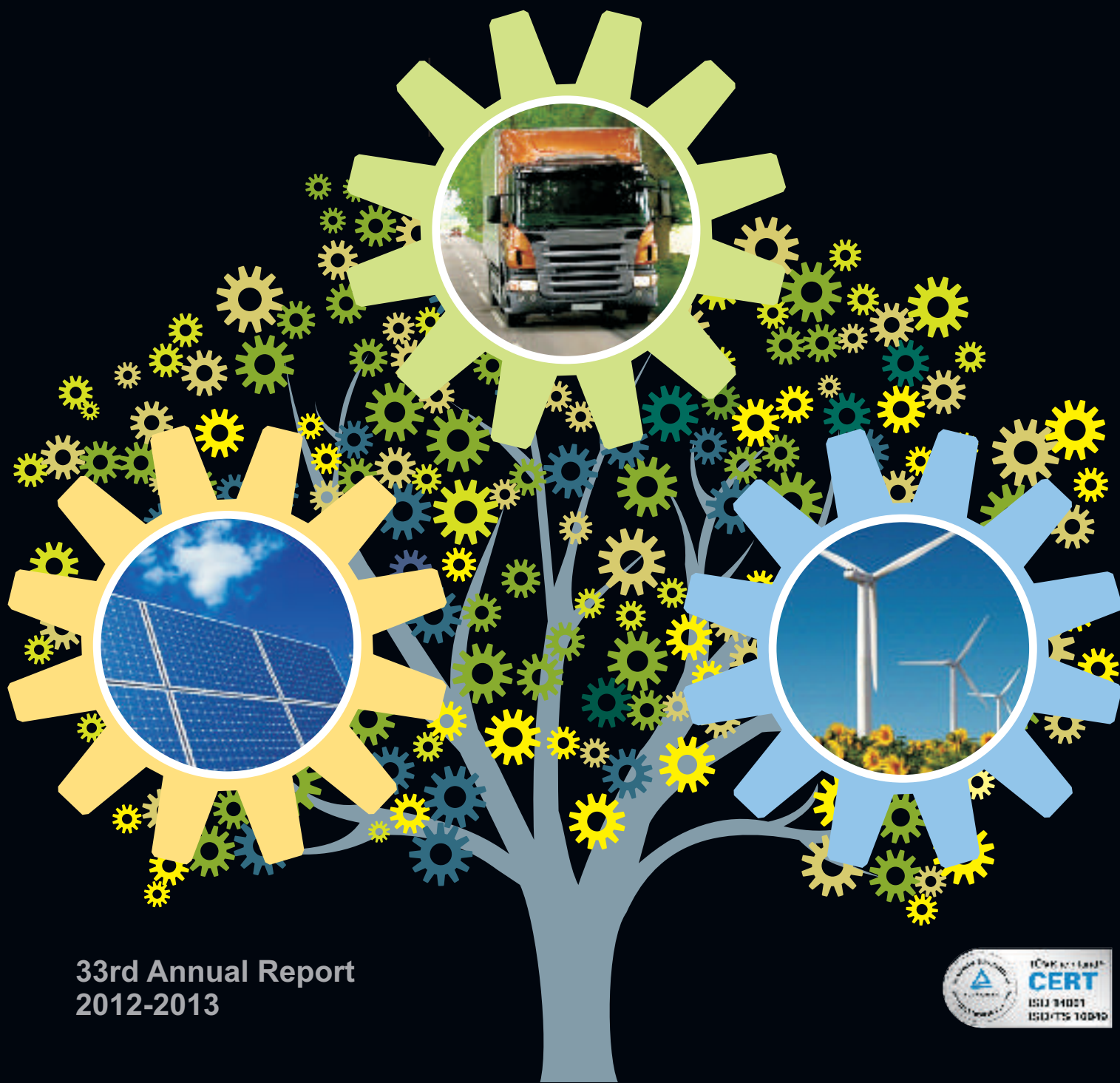




ZF STEERING GEAR (INDIA) LIMITED

www.zfindia.com

Creating a Green World...



33rd Annual Report
2012-2013





Mr. Dinesh Munot - CMD of our Company and ACMA Past President, felicitating **Mr. R. J. Shahaney** - Chairman of Hinduja Group Flagship Company Ashok Leyland with life-time achievement award for his contribution in Indian Automotive Industry at the ceremony held on 21st February, 2013 at Mumbai organized by SIAM & ACMA.

