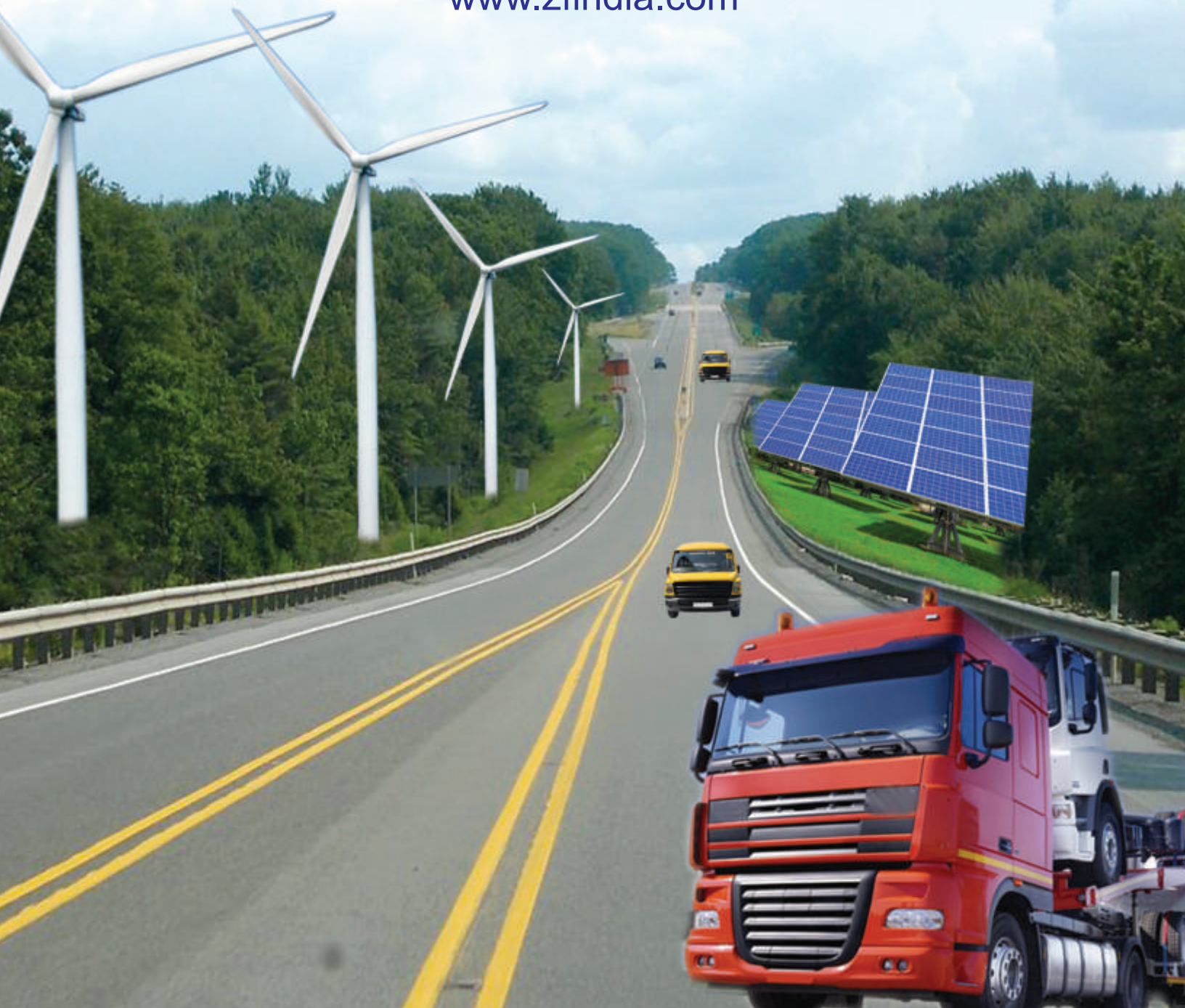




ZF STEERING GEAR (INDIA) LIMITED

www.zfindia.com



34th Annual Report
2013-2014

Steering Towards Future

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**Shri Utkarsh Munot, Executive Director of the Company,
receiving Felicitation from Shri Narendraji Modi**



Pioneers in Power Steering Gears in India

ZF Steering Gear (India) Ltd.

