

## 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 *DGM-Finance & Accounts*

### AUDITORS

S. S. Kothari Mehta & Co.

Chartered Accountants

146-149, Tribhvan Complex

Ishwar Nagar, Mathura Road

New Delhi - 110065

### BANKERS

HSBC Limited

IDBI Limited

ICICI Bank Limited

Punjab National Bank

### REGISTERED OFFICE

303, 3<sup>rd</sup> Floor, Square One,

District Centre, Saket,

New Delhi – 110 017

### GURGAON PLANT

58th Km. Stone

Delhi - Jaipur Highway

Village: Binola - 122 413

Dist.: Gurgaon (Haryana)

### HARIDWAR PLANT

Plot No. 3, Industrial Park-II, Phase-1

Village Salempur Mehdood,

Distt. Haridwar (Uttarakhand) - 249 402

### SHARE TRANSFER AGENTS

MCS Limited

F-65, First Floor,

Okhla Industrial Area, Phase I,

New Delhi - 110 020

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## NOTICE

Notice is hereby given that the 5<sup>th</sup> Annual General Meeting of the Members of **SHIVAM AUTOTECH LIMITED** will be held on Wednesday, the 29<sup>th</sup> day of September, 2010 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 31<sup>st</sup> March, 2010 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, 2010.
3. To appoint a Director in place of Mr. Satyanand Munjal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Brijmohan Lall Munjal who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Om Prakash Munjal 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. 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, 2010 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 20<sup>th</sup> 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."

By Order of the Board of Directors  
**FOR SHIVAM AUTOTECH LIMITED**

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

Place: New Delhi  
Date: 31<sup>st</sup> July, 2010

**Registered Office:**  
303, 3<sup>rd</sup> Floor, Square One,  
District Centre, Saket,  
New Delhi – 110 017

### 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 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 24, 2010, to Wednesday, September 29, 2010 (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 23<sup>rd</sup> September 2010. 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 29<sup>th</sup> September 2010 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 23<sup>rd</sup> September 2010; (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 23<sup>rd</sup> September 2010.
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

**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 22 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, 2010, 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, 2010.

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

- (a) **Basic Salary:** Rs.225,000 per month.
- (b) **Commission:** Not exceeding 2.00% 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.**

## 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. Satyanand Munjal	Mr. Om Prakash Munjal	Mr. Brijmohan Lal Munjal
Date of Birth	24 .05.1917	05.08.1928	01.07.1923
Date of Appointment	29 .07.2005	29.07.2005	29.07.2005
Qualifications	Privately educated & trained in Management.	Privately educated & trained in Management.	Privately educated & trained in Management.
Expertise in specific functional areas	India's first generation entrepreneur with expertise in business foresightedness and management	Expertise in administrative and entrepreneurial skills.	Padma Bhusan Awardee in recognition of his overall contribution to the Indian industry and society. Expertise in overall management skills.
List of Companies in which outside Directorship held*	1. Hero Cycles Ltd. 2. Rockman Industries Ltd. 3. Satyam Auto Components Ltd. 4. Munjal Auto Industries Ltd.	1. Hero Cycles Ltd. 2. Hero Motors Ltd. 3. Hero Financial Services Ltd. 4. Highway Industries Ltd. 5. Hero Honda Finlease Ltd. 6. Hero Global Design Ltd. 7. Munjal Auto Industries Ltd. 8. Hero Honda Motors Ltd. 9. Majestic Auto Ltd. 10. Easy Bills Ltd.	1. Hero Honda Motors Ltd. 2. Munjal Showa Ltd. 3. Hero Honda Finlease Ltd. 4. Easy Bill Ltd. 5. Hero Cycles Ltd. 6. Sunbeam Auto Ltd. 7. Munjal Auto Industries Ltd.
Chairman/Member of Committees of Board of Directors of other companies of which he is a Director**	NIL	NIL	NIL
No. of Shares held	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: 31<sup>st</sup> July, 2010

**Registered Office:**  
303, 3<sup>rd</sup> Floor, Square One,  
District Centre, Saket,  
New Delhi– 110 017

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

# DIRECTORS' REPORT

## Dear Shareholders,

Your Directors have pleasure in presenting the 5<sup>th</sup> Annual Report together with the audited accounts for the year ended March 31, 2010.

