

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, Whole Time Director

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

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 **7th Annual General Meeting** of the Members of **SHIVAM AUTOTECH LIMITED** will be held on Tuesday, the 25th day of September, 2012 at 03.00 P.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, 2012 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 31st March, 2012.
3. To appoint a Director in place of Dr. Vinayshil Gautam, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Surrinder Lal Kapur 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 provisions of Section 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any amendment or modification thereof and subject to the approval of the Central Government, if required, consent of the members be and is hereby accorded to the appointment of Dr. Anil Kumar Gupta as Whole Time Director of the Company designated as **“Director (Technical)”** for a period of 3 (three) years with effect from 20th December, 2011 on such terms and conditions including remuneration as set out in explanatory statement annexed to this Notice.

FURTHER RESOLVED THAT the Board of the Directors of the Company be and is hereby authorized to do all such acts, deeds and things and execute all such documents, instruments and writings, as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors or to any Director or to any employee of the Company to give effect to the aforesaid resolutions.

FURTHER RESOLVED THAT in the event of loss, absence or inadequacy of profits of the Company in any financial year during the term of the office of the appointee, the remuneration as mentioned in the

explanatory statement shall be paid to him as minimum remuneration.”

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 provision of section 198, 269, 309, 310, 311 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, (including any statutory modifications or re-enactment 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, 2012 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 the explanatory statement annexed below, other terms and conditions of re-appointment as approved by the shareholders at the Annual General Meeting held on 30th September, 2011 shall remain changed.

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: 14th August, 2012

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 Dr. Vinayshil Gautam and Mr. Surrinder Lal Kapur, 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 Tuesday, September 18, 2012 to Tuesday, September 25, 2012 (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 17, September 2012. 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 September 25, 2012 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 September 17, 2012; (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 September 17, 2012.

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 appointment of Whole Time Director designated as "Director (Technical)", in terms of the applicable provisions of the Companies Act, 1956.

Dr. Anil Kumar Gupta was appointed as Whole Time Director designated as "Director (Technical)" of the Company w.e.f. 20th December, 2011 for a period of 3 years. He has done doctorate in Engineering from Delhi University. He has a vast Experience in the field of mechanical / metallurgy engineering.

Shareholding of the Company: Nil

The Board of Directors has approved the proposal for appointment of Dr. Anil Kumar Gupta as Whole Time Director designated as "Director (Technical)".

The remuneration payable to Dr. Anil Kumar Gupta is set out as under:

A) Basic Salary: Rs. 100,000/- (Rupees One Lac) per month.

B) Perquisites and Allowances: In addition to the above Basic Salary, he shall be entitled to the following monthly perquisites and allowances:

a) Allowances

<u>S.No</u>	<u>Particulars</u>	<u>% of Basic Salary</u>
I.	House Rent Allowance	60%
II.	Dearness Allowance	10%
III.	Professional Development Allowance	10%
IV.	Special Allowance	5%
V.	Medical Reimbursement Allowance	3%

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

- i. **Car:** Facility of car with driver to be used for the business of the Company shall not be included in the computation of the ceiling of perquisites.
- ii. **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.
- iii. **Leave:** As per rules of the Company.
- iv. **Reimbursement of expenses:** Reimbursement of entertainment, traveling, hotel and other expenses actually and properly incurred by him in India and abroad for the business of the Company.
- v. **Contribution to Provident Fund:** Company's Contribution to Provident Fund as per rules of the Company.
- vi. **Leave Travel Concession:** For the Director (Technical) and his family once in a year incurred in accordance with the policy/rules of the Company, restricted to one month's basic salary.

vii. **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 Director (Technical).

C. Minimum Remuneration: In any financial year during the currency of tenure of the Director (Technical), the Company has no profits or its profits are inadequate, the minimum remuneration payable to the Director (Technical) 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 Director (Technical) shall not be included in the computation of ceiling as specified in (c) above:

Contribution to Provident Fund, to the extent these either singly or put together are not taxable under Income Tax Act, 1961;

None of the directors, except Dr. Anil Kumar Gupta, may be deemed to be concerned / interested in this Resolution.