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

Mr. Ludwig Rapp

Mr. M. L. Rath

Mr. Shridhar S. Kalmadi

Mr. Ajinkya Arun Firodia

Mr. Carl Magnus Backlund

Mr. Jitendra A. Pandit

Mr. Klaus Traeder

(Alternate Director for Mr. Carl Magnus Backlund)

CHIEF FINANCIAL OFFICER (CFO)

Mr. Jinendra Jain

COMPANY SECRETARY

Mr. Satish Mehta

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.

Tel. : 02137 - 252223 Fax : 02137 - 252302

E-mail : enquiry@zfindia.com

Website : www.zfindia.com

SHARE TRANSFER AGENTS

M/s. Link Intime India Pvt. Ltd,

(Formerly Intime Spectrum Registry 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-Fourth Annual General Meeting** of the Members of **ZF STEERING GEAR (INDIA) LIMITED** will be held as scheduled below:

Day : Wednesday
 Date : July 30, 2014
 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 consider and adopt the Audited Financial Statement of the Company for the Financial Year ended March 31, 2014, the reports of the Board of Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Mr. Carl Magnus Backlund (DIN: 03573869), who retires by rotation and, being eligible, offers himself for re-appointment.
4. To re-appoint Messrs MGM & Company, Chartered Accountants (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 next Annual General Meeting of the Company and to authorize the Board of Directors of the Company to fix their remuneration.

SPECIAL BUSINESS:

5. To appoint Mr. Manish Motwani (DIN: 00394860) as an Independent Director and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:
"RESOLVED THAT, pursuant to the provisions of Section 149, 152 and other applicable provisions of the Companies Act, 2013, and the Rules made thereunder read with Schedule IV to the Companies Act, 2013. Mr. Manish Motwani (DIN: 00394860), Director of the Company who retires by rotation at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 signifying his intention to propose Mr. Manish Motwani as a candidate for the office of director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office up to March 31, 2019, not liable to retire by rotation."
6. To approve the remuneration of the Cost Auditors for the Financial Year ending March 31, 2015 and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:
"RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or

re-enactment thereof, for the time being in force), M/s. Joshi Apte & Associates, the Cost Auditors, appointed by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the financial year ending March 31, 2015, be paid the remuneration as set out in the Statement annexed to the Notice convening this Meeting."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all acts and take such steps as may be necessary, proper or expedient to give effect to this resolution."

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

Satish Mehta

Company Secretary

May 21, 2014

Registered Office:

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

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 102 of the Companies Act, 2013, 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) In compliance with the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014, the Company is pleased to offer e-Voting facility as an alternative mode of voting which will enable the Members to cast their votes electronically. Necessary arrangements have been made by the Company with Central Depository Services (India) Limited (CDSL) to facilitate e-voting. E-voting is optional and members shall have the option to vote either through e-voting or in person at the general meeting.

6) The instructions for members for voting electronically are as under:-

(A) In case of members receiving e-mail:

- i) If you are holding shares in Demat form and had logged on to www.evotingindia.com and casted your vote earlier for EVSN of any Company, then your existing login id and password are to be used.
 - ii) Log on to the e-voting website www.evotingindia.com.
 - iii) Click on "Shareholders" tab to cast your votes.
 - iv) Now, select the Electronic Voting Sequence Number - "EVSN" along with "COMPANY NAME" from the drop down menu and click on "SUBMIT"
- Demat Shareholder –
- USER ID- For NSDL: 8 Character DP ID followed by 8 Digits Client ID
- or CDSL: 16 digits beneficiary ID
- Physical shareholder - Folio Number registered with the Company
- v) Now, fill up the following details in the appropriate boxes:

PAN* Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department when prompted by the system while e-voting (applicable for both demat shareholders as well as physical shareholders)

DOB# Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.

DIVIDEND BANK DETAILS# Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.

* Members who have not updated their PAN with the Company/Depository Participant are requested to use the default number: ZFS0614 in the PAN field.

Please enter any one of the details in order to login.
 - vi) After entering these details appropriately, click on "SUBMIT" tab.
 - vii) Members holding shares in physical form will then reach directly the EVSN selection screen. However, members holding shares in demat form will now reach „Password Creation" menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character(@ # \$ % & *). Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Kindly note that this changed

password is to be also used by the Demat holders for voting for resolutions for the Company or any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform.

