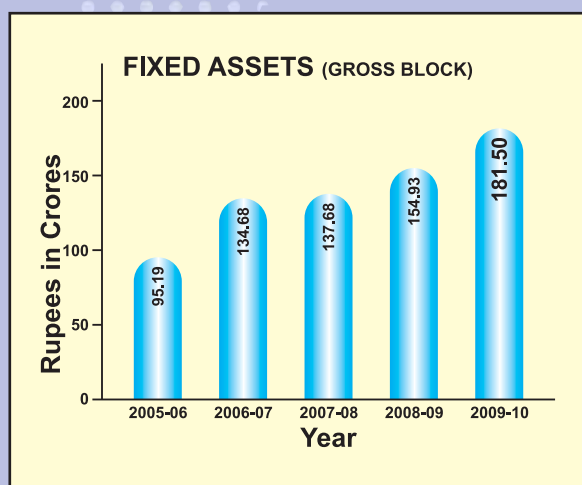
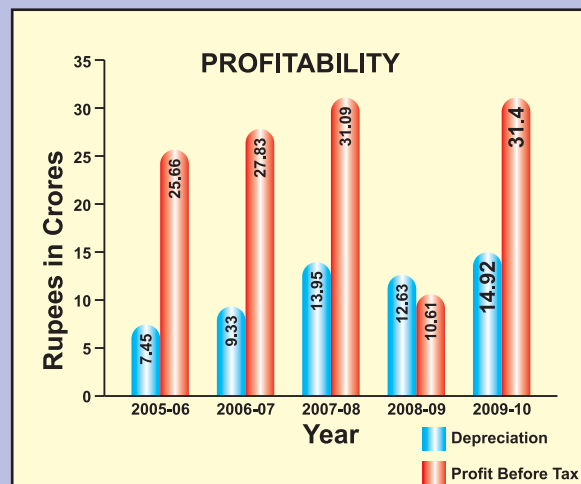
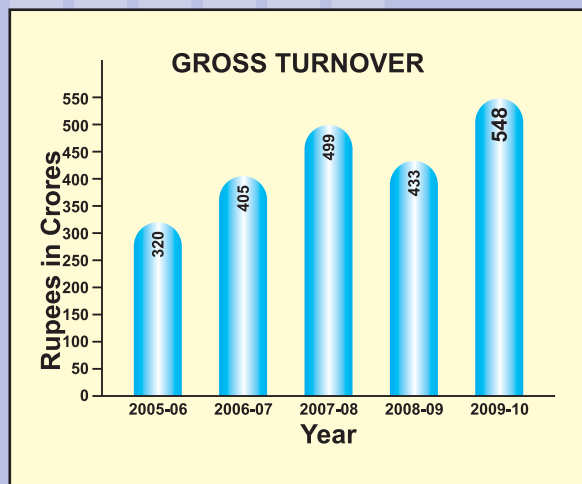


# Annual Report 2010



**SHARDA MOTOR INDUSTRIES LIMITED**

# PERFORMANCE HIGHLIGHTS



**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>           |
| G. L. TANDON                   | <i>Director</i>           |
| O. P. KHAITAN                  | <i>Director</i>           |
| KISHAN N. PARIKH               | <i>Director</i>           |
| UDAYAN BANERJEE                | <i>Executive Director</i> |
| PROF. ASHOK KUMAR BHATTACHARYA | <i>Director</i>           |

**PRESIDENT (LEGAL) & CFO**

PRADEEP RASTOGI

**SR. VICE PRESIDENT (F&A)**

D. A. AGGARWAL

**COMPANY SECRETARY**

NITIN VISHNOI

**AUDITORS**

M/S. S. R. DINODIA & CO.  
CHARTERED ACCOUNTANTS  
NEWDELHI

**BANKERS**

YES BANK  
CANARA BANK  
ICICI BANK  
STATE BANK OF INDIA  
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                       | 8  |
| Report on Corporate Governance          | 14 |
| Management Discussion & Analysis Report | 24 |
| Auditor's Report                        | 26 |
| Balance Sheet                           | 29 |
| Profit & Loss Account                   | 30 |
| Cash flow Statement                     | 31 |
| Schedules to Accounts                   | 32 |
| Balance Sheet Abstract                  | 53 |
| Statement under Section 212             | 54 |
| Consolidated Financial Statements       | 55 |
| Subsidiary Company's Financial Results  | 76 |

## ***Message From Chairman***

Dear Shareholders,

Warm greetings to you all !

