

**BOARD OF DIRECTORS**
**CHAIRMAN**

Sunil Kant Munjal

**MANAGING DIRECTOR**

Neeraj Munjal

**DIRECTORS**

Satyanand Munjal  
 Brijmohan Lall Munjal  
 Om Prakash Munjal  
 Bhagwan Dass Narang  
 Surrinder Lal Kapur  
 Vinayshil Gautam  
 Anil Kumar Gupta

**FINANCE TEAM**

Davendra Ujlayan	AVP-Finance & Company Secretary
Sanjeev Chaba	DGM-Finance & Accounts

**AUDITORS**

S.S. Kothari Mehta & Co.  
 Chartered Accountants  
 146-149, Tribhvan Complex,  
 Ishwar Nagar, Mathura Road,  
 New Delhi-110065

**BANKERS**

HSBC Limited  
 IDBI Limited  
 ICICI Bank Limited  
 Punjab National Bank  
 AXIS Bank Ltd.

**REGISTERED OFFICE**

303, 3rd Floor, Square One,  
 C-2, District Centre, Saket,  
 New Delhi-110 017

**GURGAON PLANT**

58th Km. Stone  
 Delhi-Jaipur Highway  
 Village: Binola-122 413  
 Dist. : Gurgaon (Haryana)

**HARIDWAR PLANT**

Plot No. 3, Industrial Park-II, Phase-1,  
 Village Salempur Mehdoon,  
 Distt. Haridwar (Uttarakhand)-249402

**SHARE TRANSFER AGENTS**

MCS Limited  
 F-65, First Floor,  
 Okhla Industrial Area, Phase I,  
 New Delhi-110 020

**CONTENTS**

Notice	2
Explanatory Statement	3
Directors' Report	6
Management Discussion & Analysis Report (Annexure 'B' to Directors Report)	9
Corporate Governance Report (Annexure 'B' to Directors' Report)	10
Annexure 'C' to Directors' Report	21
Annexure 'D' to Directors' Report	21
Auditors' Report	22
Balance Sheet	26
Profit & Loss Account	27
Cash Flow Statement	28
Schedules	29
Notes on Accounts	33
Balance Sheet Abstract & General Business Profile	45

## NOTICE

Notice is hereby given that the 6<sup>th</sup> Annual General Meeting of the Members of **SHIVAM AUTOTECH LIMITED** will be held on Friday, the 30<sup>th</sup> day of September, 2011 at 11.00 A.M. at Tivoli Garden Resort, Near Chattarpur Mandir, Chattarpur Road, New Delhi-110030, to transact the following business:

### [A] ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2011 and Profit & Loss Account for the year ended on that date along with the Report of the Directors and the Auditors thereon.
2. To declare dividend to the equity shareholders for the year ended March 31, 2011.
3. To appoint a Director in place of Mr. Bhagwan Dass Narang, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Anil Kumar Gupta who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s S.S. Kothari Mehta & Co., Chartered Accountants, New Delhi, the retiring auditors to hold office as auditors from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorize the Audit Committee to fix their remuneration.

### [B] SPECIAL BUSINESS

6. 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 recommendation of the Remuneration Committee and in accordance with the provisions of sections 198, 269, 309, 310, 311 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force, subject to such approvals as may be necessary, Mr. Neeraj Munjal be and is hereby re-appointed as Managing Director of the Company for a period of five years with effect from April 01, 2011 on the terms, conditions as set out in the Draft Agreement including Remuneration as approved by the Remuneration Committee and also set out in the Explanatory Statement annexed to the Notice convening this meeting.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to do

all such acts, deeds and things as are incidental thereto or as may be deemed necessary or desirable or to settle any question or difficulty that may arise, in such manner as it may deem fit without further reference to the Company in General Meeting."

By Order of the Board of Directors  
FOR **SHIVAM AUTOTECH LIMITED**

DAVENDRA UJLAYAN  
AVP - FINANCE &  
COMPANY SECRETARY

Place: New Delhi  
Date: 8<sup>th</sup> August, 2011

### Registered Office:

303, 3<sup>rd</sup> Floor, Square One,  
C-2, District Centre, Saket,  
New Delhi – 110 017

### 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. A PROXY NEED NOT BE A MEMBER.**
2. In order to be valid, proxies duly stamped, should be lodged with Company at its Registered Office not later than forty eight hours before the commencement of the Annual General Meeting.
3. For the convenience of the Members, attendance slip is enclosed elsewhere in the Annual Report. Members / proxies should bring duly filled Attendance Slips sent herewith to attend the meeting along with their copies of the Annual Report.
4. Corporate Members are requested to send a duly certified copy of the Board Resolution, pursuant to Section 187 of the Companies Act, 1956, authorising their representatives to attend and vote at the Annual General Meeting.
5. As required under the provisions of Clause 49(IV) of the Listing Agreement, particulars relating to Mr. Bhagwan Dass Narang and Mr. Anil Kumar Gupta, Directors retiring by rotation and whose re-appointments are being proposed at the forthcoming Annual General Meeting, are enclosed in the Appendix to this Notice.

6. Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956, which sets out details relating to Special Business to be transacted at the meeting, is annexed hereto.
7. Pursuant to Section 154 of the Companies Act, 1956, the Register of Members and Share Transfer Books of the Company will remain closed from Friday, September 23, 2011, to Friday, September 30, 2011 (both days inclusive).
8. In accordance with SEBI's directions vide their Circular No. DCC/FITT/Cir-3/2001 dated October 15, 2001, arrangements have been made to credit your dividend amount directly to bank account of members through the Electronic Clearing Service (ECS).

In case of holding in physical form, please furnish your bank details in the ECS Mandate Form enclosed separately and return to our Registrars, MCS Limited on or before 22<sup>nd</sup> September 2011. The said details in respect of the shares held in electronic form should be sent to your respective Depository Participant and not to the Registrar as the Registrar is obliged to use only the data provided by the Depository while making payment of dividend.

9. The dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid at par after 30<sup>th</sup> September 2011 to (i) those shareholders whose names appear on the Company's Register of Members after giving effect to all valid share transfers in physical form lodged with the Company on or before 22<sup>nd</sup> September 2011; (ii) in respect of shares held in electronic form to those beneficiaries whose names appear in the statements of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) as at the end of business hours on 22<sup>nd</sup> September 2011.
10. As per Section 53 of the Companies Act, 1956, which provides for service of documents under "certificate of posting" as one of the accepted mode of service, whereas the Department of Posts has recently discontinued the postal facility under "certificate of posting" vide their letter dated February 23, 2011. The Information Technology Act, 2000 also permits service of documents, etc., in electronic mode. Keeping this in view the Ministry of Corporate Affairs vide their circular no. 17/2011 dated April 21, 2011 clarified that a Company would have complied with Section 53 of the Companies Act, 1956, if the service of documents has been made through electronic mode provided the Company has obtained email addresses of its members for sending the notice/ documents through email by giving an advance

opportunity to every shareholders to register their email address and changes therein from time to time with the Company.

In view of the above, the Company requests all its shareholders to kindly provide their email addresses along with client ID/Folio no. and number of shares as reference to the following email addresses with subject as "Shivam Autotech Limited – Member Email ID" at:

admin@mcsdel.com

11. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions in writing to the Company Secretary at least seven days before the date of the Meeting, so that the information required may be made available at the meeting.

#### **ANNEXURE TO NOTICE**

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

##### **ITEM NO. 6**

The present proposal is to seek the Members' approval for the re-appointment of and remuneration payable to Mr. Neeraj Munjal, Managing Director, in terms of the applicable provisions of the Companies Act, 1956.

The Board of Directors of the Company (the 'Board'), at its meeting held on 12<sup>th</sup> February, 2011 has, subject to the approval of Members, re-appointed Mr. Neeraj Munjal as Managing Director for a further period of 5 years w.e.f. 1<sup>st</sup> April, 2011 on the recommendation of the Remuneration Committee made at its meeting held on 12<sup>th</sup> February, 2011.

Broad particulars of the terms of re-appointment of and remuneration payable to Mr. Neeraj Munjal are as under:

- A) Basic Salary:** Rs. 400,000/- (Rupees Four Lakhs only) per month.
- B) Commission:** He will also be entitled by way of commission in addition to Basic Salary, Perquisites and any other Allowances, benefits or amenities subject to the condition that the amount of commission shall not exceed 2.00% of the Net Profit of the Company in a particular financial year as computed in the manner referred to in Section 198 of the Companies Act, 1956, restricted to maximum of Rs.50 Lacs.
- C) Perquisites and Allowances:** In addition to the above Basic Salary and Commission, he shall be entitled to the following monthly perquisites and allowances:

**a) Allowances**

S.No	Particulars	% of Basic Salary
i.	House Rent Allowance	68.5%
ii.	Electricity Allowance	10%
iii.	Furnishing Allowance	5%
iv.	Professional Development Allowance	10%
v.	Child Education Allowance	5%
vi.	Medical Reimbursement Allowance	10%