- viii) Click on the relevant EVSN on which you choose to vote.
 - ix) On the voting page, you will see Resolution Description and against the same the option "YES/NO" for voting. Select the option YES or NO as desired The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
 - x) Click on the "Resolutions File Link" if you wish to view the entire Resolutions.
 - xi) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
 - xii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (II) In case of members receiving the physical copy of Notice of AGM [for members whose e-mail IDs are not registered with the company/ depository participant(s) or requesting physical copy]:**
- (B) Please follow all steps from sl. no. (ii) to sl. no. (xii) above, to cast vote
 - (C) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves, link their account which they wish to vote on and then cast their vote. They should upload a scanned copy of the Board Resolution in PDF format in the system for the scrutinizer to verify the vote.
 - (D) The voting period begins on <Date and Time> and ends on <Date and Time>. During this period shareholders" of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of <Record Date>, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
 - (E) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com
 - 7) The Company has appointed Mr. Sridhar G Mudaliar, Practicing Company Secretary, as the Scrutinizer for conducting the e-voting process in fair and transparent manner.
 - 8) A copy of this notice has been placed on the website of the Company and the website of CDSL.

- 9) The Register of Members and Share Transfer Books of the Company will remain closed from July 23, 2014 to July 30, 2014 (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, 2014. 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, 2014 as per the details furnished by the depositories for this purpose.
- 10) 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.
- 11) 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.
- 12) 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.
- 13) Pursuant to provisions of Section 205A and 205C 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 2006-07 have been transferred to the Investor Education and Protection Fund of the Central Government. Unclaimed dividend for financial years 2007-08 and thereafter is still lying with the Company. Shareholders who have not yet en-cashed the dividend warrants for financial years 2007-08 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.
- 14) The Annual Report 2013-14 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 Ltd. (Bombay Stock Exchange) at www.bseindia.com
- 15) 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.

- 16) 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 34th Annual General Meeting.

Annexure to the Notice

Explanatory Statement pursuant to Section 102 (1) of the Companies Act, 2013.

As required by Section 102(1) of the Companies Act, 2013, in respect of the item of Special Business in this Notice.

Item No. 5

Mr. Manish Motwani is a Non-Executive (Independent) Director of the Company. He joined the Board of Directors in June 23, 1998. Mr. Manish Motwani retires by rotation at the ensuing Annual General Meeting under the provisions of the erstwhile Companies Act, 1956. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013, Mr. Manish Motwani being eligible and seeking re-appointment, is proposed to be appointed as an Independent Director for a term of five years.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from a member along with a deposit of Rs. 1,00,000/- proposing the candidature of Mr. Manish Motwani for the office of Independent Director, to be appointed as such under the provisions of Section 149 of the Companies Act, 2013.

The Company has received from Mr. Manish Motwani (i) consent in writing to act as director in Form DIR -2 Pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules 2014, (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules 2014, to the effect that he is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013, and (iii) a declaration to the effect that he meets the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013.

The resolution seeks the approval of members for the appointment of Mr. Manish Motwani as an Independent Director of the Company up to March 31, 2019 pursuant to Section 149 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder. He is not liable to retire by rotation.

In the opinion of the Board of Directors, Mr. Manish Motwani, the Independent Director proposed to be appointed, fulfils the conditions specified in the Act and the Rules made thereunder and he is independent of the Management. A copy of the draft-letter for the appointment of Mr. Manish Motwani as an Independent Director setting out the terms and conditions is available for inspection without any fee by the members at the Company's registered office during normal business hours on working days up to the date of the Annual General Meeting.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail the services of Mr. Manish Motwani as an Independent Director.

No director, key managerial personnel or their relatives, except Mr. Manish Motwani, to whom the resolution relates, is interested or concerned in the resolution.

The Board recommends the resolution set forth in Item No. 5 for the approval of the members.

Item No. 6

The Board, on the recommendation of the Audit Committee, has approved the appointment and remuneration of M/s. Joshi Apte & Associates, the Cost Auditors, to conduct the audit of the cost records of the Company for the Financial Year ending March 31, 2015 on a remuneration of Rs. 2,75,000/- (Two Lac Seventy Five Thousand) plus applicable Government Taxes plus Travelling and out of pocket expenses at actual.

