



Shivam
Autotech Ltd.

4th Annual Report & Accounts 2008-09

A Hero Group Company

BOARD OF DIRECTORS

CHAIRMAN

Sunil Kant Munjal

MANAGING DIRECTOR

Neeraj Munjal

DIRECTORS

Satyanand Munjal

Brijmohan Lall Munjal

Om Prakash Munjal

Vijay Munjal

Bhagwan Dass Narang

Surrinder Lal Kapur

Vinayshil Gautam

Anil Kumar Gupta

FINANCE TEAM

Davendra Ujlayan, *GM – Finance & Accounts & Company Secretary*

Sanjeev Chaba, *AGM-Finance & Accounts*

AUDITORS

S. S. Kothari Mehta & Co.

Chartered Accountants

146-149, Tribhuvan Complex

Ishwar Nagar,

Mathura Road, New Delhi – 110065

BANKERS

HSBC Limited

IDBI Limited

ICICI Bank Limited

Punjab National Bank

REGISTERED OFFICE

2A/3, Asaf Ali Road

New Delhi – 110 002

GURGAON PLANT

58th Km. Stone

Delhi – Jaipur Highway

Village: Binola – 122 413

Distt.: Gurgaon (Haryana)

HARIDWAR PLANT

Plot No. 3, Industrial park-II, Phase-I

Village Salempur Mehdood,

Distt. Haridwar (Uttarakhand) - 249 402

SHARE TRANSFER AGENTS

MCS Limited

F-65 1st Floor

Phase-I, Okhla Indl Area

New Delhi-110020

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NOTICE

Notice is hereby given that the 4th Annual General Meeting of the Members of **SHIVAM AUTOTECH LIMITED** will be held on Wednesday, the 30th day of September, 2009 at 11.00 A.M. at Tivoli Garden Resort, Near Chattarpur Mandir, Chattarpur Road, New Delhi, to transact the following business:

[A] ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2009 and Profit & Loss Account for the period ended on that date along with the Report of the Directors and the Auditors thereon.
2. To declare dividend to the equity shareholders for the period ended March 31, 2009.
3. To appoint a Director in place of Mr. Sunil Kant Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Vinayshil Gautam who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Surrinder Lal Kapur who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s S.S. Kothari Mehta & Co., Chartered Accountants, New Delhi, the retiring auditors to hold office as auditors from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorize the Audit Committee to fix their remuneration.

[B] SPECIAL BUSINESS

7. Appointment of Mr. Anil Kumar Gupta as Director of the Company:
"RESOLVED THAT Mr. Anil Kumar Gupta, who was appointed as an Additional Director of the Company by the Board of Directors, in terms of Section 260 of the Companies Act, 1956 w.e.f. April 28, 2009 and in respect of whom the Company has received a notice under section 257 of the Companies Act, 1956 together with a deposit of Rs.500 (Rupees five hundred) as required under the Act, be and is hereby appointed as a Director of the Company and the period of his office be liable to determination by retirement of Directors by rotation."
8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:
"RESOLVED THAT in accordance with the provisions of sections 198, 269, 309, 310, 311 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force, subject to such approvals as may be necessary, the Company hereby approves the revision in the remuneration of Mr. Neeraj Munjal, Managing Director with effect from April 1, 2009 for the remainder of his tenure in the manner as set out in the Explanatory Statement annexed to the Notice convening this meeting.
RESOLVED THAT except as stated in explanatory statement annexed below, other terms and conditions of appointment as

approved by the shareholders at the Annual General Meeting held on 20th September 2006 shall remain unchanged.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as are incidental thereto or as may be deemed necessary or desirable or to settle any question or difficulty that may arise, in such manner as it may deem fit without further reference to the Company in General Meeting."