BOARD OF DIRECTORS

Chairman & Managing Director

Mr. Dinesh Munot

Jt. Managing Director

Mr. Jinendra Munot

Executive Director

Mr. Utkarsh Munot

Non-Executive Directors

Mr. Manish Motwani

Dr. Dinesh Bothra

Mr. Ludwig Rapp

Mr. M. L. Rath

Dr. Hans Friedrich Collenberg

Mr. Shridhar S. Kalmadi

Mr. Ajinkya Arun Firodia

Mr. Carl Magnus Backlund

Mr. Jitendra A. Pandit
(w.e.f. January 29, 2013)

Mr. Klaus Traeder
(Alternate Director for Mr. Carl Magnus Backlund)

Mr. B. S. Iyer
(Alternate Director for Dr. Hans Friedrich Collenberg)

Mr. D. S. Bomrah
(up to August 10, 2012)

CHIEF FINANCIAL OFFICER (CFO)

Mr. Jinendra Jain

COMPANY SECRETARY

Mr. Satish Mehta

AUDIT COMMITTEE

Mr. Manish Motwani (Chairman)

Dr. Dinesh Bothra

Mr. M. L. Rath

Mr. Jitendra A. Pandit

SHAREHOLDERS' GRIEVANCE COMMITTEE

Dr. Dinesh Bothra

REMUNERATION COMMITTEE

Mr. Manish Motwani (Chairman)

Mr. M. L. Rath

Mr. Jitendra A. Pandit

AUDITORS

M/s. MGM & Co.

Chartered Accountants

COST AUDITORS

M/s. Joshi Apte & Associates

Cost Accountants

INTERNAL AUDITORS

M/s. Pawan Jain & Associates

Chartered Accountants

BANKERS

Bank of Maharashtra

Canara Bank

HDFC Bank Ltd.

YES Bank Ltd.

REGISTERED OFFICE & WORKS

Gat Nos. 1242 & 1244, Village Vadu Budruk,
Taluka Shirur, Dist. Pune-412 216
Maharashtra.

CORPORATE OFFICE

601-602, MCCIA Trade Tower,
International Convention Centre 'A' Wing
403-A Senapati Bapat Road, Pune-411 016
Tele: 020-3021 1600 Fax No: 020-3021 1699
E-mail : satish.mehta@zfndia.com

STOCK EXCHANGE

(Where the shares of the Company are listed)
BSE Limited

REGISTRAR & SHARE TRANSFER AGENTS

M/s. Link Intime India Pvt. Ltd.,
Block No. 202, A Wing, 2nd Floor,
Akshay Complex, off Dhole Patil Road, Pune-411 001.
Tele: 020-26161629 Fax: 020-26163503
E-mail : pune@linkintime.co.in

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NOTICE

Notice is hereby given that the **Thirty Third Annual General Meeting** of the Members of **ZF STEERING GEAR (INDIA) LIMITED** will be held as scheduled below:

Day : Tuesday
 Date : July 30, 2013
 Time : 4.00 p.m.
 Place : Registered Office of the Company,
 Gat Nos. 1242/ 44, Village Vadu Budruk,
 Tal. Shirur, Dist. Pune - 412 216.

to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2013 and the audited Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Mr. M. L. Rath, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Shridhar S. Kalmadi, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. Hans Friedrich Collenberg, who retires by rotation and, being eligible, offers himself for re-appointment.
6. To re-appoint Messrs MGM & Company, Chartered Accountant (Firm Registration Number: 117963W), as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting of the Company and to authorize the Board of Directors of the Company 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:

“RESOLVED THAT Mr. Jitendra A. Pandit who was appointed by the Board of Directors of the Company, as a Director to fill the casual vacancy on the Board, caused by the death of Mr. D. S. Bomrah and, who holds office up to date of this Annual General Meeting by reason of Section 262 of the Companies Act, 1956, but who is eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the

Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation.”

