the Promoters.
- 3.7 Article 223(m) shall be inserted after Article 223(l) (conduct of business) :
- (m) Liquidated Damages
- The Promoters and the Company expressly agree and acknowledge that :
- (i) In the event that the Promoters fail to make an indemnity payment pursuant to a claim of IFC when due under the IFC Investment Agreement, then the Company shall be permitted to make such indemnity payment to IFC without the prior written consent of the Investor if and only if the Promoter has provided a written undertaking to the Investor, with a copy to IFC, to reimburse to the Company an amount equal to the amount of such indemnity payment due to IFC as soon as possible but in any case within 85 (Eighty Five) days from the date of such amount being due to IFC ("Promoter Reimbursement Period") on terms and conditions

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under which such reimbursed amount cannot be claimed by the Promoters from the Company again, including by way of a right of restitution.

- (ii) In the event of the Company making a payment to IFC under Article 223(m)(i) above and the Promoters failing to reimburse such amount to the Company within the Promoter Reimbursement Period, then the Investor shall have the right to require the Company to pay the Investor, within 5 (Five) days from the end of the Promoter Reimbursement period, an amount ("Investor Liquidated Damages Due") equivalent to 50% (Fifty Percent) of the amount due from the Company to IFC ("Amount Payable"). It is hereby clarified that if the Promoters reimburse the Company for an amount equal to the Amount Payable or if they pay the Amount Payable directly to IFC within the Promoter Reimbursement Period, then the Investor shall not be entitled to the Investor Liquidated Damages Due.
 - (iii) The amount of Investor Liquidated Damages Due represents a genuine pre-estimate of the amount of loss that would be suffered by the Investor due to the Amount payable by the company to IFC and is not in the nature of penalties or special or punitive damages.
 - (iv) the right of the Investor to be paid the Investor Liquidated Damages Due is an independent right of the Investor and not linked in any manner whatsoever to the other rights of the Investor under the Wayzata Investment Agreement, including the indemnification rights under clause 18 of the Wayzata Investment Agreement. The Investor Liquidated Damages Due shall be payable by the Company to the Investor at all points of time during the validity of this Agreement and shall not be subject to any limitations whatsoever, including the limitations set out in clause 18 of the Wayzata Investment Agreement.
- 3.8 Articles 227 to 254 shall stand deleted.

"RESOLVED FURTHER THAT, the Company Secretary, be and is hereby authorised to undertake such acts, deeds and matters, as he may in his absolute discretion deem necessary, proper or desirable, including any amendment or modification to the proposed Articles of Association as per the suggestion/direction of the statutory authorities and settle any question, difficulty or doubt that may arise in this regard, including but not limited to making requisite filing with the Registrar of Companies and the stock exchanges, that may be required to give effect to the alteration of the Articles of Association in accordance with the resolution."

NOTES :

1. An Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 is annexed herewith and forms part of the Notice.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE THE MEMBER OF THE COMPANY.**
3. The instrument of Proxy should however be deposited at the Registered Office of the Company at least 48 Hours before the meeting.
4. The Register of Member and the Share Transfer Books of the Company will remain closed from 13th July, 2013 to 20th July, 2013 (both days inclusive) for determining the name of the members eligible for dividend, if approved on equity shares. In respect of shares held in electronic form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by depositories for this purpose.
5. Members/ Proxies should bring their attendance slip duly filled in for attending the meeting.
6. Members who hold shares in dematerialized form are requested to bring their Client ID and DPID numbers for easy identification of attendance at the meeting.
7. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
8. Members holding shares in physical form are requested to promptly notify any change in their address to the Company/the registrar, quoting their folio numbers. Members holding shares in electric form are requested to notify their change of address and/or bank particulars to their respective Depository Participants (DPs) only.
9. Details of Directors seeking appointment/re-appointment as directors in this Annual General Meeting are stated separately in the Notice.



