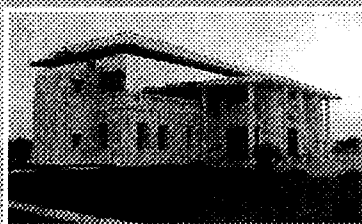
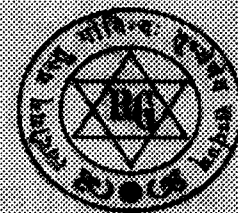


Annual Report
2005



Sharda Motor Industries Limited


Sharda Motor Industries Ltd.
BOARD OF DIRECTORS

N. D. RELAN	<i>CHAIRMAN</i>
AJAY RELAN	<i>Managing Director</i>
SHARDA RELAN	<i>Director</i>
ROHIT RELAN	<i>Director</i>
R. P. CHOWDHRY	<i>Director</i>
R. P. KAPUR	<i>Director</i>
S. P. MARWAHA	<i>Director</i>
S. C. CHOPRA	<i>Executive Director</i>
UDYAN BANERJEE	<i>Executive Director</i>

VICE PRESIDENT (F&A)
PRADEEP RASTOGI
SR. GENERAL MANAGER (F&A)
D. A. AGGARWAL
COMPANY SECRETARY
NITIN VISHNOI
AUDITORS
**M/S. S. R. DINODIA & CO.
CHARTERED ACCOUNTANTS
NEW DELHI**
BANKERS
**CANARA BANK
CITI BANK
HDFC BANK
ABN AMRO BANK**
REGISTERED OFFICE
**D-188, OKHLA INDUSTRIAL AREA,
PHASE - I, NEW DELHI - 110 020**



NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of Sharda Motor Industries Limited will be held at Habitat World at India Habitat Centre, Lodhi Road, New Delhi, on Monday the 1st August, 2005 at 12:30 PM to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2005 and the Profit & Loss Account for the year ended on that date and Report of the Directors and Auditors thereon.
2. To declare a dividend for the financial year 2004-05
3. To appoint a Director in place of Shri S. P. Marwaha who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Rohit Relan who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s S. R. Dinodia & Co., Chartered Accountants, as Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit to pass with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT in supersession of earlier resolutions approved vide resolution at item no. 10 at Eighteenth Annual General Meeting and at item no. 8 at Nineteenth Annual General Meeting held on 4th Sep, 2003 and 22nd July, 2004 respectively and pursuant to the provisions of Section 198, 269, 309, 310, 311, 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any statutory amendment or re-enactment thereof and subject to such consent, approvals and permissions as may be needed the remuneration package of Shri N. D. Relan, Chairman of the Company, be and is hereby revised, with effect from 1st April' 2005 till the expiry of his present tenure of appointment i.e. upto 30th June, 2008, in the following manner:-

Salary : Rs. 6,00,000 per month in the range of Rs. 2,50,000 to Rs. 7,50,000 per month as may be agreed by the Board of Directors / Remuneration Committee and Shri N. D. Relan.

Commission : Such amount or percentage of the net profit as may be decided by the Board of Directors / the Remuneration Committee from year to year provided that the overall managerial remuneration shall not exceed the limit laid down in the Companies Act, 1956 and Schedules / Rules made thereunder.

Other

- Entitlements** :
- a) Expenditure of Housekeeping including maintenance and insurance premium thereof.
 - b) Medical Expenses for self & family including Premium of Medi-Claim Policy (ies).



Sharda Motor Industries Ltd.

- : c) Leave Travel Concession for self & family as per the Company Rules.
- : d) Clubs Membership Fees / expenses
- : e) Personal Accident Insurance for self & family.
- : f) Leave Encashment as per the Company Rules.
- : g) Provision for Company Maintained Chauffeur Driven Car.
- : h) Free Telephone, Fax and other communication facility at Residence.
- : i) Company's Contribution towards Provident Fund, Pension Fund, and Superannuation Fund as per the Company Rules.
- : j) Gratuity as per the Payment of Gratuity Act, 1972 including any amendment or re-enactment thereof.
- : k) Such other perquisites and allowances in accordance with the rules of the Company or as may be agreed upon by the Board of Directors and Shri N. D. Relan

"Family means the Spouse and Dependant Children of the appointee."

