

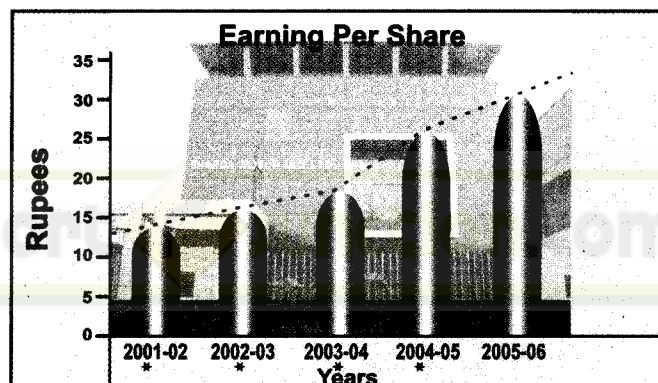
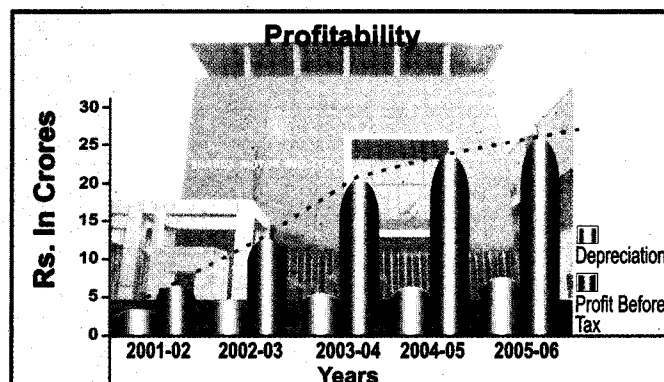
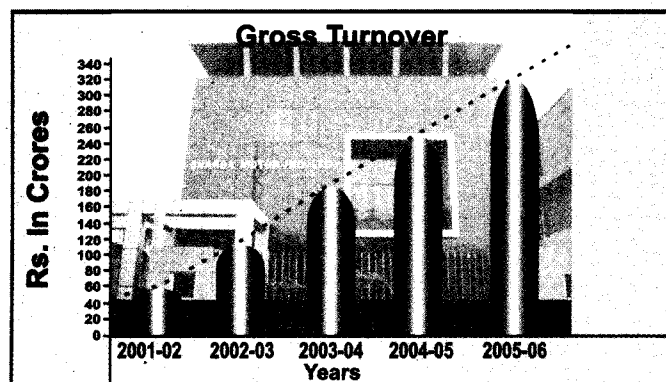
Annual Report 2006



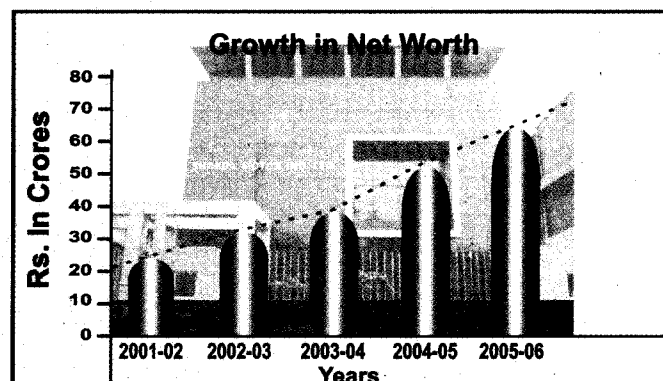
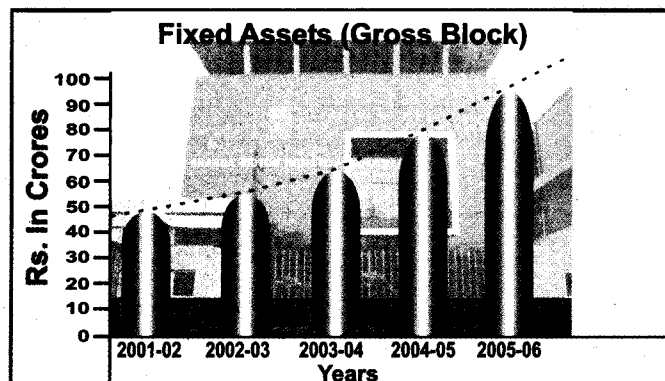
SHARDA MOTOR INDUSTRIES LIMITED

Performance Highlights

Team SMIL



* Based on the figure, recasted on expanded Equity.