Following the global economic turmoil in 2008, last year was a year of stability and significant restoration of confidence in global markets. In 2009-10, your Company delivered yet another sterling performance across several financial and operating indicators. Strategic investments, robust business plans, sound management practices that adapted rapidly to the changing environment under the guidance of Board Members and the contribution of our employees have collectively resulted in the Company performing exceedingly well.

We will continue to follow our successful strategy and actively shape our future. We will focus on increasing efficiency, product innovation and expanding our business in order to get closer to key markets. With this strategy, we can offer our customers best products and solutions and secure our position as a leading original equipment manufacturer for automobiles and white goods. With economic recovery, global demand for automobiles will resume its growth, in step with rising population and growing economies of the developing countries.



**N. D. Relan**  
*Chairman*

The strength and rapidity of India's recovery reiterates the overall potential for sustained high economic growth in India. Our domestic architecture based on a sound regulatory framework has given us the ability to withstand any shocks emanating from global developments. The fundamentals that have helped us navigate the global financial crisis successfully can also be expected to drive sustained double digit growth.

With due consideration to the requirements of all stakeholders, the Company has charted an ambitious roadmap for the next five years, identifying key performance indicators and methods of monitoring and evaluation.

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

## ***Message From MD***



**Ajay Relan**  
*Managing Director*

Dear Shareholders,

Fiscal 2010 has been a year of renewal of confidence and optimism in the Indian economy, as it has rebounded strongly from the impact of the global recession and demonstrated its inherent strength and growth potential. We believe that we can look forward to a period of sustained growth driven by India's strong domestic fundamentals. It is in the context of this evolving economic scenario that we have set out our growth strategy. It has been our endeavour to continuously anticipate economic and market trends and develop appropriate strategies for the long-term benefit of our business and all our stakeholders.

The coming decade is a decade of opportunity for India and Indians. Our goal

is to make our Company one of the most innovative companies in India as well as in the world and to achieve breakthrough growth in revenues and profits by creating and implanting sustainable solutions. We are fully energized and committed towards playing our part in realizing the potential of India, empowering more and more Indians to participate in the growth process and creating value for all our stakeholders.

I would like to take this opportunity to thank all our employees and valued shareholders for their resolute trust and belief in the Company and their support to our endeavours to continually enhance shareholder value.

## NOTICE

NOTICE is hereby given that the Twenty-Fifth 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 18th Day of August, 2010 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, 2010 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 2009-10
3. To appoint a Director in place of Smt. Sharda Relan who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint a Director in place of Shri G. L. Tandon who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Shri Udayan Banerjee who retires by rotation and being eligible offers himself for re-appointment.
6. 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

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 Professor Ashok Kumar Bhattacharya who was appointed by the Board of Directors as an Additional Director of the Company with effect from 28th October, 2009 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** Professor Ashok Kumar Bhattacharya 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:**

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, 310, 311 and 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval of the shareholders do hereby accorded for the appointment of Shri Udayan Banerjee as a whole-time director to be designated as an Executive Director of the company for a period of Five years with effect from 01st April' 2010 to 31st March' 2015 on payment of such remuneration and other benefits subject to tax deduction as per the Income Tax Act, as set out hereunder:

**Salary :** Basic Rs. 1,00,000/- per month in the range of Rs. 75,000 to Rs.200,000 per month and HRA Rs. 60,000/- per month in the range of Rs. 50,000 to Rs. 120,000 per month As may be agreed by the Board of Directors / Remuneration Committee and Shri Udayan Banerjee.