"FURTHER RESOLVED THAT where in any financial year during the currency of tenure of the Appointee, the Company has no profits or its profits are inadequate, the company will pay remuneration by way of salary and other entitlements as specified above, subject to limits laid down in the Companies Act, 1956 and Schedules / Rules made thereunder."

"FURTHER RESOLVED THAT the appointment may be terminated by either party by giving, in writing, to other party, three calendar months notice or lesser notice as may be agreed mutually."

"FURTHER RESOLVED THAT no further permission or consent of / reference to the members shall be required for altering, varying and / or increasing the remuneration of Shri N. D. Relan, Chairman of the Company, by the Board of Directors / the Remuneration Committee of the Company, provided that such alteration, variation and / or increase shall be within the permissible ceiling limits as specified in the Companies Act, 1956 and Schedules and Rules made thereunder."

7. **To consider and, if thought fit to pass with or without modification(s), the following resolution as a Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Sub-Section (1) of Section 314 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the appointment of Smt. Mala Relan wife of Shri Ajay Relan, Managing Director of the Company, to hold and continue to hold an office of profit in the Company with the designation as Chief Marketing Officer or with such other designation as the Board of Directors may from time to time decide with effect from 1st August, 2004 at a monthly remuneration within the limits as prescribed in the said Section of the Companies Act, 1956 and Rules made thereunder."

"FURTHER RESOLVED THAT pursuant to the provisions of Section 314(1B) of the Companies Act, 1956, consent of the Company be and is hereby accorded subject to the approval of Central Government, if required, and such modifications and variations as the Central Government may



Sharda Motor Industries Ltd.

suggest, and other applicable provisions, if any of the Companies Act, 1956 and Rules made thereunder, to enhance her monthly remuneration as may be decided by the Board of Directors of the Company and approved by the Central Government in excess of the limits specified in the said Section and Rules made thereunder.”

“FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorized on behalf of the Company to make necessary application to the Central Government, if required, for seeking their approval to the increase in the remuneration of Smt. Mala Relan, and to do all such acts, things and deeds in this regard.”

8. To consider and, if thought fit to pass with or without modification (s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT

- i. (a) Pursuant to Article 58 of the Articles of Association of the Company and Guidelines issued by the Securities and Exchange Board of India (SEBI), a sum of Rs. 2,97,31,630 out of General Reserves of the Company be capitalized and that the same be applied in paying up in full at par 29,73,163 Equity shares of Rs. 10/- each (hereinafter referred to as “Bonus Shares”) in the share capital of the Company to be allotted and distributed as fully paid up Bonus Shares to the members whose name appear on the Register of Members on such date as may be determined by the Board of Directors of the Company in the proportion of one Bonus Share for every one existing equity share of the Company held by such members respectively on that date on the footing that they become entitled to the Bonus Shares as Capital and not as income.
- (b) Such new Equity Shares shall, upon allotment as bonus shares, rank pari-passu in all respects with the existing equity shares of the Company.
- ii. No letter of allotment be issued and the Certificate in respect of the new equity shares will be delivered to the eligible shareholders within three months from the date of allotment.
- iii. For the purpose of giving effect to this resolution, the Board of Directors are authorized to do all such acts, deeds, matters and things and to give from time to time such directions as may be necessary, and to settle any question or doubt that may arise in relation thereto or otherwise reconsider the matter with the changed circumstances, if any, as the Board in its absolute discretion may think fit.

By Order of the Board
For SHARDA MOTOR INDUSTRIES LTD.