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

“RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions if any of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof for the time being in force), and Schedule XIII to the said Act, (including any amendment or statutory modification thereto for the time being in force) and subject to such sanctions as may be necessary, the Company hereby accords its approval to the re-appointment and payment of remuneration and perquisites and giving of benefits and amenities to Mr. Jinendra Munot as Jt. Managing Director of the Company for a further period of five years w.e.f from April 1, 2013 on the terms and conditions, including those relating to remuneration, as set out under Item No. 8 of the Explanatory Statement annexed to this Notice.”

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 the provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956 and subject to necessary approvals, if any, consent be and is hereby accorded to Mrs. Eitika Munot, wife of Mr. Utkarsh Munot, Executive Director and daughter-in-law of Mr. Dinesh Munot, Chairman and Managing Director of the Company, to hold and continue to hold an office or place of profit in the Company, w.e.f. from February 1, 2013 on the terms and conditions, including those relating to remuneration, as set out under Item No. 9 of the Explanatory Statement annexed to this Notice.”

“RESOLVED FURTHER THAT the allowances and perquisites referred under Item No. 9 of the Explanatory Statement annexed to this Notice be and are hereby authorized to be paid and allowed to Mrs. Eitika Munot in accordance with relevant schemes/ rules as applicable to the Grade M-6, as may be in force from time to time.”

By Order of the Board of Directors
 For **ZF Steering Gear (India) Ltd.**

May 23, 2013

Registered Office:

Gat No. 1242/44, Village Vadu Budruk,
 Tal. Shirur, Dist. Pune - 412 216.

Satish Mehta
 Company Secretary

Notes:

1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Proxy Forms, in order to be effective, must be received by the Company at its Registered Office not less than 48 hours before the date of the Annual General Meeting.

- 2) The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business mentioned in the Notice is annexed hereto.
- 3) Members/ Proxies/ Representatives should bring the enclosed duly filled attendance slip, for attending the Meeting. Copies of the Annual Report or Attendance Slip will not be distributed at the Meeting.
- 4) Profiles of the Directors being appointed/ re-appointed, as required by the Corporate Governance Code (Clause 49 VI A of the Listing Agreements entered into with the Stock Exchange), are annexed to the Notice.
- 5) The Register of Members and Share Transfer Books of the Company will remain closed from July 23, 2013 to July 30, 2013 (both days inclusive) for the purpose of payment of dividend to those Members, whose names stand on the Register of Members as on July 30, 2013. The dividend in respect of Equity Shares held in electronic form will be payable to the beneficial owners of the Equity Shares as at the end of business hours on July 22, 2013 as per the details furnished by the depositories for this purpose.
- 6) Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to the Company, so as to reach it at least ten days before the date of the Meeting, so that information can be made available at the Meeting.
- 7) Members holding shares in physical form are requested to intimate the changes, if any, in their registered addresses, to the Company's Registrar & Share Transfer Agents M/s. Link Intime India Pvt. Ltd., Block No. 202, 2nd Floor, Akshay Complex, Near Ganesh Temple, Off Dhole Patil Road, Pune- 411 001.
- 8) Members are advised that respective bank details and address as furnished by them or by NSDL/ CDSL to the Company, for shares held in physical form and in the dematerialized form respectively, will be printed on their dividend warrant so as to protect against fraudulent encashment.
- 9) Pursuant to provisions of Section 205A and 205 C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to the unpaid dividend account, is required to be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government. Accordingly, unclaimed dividends for the financial years 1995-96 to 2004-05 have been transferred to the Investor Education and Protection Fund of the Central Government. Unclaimed dividend for financial years 2005-06 and thereafter is still lying with the Company. Shareholders who have not yet encashed the dividend warrants for financial years 2005-06 and thereafter are requested to contact the Company at the earliest since no claim shall lie against the Company or the Investor Education and Protection Fund after transfer as mentioned above. The details of the unclaimed dividends of the aforesaid years are available on the Ministry of Corporate Affairs website at www.mca.gov.in.

- 10) The Annual Report 2012-13 of the Company circulated to the Members of the Company, will be made available on the Company's website at www.zfindia.com and also on the website of the BSE Limited at www.bseindia.com
- 11) The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/ Registrars and Transfer Agents, M/s. Link Intime India Pvt. Ltd.
- 12) All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days up to the date of the 33rd Annual General Meeting.

