

BOARD OF DIRECTORS

CHAIRMAN

Sunil Kant Munjal

MANAGING DIRECTOR

Neeraj Munjal

DIRECTORS

Satyanand Munjal
Brijmohan Lall Munjal
Om Prakash Munjal
Bhagwan Dass Narang
Surrinder Lal Kapur
Vinayshil Gautam
Anil Kumar Gupta

FINANCE TEAM

Davendra Ujlayan	AVP-Finance & 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
AXIS Bank Ltd.

REGISTERED OFFICE

303, 3rd Floor, Square One,
C-2, 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)-249402

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 6th Annual General Meeting of the Members of **SHIVAM AUTOTECH LIMITED** will be held on Friday, the 30th day of September, 2011 at 11.00 A.M. at Tivoli Garden Resort, Near Chattarpur Mandir, Chattarpur Road, New Delhi-110030, to transact the following business:

[A] ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 and Profit & Loss Account for the year 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 year ended March 31, 2011.
3. To appoint a Director in place of Mr. Bhagwan Dass Narang, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Anil Kumar Gupta who retires by rotation and being eligible, offers himself for re-appointment.
5. 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

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

‘RESOLVED THAT pursuant to the recommendation of the Remuneration Committee and 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, Mr. Neeraj Munjal be and is hereby re-appointed as Managing Director of the Company for a period of five years with effect from April 01, 2011 on the terms, conditions as set out in the Draft Agreement including Remuneration as approved by the Remuneration Committee and also set out in the Explanatory Statement annexed to the Notice convening this meeting.

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
AVP - FINANCE &
COMPANY SECRETARY

Place: New Delhi
Date: 8th August, 2011

Registered Office:

303, 3rd Floor, Square One,
C-2, 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. As required under the provisions of Clause 49(IV) of the Listing Agreement, particulars relating to Mr. Bhagwan Dass Narang and Mr. Anil Kumar Gupta, Directors retiring by rotation and whose re-appointments are being proposed at the forthcoming Annual General Meeting, are enclosed in the Appendix to this Notice.

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 23, 2011, to Friday, September 30, 2011 (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 22nd September 2011. 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 2011 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 22nd September 2011; (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 22nd September 2011.
10. As per Section 53 of the Companies Act, 1956, which provides for service of documents under "certificate of posting" as one of the accepted mode of service, whereas the Department of Posts has recently discontinued the postal facility under "certificate of posting" vide their letter dated February 23, 2011. The Information Technology Act, 2000 also permits service of documents, etc., in electronic mode. Keeping this in view the Ministry of Corporate Affairs vide their circular no. 17/2011 dated April 21, 2011 clarified that a Company would have complied with Section 53 of the Companies Act, 1956, if the service of documents has been made through electronic mode provided the Company has obtained email addresses of its members for sending the notice/documents through email by giving an advance

opportunity to every shareholders to register their email address and changes therein from time to time with the Company.

In view of the above, the Company requests all its shareholders to kindly provide their email addresses along with client ID/Folio no. and number of shares as reference to the following email addresses with subject as "Shivam Autotech Limited – Member Email ID" at:

admin@mcsdel.com

11. 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. 6

The present proposal is to seek the Members' approval for the re-appointment of and remuneration payable to Mr. Neeraj Munjal, Managing Director, in terms of the applicable provisions of the Companies Act, 1956.

The Board of Directors of the Company (the 'Board'), at its meeting held on 12th February, 2011 has, subject to the approval of Members, re-appointed Mr. Neeraj Munjal as Managing Director for a further period of 5 years w.e.f. 1st April, 2011 on the recommendation of the Remuneration Committee made at its meeting held on 12th February, 2011.

