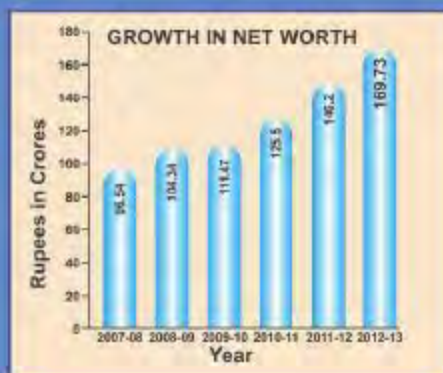


28<sup>th</sup> ANNUAL  
REPORT  
2012-13



**Sharda Motor Industries Limited**

# PERFORMANCE HIGHLIGHTS



**BOARD OF DIRECTORS**

KISHAN N. PARIKH	Chairman
N. D. RELAN	Co-Chairman
AJAY RELAN	Managing Director
SHARDA RELAN	Director
ROHIT RELAN	Director
R. P. CHOWDHRY	Director
O. P. KHAITAN	Director
UDAYAN BANERJEE	Executive - Director
Prof. ASHOK KUMAR BHATTACHARYA	Director

**PRESIDENT (LEGAL) & CFO**

PRADEEP RASTOGI

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

D. A. AGGARWAL

**COMPANY SECRETARY**

NITIN VISHNOI

**STATUTORY AUDITORS**

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

**COST AUDITORS**

M/S GURDEEP SINGH & ASSOCIATES  
COST ACCOUNTANTS  
NEW DELHI

**BANKERS**

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

**REGISTERED OFFICE**

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

## CONTENTS

Message of Co-Chairman	2
Message of Managing Director	3
Notice	4
Directors' Report	9
Report on Corporate Governance	15
Management Discussion & Analysis Report	25
Auditor's Report	29
Balance Sheet	32
Statement of Profit & Loss Account	33
Cash flow Statement	34
Notes to Financial Statments	35
Balance Sheet Abstract	56

## Co-Chairman's Message

Dear Shareholders

Warm Greeting to all of you

The fiscal year has been a very challenging year for the Company. Despite global and domestic challenges of High interest rates, inflation, weakening of the rupee, volatility in the cost of raw materials, prices of crude oil, uncertainty in fuel policy, your Company has grown satisfactorily, through its strategic focus by delivering continuous innovations in products, distribution and customer relationships. This has required committed investments in the brand, technology and talent of our people.

I am pleased to share with you the progress made by your company during the year 2012-2013. The Company generated significant amounts of cash, strengthened its balance sheet and financial position and most importantly continued to return value to its shareholders.

Your company implements best standards of Corporate Governance through emphasis on authority and freedom of management coupled with transparency, accountability and professionalism in their working with the aim of enhancing long term economic value of all the stakeholders and the society at large.



N. D. Relan

I believe that a team of inspired employees is the key for achieving greater heights in excellence by any organization and for that reason the Company gives utmost importance to its Human Resource Development. For this purpose, the Company continues to take various HR initiatives for employee motivation, nurturing talent, enhancing skills and building new leaders. I am sure you will agree that this is equally important as is setting up of new facilities.

I gratefully acknowledge the unstinted support of all the Board Members and Managerial Personnel, the Staff Members each and every member of the SMIL family for their untiring efforts in making the Company what it is today. I cannot forget our customers, vendors and suppliers for reposing strong confidence in the Company. I also acknowledge the kind cooperation and support of bankers. Last but not the least, I sincerely once again thank all the stake holders for supporting and encouraging in Company's endeavour.

## Managing Director's Message

Dear Shareholders

The year gone by has seen many economic and business challenges globally as well as in the country. The country's GDP growth rate slipped below expectations reflecting the economic slowdown. Continuing inflation, high interest rates, volatile forex markets, Government Policy issues and bearish capital markets affected the Indian industry, and in particular the Automobile Sector.

Despite this difficult environment, I believe that the automotive industry has huge growth potential and is bound to grow on the back of supportive government policies, positive business environment and availability of reasonably priced talented manpower.