9. To consider and, if thought fit, to pass with or without modification(s), the following resolution as SPECIAL RESOLUTION:

RESOLVED THAT in supersession of the special resolution passed at the 3rd Annual General Meeting of the company held on 19th September, 2008 and pursuant to the provisions of Section 309 and other applicable provisions of the Companies Act, 1956, a sum not exceeding 0.3% per annum of the net profits of the company, calculated in accordance with the provisions of the Section 198, 349 and 350 of the Act or Rs.6 lac per annum, whichever is less, be paid to and distributed amongst the Non-Executive Independent Directors of the Company or some or any of them in such amounts or proportions and in such manner and in all respect of the profits of the Company for each year of the period of 4 years commencing on 1st April, 2009."

By Order of the Board of Directors
FOR SHIVAM AUTOTECH LIMITED

DAVENDRA UJLAYAN
**GM (FINANCE & ACCOUNTS) &
COMPANY SECRETARY**

New Delhi
Date: 28th July, 2009

Registered Office:
2A/3, Asaf Ali Road
New Delhi – 110 002

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER.**
2. In order to be valid, proxies duly stamped, should be lodged with Company at its Registered Office not later than forty eight hours before the commencement of the Annual General Meeting.
3. For the convenience of the Members, attendance slip is enclosed elsewhere in the Annual Report. Members / proxies should bring duly filled Attendance Slips sent herewith to attend the meeting along with their copies of the Annual Report.
4. Corporate Members are requested to send a duly certified copy of the Board Resolution, pursuant to Section 187 of the Companies Act, 1956, authorising their representatives to attend and vote at the Annual General Meeting.

5. The relevant details as required by Clause 49 of the Listing Agreements entered into with the Stock Exchanges of person seeking appointment/reappointment as Directors under item no.3, 4, 5 & 7 above, are annexed hereto.
6. Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956, which sets out details relating to Special Business to be transacted at the meeting, is annexed hereto.
7. Pursuant to Section 154 of the Companies Act, 1956, the Register of Members and Share Transfer Books of the Company will remain closed from Friday, September 25, 2009, to Wednesday, September 30, 2009 (both days inclusive).
8. In accordance with SEBI's directions vide their Circular No. DCC/FITT/Cir-3/2001 dated October 15, 2001, arrangements have been made to credit your dividend amount directly to bank account of members through the Electronic Clearing Service (ECS).

In case of holding in physical form, please furnish your bank details in the ECS Mandate Form enclosed separately and return to our Registrars, MCS Limited on or before 24th September 2009. The said details in respect of the shares held in electronic form should be sent to your respective Depository Participant and not to the Registrar as the Registrar is obliged to use only the data provided by the Depository while making payment of dividend.
9. The dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid at par after 30th September 2009 to (i) those shareholders whose names appear on the Company's Register of Members after giving effect to all valid share transfers in physical form lodged with the Company on or before 24th September 2009; (ii) in respect of shares held in electronic form to those beneficiaries whose names appear in the statements of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) as at the end of business hours on 24th September 2009.
10. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions in writing to the Company Secretary at least seven days before the date of the Meeting, so that the information required may be made available at the meeting.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO.7

Appointment of Mr. Anil Kumar Gupta as a Director of the Company

Mr. Anil Kumar Gupta was appointed as an Additional Director on the Board of Directors at the Board Meeting held on 28th April, 2009. As additional director he holds office upto the date of the ensuing Annual General Meeting of the Company. The company has received notice in writing under section 257 of the Companies Act, 1956, from certain member proposing his candidature for the office of a Director liable to retire by rotation.

The Directors recommend the passing of the Ordinary Resolution.

No director other than Mr. Anil Kumar Gupta may be considered to be concerned or interested in the above.

ITEM NO. 8

Increase in Remuneration of Mr. Neeraj Munjal, Managing Director

Mr. Neeraj Munjal was appointed as Managing Director of the company w.e.f. April 1, 2006 for a period of five years. He holds Diploma in Business Management from Bradford & Ilkley Community College, England, besides having Bachelors Degree in Commerce. Mr. Munjal has over 21 years of experience in auto component sector and served as Whole Time Director of Munjal Auto Industries Limited and Chief executive of Hero Exports.