In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the members of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No. 6 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending March 31, 2015.

None of the Directors/ Key Managerial Personnel of the Company/ their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 6 of the Notice.

The Board recommends the Ordinary Resolution set out at Item No. 6 of the Notice for approval by the members.

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

Satish Mehta
Company Secretary

May 21, 2014

Registered Office:

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

Profile of the Directors being appointed/ re-appointed as required under Clause 49 of the Listing Agreement entered into with the Stock Exchange.

Particulars	Mr. Manish Motwani	Mr. Carl Magnus Backlund
Date of Birth	02.10.1967	18th March, 1974
Date of Appointment	23rd June, 1998	27th July, 2011
Qualification	Master's Degree in Computer Engineering from University of Hawaii at Monoa. Bachelor of Engineering in Electronics and Communication from Osmania University Stanford Certificate in Engineering Management Science (EMS) from Stanford University.	Diploma in Mechanical Engineering from the Royal Technical University, Stockholm, Sweden. Business Administration from SUNY, Albany, NY.
Expertise in Specific Functional areas	He has worked with Intergraph Corp., USA & Sun Microsystems, USA. Currently, he is holding the position of Managing Director in Kinetic Communications Ltd. and JHS Taigene Electrical Co. Pvt. Ltd. He is associated with the Company since 1998.	He joined ZF Friedrichshafen AG in 1998 in the Commercial Vehicle and Special Driveline Technology Division and worked in different positions and plants in Europe. From 2008 until April 2011 he worked in the Corporate Development department of ZF Group. Since April 2011, he is Vice President Corporate Development and Strategy at ZF Lenksysteme GmbH.
Other Directorships held in India	Kinetic Communications Ltd. JHS Taigene Electrical Co. Pvt. Ltd. Jaya Hind Sciaky Ltd. Kinetic Hyundai Elevator & Movement. Kinetic Auto Parking Systems P Ltd. Chrysalis Castings P Ltd. Ducati Eenergia (I) Pvt. Ltd. Sitaram Real Estate Developers P Ltd. Kinetic FG Tecnopolo Engg. Services P. Ltd. Chrysalis Financial Services P Ltd.	ZF Lenksysteme India Pvt. Ltd.
Membership of Committees	Audit Committee Remuneration Committee	Nil
No. of Equity Shares held in the Company	Nil	Nil

Directors' Report

To the Members,

The Directors are pleased to present the 34th Annual Report and Audited Accounts for the year ended March 31, 2014.

Financial Results

(Rs. in Million)

	2013-2014	2012-13
Sales (net) and other Income	2984.3	3243.7
Profit before depreciation and tax	659.1	721.4
Depreciation	210.4	231.4
Provision for tax	307.7	233.8
Net Profit	141.0	256.2
Balance Brought Forward from		
Previous year	22.1	12.6
Amount available for appropriation	163.1	268.8
APPROPRIATIONS		
General Reserve	70.0	161.8
Proposed Dividend and Tax thereon	74.3	84.9
Balance Carried Forward	18.8	22.1
	163.1	268.8

Dividend

Your Directors are pleased to recommend a dividend of Rs. 7 per share for the year ended March 31, 2014.

Management Discussion and Analysis

Financial Year 2013-14 was yet another challenging year for the Indian economy. The investment scenario was weighed down due to many factors. The uncertain macro-economic environment affected the automobile industry, too. The data published by SIAM (Society of Indian Automobile Manufacturers) indicate that the total sales of Commercial Vehicles for 2013-14 were down by 19% compared to the year before. The Medium and Heavy Commercial Vehicles recorded 22% dip in sales. Gravity of the situation can be gauged from the fact that in the financial year 2012-13, too, Medium and Heavy Commercial Vehicles were in negative territory year-on-year by 26%. Hence, this is the second year in a row that Commercial Vehicles sales are down compared to their corresponding previous year.