## FINANCIAL RESULTS

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

	(Rs. In Lacs)	
Particulars	2009-10	2008-09
Gross Sales & Other Income	20,722.57	16,148.68
<b>Profit before Depreciation and Interest</b>	<b>4,647.75</b>	<b>3,241.52</b>
Depreciation	1,865.93	1,179.65
Interest	1,676.70	513.16
<b>Profit before Taxation</b>	<b>1,105.12</b>	<b>1,548.71</b>
Provision for Taxation (Deferred & Current)	(50.26)	585.45
<b>Profit after Taxation</b>	<b>1,155.38</b>	<b>963.26</b>
Profit available for appropriations	1,155.38	963.26
<b>Appropriations</b>		
Amount transferred to General Reserve	300.00	300.00
Proposed Dividend on Equity Shares	150.00	150.00
Tax on Dividend	24.91	25.49
Profit after Appropriations	680.47	487.77

## PERFORMANCE

The total income of the company increased by 28.32% from Rs.16,148.68 Lacs in 2008-09 to Rs.20,722.57 Lacs in 2009-10. Operating profit (PBDIT) of the company increased by 43.38% from Rs.3,241.52 Lacs in 2008-09 to Rs.4,647.75 Lacs in 2009-10. Profit after tax increased by 19.94% from Rs.963.26 Lacs in 2008-09 to Rs.1,155.38 Lacs in 2009-10.

The overall performance of the company can be termed as satisfactory.

## 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.24.91 Lacs.

## BUSINESS PROSPECTS

With the commissioning of operations at its Haridwar plant, the company expects further improvement in its top line and bottom line during the on going financial year 2010-11. The company is concentrating on adding new customers and increased business from its existing customers. Hero Honda

Motors Limited (HHML), the main customer of the company continues to maintain its leadership position in the two wheeler industry, and has achieved a growth of 24% in the year 2009-10. The company is at advanced stage of development of various other components for its existing customers HHML, BOSCH and other new customers.

## CORPORATE GOVERNANCE

Separate detailed chapters on Corporate Governance, Additional Shareholder information and Management Discussion and Analysis are attached herewith and form part of this Report. All the board members and senior managerial personnel have affirmed compliance with the code of conduct for the F.Y. 2009-10.

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

The Directors confirm that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed;
- They have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for the year;



- (iii) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) They have prepared the annual accounts 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. The Company's Haridwar Plant in Uttarakhand, set up at a total cost of Rs.180.00 Crores has been funded from a mix of internal accruals, ECB and Rupee loans. The ECB loans have fully been hedged for both principal and interest.

#### **HARIDWAR PLANT**

The Company's state of the art Haridwar plant commissioned in April, 2009 has now become fully operational. The production capacity utilization at the new plant is on the increase now and operations have stabilized. The company hopes to get the benefit of the increased capacity utilization during the ongoing financial year 2010-11.

#### **DIRECTORS**

Pursuant to Section 256 of the Companies Act, 1956 and Articles of Association of the Company, Mr. Brijmohan Lall Munjal, Mr. Om Prakash Munjal & Mr. Satyanand Munjal retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

The above appointments and re-appointments form part of the Notice of the fifth 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.

#### **INTERNAL CONTROL SYSTEMS**

The Company has in place adequate systems of internal control to ensure compliance with policies and procedures. Internal Audits of all the units of the Company are regularly carried out to review the internal control systems. The

internal Audit Reports along with implementation and recommendations contained therein are constantly reviewed by the Audit Committee of the Board.

#### **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. *The observation of the Auditors in the Audit Report under point no. 17 of the Annexure to the Auditors Report about deployment of some of the funds raised on short term basis as long term investments.* These investments have been made in the fixed assets and the company is in the process of arranging suitable long term funds to replace these short term funds.