Shareholding in the Company: Nil

In July, 2009, the Board of Directors and the Remuneration Committee has approved the proposal of increase in his remuneration, subject to the approval of the members. All other terms and conditions of his appointment will remain unchanged.

Increased remuneration will be subject to the overall limits as prescribed under Section 198, 309 and 310 of the Companies Act, 1956 read with Schedule XIII of the said Act and will be effective from April 1, 2009.

The increased remuneration of Mr. Neeraj Munjal is set out as under:

- (a) **Basic Salary:** Rs. 200,000 per month.
- (b) **Commission:** Not exceeding 1.25% of net profits of the Company in any financial year, subject to a maximum of Rs. 20 lakhs.
- (c) **Benefits, Perquisites & Allowances:** Perquisites and

allowances as detailed in draft agreement proposed to be entered into with Mr. Neeraj Munjal.

None of the directors, except Mr. Neeraj Munjal and Mr. Satyanand Munjal, being relative of Mr. Neeraj Munjal, may be deemed to be concerned / interested in this Resolution.

The resolution is accordingly recommended for the approval of the Members.

THE ABOVE MAY ALSO BE TREATED AS AN ABSTRACT OF TERMS OF APPOINTMENT AND MEMORANDUM OF INTEREST UNDER SECTION 302 OF THE COMPANIES ACT, 1956.

ITEM NO. 9

Commission to Non-Executive Independent Directors

The members of the Company had, at the 3rd Annual General of the Company held on 19th September, 2008, approved under the provisions of Section 309 of the Companies Act, 1956, the payment of a commission to the non-executive independent directors of the Company, for each of the five financial years of the Company

commencing from 1st April, 2008, of an amount not exceeding 0.2% per annum of the net profits of the Company computed in accordance with the provisions of the Companies Act, 1956 or Rs.5 Lac per annum in aggregate, whichever is less.

In view of the invariable services being rendered by the said Directors to the Company, and induction of more non-executive independent directors on the Board of the Company it is proposed to marginally increase the amount of the commission to 0.3% of the net profits or Rs. 6 lac per annum in aggregate, whichever is less for the period of four years commencing from 1st April, 2009

All the non-executive independent directors of the company, namely Mr. B.D. Narang, Mr. Surrinder Lal Kapur, Dr. Vinayshil Gautam & Mr. Anil Kumar Gupta are deemed to be concerned or interested in the Resolution at item no.9 of the accompanying Notice, to the extent of the amount that may be received by them as commission.

The Directors, therefore, recommend adoption of the Special Resolution in item No. 9 for the purpose, in accordance with section 309 and other applicable provisions, if any, of the Companies Act, 1956.

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DETAILS OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT OF DIRECTORS RETIRING BY ROTATION

(in pursuance of Clause 49 of the Listing Agreement)