Place : New Delhi
Dated : 6th June' 2005

NITIN VISHNOI
(Company Secretary)


Sharda Motor Industries Ltd.
NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Proxies in order to be effective, should be duly stamped, completed and signed and deposited at the Registered Office of the Company not less than 48 Hours before the Meeting.
2. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto and forms part of the notice.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 27th July' 2005 to 1st August' 2005 (both days inclusive).
4. Shareholders desirous of obtaining any information/clarification concerning the accounts or intending to raise any query are required to forward the same to the company so as to enable the Management to keep the information ready.
5. Dividend if approved by members at Annual General Meeting will be paid to those members, whose names appear on the Register of Members on 1st August' 2005.
6. Pursuant to Section 205A (5) read with Section 205 C of the Companies Act, 1956 (as amended) any money transferred to the unpaid dividend account of a Company remaining unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred to Investor Education and Protection Fund and thereafter no claims shall lie against the fund or the Company. So, you are advised to claim the same from the Company immediately. The due dates of transfer of the following dividends to the Fund are as under:

Financial Year Ended	Date of Declaration of Dividend	Proposed Due date for transfer to IEP Fund
31.03.1998	04.09.1998	15.10.2005
31.03.1999	01.09.1999	12.10.2006
31.03.2000	30.03.2000*	10.05.2007
31.03.2000	30.08.2000	10.10.2007
31.03.2001	04.09.2001	03.10.2008
31.03.2002	05.09.2002	04.10.2009
31.03.2003	04.09.2003	03.10.2010
31.03.2004	28.01.2004*	27.02.2011
31.03.2004	22.07.2004	21.08.2011
31.03.2005	27.01.2005*	26.02.2012

* Interim Dividend

7. Members are requested to intimate change, if any, in their registered addresses immediately
8. Annual Listing fee for the year 2005-06 has been paid to Delhi Stock Exchange wherein shares are listed.
9. Members are requested to bring their copy of the Annual Report to the Meeting.


Sharda Motor Industries Ltd.
10. INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT.

As required under Clause 49 of the Listing Agreement, the particulars of Directors who are proposed to be appointed / reappointed are furnished below:

Name of Director	Shri Rohit Relan	Shri S. P. Marwaha
Date of Birth & Age	2 nd July' 1955 49 Years	11 th January' 1928 77 Years
Appointed on	25 th May' 1991	29 th August' 1986
Qualification	FCA, OPM Program From Harvard Business School, USA.	FCA
Expertise in specific functional areas	Finance, Accounts & Business Management	Corporate Accounting & Financial Management
Directorship held in other Public Companies	1. Bharat Seats Ltd. 2. Relan Industrial Finance Ltd. 3. Relan Engg. & Automation Ltd 4. Sharda Pro Acoustics Ltd. 5. YMTR AutoTech India Ltd	None
Membership / Chairmanship of Committees across Public Companies	None	None

By Order of the Board
For SHARDA MOTOR INDUSTRIES LTD.

Place : New Delhi
Dated : 6th June' 2005

NITIN VISHNOI
(Company Secretary)



Sharda Motor Industries Ltd.

ANNEXURE TO NOTICE

Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956

ITEM NO. 6

The Remuneration Committee considered the proposal for revision in the remuneration structure of the Chairman in their meeting held on 25th May' 2005, when a detailed presentation on the present managerial compensations was made. With a view to match the remuneration package of Shri N. D. Relan, Chairman of the Company, with the present prevailing compensation package at this level in the Industry, therefore, it is considered necessary to pass a consolidated resolution for the remuneration payable to Shri N. D. Relan, Chairman of the Company. The said consolidated resolution shall supersede the earlier resolutions approved vide Resolution at item no. 10 at Eighteenth Annual General Meeting and Resolution at item no. 8 at Nineteenth Annual General Meeting of the Company held on 4th September' 2003 and 22nd July' 2004 respectively. The Remuneration Committee also recommended to the Board the revised remuneration package payable to the Chairman. The Board of Directors, in their meeting held on 30th May' 2005, on the basis of recommendations of the Remuneration Committee, have also approved the revision in the remuneration structure of Shri N. D. Relan, Chairman of the Company. The details of revisions in his remuneration Package is given in resolution at Item No. 6 of the Notice of convening this meeting.

The Directors recommend the resolutions at item no. 6 of the Notice for the acceptance by the members.

None of the Directors of the Company is interested in the above resolutions except Shri Ajay Relan, Shri N. D. Relan, Smt. Sharda Relan and Shri Rohit Relan.