#### **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 31<sup>st</sup> March 2011.

#### **ENVIRONMENT, HEALTH & SAFETY**

Environment, Health & Safety (EHS) is given high importance at SHIVAM. Equal importance is given to EHS on par with the quality and Good Manufacturing Practices (GMP) to ensure utmost care of the environment, safety of operations and protection of employee health. SHIVAM conducts its EHS management that reflects the best industry practices. We are committed toward reducing the harmful impact on the environment around us. Our efforts do not stop at re-engineering our processes to align with green goals, but extend to any product / service / process that is new and displaces traditional ways of doing business while optimizing resource utilization. The Company has ensured complete compliance with all applicable environmental regulations and practices.

The company has a well developed high standard environment management system (EMS) The company continues to make investments in upgrading pollution control equipment at all the factories, regular reviews and audits are carried out to ensure compliance with statutory requirements.

The company gives priority to the health and safety of its employees. The following activities are implemented

continually:-

- Imparting basic safety training to all Personnel at the manufacturing facilities.
- Conducting Safety and technical competency development programs to improve competencies of employees for safety critical jobs.
- Work place inspections by executives and managers at all levels. Senior management team members involve in the process and show commitment through work place inspections.
- Reduce waste generation and improve environment management by collection, treatment and disposal of all waste in an environment friendly manner.
- Waste water management and recycling and recharging the ground water.
- Development of green cover by tree plantation across premises and factory.
- Audit by outside agencies regularly to address any inadequacies in the system.
- Continual Energy audits are made to minimize energy losses.
- Risks are analysed in detail and minimized, if not eliminated, at each stage.

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**

We strongly believe that it is “the people” who make “the difference”. Hence, every employee is encouraged to optimize his/her full potential by availing of opportunities that exist across multiple functions, disciplines as well as geographies. Employees are our vital and most valuable assets. We understand the significance of learning and continual education in providing our employees with latest skills and technologies. Training plays a vital role in enhancing the efficiency, productivity and performance of all our employees. We believe this will help in creating a challenging, entrepreneurial and empowering work environment that rewards dedication and a strong work ethic for our employees.

In the present environment, the main challenge will be to bridge the human resource gap in terms of capabilities, deployment, systems and processes. At SHIVAM HR focus is on developing HR systems designed to unlock the full potential of the employees at all locations, develop the leaders and provide opportunities for continuous skill development.

#### **ACKNOWLEDGMENTS**

We thank our customers, vendors, investors and bankers for their continued support during the year. We place on record our appreciation of the contribution made by our employees at all levels. Our consistent growth was made possible by their hard work, solidarity, cooperation and support.

For and on behalf of the Board

NEERAJ MUNJAL  
MANAGING DIRECTOR

SURINDER LAL KAPUR  
DIRECTOR

Place: New Delhi  
Date: 31<sup>st</sup> July, 2010

## ANNEXURE 'A' TO DIRECTORS' REPORT

### MANAGEMENT DISCUSSION & ANALYSIS REPORT

The severe global liquidity crisis and recession of 2007-09 witnessed resilience from BRIC nations – especially India and China. India's GDP is set to grow at 7.2% in 2010 and exceed 8% in 2011. Growth expected to accelerate to 9% p.a. in the next 2-3 years, driven by surge in domestic demand and improving exports.

#### INDUSTRY STRUCTURE AND DEVELOPMENT

The Indian market has traditionally been characterized by inadequate infrastructure, public transport and traditional aspirations to ownership of vehicles. Increasing income levels and availability of credit has led to affordability and sharp growth in passenger cars and two-wheelers which constitute > 90% of Indian automobile sector. The sector's turnover expected to touch US Dollar 155 billion by 2016 from US Dollar 40 billion in 2009-10. Automobile sector in India has attained critical mass in the passenger car and two wheeler segments. Auto manufacturer are making greater inroads into the rural market, with leading players reporting 50-100% increases in sales from such regions.

Our principal customer Hero Honda Motors Limited registered a growth of 24% in its numbers during the year 2009-10 and it continues to be the market leader.