**b) Perquisites:** The Managing Director shall also be entitled to the following perquisites:

- i. **Club Fees:** Reimbursement of Actual Fees of Clubs.
- ii. **Personal Accident Insurance:** Actual premium to be paid by the Company.
- iii. **Insurance of Household goods:** Actual premium to be paid by the Company.
- iv. **Car:** Facility of cars with drivers to be used for the business of the Company shall not be included in the computation of the ceiling of perquisites.
- v. **Telephone:** Free telephone facility at residence including Mobile Phone to be used for the business of the Company shall not be included in the computation of the ceiling of perquisites.
- vi. **Leave:** One month's leave with full salary for every 11 months of service subject to the condition that leave accumulated but not availed will be encashed.
- vii. **Reimbursement of expenses:** Reimbursement of entertainment, travelling, hotel and other expenses actually and properly incurred by him in India and abroad for the business of the Company.
- viii. **Contribution to Provident Fund, Super Annuation or Annuity Fund etc.:** Company's Contribution to Provident Fund, Super Annuation or Annuity Fund etc. will be as per policy/rules of the Company to the extent these either singly or put together are not taxable under the Income Tax Act.
- ix. **Gratuity:** Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

x. **Leave Travel Concession:** For the Managing Director and his family once in a year incurred in accordance with the policy/rules of the Company.

xi. **Spouse Traveling Expenses:** Such traveling expenses of the spouse as may be required in connection with the business of the Company.

xii. **Other allowances:** As may be applicable from time to time as per policy/rules of the Company.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated at actual cost.

For the aforesaid purpose "Family" means the dependent children and dependent parents of the Managing Director.

D. **Minimum Remuneration:** In any financial year during the currency of tenure of the Managing Director, the Company has no profits or its profits are inadequate, the minimum remuneration payable to the Managing Director shall be substantive salary and perquisites as above mentioned, subject to the ceiling set out under Section II of Part II of Schedule XIII to the Companies Act, 1956.

Provided further that the following perquisites which are also allowed to the Managing Director shall not be included in the computation of ceiling as specified in (D) above:

(i) Contribution to Provident Fund, Super Annuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under Income Tax Act, 1961; and

Gratuity payable at a rate not exceeding half month's salary for each completed year of service.

None of the directors, except Mr. Neeraj Munjal and Mr. Satyanand Munjal, being relative of Mr. Neeraj Munjal, may be deemed to be concerned / interested in this Resolution.

The resolution is accordingly recommended for the approval of the Members.

**THE ABOVE MAY ALSO BE TREATED AS AN ABSTRACT OF TERMS OF APPOINTMENT AND MEMORANDUM OF INTEREST UNDER SECTION 302 OF THE COMPANIES ACT, 1956.**

**INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING**

**(PURSUANT TO CLAUSE 49 (IV) OF THE LISTING AGREEMENT)**

<b>Name of Director</b>	<b>Mr. Bhagwan Dass Narang</b>	<b>Mr. Anil Kumar Gupta</b>
<b>Date of Birth</b>	12.04.1945	02.04.1951
<b>Date of Appointment</b>	20.09.2006	28.04.2009
<b>Qualifications</b>	Post Graduate in Agriculture Economics	Doctrate in Engineering from University of Delhi.
<b>Expertise in specific functional areas</b>	35 years of experience in banking industry. He held the coveted position of Chairman & Managing Director of Oriental Bank of Commerce.	Expertise in the field of mechanical / metallurgy engineering.
<b>List of Companies in which outside Directorship held*</b>	<ol style="list-style-type: none"> <li>1. Lakshmi Precision Screws Ltd.</li> <li>2. IST Steel &amp; Power Ltd.</li> <li>3. Dish TV India Ltd.</li> <li>4. Jubilee Hill Landmark Projects Ltd</li> <li>5. Revathi Equipment Ltd.</li> <li>6. Afcon Infrastructure Ltd.</li> <li>7. Vatech Wabag Ltd.</li> <li>8. Amarujala Publications Ltd.</li> <li>9. Karvy Stock Broking Ltd.</li> <li>10. DSE Financial Services Ltd.</li> <li>11. Fairdeal Supplies Ltd.</li> </ol>	<ol style="list-style-type: none"> <li>1. Director, Advanced Materials &amp; Process Research Institute, Bhopal.</li> </ol>
<b>Chairman/Member of Committees of Board of Directors of other companies of which he is a Director**</b>	NIL	NIL
<b>No. of Shares held</b>	NIL	NIL

\* Excluding private limited companies

\*\* Only Audit Committee & Shareholders Grievance Committee considered

By Order of the Board of Directors  
FOR **SHIVAM AUTOTECH LIMITED**

DAVENDRA UJLAYAN  
**AVP - FINANCE &  
COMPANY SECRETARY**

New Delhi  
Date: 8<sup>th</sup> August, 2011

**Registered Office:**  
303, 3<sup>rd</sup> Floor, Square One  
C-2, District Centre, Saket,  
New Delhi – 110 017

## DIRECTORS` REPORT

### Dear Shareholders,

Your Directors have pleasure in presenting their 6<sup>th</sup> Annual Report and the Audited Statement of Accounts for the financial year ended March 31, 2011.