| Other Entitlements |                           |   |  |
|--------------------|---------------------------|---|--|
| 1.                 | Entertainment             | : | Reimbursement of entertainment expenses subject to a maximum of Rs. 10,000/- per month.  |
| 2.                 | Books & Periodicals       | : | Actual subject to a maximum of Rs. 3,000/- per month.  |
| 3.                 | Attendant Allowance       | : | Subject to a maximum of Rs. 5,000/- per month.   |
| 4.                 | Medical for Self & Family | : | Actual for self and family subject to maximum of Rs. 5,000/- per month.  |
| 5.                 | Leave Travel Concession   | : | For self and family as per Company Rules.  |
| 6.                 | Earned / Privilege Leave  | : | As per Company Rules. Leaves accumulated but not availed of during his tenure encashable as per Company Rules.   |
| 7.                 | Car                       | : | Provision for Chauffeur Driven Car.  |
| 8.                 | Telephone                 | : | Free telephone at residence, personal long distance calls to be paid by him  |
| 9.                 | Provident Fund            | : | Company's Contribution towards Provident Fund, Pension Fund & Superannuation Fund as per the Company Rules.  |
| 10.                | Gratuity                  | : | Gratuity as per the Payment of Gratuity Act, 1972 including any amendment or re-enactment thereof.   |
| 11.                | 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. |

"Family means the Spouse, Dependant Children and Parents 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** in the event of any liberalization/revision in the ceiling on permissible managerial remuneration or otherwise, the Board of Directors be and is hereby authorized to alter, vary and increase the remuneration, notwithstanding the overall remuneration set out as above, as may be permissible/prescribed without requiring any further resolution or consent of/reference to the Members.

**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."

By Order of the Board  
For **SHARDA MOTOR INDUSTRIES LTD.**

PLACE : NEW DELHI  
DATED : 22<sup>nd</sup> May' 2010

**NITIN VISHNOI**  
(Company Secretary)

**NOTES:**

- 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.
- Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto and forms part of the notice.
- The Register of the Members and Share Transfer Books of the Company will remain closed from **12th August, 2010 to 18th August, 2010** (both days inclusive).
- 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.
- Dividend if approved by members at Annual General Meeting will be paid to those members, whose names appear on the Register of Members on **18th August, 2010**.
- 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 |
|----------------------|---------------------------------|--|
| 31.03.2003           | 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                                 |
| 31.03.2007           | 25.07.2007                      | 23.08.2014                                 |
| 31.03.2008           | 28.01.2008*                     | 26.02.2015                                 |
| 31.03.2008           | 04.08.2008                      | 02.09.2015                                 |
| 31.03.2009           | 28.01.2009*                     | 26.02.2016                                 |
| 31.03.2009           | 27.06.2009*                     | 26.07.2016                                 |
| 31.03.2009           | 24.08.2009                      | 22.09.2016                                 |
| 31.03.2010           | 28.01.2010*                     | 26.02.2017                                 |

\* Interim Dividend



7. Members are requested to intimate change, if any, in their postal addresses immediately to:

Alankit Assignments Ltd.  
(Registrar & Transfer Agent)  
Alankit House, 2E/21,  
Jhandewalan Extension,  
New Delhi 110055.