Important Communication to Members

The following are the Company's recommendations to shareholders/ investors:

Open Demat Account and Dematerialise your shares

Investors should convert their physical holdings of securities into demat holdings. Holding securities in demat form helps investors to get immediate transfer of securities. No stamp duty is payable on transfer of shares held in demat form and risks associated with physical certificates such as forged transfers, fake certificates and bad deliveries are avoided.

Consolidate Multiple Folios

Investors should consolidate their shareholding held in multiple folios. This would facilitate one-stop tracking of all corporate benefits on the shares and would reduce time and efforts required to monitor multiple folios.

Register NECS Mandate and furnish correct bank account particulars with Company/ Depository Participant (DP)

Investors holding the shares in physical form should provide the National Electronic Clearing Services (NECS) mandate to the Company and investors holding the shares in demat form should ensure that correct and updated particulars of their bank account are available with the Depository Participant (DP). This would facilitate in receiving direct credits of dividends, refunds etc., from Companies and avoid postal delays and loss in transit. Investors must update their new bank account numbers allotted after implementation of Core Banking Solution (CBS) to the Company in case of shares held in physical form and to the DP in case of shares held in demat form.

Submit Nomination Form

Investors should register their nominations in case of physical shares with the Company and in case of dematerialized shares with their DP. Nomination would help the nominees to get the shares transmitted in their favour. Investors must ensure that nomination made is in the prescribed Form and must be witnessed by two witnesses in order to be effective. The Form may be downloaded from the Company's website www.zfindia.com under the section 'Investor'.

Green Initiative

Register e-mail address:

To support the 'Green Initiative' in the Corporate Governance taken by the Ministry of Corporate Governance taken by the Ministry of Corporate Affairs, to contribute towards greener environment and to receive all documents, notices, including Annual Reports and other communications of the Company, investors should register their e-mail addresses with M/s. Link Intime India Pvt. Ltd., if shares are held in physical mode or with their DP, if the holding is in electronic mode.

Annexure to the Notice

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

As required by Section 173 of the Companies Act, 1956, in respect of the Items of Special Business in this Notice.

Item No. 7:

At the Meeting held on January 29, 2013 the Board of Directors had appointed Mr. Jitendra A. Pandit, as a Director to fill the casual vacancy, caused due to the death of Mr. D. S. Bomrah, pursuant to Section 262 of the Companies Act, 1956.

A brief-profile of Mr. Jitendra A. Pandit, has been given separately as part of the Notice. The Board of Directors recommends the Resolution for your approval.

None of the Directors of the Company, except Mr. Jitendra A. Pandit, is interested in this Resolution.

Item No. 8:

The Board of Directors of the Company at their meeting held on January 29, 2013, re-appointed Mr. Jinendra Munot as Jt. Managing Director of the Company for a further period of 5 years with effect from April 1, 2013.

A brief-profile of Mr. Jinendra Munot has been given separately as part of the Notice.

The terms and conditions of his appointment, including those relating to remuneration, are as given hereunder:

Tenure: For a period of five years with effect from April 1, 2013.

Remuneration:

- (a) **Salary:** Rs. 4,75,000/- (Rupees Four Lakh Seventy Five Thousand) per month, with annual increment of 15%, effective April 1, each year.
- (b) **Commission:** Mr. Jinendra Munot shall be entitled to an annual performance Linked incentive as may be determined by the Board/ Remuneration Committee of Directors.
- (c) **Perquisites:** In addition to salary and commission, the following perquisites shall be paid to Mr. Jinendra Munot.
 - i) **Housing:** 60% of the Salary will be paid to Mr. Jinendra Munot as Housing Allowance per month.
 - ii) **Stock option:** Participation to employee stock option scheme, as may be evolved by the Company from time to time.
 - iii) **Medical Reimbursement:** Reimbursement of medical expenses including hospitalization and surgical charges incurred in India and abroad for Mr. Jinendra Munot and his family as may be approved by the Board of Directors or as per the rules of the Company.
 - iv) **Leave Travel Concession:** Leave travel concession for Mr. Jinendra Munot and his family once in a year incurred in accordance with the rules specified by the Company.
 - v) **Club Fees:** Reimbursement of membership fee up to 2 (two) clubs, including admission and life membership fee.
 - vi) **Personal Accident Insurance:** Personal Accident Insurance Policy as per the rules of the Company.

vii) **Medical Insurance:** Medical Insurance for self and family as per actual.

viii) **Provident Fund:** Company's Contribution to Provident Fund/ Special Salary in lieu thereof, in accordance with the rules of the Company.

ix) **Gratuity:** Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.

x) **Leave:** Leave with full pay or encashment as per the rules of the Company.

xi) **Other Perquisites:** Subject to overall ceiling on remuneration mentioned herein below, the Jt. Managing Director may be given other allowances, benefits and perquisites as the Board of Directors may from time to time decide.