The Government of India is formulating National Electric Mobility Mission Plan 2020 and National Automotive Board among others for achieving the sustained growth of the automotive industry. Therefore, the need of the hour for auto component companies is to continue making investments to create additional capacities for taking advantage of their position, once the economic trend reverses.

I believe that the coming decade will also bring new optimism and an improved platform for business.



Ajay Relan

It is this conviction that gives me the confidence that we will achieve our future business plans successfully.

Your Company has continued its efforts in this direction by making investments towards setting up new plant, up-gradation of its Research and Development facilities and modernization of its existing manufacturing facilities. We are confident that our large capital expenditure will enable us to take full advantage of our market leadership position and achieve our growth plans .

In the end, I would like to take this opportunity to thank all our customers, employees for their support in helping to make the coming years more successfully.

On Behalf of the Board, I sincerely thank our Investors and Shareholders, for their continued support and reaffirm our commitment to deliver an improved performance during the current financial year.



## NOTICE

NOTICE is hereby given that the Twenty- Eight Annual General Meeting of Sharda Motor Industries Limited will be held at Habitat World, India Habitat Centre, Lodhi Road, New Delhi on **Monday, 2nd September, 2013** 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, 2013 and the Profit & Loss Account for the year ended on that date and Reports of the Directors and Auditors thereon.
- 2 To declare a dividend for the financial year 2012-13
- 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 R. P. Chowdhry 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 authorise 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 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 amendments 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 N. D. Relan who has attained the age of 84 Years, as a Whole-time Director of the Company for a further period of five years with effect from 1st July, 2013.”

**“FURTHER RESOLVED THAT** the remuneration package of Shri N. D. Relan, Whole-time Director, be and is hereby revised, with effect from 1st April, 2013, in the following manner:

**Salary :** Rs. 13,50,000 per month in the range of Rs.12,50,000 to Rs. 25,00,000 per month as may be agreed between 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 there under.

#### 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).
- 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 to by the Board of Directors / Remuneration Committee and Shri N. D. Relan.

**“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 N. D. Relan, Whole-time 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."

**8. TO CONSIDER AND, IF THOUGHT FIT TO PASS WITH OR WITHOUT MODIFICATION'S, THE FOLLOWING RESOLUTION AS A SPECIAL RESOLUTION:**

**"RESOLVED THAT** pursuant to Article of Association of the Company and Section 309 of the Companies Act, 1956 and other applicable Rules and Regulations made thereunder, consent of the Company be and is hereby accorded for the payment of Remuneration by way of commission to Smt Sharda Relan and Shri Rohit Relan, Non-Executive Directors of the Company, an amount not exceeding in the aggregate 1% per annum of the net profit of the Company Computed in a manner laid down in the Act, for a period of five financial years commencing from financial year 2013-14, in such manner and proportion as may be decided by the Board from time to time."

**"RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board and /or Remuneration Committee be and are hereby authorised to take all necessary actions and to do all such deeds, matters and things, as may in their absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubts that may arise in this regards."

**9. TO CONSIDER AND, IF THOUGHT FIT TO PASS WITH OR WITHOUT MODIFICATION(S), THE FOLLOWING RESOLUTION AS A SPECIAL RESOLUTION:**

**"RESOLVED THAT** pursuant to Securities and Exchange Board of India (Delisting Regulation of Equity Shares) 2009 (the "Delisting Regulations") and all applicable provisions of Companies Act 1956, including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter, and pursuant to such other applicable Laws, Rules, Regulations and Guidelines and subject to receipt of all necessary approvals, permission and sanction(s) from the Stock Exchange (s) and such other Authorities, Regulatory or otherwise, as may be required and subject to such conditions and modifications, as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to Board of Directors of the company (hereinafter referred to as "Board" which term shall be deemed to include any committee of the Board or a committee that may be constituted hereafter or person authorised by Board thereof for the time being exercising the powers conferred on the Board by the resolutions), the voluntary delisting of the equity shares of Company from the Delhi Stock Exchange be and is hereby approved and the Company (which term shall be deemed to include the Board or any Committee of the Board or person authorised by Board) shall take all necessary steps and make all necessary filings to facilitate such delisting in accordance with the conditions specified in "Delisting Regulations" and the applicable provisions of Companies Act, 1956 or any other law."

