



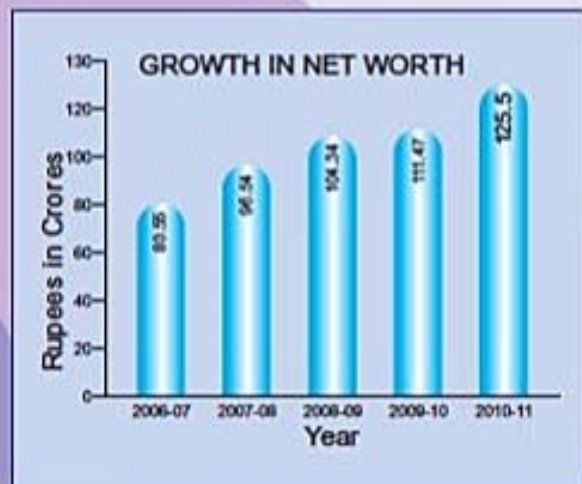
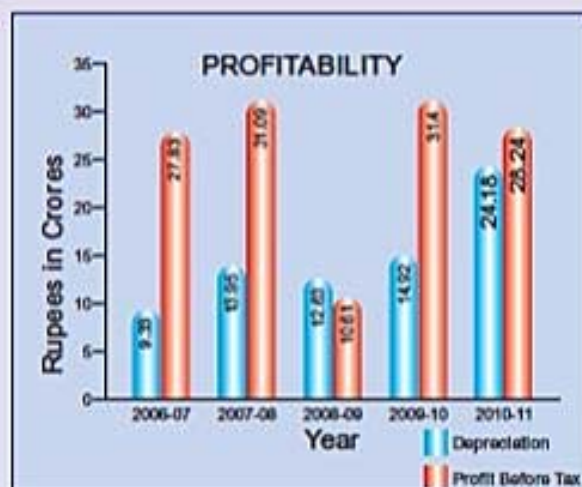
**annual report**

**2011**



**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  
NEW DELHI

**BANKERS**

YES BANK LIMITED  
ICICI BANK  
STATE BANK OF INDIA  
PUNJAB NATIONAL BANK  
CITI BANK  
HDFC BANK  
ABN AMRO BANK  
CANARA BANK

**REGISTERED OFFICE**

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

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## Chairman's Message

Dear Shareholders

Warm Greeting to all of you

The fiscal year 2011 was one in which both the world as well as the Indian economy showed resilience. While the global economy rebounded amidst fears of a double-dip recession, the Indian economy surged ahead on the back of its strong fundamentals. However high inflation and shortage of liquidity mainly on account of slowdown of inflow of foreign funds still remain as concern. Though these are expected to be short-lived.

Due to ever increasing demand of auto vehicles the auto industry is doing fairly well and so the auto component industry. The Automobile industry has become very competitive and the Companies are frequently launching their new products and upgrading technologies in order to increase or maintain their market share.

I am extremely happy to present before you a snap-shot of the achievements made by the Company during last fiscal. The total income of the Company for the financial year rose to Rs.705.43 Crores from Rs. 470.44 Crores during the corresponding previous financial year, registering an impressive growth of 49.95%, though it include the effect of By Back of SIPCOT unit This performance has enabled the Board of Directors to recommend a dividend of Rs.10/- per



N. D. Relan

share of Rs. 10/- each subject to the Shareholder's approval in the ensuing Annual General Meeting.

Your Company has always followed the highest standards of best management practices to ensure Corporate Governance and considers it as more of an ethical requisite than a regulatory necessity. It's a matter of great pride that our success over the years, has come without ever compromising on integrity, environmental and social obligations or regulatory compliance.

I would like to reiterate that your Company's employees are its greatest asset and it is entirely due to their hard work, perseverance, commitment and dedication that your Company has been able to deliver superior growth and value creation with every passing year.

I along with Board of Director sincerely thank all our shareholders, customers, bankers and stakeholders for their continued support and faith reposed in your Company and look forward to a bright year ahead.

## Message From MD



Ajay Relan

Dear Shareholders,

The global economy, mirroring its trend from the previous year, continued to witness sluggish growth and also the Oil prices hit an all time high but the Indian economy due to right and timely measures taken by the Indian regulators, could largely bear the impact of the global slowdown. Despite domestic inflation, natural calamities and unpredictable monsoons hitting the economy hard, the Indian economy exhibited great resilience in bouncing back to be buoyant as ever. Though the country's target was a double digit growth in GDP, it, however, had to settle for a slightly damper achievement

Today the biggest challenge is to find the appropriate balance between our values, competencies and resources on the one hand and the emerging opportunities on the other. I would like to assure you that we have the foresight and capability to make your company a high performance organization fully geared to reap these opportunities.