Broad particulars of the terms of re-appointment of and remuneration payable to Mr. Neeraj Munjal are as under:

- A) Basic Salary:** Rs. 400,000/- (Rupees Four Lakhs only) per month.
- B) Commission:** He will also be entitled by way of commission in addition to Basic Salary, Perquisites and any other Allowances, benefits or amenities subject to the condition that the amount of commission shall not exceed 2.00% of the Net Profit of the Company in a particular financial year as computed in the manner referred to in Section 198 of the Companies Act, 1956, restricted to maximum of Rs.50 Lacs.
- C) Perquisites and Allowances:** In addition to the above Basic Salary and Commission, he shall be entitled to the following monthly perquisites and allowances:

a) Allowances

S.No	Particulars	% of Basic Salary
i.	House Rent Allowance	68.5%
ii.	Electricity Allowance	10%
iii.	Furnishing Allowance	5%
iv.	Professional Development Allowance	10%
v.	Child Education Allowance	5%
vi.	Medical Reimbursement Allowance	10%

b) Perquisites: The Managing Director shall also be entitled to the following perquisites:

- Club Fees:** Reimbursement of Actual Fees of Clubs.
- Personal Accident Insurance:** Actual premium to be paid by the Company.
- Insurance of Household goods:** Actual premium to be paid by the Company.
- Car:** Facility of cars with drivers to be used for the business of the Company shall not be included in the computation of the ceiling of perquisites.
- Telephone:** Free telephone facility at residence including Mobile Phone to be used for the business of the Company shall not be included in the computation of the ceiling of perquisites.
- Leave:** One month's leave with full salary for every 11 months of service subject to the condition that leave accumulated but not availed will be encashed.
- Reimbursement of expenses:** Reimbursement of entertainment, travelling, hotel and other expenses actually and properly incurred by him in India and abroad for the business of the Company.
- Contribution to Provident Fund, Super Annuation or Annuity Fund etc.:** Company's Contribution to Provident Fund, Super Annuation or Annuity Fund etc. will be as per policy/rules of the Company to the extent these either singly or put together are not taxable under the Income Tax Act.
- Gratuity:** Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

x. **Leave Travel Concession:** For the Managing Director and his family once in a year incurred in accordance with the policy/rules of the Company.

xi. **Spouse Traveling Expenses:** Such traveling expenses of the spouse as may be required in connection with the business of the Company.

xii. **Other allowances:** As may be applicable from time to time as per policy/rules of the Company.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated at actual cost.

For the aforesaid purpose "Family" means the dependent children and dependent parents of the Managing Director.

D. **Minimum Remuneration:** In any financial year during the currency of tenure of the Managing Director, the Company has no profits or its profits are inadequate, the minimum remuneration payable to the Managing Director shall be substantive salary and perquisites as above mentioned, subject to the ceiling set out under Section II of Part II of Schedule XIII to the Companies Act, 1956.

Provided further that the following perquisites which are also allowed to the Managing Director shall not be included in the computation of ceiling as specified in (D) above:

(i) Contribution to Provident Fund, Super Annuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under Income Tax Act, 1961; and

Gratuity payable at a rate not exceeding half month's salary for each completed year of service.

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.

INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING
(PURSUANT TO CLAUSE 49 (IV) OF THE LISTING AGREEMENT)

Name of Director	Mr. Bhagwan Dass Narang	Mr. Anil Kumar Gupta
Date of Birth	12.04.1945	02.04.1951
Date of Appointment	20.09.2006	28.04.2009
Qualifications	Post Graduate in Agriculture Economics	Doctrate in Engineering from University of Delhi.
Expertise in specific functional areas	35 years of experience in banking industry. He held the coveted position of Chairman & Managing Director of Oriental Bank of Commerce.	Expertise in the field of mechanical / metallurgy engineering.
List of Companies in which outside Directorship held*	<ol style="list-style-type: none"> 1. Lakshmi Precision Screws Ltd. 2. IST Steel & Power Ltd. 3. Dish TV India Ltd. 4. Jubilee Hill Landmark Projects Ltd 5. Revathi Equipment Ltd. 6. Afcon Infrastructure Ltd. 7. Vatech Wabag Ltd. 8. Amarujala Publications Ltd. 9. Karvy Stock Broking Ltd. 10. DSE Financial Services Ltd. 11. Fairdeal Supplies Ltd. 	<ol style="list-style-type: none"> 1. Director, Advanced Materials & Process Research Institute, Bhopal.
Chairman/Member of Committees of Board of Directors of other companies of which he is a Director**	NIL	NIL
No. of Shares held	NIL	NIL

* Excluding private limited companies

** Only Audit Committee & Shareholders Grievance Committee considered

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

DAVENDRA UJLAYAN
**AVP - FINANCE &
COMPANY SECRETARY**

New Delhi
Date: 8th August, 2011

Registered Office:
303, 3rd Floor, Square One
C-2, District Centre, Saket,
New Delhi – 110 017

DIRECTORS` REPORT

Dear Shareholders,

Your Directors have pleasure in presenting their 6th Annual Report and the Audited Statement of Accounts for the financial year ended March 31, 2011.