Note : Without revaluation of assets


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>
G. L. TANDON	<i>Director</i>
O. P. KHAITAN	<i>Director</i>
KISHAN N. PARIKH	<i>Director</i>
S. C. CHOPRA	<i>Executive Director</i>
UDAYAN BANERJEE	<i>Executive Director</i>

VICE PRESIDENT (F&A) & CFO
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 Twenty-first Annual General Meeting of Sharda Motor Industries Limited will be held at Habitat World at India Habitat Centre, Lodhi Road, New Delhi, on Friday the 25th August, 2006 at 12:30 PM to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2006 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 2005-06.
3. To appoint a Director in place of Shri Ajay Relan who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri R. P. Kapur who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Shri R. P. Chowdhry who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint M/s S. R. Dinodia & Co., Chartered Accountants, as Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

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

To appoint a Director in place of Shri G. L. Tandon who was appointed by the Board of Directors as an Additional Director of the Company with effect from 16th December' 2005 and who holds office upto the date of forthcoming Annual General Meeting of the Company under Section 260 of the Companies Act, 1956, but who is eligible for appointment and in respect of whom the Company has received a notice in writing as required by Section 257 of the Companies Act, 1956 from a Member of the Company proposing his candidature for the office of Director and signifying his intention to move the following resolution as an Ordinary Resolution:

“RESOLVED THAT Shri G. L. Tandon be and is hereby appointed as a Director of the Company subject to retirement by rotation under the Articles of Association of the Company.”

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

To appoint a Director in place of Shri O. P. Khaitan who was appointed by the Board of Directors as an Additional Director of the Company with effect from 16th December' 2005 and who holds office upto the date of forthcoming Annual General Meeting of the Company under Section 260 of the Companies Act, 1956, but who is eligible for appointment and in respect of whom the Company



Sharda Motor Industries Ltd.

has received a notice in writing as required by Section 257 of the Companies Act, 1956 from a Member of the Company proposing his candidature for the office of Director and signifying his intention to move the following resolution as an Ordinary Resolution:

“RESOLVED THAT Shri O. P. Khaitan be and is hereby appointed as a Director of the Company subject to retirement by rotation under the Articles of Association of the Company.”

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

To appoint a Director in place of Shri Kishan N Parikh who was appointed by the Board of Directors as an Additional Director of the Company with effect from 16th December' 2005 and who holds office upto the date of forthcoming Annual General Meeting of the Company under Section 260 of the Companies Act, 1956, but who is eligible for appointment and in respect of whom the Company has received a notice in writing as required by Section 257 of the Companies Act, 1956 from a Member of the Company proposing his candidature for the office of Director and signifying his intention to move the following resolution as an Ordinary Resolution:

“RESOLVED THAT Shri Kishan N Parikh be and is hereby appointed as a Director of the Company subject to retirement by rotation under the Articles of Association of the Company.”

10. **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 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' 2006 till the expiry of his present tenure of appointment i.e. upto 30th June' 2008, in the following manner:-

Salary : Rs. 7,00,000 per month in the range of Rs. 5,00,000 to Rs. 15,00,000 per month as may be agreed by the Board of Directors / Remuneration Committee and Shri N. D. Relan.

“FURTHER RESOLVED THAT save as aforesaid the other terms of appointment of Shri N. D. Relan shall remain unaltered as approved vide Resolution at item No. 6 at Twentieth Annual General Meeting of the Company held on 1st August, 2005.”

11. **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 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 in this regard, consent of the Company be and is hereby accorded to the re-appointment of Shri Ajay Relan, as Managing Director of the Company for a further period of five years with effect from 1st September' 2006.”