Name of Director	Mr. Sunil Kant Munjal	Mr. Surrinder Lal Kapur	Dr. Vinayshil Gautam	Mr. Anil Kumar Gupta
Date of Birth	14.12.1957	07.03.1937	03.06.1946	02.04.1951
Date of Appointment	14.02.2006	14.02.2006	14.02.2006	28.04.2009
Qualifications	B.Com, Training in Mechanical Engineering	Advocate	Doctrate in Management	Doctrate in Engineering from University of Delhi.
Expertise in specific functional areas	Information, technology, Insurance, customer relationship, finance and corporate planning.	Expertise in Company laws, industrial laws & industrial finance.	Practitioner & Consultant of Management in India and abroad & is attached with IIT, Delhi.	Expertise in the field of mechanical/ metallurgy engineering
List of Companies in which outside Directorship held*	1. Hero Cycles Ltd. 2. Hero Management Service Ltd. 3. Hero Corporate Service Ltd. 4. Hero Motors Ltd. 5. Satyam Auto Components Ltd. 6. Easy Bill Ltd. 7. DCM Shriram Consolidated Ltd. 8. Hero Honda Motors Ltd. 9. Arrow Infrastructure Ltd. 10. Abhyuday Manufacturing & Automotive Ltd. 11. Weave Engineering and Design Ltd. 12. Hero Ergo Life Insurance Company Ltd. 13. Hero Mindmine Institute Ltd.	1. Yes Bank Ltd. 2. Sara Textiles Ltd. 3. Ansal Housing & Construction Ltd. 4. Uniproducs Ltd. 5. Claris Lifesciences Ltd.	1. Steel Authority of India Ltd. 2. Moser Baer India Ltd. 3. Ginni International Ltd. 4. Gas Authority of India Ltd. 5. N.P.C.C.	Director, Advanced Materials & Process Research Institute, Bhopal
Chairman/Member of Committees of Board of Directors of other companies of which he is a Director**	1. Satyam Auto Components Ltd. Chairman – Audit Committee 2. Easy Bill Ltd. Member – Audit Committee 3. Hero Management Service Ltd. Member – Audit Committee	1. Yes Bank Ltd. Chairman – Audit & Compliance 2. Ansal Housing & Construction Ltd. Member – Audit Committee 3. Uniproducs (India) Ltd. (i) Member – Audit Committee (ii) Chairman – Investors Grievance Committee	1. Steel Authority of India Limited Chairman – Audit Committee	NIL
No. of Shares held	NIL	NIL	NIL	NIL

* Excluding private limited companies

** Only Audit Committee & Shareholders Grievance Committee considered

By order of the Board Of Directors
FOR SHIVAM AUTOTECH LIMITED

New Delhi
Date : 28th July, 2009

DAVENDRA UJLAYAN
GM (FINANCE & ACCOUNTS) &
COMPANY SECRETARY

Registered Office:
2A/3, Asaf Ali Road
New Delhi - 110002

DIRECTORS' REPORT

DEAR SHAREHOLDERS,

The Directors are pleased to present the Annual Report and the Audited Accounts for the financial year ended March 31, 2009.

FINANCIAL RESULTS

The highlights of the financial performance of the Company are as under:

	(Rs. In Lacs)	
Particulars	2008-09	2007-08
Gross Sales & Other Income	16148.68	14472.50
Profit before Depreciation and Interest	3241.52	3276.73
Depreciation	1179.65	1176.51
Interest	513.16	331.69
Profit before Taxation	1548.71	1768.53
Provision for Taxation (Deferred & Current)	585.45	622.38
Profit after Taxation	963.26	1146.15
Profit available for appropriations	963.26	1146.15
Appropriations		
Amount transferred to General Reserve	300.00	300.00
Proposed Dividend on Equity Shares	150.00	150.00
Tax on Dividend	25.49	25.49
Profit after Appropriations	487.77	670.66

PERFORMANCE

During the year, the Sales of the Company were Rs.16143.66 Lacs. Operating Profit (PBDIT) of the company for the year was Rs.3241.52 Lacs. The Profit before Tax (PBT) was Rs.1548.71 Lacs and Profit after Tax (PAT) was Rs.963.26 Lacs. In the light of the economic down turn conditions prevalent during the whole year, the performance achieved by the company during the year can be regarded as satisfactory.

The Year 2008-09 was sluggish for the Automobile Industries in India as well as throughout the world. The sales of your company in spite of the down turn conditions grew by 12% during the financial year, but the operating profit (PBDIT) declined marginally by about 1% on account of increase in the input costs, interest costs, etc.

DIVIDEND

The Directors recommend a Dividend of Rs.1.50 per equity share for the year (previous year Rs. 1.50 per share). If approved by the shareholders in the forthcoming Annual General Meeting, the Dividend will absorb Rs.150.00 Lacs. The Dividend Distribution Tax borne by the Company will amount to Rs.25.49 Lacs.