Notice

Explanatory Statement as required under section 173(2) of the Companies Act, 1956.

Item No. 7

Mr. Ravi Lekhrājani was appointed as the Additional Director of the Company in the Board Meeting held on 3rd April, 2013 in accordance with section 260 of the Companies Act, 1956 and Article 115 of the Articles of Association of the Company and holds office upto the date of the Annual General Meeting of the Company.

The Company has received a notice along with a deposit under section 257(1) of the Companies Act, 1956 from a member proposing the candidature of Mr. Ravi Lekhrājani for the office of the Directorship of the Company not liable to retire by rotation.

None of the Directors are concerned or interested in the above resolution except Mr. Ravi Lekhrājani.

Item No. 8

Mr. Naresh Jalan was reappointed as the Managing Director of the Company for a period of five years w.e.f. 5th November, 2011.

The remuneration as approved by the shareholders at their meeting held on 30th June, 2011 and which was further amended on 28th July, 2012 is stated hereunder :

Emoluments :

- a) **Basic Salary :** Rs. 6,60,000 per month - Rs.11,00,000 per month.

The Increase in remuneration will be made after being approved by the Board of Directors within the above mentioned Limit.

b) Benefits :

- i) Accommodation : Fully Furnished Residential Accommodation or House Rent Allowance @ 40% (forty percent) of the basic salary.
- ii) Medical Reimbursement : Reimbursement of expenses incurred for self and family subject to a ceiling of 12% of the basic salary in a year . In addition hospitalization expenses incurred in India for self and family will be paid on actual basis.
- (iii) Leave Travel Concession: For self and family once in a year incurred subject to maximum of 11 % of the basic salary in a year.
- (iv) Contribution to National Pension Scheme not exceeding 10% of the basic salary.
- (v) Club Fees : Fees of Club(s) in accordance with the rules of the company or as may be agreed to by the Board of Directors or Committee thereof with the Managing Director but no Life membership fee or Admission fee is to be paid by the Company. However it will not include Corporate membership of the Club(s).
- (vi) Provision of Company's car with driver for use on Company's business. It will not be considered as benefits. He will be however billed by the Company for use of car for private purposes, if any.
- (vii) Provision for use of telephone, telefax, audio/video conferencing and other communication facilities at residence shall not be included in the computation of perquisites and allowances for the purpose of calculating the said ceiling.
- (viii) Commission : Such percentage of commission (in addition to salary, allowances, perquisites and benefits as stated above) calculated with reference to the net profit of the Company for each financial year as may be fixed by the Board of Directors or Committee thereof which together with salary and monetary value of allowances, perquisites and benefits shall not exceed the ceiling laid down under Sec.309 of the Companies Act, 1956.
- (ix) Company's contribution towards Provident Fund as per Rules of the Company, but not exceeding 12% of the Salary.

At the time of his appointment, the aforesaid remuneration payable to him was expected to remain within the limits prescribed in Section 309(4) of the Companies Act, 1956 read with Section I of Part II of Schedule XIII thereto. Accordingly, he was paid Rs. 97.01 Lakhs for the year 2010-11 and Rs.121.17 Lakhs for the year 2011-12 which payments were within the limits prescribed under Section 309(4) of the Act.

However, due to certain unforeseen circumstances, the profits of the Company are lower during the year 2012-13 and the remuneration payable to Mr. Naresh Jalan for the year 2012-13 is in excess of the limits prescribed under Section 309 read with Schedule XIII of the Act. It is noteworthy that the performance of the Company for the first two quarters of the year 2012-13 was satisfactory and the Company was hopeful to pay remuneration to Mr. Naresh Jalan in accordance with the requirement of Section 309 of the Act. At the time of the consideration

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of the results for the quarter ended 31st December, 2012 it was seen that the profits of the Company became inadequate to pay the approved remuneration due to unprecedented sharp decline in the demand of Company's products particularly in the commercial vehicle segment in which the Company primarily supplies its components. The declining trend continued in the last quarter of the financial year 2012-13 and the Profit for the year 2012-13 has become inadequate for the remuneration payable to Mr. Naresh Jalan. The Board of Directors considers the declining trend to be temporary in nature and expects the Company to earn adequate profits in coming years.