“FURTHER RESOLVED THAT the remuneration package of Shri Ajay Relan, Managing Director, be and is hereby revised, with effect from 1st April' 2006, in the following manner:



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- Salary** : Rs. 6,50,000 per month in the range of Rs.5,00,000 to Rs.15,00,000 per month as may be agreed by the Board of Directors / Remuneration Committee and Shri Ajay 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 there under.
- Other Entitlements** :
- a) Expenditure of Housekeeping including maintenance and insurance premium thereof.
 - b) Children Education Expenditure.
 - c) Medical Expenses for self & family including Premium of Medi-Claim Policy (ies).
 - d) Leave Travel Concession for self & family as per the Company Rules.
 - e) Clubs Membership Fees / expenses
 - f) Personal Accident Insurance for self & family.
 - g) Leave Encashment as per the Company Rules.
 - h) Provision for Company Maintained Chauffeur Driven Car.
 - i) Free Telephone, Fax and other communication facility at Residence.
 - j) Company's Contribution towards Provident Fund, Pension Fund, and Superannuation Fund as per the Company Rules.
 - k) Gratuity as per the Payment of Gratuity Act, 1972 including any amendment or re-enactment thereof.
 - l) Such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors and Shri Ajay 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 there under."

"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 Ajay Relan, Managing Director 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."



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12. 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 Section 31(1) of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the manner and to the extent set out below:

- i) In Article No. 1, the following definitions be added as detailed hereunder between existing definition of 'The Register' and 'Dividend':

"Depository" means a Company formed and registered under the Act, which has been granted a certificate of Registration by SEBI under the Securities And Exchange Board of India Act, 1992.

"Beneficial Owner" means a person or persons whose name(s) is/are recorded as such by a Depository under the Depository Act, 1996.

"SEBI" means the Securities and Exchange Board of India.

"Security" means such security as may be specified by SEBI from time to time.

"Member" in respect of Dematerialized shares means the beneficial owner thereof i.e. the person or person holding equity share capital of company whose name(s) is/are recorded as beneficial owner(s) in the records of the Depository under the Depositories Act, 1996 and in respect of other shares, the person or persons whose name(s) is/are duly registered as a holder(s) of a share in the Company, from time to time, and includes the subscribers to the Memorandum of Association.

- ii) After Article No. 5, the following new Article No. 5A be inserted:

5A (a) Subject to provisions of Section 86 of the Act, Companies (Issue of Share Capital with differential voting rights) Rules 2001 and applicable stock exchange requirements, if any, issued and amended from time to time, the Company shall have the power to issue equity shares with differential rights as to dividend, voting or otherwise and the resolution authorizing such issue shall prescribe the manner, terms and conditions of such issue.

Issue of Shares with differential voting rights

(b) All the provisions of Memorandum and Articles of Association shall be applicable to the Equity Share Capital with Differential Rights with such modifications and variations wherever necessary as to differential rights to dividend, voting or otherwise as the case may be and further subject to the terms and conditions of the issue of such Equity Share Capital with differential rights.



iii) After Article No. 6, the following new Article No. 6A be inserted:

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| <p>6A Notwithstanding anything contained in these articles, the Company is hereby authorized to buy-back such of its own shares or other securities as it may consider necessary, subject to such limits, upon such terms and conditions, and in accordance with the provisions of the Section 77A, 77AA and 77B of the Act or any statutory modification thereto and such other regulations and guidelines as applicable in this regard.</p> | <p>Buy-back of Own Shares or Other Securities</p> |
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iv) Existing Article No. 7 be substituted by the following New Article :-

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| <p>7 Subject to the provisions of Section 76 of the Act the Company may at any time pay such commission as may be lawful to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditional) for any shares or debentures in the Company, or procuring, or agreeing to procure subscriptions (whether absolute or conditional) for any shares or debentures of the Company. Such commission may be satisfied by payment of cash or by allotment of the fully or partly paid shares or debentures as the case may be or partly in one way or partly in the other.</p> | <p>Commission for placing shares</p> |
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v) After Article No. 12, the following new Article No. 12A be inserted under the heading:-

DEMATERIALIZATION

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| <p>12A (i) Notwithstanding anything contained in these articles, the Company shall be entitled to dematerialize its existing securities, rematerialize its securities held in the Depositories and /or offer its fresh securities in dematerialized form pursuant to the provisions of the Depositories Act, 1956 and the rules framed thereunder, if any.</p> | <p>Dematerialization of Securities</p> |
| <p>(ii) Every person subscribing to or holding securities of the Company shall have the option to receive security(ies), certificate(s) or to hold the securities with Depository. Such a person who is the beneficial owner of the securities can at any time opt out of the Depository if permitted by the law, in respect of any security in the manner provided by the Depository Act and the Company shall within the time prescribed, issue to the beneficial owner of the securities, the required certificate of the securities.</p> <p>If a person opts to hold his securities with a depository, the Company shall intimate such Depository, the details of allotment of the Security and on receipt of the information, the Depository shall enter in its records the name of the allottees as the beneficial owner.</p> | <p>Option for Investors</p> |



Sharda Motor Industries Ltd.