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

ITEM NO. 7

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

Mr. Neeraj Munjal was re-appointed as the Managing Director of the Company for a period of five years w.e.f. April 1, 2011. He has completed his Bachelor's degree in Commerce and holds Diploma in Business management from Bradford & Likhay community college, England. He has more than 24 years of experience in the Auto Components sector.

Shareholding in the Company: Nil

The Board of Directors and the Remuneration Committee has approved the proposal of increase in the remuneration, subject to the approval of the members. All other terms & conditions of his appointment will remain unchanged. The increased remuneration of Mr. Neeraj Munjal is set out as under:

A) Basic Salary: Rs. 460,000/- (Rupees Four Lakhs Sixty Thousand 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.

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%

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.
- Medical Reimbursement:** Reimbursement of actual medical insurance premium and medical expenses incurred by him and his family.
- 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.
- Leave Travel Concession:** For the Managing Director and his family once in a year incurred in accordance with the policy/rules of the Company.
- Spouse Traveling Expenses:** Such traveling expenses of the spouse as may be required in connection with the business of the Company.
- 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:

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 VARIATION IN 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	Dr. Vinayshil Gautam	Mr. Surinder Lal Kapur
Date of Birth	03-06-1946	07-03-1937
Date of Appointment	14-02-2006	14-02-2006
Qualifications	Doctrate in Management	Advocate
Experience in specific functional areas	Practioner & Consultant of Management in India and abroad & is attached with IIT Delhi	Expert in Company laws, industrial laws & industrial finance.
List of Companies in which outside Directorship held	<ol style="list-style-type: none"> 1. RITES Limited 2. Moser Baer India Limited 3. Ginni International Limited 4. Gas Authority of India Limited 5. S. Kumars Nationwide Limited 	<ol style="list-style-type: none"> 1. Yes Bank Limited 2. Alchemist Asset Reconstruction Limited 3. Ansal Housing & Construction Limited 4. Uniproducs Limited 5. Claris Lifesciences Limited
Chairman / Member of Committees of Board of directors of other companies in which he is a director	Nil	<ol style="list-style-type: none"> 1. YesBank Limited, Member-Audit & Copliance 2. Ansal Housing & Construction Limited Member - Audit Committee 3. Uniproducs (India)Limited - Member - Audit Committee Chairman - Investor Grievance COmmittee 4. Claris Lifesciences Limited-Member-Audit Committee & Shareholder Grievance Committee
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: 14th August, 2012

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

DIRECTORS' REPORT

To The Members,

The Directors have pleasure in presenting the 7th Annual Report of the Company together with its Audited Statement of Profit and Loss Account for the year ended March 31, 2012 and the Balance Sheet as on that date:

FINANCIAL RESULTS

The summarized financial results of the Company for the year ended March 31, 2012 are presented below:

Particulars	2011-12	2010-11
Gross Sales & Other Income	37,908.70	27,913.42
Profit before Depreciation and Interest	8,497.27	6,136.20
Depreciation	2,941.88	2,365.44
Interest	2,705.01	2,078.81
Profit before Taxation	2850.38	1,687.71
Provision for Taxation (Deferred & Current)	987.76	209.96
Profit after Taxation	1862.63	1,477.75
Profit available for appropriations	1862.63	1,477.75
Appropriations		
Amount transferred to General Reserve	300.00	300.00
Proposed Dividend on Equity Shares	320.00	250.00
Tax on Dividend	51.91	40.56
Profit after Appropriations	1190.72	887.19

PERFORMANCE

The company has maintained the earnings at a strong level despite of rise in price of commodities, inflation & interest rates. We are committed in bringing the new processes and technological advancements in order to optimize the utilization of resources and to maximize the profits.

The total income of the company increased by 35.80% from Rs.27,913.42 Lacs in 2010-11 to Rs.37,908.70 Lacs in 2011-12. Operating profit (PBDIT) of the company increased by 38.46% from Rs.6,136.20 Lacs in 2010-11 to Rs.8,497.27 Lacs in 2011-12.

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 7th Annual General Meeting, payment of dividend of 32% (Re.3.20 per share) on equity shares of the face value of Re.10/- each for the year ended March 31, 2012. The dividend paid during the previous year was 25%.