#### OPPORTUNITIES, CHALLENGES, RISK & CONCERN

The Indian automotive component manufacturing industry due to a huge talent pool of skilled and trained automotive work force and access to the latest technologies has a great potential to emerge as a big player in the near future. The Indian automobile ancillary sector is transforming itself from a low volume, highly fragmented one into a competitive industry and backed by competitive strengths, technology and transition up the value chain.

Lacking the required infrastructure, the Indian auto component manufacturing industry falls way behind the major global players in terms of production capacities. Though serving to better its standards, the Indian auto component manufacturing industry has registered a robust growth in the recent years.

The Indian auto component industry has been exposed to many risks of varying intensity, such as volatility in the raw material and other input prices, currency fluctuations, OEM's demand for price reduction, stiff competition by the entry of multinationals and their home country partnerships and just in time supplies are the major risks and challenges faced by the auto component manufacturers.

#### OUTLOOK

The business environment has become very challenging and going forward it offers lot of opportunities. Your company's main thrust going forward will be increased and

effective utilization of capacities, adding new customers and increasing the share and value of business with the existing customers. The company's main customer Hero Honda has done very well in the year 2009-10 and it continues to grow in the current financial year 2010-11. This will result in increased business for your company. The successful commissioning of the Haridwar project will help in increasing the volumes and adding new business lines during the on going current financial year.

The future of your company looks quite exciting, promising and full of opportunities.

#### INTERNAL CONTROLS AND ADEQUACY

The company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition, and that the transactions are authorized, recorded and reported correctly.

Internal controls are supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures. These controls are designed to ensure that financial and other records are reliable for preparing financial information and other reports, and for maintaining regular accountability of the Company's assets.

#### CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis describing the company's objectives, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the company's operations include a downtrend in the industry, significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relations, exchange rate fluctuations, interest and other costs.



## ANNEXURE 'B' TO DIRECTORS' REPORT

### Report On Corporate Governance

#### A. MANDATORY REQUIREMENTS

##### 1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The company's philosophy on corporate governance is to observe the highest level of ethics in all its dealings, to ensure the efficient conduct of the affairs of the company to achieve its goal of maximizing value for all its stakeholders.

##### 2. BOARD OF DIRECTORS

###### (a) Composition of the Board

The present strength of the Board as on 31<sup>st</sup> March, 2010, is ten Directors. The Chairman of the Board is a non-executive Director. The Board comprises of one executive Director and nine non-executive Directors, of whom four are independent.

Six Directors namely Mr. Satyanand Munjal (Non-Executive Director), Mr. Brijmohan Lall Munjal (Non-Executive Director), Mr. Om Prakash Munjal (Non-Executive Director), Mr. Vijay Munjal (Non-Executive Director), Mr. Sunil Kant Munjal (Non-Executive Chairman) and Mr. Neeraj Munjal (Managing Director) belong to the promoter family of the Hero Group, which owns 74.80% equity in the Company. Apart from these, the rest of the Board constitutes of Non-Executive Independent Directors. The directors bring to the Board wide range of experience & skills.

###### (b) Board / Committee Meetings and procedure

Board Meetings and Attendance of each Director at the Board Meetings and the last Annual General Meeting

During the Financial Year 2009-10, five meeting of the Board of Directors were held on 28<sup>th</sup> April 2009, 29<sup>th</sup> June 2009, 28<sup>th</sup> July 2009, 30<sup>th</sup> October, 2009 and 29<sup>th</sup> January 2010. The maximum interval between any two meetings during this period was 94 days and the gap between any two Board Meetings did not exceed four months.