The responsibility of the company is to make the positive impact on the Community in which the company does business through its support of select programs, outreach efforts and initiative that improves and enhances the quality of life. Our goal is to make things better for the planet, better for the people and better for the business.

At the end, I would like to thank all our customers, suppliers, business partners, bankers and our shareholders for their unwavering support and confidence in our company and look forward to a bright year ahead. I assure each and every member of the Company that the Board of Directors and the Management will make their best endeavour to take your Company to a greater level of achievement and success in the year ahead.

I look forward to your continued support and encouragement.



## NOTICE

NOTICE is hereby given that the Twenty-sixth Annual General Meeting of Sharda Motor Industries Limited will be held at Habitat world at Indian Habitat Center Lodhi Road, New Delhi, on **Monday the 8th day August, 2011 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, 2011 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 2010-11
3. To appoint a Director in place of Shri R. P. Chowdhry who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri O. P. Khaitan who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Shri Shri Kishan N Parikh 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 a Special 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, including any statutory amendment or re-enactment thereof and subject to such consent, approvals and permissions as may be needed in this regard, approval of the shareholders do hereby accorded for the appointment of Shri Ajay Relan as Managing Director of the company for a period of Five years with effect from 1st September’ 2011 on payment of such remuneration and other benefits subject to tax deduction as per the Income Tax Act, as set out hereunder:

**Salary :** Rs 1,200,000/- per month in the range of Rs. 1,000,000 to Rs. 2,000,000 per month as may be agreed between 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 thereunder.

#### 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, 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** 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."

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

Place : New Delhi  
Dated : 6th May' 2011

**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 **2nd Day of August, 2011 to 8th Day of August, 2011 (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 **8th Day of August, 2011.**
- Pursuant to Section 205A (5) read with Section 205C 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
31.03.2004	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
31.03.2010	18.08.2010	16.07.2017
31.03.2011	22.01.2011*	20.02.2018

\* Interim Dividend

- 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.

- Annual Listing fee for the year 2011-12 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 reappointed are furnished below:

Name of Director	Shri Ajay Relan	Shri R. P. Chowdhry	Shri O. P. Khaitan	Shri Kishan N Parikh
Date of Birth	3.12.1961	16.05.1925	21.11.1943	15.04.1967
& Age	49 Years	86 Years	67 Years	44 Years
Nationality	Indian	Indian	Indian	Indian
Appointed on	29.01.1986	29.08.1986	16.12.2005	16.12.2005
Qualifications	B.Com (Hons), Owner President Management Programme (Harward Business School, USA)	B. Tech.	B. Com., LLB	B. Com
Expertise in specific functional areas	Business Management	Business Management	Law Practice	Business Management
List of Directorships held in other Companies	1. Bharat Sheets Ltd. 2. Relan Industrial Finance Ltd. 3. Sharda Sejong Auto Components (I) Ltd. 4. Progressive Engineering & Automation Pvt. Ltd.	1. Sharda Sejong Auto Components (I) Ltd.	1. ECE Industries Ltd. 2. J. K. Tyre & Industries Ltd. 3. Honda Siel Power Products Ltd. 4. Bengal & Assam Co. Ltd. 5. VLCC Health Care Ltd. 6. Shriram Pistons & Rings Ltd. 7. Ilpea Paramount Ltd. 8. Howden Insurance Brokers India Pvt. Ltd. 9. Nipshell Builders Pvt. Ltd.	1. Sharda Sejong Auto Components (I) Ltd. 2. Pebco industries Ltd. 3. Calcutta Commodities (1956) Pvt. Ltd. 4. Aersoft Trading & Marketing Pvt. Ltd. 5. Brisco Pvt. Ltd. 6. Jameshedpur Air connect Pvt. Ltd. 7. Bharat Seats Limited
Membership / Chairmanship of Committees across other Companies	<b>Audit Committee</b> - Member (1)	<b>Audit Committee</b> - Chairman (1)	<b>Audit Committee</b> - Chairman (2) - Member (4) <b>Remuneration Committee</b> - Chairman (1) - Member (2) <b>Shareholders Grievance Committee</b> - Chairman (1) - Member (1).	<b>Audit Committee</b> - Member (1) <b>Shareholders Grievance Committee</b> Member (1)
Shareholding	829,578	600	Nil	Nil

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

Place : New Delhi  
Dated : 6th May' 2011

**NITIN VISHNOI**  
Company Secretary



## ANNEXURE TO NOTICE

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

### ITEM NO. 7

The Members of the Company at their 21st Annual General Meeting held on 25th Day of August, 2006 approved the appointment of Shri Ajay Relan as Managing Director of the Company for a period of five years with effect from 1st Day of September, 2006 to 31st Day of August, 2011 on the terms of remuneration as detailed in the resolution under Item No. 11 of the Notice of the said meeting. The present tenure of Shri Ajay Relan as a Managing Director shall be expiring on 31st Day of August, 2011 and during his tenure the Company has registered all round progress. In view of the continued growth of the Company's business activities, it is felt desirable to re-appoint Shri Ajay Relan as Managing Director of the Company for a further period of five years.

The Remuneration Committee and the Board of Directors in their meetings held on 6th Day of May' 2011, had approved the re-appointment of Shri Ajay Relan as Managing Director of the Company, subject to the approval of the members in the general meeting, for a further period of five years with effect from 1st Day of September' 2011. It was also approved in the above said meetings that his remuneration package should be revised in the light of present conditions with effect from 1st Day of April, 2011 on the terms and conditions as mentioned in the proposed resolution herein above at Item No.7.

The Board of Directors of your Company, therefore, recommends the passing of Special Resolution as set out at Item No.7 of Notice convening the meeting.

None of the Directors of the Company is interested in the above resolution except Shri Ajay Relan himself, Shri N. D. Relan, Smt. Sharda Relan and Shri Rohit Relan as relatives to him.

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

Place : New Delhi  
Dated : 6th May' 2011

**NITIN VISHNOI**  
Company Secretary

## DIRECTORS' REPORT

To the Members,

The Directors have pleasure in presenting the Twenty-Sixth Annual Report together with the Audited Accounts for the year ended 31st March' 2011.

### 1. FINANCIAL RESULTS:

	<b>(Rs. In Lacs)</b>	
	<b>Year Ended 31.03.2011</b>	<b>Year Ended 31.03.2010</b>
Turnover and Inter-unit Transfers	98,280.29	54,811.49
Less: Inter-unit Transfer	17,033.20	3,512.65
<b>Turnover</b>	<b>81,247.09</b>	<b>51,298.84</b>
Profit before Other Income, Depreciation & Financial Charges	5,527.72	5,033.90
Add: Other Income	523.45	423.17
Profit before Depreciation, Financial Charges & Taxes	6,051.17	5,457.07
Less:		
a) Depreciation	2,418.21	1,492.05
b) Financial Charges	808.18	825.17
c) Taxation		
– Current Tax	232.61	861.33
– Deferred Tax	495.42	165.95
– Adjustments for earlier years	-	(3.05)
<b>Net Profit after Tax</b>	<b>2,096.75</b>	<b>2,115.62</b>
Add: Profit brought forward from Previous year	1,575.50	2,155.58
<b>Profit available for appropriation</b>	<b>3,672.25</b>	<b>4,271.20</b>
<b>APPROPRIATIONS</b>		
Proposed Dividend	297.32	297.32
Tax on Proposed Dividend	49.38	50.53
Interim Dividend	297.32	297.32
Tax on Interim Dividend	49.38	50.53
Transferred to General Reserves	1,500.00	2,000.00
Balance carried forward to Balance Sheet	1,478.85	1,575.50

### 2. OPERATIONS

During the year under review your Company achieved yet another milestone as "Turnover and Inter-Unit Transfers" touched an all time high of Rs.982.80 Crores as against Rs. 548.11 Crores for the previous Financial Year registering an increase of 79.31% over the previous year's turnover.

Since, the current year results include the figure pertaining to Sipcot Unit situated at G-20, Sipcot Industrial Park, Kancheepuram, Chennai due to cancellation of transfer of business vide cancellation deed dated November 20, 2009. All assets and liabilities pertaining to Sipcot Unit hitherto hived off to wholly owned subsidiary M/s Sharda Sejong Auto Components India Ltd. have returned back to the company at their respective book values as on commencement of business on 1st April, 2010. Hence current year's figures are not comparable with previous year's figures

### 3. DIVIDEND

In January, 2011, your Company had paid an interim dividend of Rs.5.00 per share. Your Directors has 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' 2011.

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 8th August, 2011. Thus, the total dividend for the year 2010-11 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.693.39 Lakhs including dividend tax of Rs.98.76 Lakhs.