BUSINESS OVERVIEW

The global economic recovery is fast losing traction due to the continuing Euro Zone debt crisis. Domestically, the state of the economy is a matter of growing concern with slowing economy, persistently high inflation, uncertain political environment and the depreciation of the Indian rupee is weakening the overall economic sentiment of the country.

With the smoothening of operations at its Binola plant and Haridwar plant, the company expects growth in its top line and bottom line during the ongoing financial year 2012-13.
(Rs. In Lacs)

13. The company's efforts in adding new customers and increased business from its existing customers has started yielding results.

Hero MotoCorp Limited (HMCL), the main customer of the company and the world No. 1 two wheeler manufacturer for 11 consecutive years, continues to maintain its leadership position in the two wheeler industry, and has achieved a growth of 15.00% in the year 2011-12 by selling 62,35,205 two wheelers.

CORPORATE GOVERNANCE

The Company has followed the principles of Corporate Governance with all integrity and fairness aimed at building trust among stakeholders, customers and employees etc., being transparent with regard to all transactions, making the necessary disclosures and complying with the laws prevalent and applicable to the industry.

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. 2011-12.

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, 2012, 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, 2012 and of the profits of the Company for the year ended March 31, 2012;
- (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, 2012 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, Dr. Vinayshil Gautam and Mr. Surrinder Lal Kapur, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Dr. Anil Kumar Gupta was appointed as a Whole Time Director designated as "Director (Technical)" for a period of three years with effect from December 20, 2011. Taking into consideration his knowledge and experience, the Board recommends his appointment as Whole Time Director of the Company to the Members of the Company. Member's

approval for his appointment as Whole time director has been sought in the Notice convening the Annual General Meeting of the Company.

The appointments/re-appointments form part of the Notice of the seventh 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.

HOLDING COMPANY

The promoters of the Company i.e. Dayanand Munjal Investments Private Limited (DMIPL) hold 74,79,595 equity shares which represents 74.80% of the paid up equity capital of the Company. Your company continues to be a subsidiary company of DMIPL.

SUBSIDIARY COMPANIES

The Company has no subsidiary.

INTERNAL CONTROL SYSTEMS

Your company maintains an adequate and effective internal control system commensurate with its size and complexity. We believe that these internal control systems provide, among other things a reasonable assurance that the transactions are executed with management authorizations and they are recorded in material respects to permit preparation of the financial statements in conformity with established accounting principles and that the assets of the company are adequately safe-guarded against any significant misuse or loss.

The internal audit is done by an independent firm of Chartered Accountants. Internal audit and other controls are reviewed periodically by the Audit Committee and have been found to be adequate.

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. 11 & 17 of the Annexure to the Auditors Report about delay in some instalment payment of loans and deployment of some of the funds raised on short term basis as long term investments.*

The delay in some instalment payment is on account of some delays in realisation of amounts used for the payment of instalments, the delay is minor and the same has been regularised during the year.

The 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 Cost Records relating to "Engineering Industries" for the year ending 31st March 2013.

ENVIRONMENT, HEALTH & SAFETY

The company is committed for delivering quality with minimum adverse impact on the environment. A well developed Environment Management System (EMS) is established in the Company. EMS is adherent to the highest possible standards of environmental management, health, safety and compliance with all relevant environmental legislations and regulations.

Reviews and audits of EMS are carried out on regular basis. Environment related initiatives are undertaken practically at all levels and in all functions of the organization. Environmental impacts are assessed and actions are taken in planned manner. Some of the environment related initiatives are installation of fume extraction to mitigate air emission and rain water harvesting.

Safety and health of the employees receives utmost importance at every workplace of the Company. Safe operating procedures, standards and systems have been laid down at all manufacturing locations. Regular training of employees regarding safe working guidelines, audit and review of every accident, mock drills on emergency are some of the steps that are followed to achieve higher safety standards. Safety requirements are also extended to our sub-contractors and visitors.

Your company also continues to be a constituent of a very important and responsible initiative of Hero MotoCorp 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

The Directors express their appreciation for the contribution made by the employees to the significant improvement in the operations of the Company and for the support received from them.

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

Attracting and retaining talent remained a major challenge for the company in FY 2011-12. Like last few years, the Company has focused on various people development initiatives such as Learning and Development, Developing Leadership Culture, Succession Planning, Employee Engagement and Performance Management.