Mr. Naresh Jalan has been associated with the Company for more than 15 years. His array of exposure has extended to areas like, Production, Procurement, Marketing, Finance, Liaison with Govt. Bodies, Costing and Cost Control, Commercial handling including contracts, Management Quality system and Modern Management Initiatives. The Company has benefited from his rich and varied experience and continues to do so and he has been instrumental in the growth of the Company to its present level. In view of his immense contribution and performance, it is proposed to make payment of remuneration to Mr. Naresh Jalan for the year 2012-13 and the remainder of his term ending on 4th November 2016 in accordance with the approval granted by the members at their meeting held on 28th July, 2012, notwithstanding such remuneration is in excess of the limits prescribed in Section 309(4) read with Section I of Part II of Schedule XIII of the Act.

Such proposal has been approved by the Remuneration and Compensation Committee and the Board at their meetings held on 14th February, 2013 and further ratified by Remuneration and Compensation Committee and the Board at their respective meetings held on 18th May, 2013.

The Company has made the necessary advertisement under section 640B of the Companies Act, 1956. The Company has also already applied to the Central Government for obtaining approval for payment of aforesaid managerial remuneration to Mr. Naresh Jalan as minimum remuneration notwithstanding such remuneration is in excess of the limits prescribed under section 309 read with Schedule XIII of the Act.

The Board recommends the resolution for your approval in the interests of the Company.

None of the Directors except Mr. Naresh Jalan and Mr. Mahabir Prasad Jalan, are concerned or interested in this resolution.

Item No. 9

Mr. Mahabir Prasad Jalan was appointed as Chairman cum Wholetime Director of the Company w.e.f. 5th November, 2011.

The remuneration approved by the Shareholders at their meeting held on 30th June, 2011 is stated hereinunder:

Emoluments :

- a) **Salary** : Rs. 7,85,000 per month - Rs.13,00,000 per month.

The Increase in remuneration will be made after being approved by the Board of Directors within the above mentioned Limit.

b) **Benefits** :

- i) **Accommodation** : Fully Furnished Residential Accommodation or House Rent Allowance @ 50% (fifty percent) of the basic salary.
- ii) **Expense** pertaining to electricity, gas, water, furnishings and other utilities for self and family in accordance with the rules of the Company or as may be agreed to by the Board of Directors or Committee with the Whole Time Director subject to a maximum of 10 % of the basic salary.
- iii) **Medical Reimbursement** : Reimbursement of expenses incurred for self and family subject to a 15% of the basic salary in a year. In addition hospitalization expenses incurred in India for self and family will be paid on actual basis.
- (iv) **Leave Travel Concession** : For self and family once in a year subject to 20 % of the basic salary in a year.
- (v) **Club Fees** : Fees of Clubs in accordance with the rules of the company or as may be agreed to by the Board of Directors or Committee thereof with the Whole Time Director but no Life membership fee or Admission fee is to be paid by the Company.
- (vi) **Provision of Company's Car** with driver for use on Company's business. It will not be considered as benefits. He will be however billed by the Company for use of car for private purposes, if any.
- (vii) **Provision for use of telephone, telefax, audio/video conferencing and other communication facilities** at residence shall not be included in the computation of perquisites and allowances for the purpose of calculating the said ceiling.



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- (viii) Commission :Such percentage of commission (in addition to salary, allowances, perquisites and benefits as stated above) calculated with reference to the net profit of the Company for each financial year as may be fixed by the Board of Directors or Committee thereof which together with salary and monetary value of allowances, perquisites and benefits shall not exceed the ceiling laid down under Sec.309 of the Companies Act, 1956.