FINANCIAL RESULTS

The summarized financial results of the Company for the year ended March 31, 2011 are presented below:

BUSINESS PROSPECTS

With the stabilizing of operations at its Haridwar plant, the company expects substantial growth in its top line and bottom line during the on going financial year 2011-12. The company's efforts in adding new customers and increased business from its existing customers has started yielding results. Hero Honda Motors Limited (HHML), the main customer of the company and the world No. 1 two wheeler

(Rs. In Lacs)

Particulars	2010-11	2009-10
Gross Sales & Other Income	27,913.42	20,722.57
Profit before Depreciation and Interest	6,137.03	4,647.75
Depreciation	2,365.44	1,865.93
Interest	2,083.05	1,676.70
Profit before Taxation	1,688.54	1,105.12
Provision for Taxation (Deferred & Current)	210.79	(50.26)
Profit after Taxation	1,477.75	1,155.38
Profit available for appropriations	1,477.75	1,155.38
Appropriations		
Amount transferred to General Reserve	300.00	300.00
Proposed Dividend on Equity Shares	250.00	150.00
Tax on Dividend	40.56	24.91
Profit after Appropriations	887.19	680.47

PERFORMANCE

The rising commodity prices, inflation & high interest rates was a concern and did impact the business, but we remained committed to bringing in new processes and technological improvements to keep the impact to minimal, thus maintaining the earnings at a healthy level.

The total income of the company increased by 34.70% from Rs.20,722.57 Lacs in 2009-10 to Rs.27,913.42 Lacs in 2010-11. Operating profit (PBDIT) of the company increased by 32.04% from Rs.4,647.75 Lacs in 2009-10 to Rs.6,137.03 Lacs in 2010-11.

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

DIVIDEND

The Board of Directors of the Company recommend, for consideration of shareholders at the 6th Annual General Meeting, payment of dividend of 25% (Re.2.50 per share) on equity shares of the face value of Re.10/- each for the year ended March 31, 2011. The dividend paid during the previous year was 15%.

manufacturer for 10 consecutive years, continues to maintain its leadership position in the two wheeler industry, and has achieved a growth of 17.44% in the year 2010-11 by selling 54,02,444 two wheelers.

CORPORATE GOVERNANCE

The Company has vigorously striven to follow the best corporate governance practices aimed at building trust among the key stakeholders, shareholders, employees, customers, suppliers and other stakeholders on four key elements of corporate governance – transparency, fairness, disclosure and accountability.

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. 2010-11.

A certificate from the Practising Company Secretary 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

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, as amended, with respect to the directors' responsibility statement, it is hereby confirmed:

- (i) That in preparation of accounts for the financial year ended March 31, 2011, the applicable accounting standards have been followed along with proper explanation relating to the material departures;
- (ii) That the directors' of the company 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 as at March 31, 2011 and of the profits of the Company for the year ended March 31, 2011;
- (iii) That the directors' of the company 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) That the directors' of the company have prepared the accounts of the company for the financial year ended March 31, 2011 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 capital expansion undertaken during the year at both the Gurgaon and Haridwar Plant have been financed from internal accruals and term loans from the Banks. The working capital and the term loans are tied to the base rate of the Banks.

DIRECTORS

Pursuant to Section 256 of the Companies Act, 1956 and Articles of Association of the Company, Mr. Bhagwan Dass Narang and Mr. Anil Kumar Gupta retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

The re-appointments form part of the Notice of the sixth 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.

Mr. Vijay Munjal has resigned from the directorship of the company with effect from 28th May, 2011. The Board records its appreciation for the services rendered by Mr. Vijay Munjal as Director of the company.