(d) Amenities:

Provision of Car: The Company shall provide car/s with chauffeur for official as well as personal purpose.

Communication Facilities: Telephone/ Telefax and other suitable communication facilities at the residence.

Free Gas, Electricity and Water facilities at residence/ reimbursement of expenditure incurred thereon.

(e) Overall Remuneration:

The aggregate of salary and perquisites in any financial year shall not exceed the limits prescribed from time to time under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, as may for the time being in force.

(f) Minimum Remuneration:

In case of loss or inadequacy of profits in any financial year during the currency of tenure of his service, the payment of salary and perquisites and other allowance shall be governed by the limits prescribed under Section II and part II of Schedule XIII to the Companies Act, 1956.

Other Terms & Conditions:

- 1) As long as Mr. Jinendra Munot functions as Jt. Managing Director of the Company, no sitting fee shall be paid to him for attending the Meetings of the Board of Directors or Committee thereof.
- 2) Notwithstanding anything to the contrary herein contained, either party shall be entitled to terminate the Agreement at anytime by giving to the other party 180 days notice in writing to that effect or by payment of salary in lieu thereof.

Approval of the Shareholders under Section 269 read with Schedule XIII of the Companies Act, 1956, is required for appointment/ re-appointment of Jt. Managing Director and for payment of remuneration to him. Hence, the Board of Directors recommends Resolution No. 8 for your approval.

Memorandum of Concern or Interest of Directors:

None of the Directors, other than Mr. Jinendra Munot and Mr. Dinesh Munot, being relative of Mr. Jinendra Munot, is interested in the resolution.

Item No. 9:

Mrs. Eitika Munot was appointed as Manager-Co-ordination (S.A.P. & H. R.) with effect from February 1, 2013, by the Board in their meeting held on January 29, 2013.

Mrs. Eitika Munot, is qualified as Master of Business Administration (Human Resource). She has also participated in S.A.P. related course. Mrs. Eitika Munot is responsible for co-ordination of S.A.P. implementation and Human Resources matters of the Company.

Mrs. Eitika Munot, is wife of Mr. Utkarsh Munot, and daughter-in-law of Mr. Dinesh Munot, Directors of the Company. Therefore, approval of the members under Section 314(1)(b) of the Companies Act, 1956 is necessary for her to hold and to continue to hold office or place of profit in the Company on the following terms and conditions of remuneration:

- a) **Designation** : Manager- Co-ordination (S.A.P. & H.R.)
- b) **Grade** : M-6
- c) **Basic Salary** : Rs. 28,000/- Per Month with such annual increments admissible under the Grade.

Perquisites:

- i) Conveyance Allowance : Rs. 12,000/- Per Month
- ii) House Rent Allowance : Rs. 16,000/- Per Month
- iii) Medical Reimbursement : Rs. 3,600/- Per Month
- iv) Education Allowance : Rs. 1,200/- Per Month
- v) Miscellaneous Allowance : Rs. 4,896/- Per Month
- vi) Leave Travel Allowance : Rs. 8,000/- Per Month
- vii) Bonus/ Ex-gratia : Rs. 1,600/- Per Month

viii) Provident Fund/ Special Salary & Gratuity : as per the Company's Rules.

ix) Medical and Accident Insurance Premium : as per the Company's Rules.

Provided that the total remuneration to be paid to Mrs. Eitika Munot shall not in any case exceed Rs. 249,999/- per month.

The Board of Directors recommends the Special Resolution for your approval.

None of the Directors, except Mr. Utkarsh Munot and Mr. Dinesh Munot, is concerned or interested in this Resolution.

By Order of the Board of Directors
For **ZF Steering Gear (India) Ltd.**

Satish Mehta
Company Secretary

May 23, 2013

Registered Office:

Gat No. 1242/44, Village Vadu Budruk,
Tal. Shirur, Dist. Pune - 412 216.