The recent cut in excise-duty in the Interim Budget, despite being passed on to the customers, did little to lift sales of automobiles in the country. This shows that the economic slowdown and higher interest rates continue to weigh high on demand. Truck fleet owners have remained highly cautious in adding new fleet despite record discounts, minimum margin money on the back of weak economic indicators, lower GDP and uncertain investment climate. Commercial Vehicle sector was also hurt due to lack of mining activities and stalled infrastructure projects. There has

been no respite from high inflation, rising fuel price and the unfavourable interest-rate regime that is dampening customer interest in a weak economy.

Keeping the above challenging economic conditions in perspective, sales-performance of Power Steering can be termed as satisfactory. Sales-performance of Mechanical Steering was impressive in view of growth in Tractor numbers, thanks to good monsoon. Throughout the year, due to weak rupee, landed cost of Rack & Pinion Power Steering became higher, thereby losing its price-competitiveness and sales numbers.

Review of Operations

Operating Results of the Company

Auto Components

Comparative quantitative figures of Sales are as under:

(numbers)

Type	2013-14	2012-13	Growth
Power Steering	162,437	178,192	-8.84%
Mechanical Steering	185,676	152,641	21.64%
Rack & Pinion Power Steering for Car	3,019	16,930	-82.17%

Sales, in value terms, was down by 8.42%.

Renewable Energy –

Solar

Financial Year 2013-14 was the second year of full year operations for your Company's 5 MW Solar Power Project at Gujarat Solar Park, Charnka Village, District Patan (Kutch) Gujarat. As you may be aware, the electricity generated is purchased by Gujarat Urja Vikas Nigam Limited (GUVNL), Government of Gujarat. The Plant generated 8.50 million Units of Electricity with sales-revenue of Rs. 95.11 million in the Financial Year 2013-14.

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 9.72 million units were generated in the financial year 2013-14. The 8.67 million Units used as captive consumption almost accounted for entire consumption of power of the Company's factory. The Company also sold 1.04 million units to Maharashtra Electricity Board with revenue of Rs.2.62 Million.

Other Income

Income received on financial-investments, held by the Company, was Rs. 59.6 million, lower compared to Rs. 103.3 million for the financial year 2012-13, in view of lackluster financial markets for major part of the year. It should also be noted that more than 50% of the Investment portfolio is allocated as the Company's contribution in the Joint-Venture Company, which is yet to yield any returns.

Finance

Finance cost was Rs. 6.9 million against Rs. 36.4 million, as the Company had prepaid the Term Loan availed for the Solar Project by the end of financial year 2012-13.

Profitability

Profit before Tax (PBT) for the year was Rs. 449 million against Rs. 490 million in the preceding year, mainly due to dip in Other Income. Despite drop in Sales by 8% and Other Income (from Investments) down by almost 42%, PBT has been impacted only by 9%, due to strict cost-cutting and austerity measures undertaken at all fronts.

Earnings Per Share is Rs.15.55 for the year ended March 31, 2014.

Outlook/ Opportunities

We expect demand outlook to continue to remain weak for Commercial Vehicles, primarily due to the uncertain macro-economic environment. In the long run though, expected easing of interest rates, following expected tapering of inflation, will revive demand and would be the key driver for volume growth. While the near term environment continues to remain challenging for the automotive sector, we believe the long-term structural growth drivers for the industry, such as GDP growth (leading to increasing affluence of rural and urban consumers), favorable demographics, low penetration levels, entry of global players and easy availability of finance, remain intact.

A new category of four-wheelers, 'Quadricycle' (alternative to auto rickshaw) will be allowed to ply in cities across the country, from October 2014. Notification to this effect has been issued by the Government. You will be pleased to know that your Company's Research and Development team has successfully developed a Rack and Pinion manual steering gear for the Quadricycle, which has been approved by the leading prospective Quadricycle- Manufacturer.

Joint Venture (JV)

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

After the incorporation in the year 2007 and FIPB (Foreign Investment Promotion Board)'s approval, the JV Company set up an Assembly and manufacture of Steering Gears for Commercial Vehicles, situate at Village Phulgaon, Alandi-Markal Road, Dist. Pune. The said plant was inaugurated on April 26, 2012. They have recently set-up an assembly-line for manufacture of Electronic Power Steering Systems for Passenger Cars.

The JV Company has reported a turnover of Rs. 184 million and incurred a loss of Rs. 479 million for Financial Year 2013-14. The said Company has incurred heavy capital expenditure and other expenses. The JV Company is in a process to acquire License and Know-how from ZF Lenksysteme, GmbH.