8. Annual Listing fee for the year 2010-11 has been paid to Delhi Stock Exchange wherein shares are listed.
9. Members/proxies should bring the attendance slips duly filled in and signed for attending the meeting.
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   | Smt. Sharda Relan   | Shri G. L. Tandon  | Shri Udayan Banerjee                  | Prof. Ashok Kumar Bhattacharya   |
|--|---|--|---------------------------------------|--|
| Date of Birth & Age  | 11.08.1935<br>75 Years  | 09.11.1930<br>80 Years   | 15.01.1947<br>64 Years                | 14.02.1946<br>65 Years   |
| Nationality  | Indian  | Indian   | Indian                                | Indian   |
| Appointed on   | 29.01.1986  | 16.12.2005   | 01.06.2004                            | 28.10.2009   |
| Qualifications   | Graduate  | B. Sc., B. Tech (Mining)   | M.Sc., IIT Kharagpur                  | M.Sc., IIT Kharagpur & Phd from Churchill College, University of Cambridge |
| Expertise in specific functional areas                                 | Corporate Management  | Management of Mineral Industry and Energy Sector   | Business Management                   | Research & Development   |
| List of Directorships held in other Companies                          | 1. Relan Industrial Finance Ltd.<br>2. Sharda Auto Solutions (P) Ltd. | 1. V.B.C. Industries Limited<br>2. Utkal Coal Company Ltd.<br>3. Gujrat NRE Coke Ltd.<br>4. Tanishq Consultancy Pvt. Ltd.<br>5. Indian Metal & Ferro Alloys Ltd. | 1. Sharda Sejong Auto Components Ltd. | NIL  |
| Membership / Chairmanship of Committees across other Companies         | None  | Audit Committee – Chairman (1)<br>Remuneration Committee – Member (1)<br>Shareholders Grievance Committee – Member (1)   | None                                  | None   |
| Shareholding of Non-Executive Directors in Sharda Motor Industries Ltd | 742520  | NIL  | NIL                                   | NIL  |

By Order of the Board  
For **SHARDA MOTOR INDUSTRIES LTD.**

PLACE : NEW DELHI  
DATED : 22<sup>nd</sup> May' 2010

**NITIN VISHNOI**  
Company Secretary



## **ANNEXURE TO NOTICE**

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

### **ITEM NO. 7**

The Board of Directors of your Company, in accordance with Section 260 of the Companies Act, 1956 & Article No. 80 of the Articles of Association of the Company and to have the benefit of rich experience and expertise of Professor Ashok Kumar Bhattacharya, had appointed him as an Additional Director with effect from 28th October, 2009. The appointment of Professor Bhattacharya will also make the composition of the Board of the Company in conformity with the Listing Agreement with Delhi Stock Exchange Limited.

Professor Ashok Kumar Bhattacharya did his Masters in Physical Chemistry from IIT, Kharagpur and Phd from Churchill College, University of Cambridge. He has spent his entire career in research on various fields. His applied research has led to in excess of 40 major confidential research reports in 16 various areas. His basic research activity is focused on Catalysis oxidic systems and characterization of surface species. His research group is / has been collaborating with various international universities and various multinationals in the UK & Europe. He has been a member of various international organizations dealing with fundamental research. At present he is a professor of Engineering Sciences as well as basic sciences at the University of Oxford.

Professor Ashok Kumar Bhattacharya will hold the Office as such upto the date of this Annual General Meeting and are eligible for appointment since the Company has received notices in writing as required under Section 257 of the Companies Act, 1956, from Members of the Company proposing their candidature for the Office of Director of the Company.

The Board considers that it is in the interest of the Company. A brief profile of Professor Ashok Kumar Bhattacharya appears under Note No. 10 in the accompanying Notice convening the Annual General Meeting.

The Board of Directors of your Company, therefore, recommends the resolutions for your approval under item no. 7 in the accompanying Notice covering the Annual General Meeting.

None of the Directors of the Company is concerned or interested in the passing of above resolution except Professor Ashok Kumar Bhattacharya.

### **ITEM NO. 8**

The Board of Directors in their meeting held on 28th January, 2010 and Members of the Remuneration Committee vide resolution dated 18.01.2010 had approved the appointment of Shri Udayan Banerjee as the Whole time Director of the Company, subject to the approval of the members in the general meeting, to be designated as Executive Director for a term of five years with effect from 01st April, 2010 on the terms of remuneration as mentioned in the proposed resolution herein above at item No. 8.