At the time of his appointment, the remuneration payable to him was expected to remain within the limits prescribed in Section 309(4) of the Companies Act, 1956 read with Section I of Part II of Schedule XIII thereto. He was paid Rs. 123.37 Lakhs for the year 2010-11 and Rs.150.84 Lakhs for the year 2011-12, which was within the limits prescribed under Section 309 of the Act.

Due to certain unforeseen circumstances, the profits of the Company was lower during the year 2012-13 and the remuneration payable to Mr. Mahabir Prasad Jalan for the year 2012-13 is in excess of the limits prescribed under Section 309 read with Schedule XIII of the Act. It is noteworthy that the performance of the Company for the first two quarters of the year 2012-13 was satisfactory and the Company was hopeful to pay remuneration to Mr. Mahabir Prasad Jalan in accordance with the requirement of Section 309 of the Act. At the time of the consideration of the results for the quarter ended 31st December, 2012 it was seen that the profits of the Company became inadequate to pay the approved remuneration due to unprecedented sharp decline in the demand of Company's products particularly in the commercial vehicle segment in which the Company primarily supplies its components. The declining trend continued in the last quarter of the financial year 2012-13 and the profit for the year 2012-13 has become inadequate for the remuneration payable to Mr. Mahabir Prasad Jalan. The Board of Directors considers the declining trend to be temporary in nature and expects the Company to earn adequate profits in coming years.

Mr. Mahabir Prasad Jalan has been associated with the Company since its inception and has an experience of more than 25 years. His array of exposure has extended to areas like Project Planning and Execution, Marketing, Finance, Liaison with Government Bodies, Commercial handling including contracts and Legal Matters. The Company has benefited from his rich and varied experience and continues to do so and he has been instrumental in the growth of the Company to its present level. In view of his immense contribution and performance, it is proposed to make payment of remuneration to Mr. Mahabir Prasad Jalan for the year 2012-13 and the remainder of his term ending on 4th November 2016 in accordance with the approval granted by the members at their meeting held on 30th June, 2011, notwithstanding such remuneration is in excess of the limits prescribed in Section 309(4) read with Section I of Part II of Schedule XIII of the Act. Such proposal has been approved by the Remuneration and Compensation Committee and the Board at their meetings held on 14th February, 2013 and further ratified by Remuneration and Compensation Committee and the Board at their respective meetings held on 18th May, 2013.

The Company has made the necessary advertisement under section 640B of the Companies Act, 1956. The Company has also already applied to the Central Government for obtaining approval for payment of aforesaid managerial remuneration to Mr. Mahabir Prasad Jalan as minimum remuneration notwithstanding such remuneration is in excess of the limits prescribed under section 309 read with Schedule XIII of the Act.

The Board recommends the resolution for your approval in the interests of the Company.

None of the Directors except Mr. Naresh Jalan and Mr. Mahabir Prasad Jalan, are concerned or interested in this resolution.

Item No. 10

The re-appointment of Mr. Pawan Kumar Kedia as the Wholetime Director for the period of 3 years from 1st April 2013 has been approved by the Remuneration and Compensation Committee and the Board of the Directors in its meeting held on 18th May, 2013 respectively.

The remuneration payable to Mr. Pawan Kumar Kedia w.e.f 1st April, 2013 is outlined below :

- a) **Basic Salary** : Rs. 80600 per month - Rs.225000 per month.

The Increase in remuneration will be made after being approved by the Board of Directors within the above mentioned Limit.

- b) **Benefits** :

- i) Accommodation : Fully Furnished Residential Accommodation or House Rent Allowance @ 35% (Thirty Five percent) of the basic salary.
- ii) Other Allowances not exceeding 10 % of the basic salary.
- iii) Medical Reimbursement : Reimbursement of expenses incurred for self and family not exceeding 15% of the basic salary in a year.