In the financial year under review, 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. 2145 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. 557.7 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. The JV Company plans to further raise additional capital, by way of Rights issue, in the current financial year.

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, mainly from internal accruals.

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 System

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 the Company 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, training programs (17 external and 11 internal) covering over 375.5 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, 2014 was 949.

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

Cautionary statement

The above Management Discussion and Analysis Report 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 from public.

Conservation of Energy, Research And Development, Technology Absorption And Innovation, Foreign Exchange Earnings And Outgo

The details as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure II to this Report.

Transfer to Investor Education and Protection Fund

The Company has transferred a sum of Rs. 385,762/- during the year ended March 31, 2014 to the Investor Education and Protection Fund (IEPF) established by the Central Government, in compliance with Section 205C of the Companies Act, 1956. The said amount represents unclaimed dividend lying with the Company for a period of 7 years from its date of payment.

Unclaimed Dividend for the Financial Year 2007-08 is due for transfer to the IEPF on August 28, 2015.

Directors

Dr. Hans Friedrich Collenberg relinquished his office as Director of the Company with effect from June 30, 2013. Dr. Dinesh Bothra resigned as Director of the Company with effect from August 19, 2013. The Board places on record its appreciation for the services rendered by Dr. Collenberg and Dr. Bothra.

At the 34th Annual General Meeting, Mr. Carl Magnus Backlund retires by rotation and being eligible, offers himself for re-appointment.

The Companies Act, 2013 provides for appointment of independent directors. Sub-section (10) of Section 149 of the Companies Act, 2013 (effective April 1, 2014) provides that independent directors shall hold office for a term of up to five consecutive years on the Board of a company.

All our non-executive (independent) directors were appointed as directors liable to retire by rotation under the provisions of the erstwhile Companies Act, 1956. The Board of Directors has been advised that non-executive (independent) directors so appointed would continue to serve the term that was ascertained at the time of appointment as per the resolutions pursuant to which they were appointed. Therefore, only Mr. Manish Motwani, non-executive (independent) director, who will complete his present term at the ensuing Annual General Meeting of the Company in July 2014, being eligible and seeking re-appointment, be considered by the shareholders for re-appointment for a term of up to five consecutive years. Other Non-executive (independence) directors, who do not complete their term at the ensuing Annual General Meeting, will continue to hold office till the expiry of their term (based on retirement period calculation) and thereafter would be eligible for re-appointment for a fixed term in accordance with the Companies Act, 2013.

Profile of Mr. Backlund and Mr. Motwani, as required by Clause 49 of the Listing Agreement is provided in the Notice convening the Annual General Meeting.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- i) That in the preparation of the accounts for the financial year ended March 31, 2014 the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- ii) That the Directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2014 and of the profit of the Company for the year ended on that date.
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) That the Directors have prepared the accounts on a 'going concern' basis.

Corporate Governance Report

Pursuant to Clause 49 of the listing agreement, a detailed report on Corporate Governance is given in Annexure - III along with the Auditors' Certificate on its compliance, which forms part of this report.

Auditors

M/s. MGM and Company, Chartered Accountants, retire as Statutory Auditors of the Company at the ensuing Annual General Meeting and offer themselves for re-appointment. A Certificate from them has been received to the effect that their re-appointment as Statutory Auditors of the Company, if made, would be within the limits prescribed under Section 139 of the Companies Act, 2013.

Cost Auditors

The Board of Directors have appointed M/s Joshi Apte & Associates, Cost Accountants, for conducting the Statutory audit of the cost accounting records of the Company, for the financial year 2014-15. Cost Audit Report for the financial year 2013-14 will be filed within the prescribed time-limit.

Particulars of Employees

Information as required under Section 217(2A) of the Companies Act, 1956 and the Rules framed there under is attached as Annexure I.

Acknowledgement

The Board of Directors takes this opportunity to express their appreciation for the assistance and co-operation received from Banks, Government Authorities, Customers, Suppliers, Members, Collaborators and other Business Associates.

The Board also acknowledges the understanding and support shown by all its employees.

For and on behalf of the Board of Directors

Pune
May 21, 2014

Dinesh Munot
Chairman & Managing Director