**"RESOLVED FURTHER THAT** for the purpose of given effect to the voluntary delisting of equity shares from Delhi Stock Exchange Ltd. (DSE) ,Shri N.D. Relan, Co-chairman, Shri Ajay Relan, Managing Director, Shri Rohit Relan, Director, Shri Nitin Vishnoi, Company Secretary be and are hereby severally authorised on the behalf of the Company to do all such act deed and things as they may at their discretion deem necessary or desirable for such purpose, including making applications to the Stock Exchange(s) to seek their in-principle and / or final approval for the proposed voluntary delisting of the equity shares of the Company and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard as they may in their absolute discretion deem fit."

**"RESOLVED FURTHER THAT** the Board be and is hereby authorized to delegate all or any of the powers herein conferred upon it to any Committee of Directors or to any Director or Directors or any other officers / authorized representative of the Company to give effect to this resolution."

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

Place : New Delhi  
Dated : 28th May, 2013

**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 / HERSELF 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. All document referred to accompanying Notice and Explanatory statement's are opens for inspection at registered office of the company during office hours on all working days between 11.00 am to 1.00 pm up to date of Annual General Meeting.
4. Members/Proxies are requested to bring their copies of the Annual Report sent to members, as copy of Annual Reports shall not distributed at AGM.
5. Members holding Share in Physical form are advised to notify the change in their Address/ Bank Account/ update e-mail ID to M/s Alankit Assignments Limited. Alankit House, 2E/21, Jhandewalan Extension, New Delhi 110055. the registrar & Share Transfer Agent (R&T Agent) of The Company.
6. Members holding Share in De-Mat Account are requested to notify the change in their Address/ Bank Account/ update e-mail in their respective Depository Participant (s) (DPs).
7. Members must quote their Folio No./De-mat Account No./ e-mail ID/ Contact No. and address in all correspondence with Company and R&T Agent.
8. The Register of the Members and Share Transfer Books of the Company will remain closed from **27th Day of August, 2013 to 2nd Day of September, 2013** (both days inclusive).
9. 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.
10. Dividend if approved by members at Annual General Meeting will be paid to those members, whose Names appear on the Register of Members on record date.
11. In order to avail facility of Electronic Clearing System for receiving direct credit of dividend to his their respective account Members are advised to update your bank Account details to M/s Alankit Assignments Limited. Alankit House, 2E/21, Jhandewalan Extension, New Delhi 110055. the registrar & Share Transfer Agent (R&T Agent) of The Company.
12. 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
31.03.2005	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
31.03.2011	8.08.2011	6.08.2018
31.03.2012	24.01.2012*	22.02.2019
31.03.2012	12.09.2012	10.10.2019
31.03.2013	06.02.2013*	04.03.2019

\* Interim Dividend



13. Annual Listing fee for the year 2013-14 has been paid to Stock Exchanges wherein shares of the Company are listed.

**14. INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENTS.**

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

<b>Name of Director</b>	<b>Shri N. D. Relan</b>	<b>Smt Sharda Relan</b>	<b>Shri R. P. Chowdhry</b>	<b>Shri Udayan Banerjee</b>
Date of Birth & Age	May 31st, 1929 84 years	August 11th, 1935 77 years	May 16th, 1925 88 year	January 15th 1947 66 year
Nationality	Indian	Indian	Indian	Indian
Appointed on	29th August 1986	29th January 1986	29th January 1986	1st June 2004
Qualifications	B.Com	Graduate	B.E. (Civil)	M.Sc. IIT Kharagpur
Expertise in specified functional areas	Accounts, Finance, Business Management & Capital Market	Corporate Management	Business Management	Business Management
Directorship held in other public companies (excluding foreign and private Companies)	Bharat Seats Limited Relan Indl. Finance Ltd. Pebco Motors Limited	Relan Industrial Finance Limited	None	None
Membership /Chairmanship of Committees across other Companies	None	None	None	None
Shareholding of Non-Executive Director In Sharda Motor Industries Limited	488,020	742,520	600	None

15. The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued Circular No. 17/2011 dated 21st April, 2011 and Circular No. 18/2011 dated 29th April, 2011 stating that the Companies can now dispatch their documents to the shareholders through electronic mode. As a result, the Companies are now permitted to send various notices/ documents to the shareholders on their registered e-mail address and will be deemed for serving notices/documents including those covered under Section 219 of the Companies Act, 1956(the Act) read with Section 53 of the Act.