INTERNAL CONTROL SYSTEMS

The Company has in place a proper, efficient & adequate system of internal control. This ensures that all assets of the company are safeguarded and protected against loss from unauthorized use or disposition and the transactions are authorized, recorded and reported correctly.

An extensive programme of internal audit supplements the process of internal control. The internal control system has been designed so as to ensure that the financial and other records of the company are reliable for preparing the financial and other statements and for maintaining accountability of assets of the Company.

AUDITORS AND AUDITORS' REPORT

M/s. S.S. Kothari Mehta & Co., Chartered Accountants, existing Statutory Auditors' will retire at the conclusion of the ensuing Annual General Meeting and seek re-appointment as Statutory Auditors of the Company at the ensuing Annual General Meeting.

The company has received certificate from M/s. S.S. Kothari Mehta. & Co. to the effect that their appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

The Board of Directors recommends to the shareholders the appointment of M/s. S.S. Kothari Mehta & Co. as Statutory Auditors of the Company.

The observations and comments given in the report of the Auditors read together with 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 31st March 2012.

ENVIRONMENT, HEALTH & SAFETY

Your company continues to give priority in the field of Safety, Health and Environment. Considering the emerging need of addressing the climate change initiatives your company has taken a two step process in the organization viz. a) Awareness across its stakeholders including its community; b) Process improvements by introducing energy efficient operations. Your company takes efforts to minimize generation of waste for the protection of the environment. Efforts are also made to minimize generation of liquid effluent and save precious natural resources like water.

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

- Imparting basic safety training to all the employees.
- Work place inspections by Senior Executives and Managers at all levels.
- 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.

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.**

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

Our Associates are our most valued assets and we shall continue to invest in enhancing their skill set as we strongly believe that a highly engaged, inspired and disciplined workforce will bring the best results and help us reach our objectives.

The employer-employee relations throughout the year remained cordial. Measures for training, development, safety of the employees and environmental awareness received the top priority of the Management.

The company has in place well-established Performance Management Systems and the Talent Review Mechanisms for providing due recognition to the performance of the employees and rewarding them suitably. Training needs are identified with two pronged approach. Firstly, a structured questionnaire indicating the key result areas of various key functions is circulated among employees to seek training needs of individuals. Secondly, a committee consisting of Heads of Departments examines the individual needs in terms of competencies and the gaps thereof. After a detailed discussion with key functionaries of various departments, individual training needs are determined after verification of the same with their Annual Appraisal Reports.

An effective work culture has been established in the organization through empowerment, transparency, decentralization, practice of participative management, etc.

ACKNOWLEDGMENTS

The Directors express their appreciation for the sincere co-operation and assistance of Central and State Government Authorities, Bankers, Customers, Suppliers and Business Associates. Your Directors also wish to place on record their deep sense of appreciation for the committed services by your Company's employees. Your Directors acknowledge with gratitude the encouragement and support extended by our valued shareholders.

For and on behalf of the Board

NEERAJ MUNJAL
MANAGING DIRECTOR

SURINDER LAL KAPUR
DIRECTOR

Place: New Delhi
Date: August 08, 2011

ANNEXURE 'A' TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION & ANALYSIS REPORT

At macroeconomic level, the Indian economy has been experiencing strong growth. The strong economy, coupled with improving consumer confidence and a good monsoon, helped spark strong demand for vehicles. Growth is 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

A robust economic development and the fast growing demand for vehicles in India are propelling the auto component industry as well. Driven by global competition and the recent shift in focus of global automobile manufacturers, business rules are changing and liberalization has had sweeping ramifications for the industry. The global auto components industry is estimated at USD 1.2 trillion. Today, global auto makers and Tier I auto component producers have no alternative but to outsource systems and components to low-cost countries such as India, Thailand and China in order to cut costs and become competitive. India is well positioned to leverage this opportunity, particularly in complex and high precision components, for which the industry can offer end to end services from design to manufacturing.

Till the 1990s, the auto component industry was solely dependent on the domestic automobile industry to drive the demand for ancillary products. This composition of the market however is undergoing radical changes with global outsourcing gaining momentum. In recent times, exports has emerged as a significant driver of growth, and the demand emanating from global OEMs and Tier I manufacturers has opened new opportunities for the auto component industry in India. At the same time, a bright outlook for the domestic automobile industry also offers significant growth potential, given the fast rising income levels with a rapidly growing middle and high income consumers.