Particulars	Mr. M. L. Rathi	Mr. Shridhar S. Kalmadi	Dr. Hans Friedrich Collenberg	Mr. Jitendra A. Pandit	Mr. Jinendra Munot
Date of Birth	August 13, 1940	November 26, 1947	February 2, 1959	January 20, 1968	August 4, 1952
Date of Appointment	May 27, 2008	May 26, 2009	May 26, 2009	January 29, 2013	November 2, 1988
Qualification	B.Sc from University of Pune Engineering from Cusrow Wadia Institute, Pune. Graduate of 'The Quality College' Florida, U.S.A	D.M.E degree with specialization in Automobiles.	Diploma in mechanical engineering from Technical University Munich Doctorate degree in engineering from Technical University Munich	Chartered Accountant (ICAI) Cost Accountant (ICWAI) Post Graduate Diploma in Business Finance from the Institute of Chartered Financial Analysts of India	B.E.(Mech), M.S.(Mech.) U.S.A, AMIE(India)
Expertise in Specific Functional areas	Mr. Rathi possess Technical Knowledge in Couplings & Power Transmission Products. He has experience relevant to the Industrial activity. Export Promotion for these products. Overall Commercial Knowledge & Expertise.	Mr. Shridhar Kalmadi is an Engineer with specialization of Automobiles. He is involved in business activities since 1974 and his sound technical involvement throughout has made him of extremely competent technical expert. Mr. Kalmadi has more than 31 years of experience in the industry.	Dr. Collenberg has worked as a research associate at FZG Gear Research Centre, Munich, Germany. He has worked in different management functions of ZF Friedrichshafen AG, Germany. He has been 'President Commercial Vehicle and Special Driveline Technology Division' in North America of ZF Friedrichshafen AG. He has also worked as a Vice-President and Head of Worldwide Product. Development of ZF Lemforder GmbH. He is now a Executive Vice-President of ZF Lenksysteme GmbH.	Mr. Jitendra A. Pandit has over 22 years of experience in fields of Corporate Finance, Transaction Management and General Management with top corporate and Investment Banks. He has also worked in various capacities for the following organizations: Manager-DSP Merrill Lynch Founder Director- Symak Engineering (P) Ltd. & Fund tech India, Pune General Manager-Finance-Dynamic Logistics (P) Ltd. Head-Corporate Finance-Bilcare Ltd., Pune Director- Corporate Finance-Deloitte Touche Tohmatsu (I) Pvt. Ltd., Pune Presently, Mr. Pandit is working as Senior Partner (also a founder partner) with K J Capital Advisors, Pune.	Mr. Jinendra Munot is a Professional Engineer over 34 years of experience in the Automotive Industries. He was General Manager and at present Jt. Managing Director of the Company from November 2, 1994. He won the 'India's Champion Corporate Golfer' organized by the DS Group- Economic Times Leaders' Challenge Tour, during the year 2008-09.
Other Directorships held in India	Rathi Transpower Pvt. Ltd. (Chairman & Managing Director) Polybond India Pvt. Ltd. Rathi Turbo Flex Pvt. Ltd. Lovejoy Finance Pvt. Ltd. Rathi Dye Chem Pvt. Ltd. Tosbro Pvt. Ltd. Rathi Polybond Pvt. Ltd.	Sai Service Station Ltd. (Managing Director) Sai Service Spares & Accessories Ltd. Sai Service Agency (Bombay) Ltd. Corona Bus Manufacturers Pvt. Ltd.	Nil	Corporate Finance- Deloitte Touche Tohmatsu (I) Pvt. Ltd., Pune Symak Engineering (P) Ltd. & Fund tech India, Pune	Varsha Forgings Ltd. Prima Feintech Pvt. Ltd. Ozone Cleantech Energy Pvt. Ltd. KCTR Varsha Automotive Pvt. Ltd.
Membership of Committees	ZF Steering Gear (India) Ltd.- Audit Committee of Directors - Remuneration Committee of Directors	Nil	Nil	ZF Steering Gear (India) Ltd.- Audit Committee of Directors - Remuneration Committee of Directors	Nil
No. of Equity Shares held in the Company	Nil	Nil	Nil	Nil	259,659

Directors' Report

To the Members,

The Directors are pleased to present the 33rd Annual Report and Audited Accounts for the year ended March 31, 2013.