In order to welcome this green initiative, propose to send all the statutory documents like Balance Sheet, Profit & Loss Account, Directors Report, Auditors Report, Audited financial statements, Notices of General Meetings etc. to the shareholder's e-mail addresses which are available with the Company. The members whose have yet not registered email id with company, advice to register their e-mail address along with details of name, address, Folio No./ Client ID and numbers of share held :

- To the Company / Registrar and Share Transfer agent (M/s Alankit Assignment Ltd. 2E/21, Jhandewalan Extension New Delhi- 110055), for shares held in physical form and
- in respect of shares held in D-mat form, since the Company seeks all the information of their members from the Depository so those who want to register their email-ids can directly provide the same to the respective Depository Participants where their Demat accounts are maintained.

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

Place : New Delhi  
Dated : 28th May, 2013

**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 23rd Annual General Meeting held on 4th August, 2008 approved the appointment of Shri N. D. Relan as Whole Time Director of the Company for a period of five years with effect from 1st July, 2008 to 30th June, 2013 on the terms of remuneration as detailed in the resolution under Item No. 7 of the Notice of the said meeting.

The present tenure of Shri N D Relan as a Whole-time Director shall be completing on 1st July, 2013 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 N D Relan as Whole-time Director of the Company for a further period of five years.

The Remuneration Committee and the Board of Directors in their meetings held on 28th May' 2013, had approved the re-appointment of Shri N D Relan as Whole-time 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 July' 2013. 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 April, 2013 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 N. D. Relan himself and Shri Ajay Relan, Smt Sharda Relan and Shri Rohit Relan as relatives to them.

### **ITEM NO. 8**

As the members are aware, the Board of the Company is benefited by the presence of Non Executive Directors who are persons of eminence, possessing wide and rich experience of managing large and successful corporate(s).

The prevalent Corporate Governance norms call for greater participation, involvement and commitment of these Non Executive Directors. Keeping the same in mind, consent of the Company was accorded under Section 309(4) of the Companies Act 1956 for payment of Commission to Non Executive Directors Smt. Sharda Relan & Shri Rohit Relan in the 23rd Annual General Meeting of the company on 4th August 2008 for a period of five years commencing from the financial year 2008-09 and the tenure of the said approval has completed on 31st March 2013.

So now it is felt desirable, in view of the time spent and responsibilities undertaken by Smt. Sharda Relan & Shri Rohit Relan, Non Executive Directors of the Company, that the payment of Commission to them should be continued. Therefore, the Remuneration Committee and Board of Directors at their meetings held on 28th May 2013, subject to approval of shareholders, approved payment of Commission to Smt. Sharda Relan & Shri Rohit Relan, Non Executive Directors of the company for a further period of five years commencing from 1st April 2013 provided that the maximum amount of commission that may be paid to them in any financial year shall not exceed 1% of the profit computed in accordance with the provisions of Section 309 of the Companies Act, 1956.

The Board of Directors recommends the special resolution for your approval.

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

### **ITEM NO. 9**

As you are aware that the shares of your company are listed with Delhi Stock Exchange ("DSE") since the beginning but from last many years there is no trading platform available to the public shareholders on DSE. This has put the public shareholders in lot of hardship and inconvenience. So with a view to provide proper liquidity and free tradability in the company's shares, your company has got listed its shares on Bombay Stock Exchange ("BSE") in May 2013.

Now in order to streamline administrative procedures and to reduce management costs, it is proposed to get the shares de-listed from the DSE. However the shares of the company will remain listed on BSE. The approval of members sought to be obtained for voluntary de-listing of shares of the Company from said exchange.

The Board of Directors of your company, therefore, recommends the passing of the Special Resolution set out at item no 9 of the notice convening this meeting.

None of the Directors of the Company is in any way, concerned or interested in the resolution except to the extent of their shareholding in the Company, if any.

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

Place : New Delhi  
Dated : 28th May, 2013

**NITIN VISHNOI**  
Company Secretary