BUSINESS PROSPECTS

Indian economy going forward holds lot of growth promise, and with a stable & progressive government at the centre, phenomenal growth can be expected in the coming years. Its overall GDP growth of 6.7%, during the year ended 2008-09, is one of the best amongst major economies of the world.

With the successful commissioning and start of operations at its Haridwar plant during the ongoing financial year 2009-10, the company expects substantial improvement in its performance. The company is concentrating on adding new customers and business. Its main customer Hero Honda Motors Limited (HHML), is the world's largest two wheeler manufacturer, and continues to defy the sluggish trends

across the economy and has reported robust numbers during the year 2008-09 and this trend of growth is continuing during the current year 2009-10 also. Given the future outlook of rural economy in India & performance of our prime customer Hero Honda, we are confident of achieving robust growth in overall performance. The company is also developing newer components for its customers, which will also increase its share of business with HHML and other customers.

CORPORATE GOVERNANCE

The Company believes that Corporate Governance is a way of life than something to be carried out under legal compulsion. The company is committed to the application of best management practices, compliance with law, adherence to ethical standards and discharge of social responsibilities. The company also endeavours to share with its stakeholders openly and transparently information on matters which have a bearing on their economic and reputational interest.

Pursuant to Clause 49 of the Listing Agreement with the stock exchanges, a Management Discussion and Analysis Report and a Report on Corporate Governance are given as Annexures 'A' and 'B' respectively to this Report. All the board members and senior managerial personnel have affirmed compliance with the code of conduct for the F.Y. 2008-09.

A certificate from the Statutory Auditors of the Company regarding the compliance of the conditions of Corporate Governance by the Company stipulated under Clause 49 of the Listing Agreement is also attached to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the requirements of Section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby confirm:

- That in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- That the accounting policies which have been selected have been applied consistently and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2009 and of the profits of the Company for the year ended on that date;

- (iii) That 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; and
- (iv) That the annual accounts have been prepared on a going concern basis.

FIXED DEPOSITS

During the year, the Company has not accepted any deposit under Section 58A and Section 58AA of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975.

FINANCE

The company has met with its working capital requirement from a mix of internal accruals and availing cash credit facilities from its Bankers during the year. In order to part-finance its new Haridwar Plant in Uttarakhand, the company has availed 20 million dollar ECB loans from HSBC & ICICI Bank and a Rupee loan of Rs.15 Crores was utilized during the year from Punjab National Bank for the completion of its Haridwar project. The ECB loans have fully been hedged for both principal and interest.

HARIDWAR PLANT

The company has completed the commissioning of its Haridwar project, and the same has gone on stream on 6th April, 2009. It has installed a state of the art plant, going for the latest & most advanced technology available in the world today, for its kind of business. It would cater to the requirements of its prime customer Hero Honda Motors Limited as a direct online supplier and also is equipped to make very sophisticated cold forging components for various other potential customers.

DIRECTORS

Pursuant to Section 256 of the Companies Act, 1956 and Articles of Association of the Company, Mr. Sunil Kant Munjal, Mr. Surriner Lal Kapur & Dr. Vinayshil Gautam retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. Anil Kumar Gupta was appointed as an Additional Director with effect from 28th April, 2009. As additional director, Mr. Anil Kumar Gupta holds office up to the date of the ensuing Annual General Meeting of the Company.

The above appointments and re-appointments form part of the Notice of the fourth Annual General Meeting and the relevant Resolutions are recommended for your approval.

Profiles of these Directors, as required by the Listing Agreement provisions, are given in the Notice / Corporate Governance Report forming part of this Annual Report.

AUDITORS

Shareholders are requested to re-appoint M/s S. S. Kothari Mehta & Co., Chartered Accountants as the Auditors of the Company and authorize the Audit Committee to fix their remuneration. They have furnished to the Company requisite Certificate under Section 224(1B) of the Companies Act, 1956 and are therefore eligible for re-appointment as Auditors of the Company.

AUDITORS' REPORT

The observations of Auditors in their Report, read with the relevant notes to the accounts are self-explanatory and therefore do not require any further explanation.

COST AUDIT

The Directors have appointed M/s Gurdeep Singh & Associates, Cost Accountants, as Cost Auditors to audit the accounts relating to "Engineering Industries" for the year ending 31st March 2010.

ENVIRONMENT

Your Company believes that to create a sustainable enterprise, it is critical to strike the right balance between business, mankind and nature. The company has ensured complete compliance with all applicable environmental regulations and practices.

Your company also continues to be a constituent of a very important and responsible initiative of Hero Honda Motors Limited toward the commitment to environment, viz. GREEN SUPPLY-CHAIN MANAGEMENT PROGRAMME.

During the year, Company has received necessary environmental consents/approvals for air, water and hazardous waste discharge from the Pollution Control Authority.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information required under Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given as per Annexure - 'D' and forms an integral part of this Report.

PARTICULARS OF EMPLOYEES

As required under the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the Annexure - 'C' included in this report.

HUMAN RESOURCE DEVELOPMENT

As in the past years, the management continued to take a keen interest in Human Resources Development. Harmonious industrial relations continued to prevail at all the units throughout the Company. The management continued to focus on Human Resource Development through in-house and external management development programmes.

ACKNOWLEDGMENTS

Company would like to thank its clients, vendors and investors for their continued support during the year. In particular to its principal customer Hero Honda Motors Limited, the company is thankful for continuing to repose faith as a *direct online supplier* and including it as an integral part of the supply chain management.

Your Directors also place on record their appreciation for the assistance and co-operation received from the banks, government authorities and members during the year under review. Your Directors wish to place on record their appreciation for the committed services of the executives, staff and workers of the company

For and on behalf of the Board
SUNIL KANT MUNJAL
CHAIRMAN

Place: New Delhi
Date: June 29, 2009

ANNEXURE 'A' TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION & ANALYSIS REPORT

India's economy grew by 6.7% in the financial year ended March 31, 2009, down from 9% a year earlier, owing to the global economic crisis. The figures beat pessimistic expectations from analysts who had predicted 6% growth for the entire year.

The Key boosts to the economy included a financial stimulus package and cutting of interest rates by the Reserve Bank of India. The newly elected stable government at the centre, has said that its focus would be on the economy and emphasized its top priority would be economic revival and inclusive growth.

INDUSTRY STRUCTURE AND DEVELOPMENT

The year gone by was a catastrophic one for the global automotive industry deeply impacted by an unprecedented global economic crisis with far reaching implications for the global automotive industry. The industry came to a grinding halt on the back of the global financial meltdown & credit freeze resulting in demand contraction at an unparalleled pace and catching most of the OEM's off guard.

Although in India the situation was not that bad as it was globally. The two wheeler sales registered growth of 5% during the year 2008-09 in comparison to 2007-08 numbers. Principal customer of the Company i.e. Hero Honda Motors Limited, clocked a growth of 12% in its numbers during the year 2008-09. It continues to be the industry leader with over 57 percent market share.

OPPORTUNITIES, CHALLENGES, RISK & CONCERN

Risks are inherent in every business, be it external or internal. Economic slowdown and erratic monsoon could impact most segments of the economy, including two-wheeler industry.