The details of attendance of Directors in the Board meetings are as under:

Name of Directors	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM
Mr. Satyanand Munjal	5	-	No
Mr. Brijmohan Lall Munjal	5	-	No
Mr. Om Prakash Munjal	5	-	No
Mr. Vijay Munjal	5	-	No
Mr. Sunil Kant Munjal	5	4	Yes
Mr. Neeraj Munjal	5	5	Yes
Mr. Bhagwan Dass Narang	5	5	Yes
Mr. Surrinder Lal Kapur	5	5	Yes
Dr. Vinayshil Gautam	5	5	Yes
Dr. Anil Kumar Gupta	5	5	Yes

The information as required under Annexure I A to Clause 49 of the Listing Agreement is made available to the Board of Directors. Board members are given agenda papers alongwith necessary documents and information in advance of each meeting of the Board. Adequate information is circulated as part of the Board papers and is also made available at the Board Meeting to enable the Board to take informed decisions.

###### (c) Number of other Companies or Committees the Director is a Director / Member / Chairman of

None of the Directors holds directorship in more than 10 listed companies. Further none of them holds membership of more than 10 Committees of the Boards nor is any Director a Chairman of more than 5 Committees of Board.

Name	Category	No. of Outside Directorships in Public Ltd. Companies	No. of Committee Memberships (including Chairmanship)	No. of Committee Chairmanship
Mr. Satyanand Munjal	Non -Executive	4	-	-
Mr. Brijmohan Lall Munjal	Non -Executive	7	-	-
Mr. Om Prakash Munjal	Non -Executive	10	-	-

Mr. Vijay Munjal	Non -Executive	6	1	-
Mr. Sunil Kant Munjal <i>Chairman</i>	Non -Executive	13	-	-
Mr. Neeraj Munjal <i>Managing Director</i>	Executive	-	-	-
Mr. Bhagwan Dass Narang	Non -Executive & Independent	10	3	1
Mr. Surrinder Lal Kapur	Non -Executive & Independent	5	4	2
Dr. Vinayshil Gautam	Non -Executive & Independent	4	-	-
Dr. Anil Kumar Gupta	Non -Executive & Independent	-	-	-

None of the Non-Executive Directors hold any shares (as own or on behalf of other person on beneficial basis) in the Company.

**Notes:**

1. Private Limited Companies, foreign companies and companies u/s 25 of the Companies Act, 1956 are excluded for the above purposes.
2. Only audit committee and shareholder's grievance committee are considered for the purpose of committee positions as per listing agreement.

### RE-APPOINTMENT OF DIRECTORS

Mr. Brijmohan Lall Munjal, Mr. Satyanand Munjal and Mr. Om Prakash Munjal, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Relevant Information pursuant to Clause 49(IV)(G)(i) regarding Directors proposed to be re-appointed at the Annual General Meeting is given in the Notice of the AGM.

### 3. AUDIT COMMITTEE

The constitution, quorum, scope, etc. of the Audit Committee is in line with the Companies Act, 1956 and provisions of Listing Agreement. All the members of Audit Committee are qualified and having insight to interpret and understand financial statements.

#### (a) Composition of the Audit Committee and attendance of members

The Audit Committee comprises mainly of Independent Directors and the composition is compatible with the Listing Agreements. Meetings of the Audit Committee were held on

28<sup>th</sup> April 2009, 29<sup>th</sup> June 2009, 28<sup>th</sup> July 2009 30<sup>th</sup> October, 2009 and 29<sup>th</sup> January 2010.

Name	Designation	Category of Directorship	Attendance out of 5 meetings held
Mr. Surrinder Lal Kapur	Chairman	Non -Executive & Independent	5
Mr. Bhagwan Dass Narang	Member	Non -Executive & Independent	5
Dr. Vinayshil Gautam	Member	Non -Executive & Independent	5
Mr. Sunil Kant Munjal	Member	Non -Executive	4

The Company Secretary acts as the Secretary of the Committee.

Quorum of the Audit Committee is two non-executive directors. Mr. Surrinder Lal Kapur is the Chairman of the Audit Committee.

The Chairman of the Audit Committee was present at the Annual General Meeting of the Company.

#### (b) Terms of Reference

The terms of reference of the Audit Committee are wide enough to cover the matters specified for the Audit Committee under Clause 49 of the Listing Agreement as well as Section 292A of the Companies Act, 1956 and are as follows: