

SHARDA MOTOR INDUSTRIES LIMITED



Annual **REPORT**
2007

Annual Report 2007

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

VICE PRESIDENT (F&A)

D. A. AGGARWAL

COMPANY SECRETARY

NITIN VISHNOI

AUDITORS

M/S. S. R. DINODIA & CO.
CHARTERED ACCOUNTANTS
NEW DELHI

BANKERS

CANARA BANK
ICICI BANK
CITI BANK
HDFC BANK
ABN AMRO BANK

REGISTERED OFFICE

D-188, OKHLA INDUSTRIAL AREA,
PHASE - I, NEW DELHI - 110 020

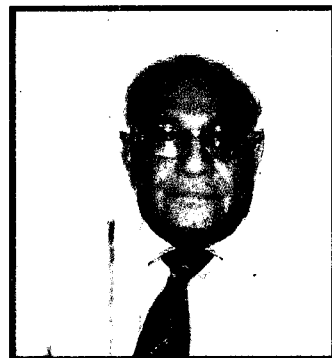
CONTENTS

| | |
|---|----|
| Message from Chairman | 2 |
| Message from Managing Director | 3 |
| Notice | 4 |
| Directors' Report | 10 |
| Report on Corporate Governance | 18 |
| Management Discussion & Analysis Report | 31 |
| Auditor's Report | 35 |
| Balance Sheet | 39 |
| Profit & Loss Account | 40 |
| Cash flow Statement | 41 |
| Schedules to Accounts | 42 |
| Balance Sheet Abstract | 62 |

Message From Chairman

Dear Shareholders,

It gives me great sense of satisfaction and pleasure to see and share the growth of our company in the face of highly competitive times through which Indian automobile sector is passing. This achievement gives us enough confidence that we are heading in the right direction to make Sharda Motor Industries Ltd. the Leader in whichever market it stands.



Being Leader is always easier said than done. In highly competitive scenario like ours exist various forces. We need to make sure that we minimize the forces that Pull us back, and enhance the ones that will Push us forth. To do this we need right people with right attitude assessing the dynamics of the market with right technology aiding them to come up with right strategies that will keep us ahead of the competition.

Customer is at the helm of the entire system, and Customer Satisfaction has to be the mantra for us. The business processes should be designed such that we are in Win-Win relationship with the Customer, because even Mahatma Gandhi once said, Customer is God. We must aspire to serve our esteemed customers without any compromise. Mr. Narayan Murthy quotes, "Aspiration is the main fuel for progress. Aspirations transform a set of ordinary people into extraordinary achievers."

We also need to understand that the geographical boundaries are diminishing very rapidly. Resources like Technology and material are readily available at competitive prices across the globe, but at the same time getting and retaining the right talent is one of the biggest concerns companies face today.

We also in our pursuit to become the Market Leaders should embrace best practices on all fronts to attract and retain the best possible talent. It is only the attitude and the efforts that differentiate best from the second best.

Technology is also another facet of the business that can add great value to it. We, therefore, should strive for developing state-of-the-art technology that will help us serve the customer in a much better manner.

Finally with right people and right technology we require right systems in place to create an atmosphere that will help us extract extraordinary results out of the resources employed.

I look forward to the future with confidence and optimism. I strongly feel that your Company's best years are ahead of us.

I thank all our stakeholders for their cooperation and look forward to their continued support in our exciting journey onwards and upwards!

N. D. Relan
Chairman

Annual Report 2007

Message From MD



Dear Shareholders,

The financial year 2006-07 was another land mark year for your Company, your company moved to a new growth trajectory by recording the highest ever revenue and the operating profit. Inspite of the fact that there were some concerns about rising input prices specially steel, which were optimized by taking initiatives to counter these increases through lean manufacturing, value engineering and better supply chain management.

Your team SMIL has done a very good job and are gearing up for future with confidence. As you all know that centre for economic growth is shifting to India. We in SMIL are continuously driven by the pledge by excelling our own past performance and expend our origin.

In the Director's Report, you must have seen that your company has been awarded by our customers for "Quality, Productivity, Delivering and Innovation".

For future expansion, we are working with various car manufacturers in India on very prestigious projects competing with international companies.

I look forward for a good future of your company with the help of our Board of Directors and SMIL Team which has demonstrated it's commitment in taking the company to greater heights.

I would like to take this opportunity to express my gratitude to our customers, suppliers and bankers and our Stake Holders for their valuable support.

Ajay Relan
Managing Director

NOTICE

NOTICE is hereby given that the Twenty-second Annual General Meeting of Sharda Motor Industries Limited will be held at Habitat World at India Habitat Centre, Lodhi Road, New Delhi, on Wednesday the 25th July, 2007 at 12:30 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2007 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 2006-07
3. To appoint a Director in place of Shri N. D. Relan who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Smt Sharda Relan who retires by rotation and being eligible offers herself for re-appointment.
5. To appoint a Director in place of Shri S. C. Chopra who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint a Director in place of Shri Udayan Banerjee who retires by rotation and being eligible offers himself for re-appointment.
7. To appoint M/s S. R. Dinodia & Co., Chartered Accountants, the retiring auditors of the Company, as Auditors of the Company, to hold office commencing from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Director, to fix their remuneration for the period.

SPECIAL BUSINESS

8. 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, 309, 310, 311 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 S. C. Chopra, Whole-time Director designated as an Executive Director of the Company, be and is hereby revised with effect from 1st July’ 2007 till the expiry of his present tenure of appointment i.e. upto 31st May’ 2009, in the following manner:-

Salary : Basic : Rs. 60,000 per month in the range of Rs. 60,000 per month to Rs. 200,000 per month.

HRA : Rs. 36,000 per month in the range of Rs. 36,000 per month to Rs. 120,000 per month

(As may be agreed by the Board of Directors / Remuneration Committee and Shri S.C.Chopra)

“FURTHER RESOLVED THAT save as aforesaid the other terms of appointment of Shri S. C. Chopra shall remain unaltered as approved vide Resolution at item No. 10 at Nineteenth Annual General Meeting of the Company held on 22nd July, 2004.”

Annual Report 2007

9. **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, 309, 310, 311 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 Udayan Banerjee, Whole-time Director designated as an Executive Director of the Company, be and is hereby revised with effect from 1st July, 2007 till the expiry of his present tenure of appointment i.e. upto 31st May’ 2009, in the following manner:-

Salary : Basic : Rs. 60,000 per month in the range of Rs. 60,000 per month to Rs. 200,000 per month.

HRA : Rs. 30,000 per month in the range of Rs. 30,000 per month to Rs. 120,000 per month

(As may be agreed by the Board of Directors / Remuneration Committee and Shri Udayan Banerjee)

“FURTHER RESOLVED THAT save as aforesaid the other terms of appointment of Shri Udayan Banerjee shall remain unaltered as approved vide Resolution at item No. 12 at Nineteenth Annual General Meeting of the Company held on 22nd July, 2004.”

Report Junction.com

By Order of the Board
For SHARDA MOTOR INDUSTRIES LTD.

Place : New Delhi
Dated : 26th May’ 2007

NITIN VISHNOI
(Company Secretary)

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 the Members and Share Transfer Books of the Company will remain closed from 20th July 2007 to 25th July 2007 (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. The final dividend if approved by members at Annual General Meeting will be paid to those members, whose names appear on the Register of Members on 25th July 2007.
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 |
|-----------------------------|--|---|
| 31.03.2000 | 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* | 26.02.2011 |
| 31.03.2004 | 22.07.2004 | 20.08.2011 |
| 31.03.2005 | 27.01.2005* | 25.02.2012 |
| 31.03.2005 | 01.08.2005 | 30.08.2012 |
| 31.03.2006 | 25.10.2005* | 23.11.2012 |
| 31.03.2006 | 25.08.2006 | 23.09.2013 |
| 31.03.2007 | 27.01.2007* | 25.02.2014 |

* Interim Dividend

7. Members are requested to intimate change, if any, in their postal addresses immediately to:
Share Transfer Department,
Sharda Motor Industries Ltd.,
D-188, Okhla Industrial Area,
Phase-I, New Delhi 110020
8. Annual Listing fee for the year 2007-08 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.