Learning and development initiatives were more sharpened with the process of Competency Mapping and Competency Development. The company continued the structured Leadership Programmes with the focus on Value Based Leadership Development for all the Managers.

A number of initiatives are being taken for all employees – Operating Engineers as well as staff for enhancing "employee value". This includes skill enhancement, training and soft skills. Coaching/guidance for selected talent is also included. This initiative is aimed at preparing the company for high growth in the coming years.

The Directors are pleased to record their appreciation of the services rendered by the employees and staff at all levels.

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

Place: New Delhi
Date: 14th August, 2012

Sunil Kant Munjal
Chairman

ANNEXURE 'A' TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION & ANALYSIS REPORT

According to the latest estimates released by the Central Statistical Organization, India's GDP growth is pegged at 6.5% in the FY 2011-12, down from 8.4% during the previous year. Industrial growth in particular was severely affected. Significant depreciation of the currency led to costlier imports and higher domestic input costs. High levels of interest rates with continuing inflation adversely impacted growth. The sovereign debt crisis in the Eurozone is putting the world's largest economic block into recession. The US economic outlook is uncertain as the prospect for recovery is weakening and no amount of quantitative easing is really working. To make the matters worse, the Chinese economy is slowing down, putting at jeopardy the outlook of the emerging market economies. For our own economy the basic problems are that of falling growth and high inflation. Actually, it is a deadly trio at work i.e. falling growth, continuing high inflation and large current account deficit, amidst high fiscal deficit.

INDUSTRY STRUCTURE AND DEVELOPMENT

Economically and demographically, India's automotive industry is well positioned for growth, servicing both domestic demand and increasingly export opportunities. A predicted increase in India's working-age population is likely to help stimulate the burgeoning market for private vehicles. Rising prosperity, easier access to finance and increasing affordability is expected to see four-wheelers gaining volumes, although two wheelers will remain the primary choice for the majority of purchasers, buoyed by greater appetite from rural areas, the youth market and women.

The components sector is in a strong position to cash in on India's cost-effectiveness, profitability and globally recognized engineering capabilities. As the benefits of collaborations become more apparent, super-specialties may emerge in which the automobile is treated as a system, with each specialist focusing on a sub-system, akin to the IT Industry. Though this approach is radical, it could prove an important step in reducing complexity and investment requirements, while promoting standardization and meeting customer demands.

Manufacturers are already planning for the future; early advocates of technological and distribution alliances have yielded generally positive results, enabling domestic OEMs to access global technology and experience, and permitting them to grow their ranges with fewer financial risks.

This exciting outlook for the industry is set against a backdrop of two potentially game changing transportation trends – the gradual legislative move towards greener, gas

based public transport vehicles, and a greater requirement for urban mass mobility schemes to service rapidly expanding cities.

In a price conscious economy such as India's, the shift towards green vehicles will be slow unless spurred by government mandates. Although the major players are already equipped with the necessary capabilities to develop cleaner vehicles, they do not see much merit in commercializing these technologies until the green revolution gains momentum – most likely through changes in political legislations – and it achieves the market scale required for commercial viability.

Manufacturers are placing greater faith in dual-fuel technologies than in battery-powered alternatives because the necessary support infrastructure, such as recharge stations, is not yet in place for the widespread adoption of the latter. The launch of electric motorcycles could have a significant impact on the market, given that motorcycles account for the majority of two wheeler sales in India.

The Indian Automobile industry has emerged stronger from the recent global downturn, and sales across all segments have seen record breaking numbers in the recent past.

While the Indian industry has much to look forward to, by way of steady growth in both domestic and export markets, there are some clear challenges accompanying the opportunities in greener vehicles and alternative mobility.

In order to capitalize on these opportunities, the industry needs to develop or acquire technologies and capabilities to produce vehicles that meet future market needs.

The government for its part has much to do to ensure the growth trends are maintained, and encourage the development of greener vehicles, while also improving compliance to even existing environment standards.

OPPORTUNITIES, CHALLENGES, RISK & CONCERN

The Indian automotive market is evolving as the next big opportunity and players from across the world see it as a natural extension of their business domain. And Indian players in the automotive component sector are now viewing the entire global market as an opportunity. With high skill levels and a competitive environment, they are no longer restricted to viewing India alone.