Financial Results

(Rs. in Million)

	2012-2013	2011-2012
Sales (net) and other Income	3243.7	3597.3
Profit before depreciation and tax	721.4	745.6
Depreciation	231.4	168.8
Exceptional Item	-	104.3
Provision for tax	233.8	216.5
Net Profit	256.2	464.6
Balance Brought Forward from Previous year	12.6	13.5
Amount available for appropriation	<u>268.8</u>	<u>478.1</u>
Appropriations		
General Reserve	161.8	360.0
Proposed Dividend and Tax thereon	84.9	52.7
Interim Dividend and Tax thereon	-	52.7
Balance Carried Forward	<u>22.1</u>	<u>12.6</u>
	<u>268.8</u>	<u>478.1</u>

Dividend

The Board is pleased to recommend a dividend of Rs. 8/- per share for the year ended March 31, 2013.

Management Discussion and Analysis

Global Economic Slowdown affected growth of Indian Economy. In order to contain fiscal-deficit, the Government had to rationalize its Expenditure and took some austerity measures, which further affected aggregate demand in the economy. Investor and business confidence was low throughout the year.

The overall Commercial Vehicles segment registered de-growth of 2.02 percent in April-March 2013 as compared to the same period in 2011-12. While Medium & Heavy Commercial Vehicles (M&HCVs) declined by 23.18 percent, Light Commercial Vehicles grew at 14.04 percent. In March 2013, M&HCVs sales further declined by 26.16 percent over March 2012.

Financial-performance of the Company was affected by the uncertain macro-economic environment, coupled with high interest rates, stalled infrastructure projects etc.

Review of Operations

Operating Results of the Company

Auto Components

Comparative quantitative figures of Sales are as under:

(numbers)

Type	2012-13	2011-12	Growth
Power Steering	178,192	208,420	-14.5 %
Mechanical Steering	152,641	176,614	-13.6 %
Rack & Pinion	16,930	22,439	-24.5 %

Sales, in value terms, was down by 12%.

Renewable Energy –

Solar

The Members would recall that, in furtherance to the Company's commitment towards 'Green-Initiative', your Company had successfully commissioned 5 MW Solar Power Project at Gujarat Solar Park, Charnka Village, District Patan (Kutch) Gujarat, in last quarter of financial year 2011-12. Hence, financial year 2012-13 was the first year in which the Plant was operational for full year. The electricity generated is purchased by Gujarat Urja Vikas Nigam Limited (GUVNL), Government of Gujarat. The Plant generated 8.5 million Units of Electricity with sales-revenue of Rs. 95.30 million in the Financial Year 2012-13. The Board is pleased to report that your Company's Solar Project, ranks among top five Solar-projects in that park, in terms of power generation efficiency.

Wind Mills

Seven Wind Turbine Machines, owned and operated by the Company, located in districts of Satara and Ahmednagar, having aggregate capacity of 6.7 MW are mainly used for captive power consumption. Total 9.9 million units were generated in the financial year 2012-13. The Units used as captive consumption accounted for 80 % of the factory's consumption of power.

Other Income

Income received on financial-investments, held by the Company, was Rs. 103.3 million, higher compared to Rs. 51.5 million for the financial year 2011-12.

Finance

In order to lighten the pressure on the bottom-line, Term Loan availed for the Solar Project was prepaid during the financial year, after liquidating some of the financial investments of the Company.

Profitability

Profitability has been impacted, partly due to reduction in sales and partly due to higher depreciation-charge. The Company was successful in containing cost of raw-material and with the help of tight cost-control, impact on bottom-line has been minimized.

Consequently, Profit before Tax for the year was Rs. 490 million against Rs. 577 million (without considering Exceptional item) for the previous year.

Earnings Per Share is Rs. 28.25 for the year ended March 31, 2013.