Annual Report 2007

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 | Sh. N. D. Relan | Smt Sharda Relan | Sh. S. C. Chopra | Sh Udayan Banerjee |
|--|--|---|--|---|
| Date of Birth & Age | 31.05.1929 78 Years | 11.08.1935 71 Years | 06.10.1944 62 Years | 15.01.1947 60 Years |
| Nationality | Indian | Indian | Indian | Indian |
| Appointed on | 29.08.1986 | 29.01.1986 | 01.06.2004 | 01.06.2004 |
| Qualifications | B.Com | Graduate | B. Sc, B.E. (Mech.), MBA, PG in Mech. Engg. & Management | M.Sc from IIT Khargpur |
| Expertise in specific functional areas | Business Management, Accounts, Finance and Capital Market | Corporate Management | Mechanical Engineering & Business Management | Business Management |
| List of Directorships held in other Companies | 1. Bharat Seats Ltd. 2. Relan Indl Finance Ltd. 3. Pebco Motors Ltd 4. Relan Engg. & Automation Ltd. 5. Sharda Pro Acoustics Ltd 6. YMTR Autotech India Ltd. 7. Sharda Sejong Auto Components (I) Ltd 8. Progressive Engg. & Automation (P) Ltd | 1. Relan Indl Finance Ltd. 2. Sharda Pro Acoustics Ltd 3. Sharda Auto Solutions (P) Ltd | None | None |
| Membership / Chairmanship of Committees across other Companies | Audit - Member (1) Remuneration - Member (1) Shareholders Grievance - Member (1) | None | None | None |
| Shareholding of Non-Executive Directors in Sharda Motor Industries Ltd | N.A. (Since he is an Executive Director) | 742520 | N.A. (Since he is an Executive Director) | N.A. (Since he is an Executive Director) |

By Order of the Board
For SHARDA MOTOR INDUSTRIES LTD.

NITIN VISHNOI
(Company Secretary)

Place : New Delhi
Dated : 26th May' 2007

ANNEXURE TO NOTICE

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

ITEM NO.8

The Members of the Company at their 19th Annual General Meeting held on 22nd July, 2004 approved the appointment of Shri S. C. Chopra as Whole Time Director designated as Executive Director of the Company for a period of five years with effect from 1st June, 2004 to 31st May, 2009 on the terms of remuneration as detailed in the resolution under Item No. 10 of the Notice of the said meeting and the remuneration package as approved by the said resolution is given hereunder in brief:

Basic : In the range of Rs.45,000 to Rs.60,000 per month.

HRA : In the range of Rs.22,500 to 36,000 per month. (As may be agreed by the Board of Directors / Remuneration Committee and Shri S. C. Chopra)

Entertainment Expenses : Reimbursement of entertainment expenses subject to a maximum of Rs.15,000 per month.

Books & Periodicals : Actual subject to a maximum of Rs.1,000 per month.

Attendant Allowance : Subject to a maximum of Rs.5,000 per month.

Medical for Self & Family : Actual for self and family subject to maximum of Rs.3,000 per month.

Leave Travel Concession : For self and family as per Company Rules.

Earned / Privilege Leave : As per Company Rules. Leaves accumulated but not availed of during his tenure encashable as per Company Rules

Car : Provision for Chauffer Driven Car.

Telephone : Free telephone at residence, personal long distance calls to be paid by him

Provident Fund : Company's Contribution towards Provident Fund, Pension Fund & Superannuation Fund as per the Company Rules.