In view of rich experience and expertise, the Board of Directors consider it beneficial and in the interest of the Company to have him on the Board. A brief profile of Shri Udayan Banerjee appears under Note No. 10 in the accompanying Notice convening the Annual General Meeting.

Your Directors, therefore, recommended the resolution for your approval.

None of the Director of the Company is interested in above resolution except Shri Udayan Banerjee who may be deemed to be concerned or interested to extent of remuneration payable to him.

By Order of the Board  
For **SHARDA MOTOR INDUSTRIES LTD.**

PLACE : NEW DELHI  
DATED : 22<sup>nd</sup> May' 2010

**NITIN VISHNOI**  
Company Secretary

## DIRECTORS' REPORT

To the Members,

The Directors have pleasure in presenting the Twenty-Fifth Annual Report together with the Audited Accounts for the year ended 31st March' 2010.

### 1. FINANCIAL RESULTS:

|  | Year Ended<br>31.03.2010 | (Rs. in Lacs)<br>Year Ended<br>31.03.2009 |
|--|--------------------------|---|
| Turnover and Inter-unit Transfers                            | 54811.49                 | 43334.37                                  |
| Less: Inter-unit Transfer                                    | 3512.65                  | 4007.57                                   |
| <b>Turnover</b>  | <b>51298.84</b>          | <b>39326.80</b>                           |
| Profit before Other Income, Depreciation & Financial Charges | 5033.90                  | 2310.61                                   |
| Add: Other Income  | 423.17                   | 301.73                                    |
| Profit before Depreciation, Financial Charges & Taxes        | 5457.07                  | 2612.34                                   |
| Less:  |                          |   |
| a) Depreciation  | 1492.05                  | 1263.22                                   |
| b) Financial Charges   | 825.17                   | 295.37                                    |
| c) Taxation  |                          |   |
| – Current Tax  | 861.33                   | 237.20                                    |
| – Fringe Benefit Tax   | -                        | 24.00                                     |
| – Deferred Tax   | 165.95                   | 37.44                                     |
| – Adjustments for earlier years                              | (3.05)                   | (14.40)                                   |
| <b>Add: Profit on sale of Exceptional item</b>               |                          | -   |
| <b>Net Profit after Tax</b>                                  | <b>2115.62</b>           | <b>769.51</b>                             |
| Add: Profit brought forward from Previous year               | 2155.58                  | 3081.77                                   |
| <b>Profit available for appropriation</b>                    | <b>4271.20</b>           | <b>3851.28</b>                            |
| <b>APPROPRIATIONS</b>  |                          |   |
| Proposed Dividend  | 297.32                   | 297.32                                    |
| Tax on Proposed Dividend                                     | 50.53                    | 50.53                                     |
| Interim Dividend   | 297.32                   | 297.32                                    |
| Tax on Interim Dividend                                      | 50.53                    | 50.53                                     |
| Transferred to General Reserves                              | 2000.00                  | 1000.00                                   |
| Balance carried forward to Balance Sheet                     | 1575.50                  | 2155.58                                   |

### 2. OPERATIONS

During the year under review your Company achieved yet another milestone. Turnover and inter-unit transfers touched an all time high of Rs. 548.11 Crores as against Rs.433.34 Crores for the previous Financial Year registering an increase of 26.48%.

### 3. DIVIDEND

Your Company had paid an interim dividend of Rs.5.00 per share during the year. Your Directors have further recommended a final Dividend of Rs. 5.00 per Equity Share @ 50% on the paid-up Equity Share Capital of the Company for the year ended 31st March' 2010.

The Final Dividend, if approved at the forthcoming Annual General Meeting, shall be paid out of the profits of the Company to those shareholders whose names appear on the register of members on 18th August, 2010. Thus, the total dividend for the year 2009-10 would be Rs.10.00 per equity share.

The Cash outflow on account of dividend including interim dividends on equity share capital will be Rs.695.69 Lakhs including dividend tax of Rs.101.06 Lakhs.