Outlook/ Opportunities

Global and domestic recovery is anticipated. As per the World Bank as well as the IMF (International Monetary Fund), and as per the Finance Ministry of Government of India, India's GDP (Gross Domestic Product) is expected to improve to 6% and above in the Financial Year 2013-14. The announcement of investment allowance reintroduction is very positive. Focus on infrastructure is also a welcome move which will help growth of the economy. Automobile industry appreciates the Finance Minister's gesture of allocating double the funds under JNNURM scheme enabling substantial part for purchase of up to 10 thousand buses. This was very much needed for revival of Commercial Vehicles sector. Bottlenecks stalling road projects are being addressed and it is expected that road construction orders will be awarded, which should boost demand for commercial vehicles.

Meanwhile, The Reserve Bank of India (RBI) in its annual monetary policy for 2013-14 has cut the interest-rate by 25 basis points in an effort to push industrial growth and stimulate economy. This is the third rate-cut since January 2013. The Indian Automobile Industry, which is struggling with sluggish market due to high interests, welcomed RBI decision to cut lending rates, as this measure would boost the demand.

Global commodity prices have been showing a declining trend over the past few months. The trend if it were to continue augurs well for manufacturing sector as a whole. Increasing Urbanisation, opening-up of Indian markets for globalization, increase in purchasing power parity, instant availability of automobiles and easier loans are all positive factors for boosting demand in Automobile sector. India is emerging as a country having higher number of vehicles per one thousand persons in view of increasing domestic demand and purchasing power. Hence, outlook for the commercial vehicles remains strong in view of government focus on infrastructure development, new products and entry of more foreign players.

As far as Solar Power generation is concerned, price of solar-panels have come down drastically, which helps in lowering of project-cost, but at the same time purchase-price offered for electricity so generated is also lower.

Joint Venture

ZF Lenksysteme India Private Limited (Joint Venture with ZF Lenksysteme GmbH, Germany) (hereinafter 'JV Company')

The JV Company has set up a new manufacturing plant, situate at Village Phulgaon, Alandi-Markal Road, Dist. Pune, in order to establish its manufacturing operations in steering systems. The said plant was inaugurated on April 26, 2012.

The JV Company is yet to commence substantial business activity. Nevertheless, it has reported a sales turnover of Rs. 60.3 million during the financial year 2012-13.

In January, 2013, additional capital, by way of Rights issue, has been raised by the JV Company. Consequently, the paid-up capital of the JV Company now stands at Rs. 1508 million and your Company holds 26% of the total paid up capital of the JV Company. Total investment of the Company in the JV Company stands at Rs. 392.08 million. The Company, as per the

contractual obligations undertaken by the Company continues to support the JV Company and invested the additional equity capital in the JV Company.

Expansion and Capital Expenditure

Steering Gear Systems

The Company is in a process to gradually enhance its installed capacity of Power Steering Gears and Mechanical Steering Gears and modernize its plant at Vadu Budruk. The Company plans to further invest Rs. 500-600 million in coming years for this purpose.

Renewable Energy - Solar Power Project

The Company is exploring the avenues of further investments in the Solar Power by way of new project/ expanding capacity to the existing project.

Internal Control Systems

The Internal Control Systems of the Company is responsible for the financial reporting, assets, adherence to management policies and to conduct ethical conduct within the organization. The Company has independent Internal Auditors for conducting internal audits of the financial reporting and operations of the Company. The Company's existing system of internal controls is commensurate with its size and nature of business. Company's Internal control ensures reliable financial reporting, better utilization of Company's resources, effectiveness of operations, compliance with the legal obligations and proper implementation of policies and procedures.

The Company's Audit Committee also regularly reviews the financial management reports and data, and interacts with the External and Internal Auditors for ascertaining the adequacy of internal control systems.

Human Resource Development

The Company has been continuously training its employees in the newer technical/ management skills. Various steps have been taken for improving the performance of employees. During the year, 64 training programs (19 external and 45 internal) covering over 578 training man-days were covered. It is expected that the customized development programmes, suitable to individual employees, to continue for the next few years. The total number of employees as on March 31, 2013 was 903.

Industrial relations at the Company's Plant continued to be cordial and peaceful.

Cautionary statement

The above Management Discussion and Analysis is a forward looking Statement based on the Company's projections, estimates and perceptions. These statements reflect the Company's current views, with respect to the future events and are subject to risks and uncertainties. Actual results may vary materially from those projected here.

Fixed Deposits

Your Company has not accepted any fixed deposit.