Gratuity : Gratuity as per the Payment of Gratuity Act, 1972 including any amendment or re-enactment thereof.

Others : 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 S.C. Chopra.

But taking into consideration the increased business volumes of the Company and to match the remuneration package of Shri S. C. Chopra, Executive Director with the present prevailing compensation package at this level in the Industry, it is appropriate that the remuneration package of Shri S. C. Chopra should be revised in the light of present conditions. Therefore it is proposed, on the recommendations made by the 'Remuneration Committee' and 'Board of Directors' of the Company in their meetings held on 26th May' 2007, the remuneration package of Shri S. C. Chopra be revised with effect from 1st July' 2007 till the expiry of his present tenure of appointment i.e. upto 31st May, 2009. The details of revision in the remuneration package of Shri S. C. Chopra are mentioned in the proposed resolution at Item No.8 of the Notice convening the meeting.

The Board of Directors of your Company, therefore, recommends the passing of Ordinary Resolution as set out at item No. 8 of Notice convening the meeting.

None of the Directors of the Company is interested in the above resolution except Shri S. C. Chopra himself.

ITEM NO.9

The Members of the Company at their 19th Annual General Meeting held on 22nd July, 2004 approved the appointment of Shri Udayan Banerjee as Whole Time Director designated as Executive Director of the Company for a period of five years with effect from 1st June, 2004 to 31st May, 2009 on the terms of remuneration as

Annual Report 2007

detailed in the resolution under Item No. 12 of the Notice of the said meeting and the remuneration package as approved by the said resolution is given hereunder in brief:

Basic : In the range of Rs.35,000 to Rs.60,000 per month.

HRA : In the range of Rs.17,500 to 30,000 per month. (As may be agreed by the Board of Directors / Remuneration Committee and Shri Udayan Banerjee.)

| | |
|---------------------------|--|
| Entertainment Expenses | : Reimbursement of entertainment expenses subject to a maximum of Rs.8,000 per month. |
| Books & Periodicals | : Actual subject to a maximum of Rs.1,500 per month. |
| Attendant Allowance | : Subject to a maximum of Rs.3,000 per month. |
| Medical for Self & Family | : Actual for self and family subject to maximum of Rs.3,000 per month. |
| Leave Travel Concession | : For self and family as per Company Rules. |
| Earned / Privilege Leave | : As per Company Rules. Leaves accumulated but not availed of during his tenure encashable as per Company Rules |
| Car | : Provision for Chauffer Driven Car. |
| Telephone | : Free telephone at residence, personal long distance calls to be paid by him |
| Provident Fund | : Company's Contribution towards Provident Fund, Pension Fund & Superannuation Fund as per the Company Rules. |
| Gratuity | : Gratuity as per the Payment of Gratuity Act, 1972 including any amendment or re-enactment thereof. |
| Others | : 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 Udayan Banerjee. |

But taking into consideration the increased business volumes of the Company and to match the remuneration package of Shri Udayan Banerjee, Executive Director with the present prevailing compensation package at this level in the Industry, it is appropriate that the remuneration package of Shri Udayan Banerjee should be revised in the light of present conditions. Therefore it is proposed, on the recommendations made by the 'Remuneration Committee' and 'Board of Directors' of the Company in their meetings held on 26th May' 2007, the remuneration package of Shri Udayan Banerjee be revised with effect from 1st July' 2007 till the expiry of his present tenure of appointment i.e. upto 31st May, 2009. The details of revision in the remuneration package of Shri Udayan Banerjee are mentioned in the proposed resolution at Item No.9 of the Notice convening the meeting.

The Board of Directors of your Company, therefore, recommends the passing of Ordinary Resolution as set out at item No. 9 of Notice convening the meeting.

None of the Directors of the Company is interested in the above resolution except Shri Udayan Banerjee himself.

By Order of the Board
For SHARDA MOTOR INDUSTRIES LTD

Place : New Delhi
Dated : 26th May' 2007

NITIN VISHNOI
(Company Secretary)