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| (iii) | All securities held by a Depository shall be dematerialized and be in fungible form. Nothing contained in Section 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a Depository in respect of the Securities held by it on behalf of the Beneficial owners. | Securities held by Depository be in Fungible form |
| (iv) | <p>(a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the Registered Owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owners.</p> <p>(b) Save as otherwise provided in (a) above, the Depository as the Registered owner of the securities shall not have any voting rights or any other rights in respect of the Securities held by it.</p> <p>(c) Every person holding securities of the company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member of the company. The beneficial owner of the securities shall be entitled to all rights and benefits and be subject to all the liabilities in respect of his securities, which are held by the Depository.</p> | Rights and Liabilities of the Beneficial Owner |
| (v) | Notwithstanding anything to the contrary contained in the Act or Articles, where securities are held in a Depository, the records of the beneficial ownership may be served by Depository on the Company by means of electronic mode or by delivery of floppies or disks. | Service of Documents |
| (vi) | Nothing contained in Section 108 of the Act or these Articles shall apply to transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a Depository. | Provisions of Articles not to apply to transfer of shares held in Depository |
| (vii) | Notwithstanding anything to the contrary contained in the Act or Articles, where securities are dealt with by the Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities | Allotment of Securities dealt within a Depository |
| (viii) | Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers on securities issued by the Company shall apply to securities held with a Depository. | Distinctive Number of Securities held in the Depository mode |
| (ix) | The Register and Index of Beneficial Owners maintained by a Depository under the Depositories Act, 1996 shall be deemed to be the Register and Index of Members and Security holders for the purpose of these Articles. | Register and Index of Beneficial Owners |



Sharda Motor Industries Ltd.

- vi) After Article No. 23, the following new Article No. 23A be inserted:
- 23A The provisions contained in these Articles as to forfeiture and lien of shares shall also apply mutatis mutandis to the Bonds, Debentures, etc.' **Forfeiture and lien of Bonds, Debentures, etc**
- vii) After the end of Article No. 44, the following Article be inserted as Article 44A :
- 44A Notwithstanding anything contained hereinabove, where nomination had already been made in compliance with the provisions of Section 109A and such nominee elects to be registered as a member pursuant to Section 109B of the Act, the Board may transfer the shares and/or debentures or other securities issued by the company, in the name of the nominee(s) on death of the holder or joint holder, as the case may be to the exclusion of all other persons unless the nomination is varied or cancelled in the prescribed manner. **Transmission of shares under nomination**
- viii) After Article No. 50, the following new Article No. 50A be inserted:
- 50A The Company shall have power to pay interest out of its capital on so much of the shares, which were issued for the purpose of raising money to defray expenses of the construction of any work or building or the provisions of any plant for the Company in accordance with the provisions of Section 208 of the Act. **Power to pay interest out of Capital**
- ix) After Article No. 64, the following new Article No. 64A be inserted:
- 64A Subject to the provisions of Section 192A of the Act and rules made thereunder as may be applicable with such variations and modifications as may be made from time to time, the company may pass such resolutions through Postal Ballot as are deemed to be necessary by the Board. **Passing of resolution by Postal Ballot**
- x) Existing Article No. 73 be substituted by the following New Article:
- 73 The instrument appointing a proxy and the Power of Attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority shall be deposited at the registered office of the Company, not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or in case of poll, not less than 24 hours before the time appointed for the taking of the poll. **Instrument appointing proxy to be deposited at the office**
- xi) After the end of Article No. 87, the following paragraph be inserted:
- If it is provided by any trust deed securing or otherwise in connection with any issue of Debentures of the Company that any person or persons shall have powers to nominate a Director of the Company then in the case of any and every such issue of Debentures, the persons having such power may exercise such power, from time to time and appoint a Director accordingly. Any Director so appointed is herein referred to as a Debenture Director. A Debenture Director may be removed from office at any time by the person or persons in whom the power to nominate has been vested.