ITEM NO. 7

Keeping in view of increased business volume and expansion programmes of the Company, it had become necessary to increase the remuneration payable to Smt. Mala Relan wife of Shri. Ajay Relan, Managing Director of the Company, who was appointed to hold an office of profit in the Company as Chief Marketing Officer by the Board of Directors of the Company on a nominal remuneration. The Board of Directors, in their meeting held on 22nd July' 2004 had approved the increase in the remuneration payable to Smt. Mala Relan on the basis of her qualifications and enrich knowledge and vast experience in marketing activities of related products of the Company, which is subject to the approval of Shareholders in the ensuing Annual General Meeting of the Company pursuant to the provisions of Section 314 and other applicable provisions of the Companies Act, 1956.

The Directors recommend the resolutions at item no. 7 of the Notice for the acceptance by the members with effect from 1st August' 2004.

None of the Directors of the Company is interested in the above resolutions except Shri Ajay Relan, Shri N. D. Relan, Smt. Sharda Relan and Shri Rohit Relan.

ITEM NO. 8

With a view that the subscribed share capital of the Company should more closely reflect the capital employed in the business of the Company, your Directors consider desirable and consequently propose, subject to the Guidelines issued by the Securities and Exchange Board of India (SEBI) to capitalise Rs. 2,97,31,630 out of Rs.36,92,82,550 standing to the credit of General Reserves and utilize for issue of 2973163 Bonus Shares of Rs.10/- each in the ratio of one Bonus Share for every one existing equity share of the Company.



Sharda Motor Industries Ltd.

The Bonus Shares are proposed to be issued to such equity shareholders of the Company whose names appear on the Register of Members on a date to be fixed by the Board of Directors of the Company for the purpose.

The Directors of the Company may be deemed to be concerned or interested in the above resolution to the extent of Bonus Shares that may be allotted in respect of their holding in the same manner as the other shareholders of the Company.

By Order of the Board
For SHARDA MOTOR INDUSTRIES LTD.

Place : New Delhi
Dated : 6th June' 2005

NITIN VISHNOI
(Company Secretary)




Sharda Motor Industries Ltd.

DIRECTOR'S REPORT

To the Members,

Your Directors are pleased to present the Twentieth Annual Report together with the Audited Accounts for the year ended 31st March' 2005.

FINANCES

	Year Ended 31.03.2005	(Rs. in Lacs) Year Ended 31.03.2004
Turnover and Inter-unit Transfers	25010.40	18413.75
Less: Inter-unit Transfer	1251.47	804.19
Turnover	23758.93	17609.56
Profit before Other Income,		
Depreciation & Financial Charges	2981.86	2496.48
Add: Other Income	71.89	89.65
Profit before Depreciation, Financial Charges & Provisions	3053.75	2586.13
Less:		
a) Depreciation	609.39	504.91
b) Financial Charges	50.05	64.90
c) Taxation		
- Current Tax	792.23	641.00
- Deferred Tax	72.90	327.78
- Adjustments for earlier years	-	(27.75)
Net Profit after Tax	1529.18	1075.29
Add: Profit brought forward from Previous year	352.74	1012.86
Profit available for appropriation	1881.92	2088.15
APPROPRIATIONS		
Proposed Dividend	148.66	148.66
Tax on Proposed Dividend	19.43	19.05
Interim Dividend	148.66	148.66
Tax on Interim Dividend	19.43	19.05
Transferred to General Reserve	400.00	1400.00
Balance carried forward to Balance Sheet	1145.74	352.73

OPERATIONS

The Directors have pleasure to report that the year under review was continuously another year of improved performance and the turnover and inter-unit transfers of your Company was Rs. 250.10 crores as against Rs. 184.14 crores for the previous financial year registering an increase of 36% over the previous year's turnover and inter-unit transfers.

DIVIDEND

An interim dividend @ 50% (i.e. Rs.5/- per share) on the paid up share capital of the Company amounting to Rs.14865815/- was declared and paid during the year 2004-05. The Directors now recommend a final Dividend of Rs 5/- per share @ 50 % for the year ended 31st March' 2005 which together with the Interim Dividend already declared and paid by the Board of Directors shall amount to 100% (i.e. Rs 10/- per share) for the year 2004-05.