The industry is transforming, and the boost in demand will see the emergence of several new players in the industry. The vast market for auto components, and the diverse products and technology involved ensures a place and role for many. At the same time, the entry of several global automobile manufacturers will bring in more regulation into the industry and see a pruning of the spurious market. Among the smaller players in the unorganized segment, this implies moving away from being standalone companies, to entering into either contract manufacturing or being ancillary units. The newly defined rules are specialization, development and delivery that hold the key to success in the auto component industry.

OPPORTUNITIES, CHALLENGES, RISK & CONCERN

The Auto Component Manufacturers Association (ACMA) vision 2020 delineates that the auto component sector has the potential to grow fourfold from the current levels of USD 26 Billion to over USD 110 Billion by the year 2020. Of this the turnover from the domestic market would be around USD 80 Billion and an export potential of around USD 30 Billion. The auto component

industry in India in fiscal 2009-10 recorded a turnover of USD 22 Billion and is expected to grow by about 25%.

While the industry appears to be growing at a healthy rate, fast rising imports especially from China and the rapidly increasing costs due to infrastructure deficiencies are significantly denting the competitiveness of the industry. Profit margins of the industry continue to remain under pressure, mainly due to rising input costs and ever rising interest costs.

It is critical to mention that in order to achieve the growth envisaged in the vision 2020, as also to stay competitive, challenges of access to capital and technology, availability of skilled manpower, rapidly increasing inflation, high interest rates and lack of proper infrastructure, including power, need to be addressed immediately.

To meet these targets, the auto component industry would require an average investment of USD 3.5 Billion per annum, totaling USD 38 Billion of additional investment by 2020. Currently the investment stands at USD 9 Billion.

OUTLOOK

The Indian auto component industry is one of the few sectors in the economy that has a distinct global advantage in terms of cost and quality. The value in sourcing auto components from India includes low labour cost, raw material availability, technically skilled manpower and quality assurance. An average cost reduction of nearly 25-30% has attracted several global automobile manufacturers to set base in India. India's process engineering skills, applied to re-designing of production processes, have enabled reduction in manufacturing costs of components. Today, India has become the outsourcing hub for several global automobile manufacturers.

The company's main customer Hero Honda Motors Limited continues to be the market leader and has grown by 17.44% in terms of volume in the year 2010-11 by selling 54,02,444 two wheelers in the year 2010-11. This augurs well for our company also going forward. The company is now also concentrating on adding new products and new businesses and is confident of growing further in the coming years.

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. It can not be guaranteed that these assumptions and expectations are accurate or will be realized. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand / supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

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 meet the aspirations and expectations of all stakeholders with an ultimate aim of enhancing the trust and confidence of the stakeholders. This helps the company to perform better thus culminating into higher productivity of the corporate resources. The company has constantly striven to implement the best corporate governance practices, reflecting its strong values and ethical business conduct aimed at maximizing value for shareholders, while ensuring fairness to all stakeholders – customers, employees, investors, vendors, state and central governments, and society at large. The corporate governance is not merely a destination but a continuous journey.

2. BOARD OF DIRECTORS

(a) Composition of the Board

The present strength of the Board as on 31st March, 2011, 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 five are independent.

Two Directors namely Mr. Satyanand Munjal (Non-Executive Director) and Mr. Neeraj Munjal (Managing Director) belong to the promoter family, which owns 74.80% equity in the Company. Apart from these, the rest of the Board constitutes of Non-Executive 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 2010-11, five meeting of the Board of Directors were held on 29th April 2010, 31st July, 2010, 29th September, 2010, 9th November 2010 and 12th February, 2011. The maximum interval between any two meetings during this period was 92 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	1	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
Mr. Vinayshil Gautam	5	5	Yes
Mr. 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 along with 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	3	-	-
Mr. Brijmohan Lall Munjal	Non-Executive	6	-	-
Mr. Om Prakash Munjal	Non-Executive	5	-	-