The main concerns are:

- A slowdown in the growth of Indian economy further in 2009-10 to about 6 percent in the wake of a global melt down.
- Demand squeeze for automobiles, particularly two wheelers stemming from any variation in the environment, natural calamities, erratic monsoon causing to restrict disposable income of the rural populace and any unforeseen shift in the priority of the consumers; and
- Slowdown in the market conditions – particularly the motorcycle segment of two-wheeler industry – due to high interest rates and reduction in availability of the finance for purchase of a motorcycle to a prospective buyer.
- Continuing upward spiral of the commodities and other inputs/conversion costs cascading into squeezing margins for the OEM component suppliers.
- Volatility in the price of petrol can have an impact on the sensitivity of new vehicle purchases.
- Removal of import tariff barrier, stiff competition from multinationals setting up of their own new facilities in India, frequent changes in the models and design, low volumes, ever changing technology, converting the technology into quality products at competitive price and delivering the same fast is the challenges thrown open to the industry in general and in particular the influence of the home country participation to get business from the vehicle manufacturers of global presence in India.

The long term picture of Auto and Auto Component industry in India is very encouraging. According to Auto Component Manufacturers Association of India (ACMA), the size of the Indian auto components industry is estimated to be around USD 18 Billion in 2007-08. India is estimated to have the potential to become one of the top auto component economies by 2020, according to a study by IBM. According to another study, the auto component industry in India has potential to grow at a CAGR of 13% to reach USD 40 billion by 2015.

India is going to emerge as a manufacturing hub for the global players in the automotive industry which will give a thrust to the auto component manufacturing industry. Over the years, with the continuous up gradation of technology, Indian automotive component industry have been recognized by global automotive players as quality product suppliers.

With the rising rural economy and growing income of urban population, the trend of rising sales in the motor cycle industry is expected to continue in the foreseeable future.

The company has a very strong engineering force specialized in in-house design, new product development, value engineering and capable of adapting new technology. With this strength, the company is confident of not only meeting the challenges but also converting the challenges into opportunities. Moreover, with the new installed capacity of its state of the art plant in Haridwar, the company is looking forward to diversifying its range of products and customers.

OUTLOOK

Your company looks forward to challenging, exciting times ahead as it prepares itself to brace with new opportunities and challenges that abound and preparing itself to respond and tune in to the dictates of the environ. This would call for freshness of approach and concentrated efforts on an ongoing basis to grapple with the changes that lie ahead. In order to meet the rising demand from our main customer, the company has already set up a new state of the art plant at Haridwar in Uttarakhand at an investment of Rs.150 crore.

With the commissioning of its Haridwar project, for Shivam Autotech the future is quite promising, notwithstanding the current downturn in Automotive Industry. Its prime customer Hero Honda has bucked the trend of stagnant sales in the two wheeler industry by notching up impressive 12 % growth in its sales number for the year 2008-09. It continues to do well and its growth will have a direct positive impact on the operations of Shivam Autotech in the years to come. The company is also equipped to make very sophisticated cold forging components for various other potential customers also.

INTERNAL CONTROLS AND ADEQUACY

The company maintains appropriate systems of internal control, including monitoring procedures, to ensure that all assets are safeguarded against loss from unauthorized use. Company policies, guidelines and procedures are in place to ensure that all transactions are authorized, recorded and reported correctly as well as to provide for adequate checks and balances. These systems are regularly

reviewed and wherever necessary are modified or redesigned to ensure better efficiency and effectiveness.

All these measures have facilitated the detection of irregularities at an early stage and timely remedial action without any significant financial loss. The internal audit is conducted by an independent firm of Chartered Accountants, who also reviews the effectiveness and efficiency of these systems and procedures. Audits are finalized and conducted based on internal risk assessment. The Internal Audit Reports are circulated to the Management who initiates action where appropriate and the action taken reports of the management

is considered and discussed by the Audit Committee, and corrective measures recommended for implementation.

CAUTIONARY STATEMENT

The Management Discussion and Analysis Report may contain certain statements that might be considered forward looking. These statements are subject to certain risks and uncertainties. Actual results may differ materially from those expressed in the statement as important factors could influence the company's operations such as government policies, local, political and economic development, risks inherent to the Company's growth and such other factors.

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