### FINANCIAL RESULTS

The summarized financial results of the Company for the year ended March 31, 2011 are presented below:

### BUSINESS PROSPECTS

With the stabilizing of operations at its Haridwar plant, the company expects substantial growth in its top line and bottom line during the on going financial year 2011-12. The company's efforts in adding new customers and increased business from its existing customers has started yielding results. Hero Honda Motors Limited (HHML), the main customer of the company and the world No. 1 two wheeler

(Rs. In Lacs)

Particulars	2010-11	2009-10
Gross Sales & Other Income	27,913.42	20,722.57
<b>Profit before Depreciation and Interest</b>	<b>6,137.03</b>	<b>4,647.75</b>
Depreciation	2,365.44	1,865.93
Interest	2,083.05	1,676.70
<b>Profit before Taxation</b>	<b>1,688.54</b>	<b>1,105.12</b>
Provision for Taxation (Deferred & Current)	210.79	(50.26)
<b>Profit after Taxation</b>	<b>1,477.75</b>	<b>1,155.38</b>
Profit available for appropriations	1,477.75	1,155.38
<b>Appropriations</b>		
Amount transferred to General Reserve	300.00	300.00
Proposed Dividend on Equity Shares	250.00	150.00
Tax on Dividend	40.56	24.91
Profit after Appropriations	887.19	680.47

### PERFORMANCE

The rising commodity prices, inflation & high interest rates was a concern and did impact the business, but we remained committed to bringing in new processes and technological improvements to keep the impact to minimal, thus maintaining the earnings at a healthy level.

The total income of the company increased by 34.70% from Rs.20,722.57 Lacs in 2009-10 to Rs.27,913.42 Lacs in 2010-11. Operating profit (PBDIT) of the company increased by 32.04% from Rs.4,647.75 Lacs in 2009-10 to Rs.6,137.03 Lacs in 2010-11.

The overall performance of the company can be termed as satisfactory.

### DIVIDEND

The Board of Directors of the Company recommend, for consideration of shareholders at the 6<sup>th</sup> Annual General Meeting, payment of dividend of 25% (Re.2.50 per share) on equity shares of the face value of Re.10/- each for the year ended March 31, 2011. The dividend paid during the previous year was 15%.

manufacturer for 10 consecutive years, continues to maintain its leadership position in the two wheeler industry, and has achieved a growth of 17.44% in the year 2010-11 by selling 54,02,444 two wheelers.

### CORPORATE GOVERNANCE

The Company has vigorously striven to follow the best corporate governance practices aimed at building trust among the key stakeholders, shareholders, employees, customers, suppliers and other stakeholders on four key elements of corporate governance – transparency, fairness, disclosure and accountability.

Separate detailed chapters on Corporate Governance, Additional Shareholder information and Management Discussion and Analysis are attached herewith and form part of this Report. All the board members and senior managerial personnel have affirmed compliance with the code of conduct for the F.Y. 2010-11.

A certificate from the Practising Company Secretary regarding the compliance of the conditions of Corporate Governance by the Company stipulated under Clause 49 of the Listing Agreement is also attached to this Report.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, as amended, with respect to the directors' responsibility statement, it is hereby confirmed:

- (i) That in preparation of accounts for the financial year ended March 31, 2011, the applicable accounting standards have been followed along with proper explanation relating to the material departures;
- (ii) That the directors' of the company have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 and of the profits of the Company for the year ended March 31, 2011;
- (iii) That the directors' of the company 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' of the company have prepared the accounts of the company for the financial year ended March 31, 2011 on a going concern basis.

## **FIXED DEPOSITS**

During the year, the Company has not accepted any deposit under Section 58A and Section 58AA of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975.

## **FINANCE**

The company has met with its working capital requirement from a mix of internal accruals and availing cash credit facilities from its Bankers during the year. The capital expansion undertaken during the year at both the Gurgaon and Haridwar Plant have been financed from internal accruals and term loans from the Banks. The working capital and the term loans are tied to the base rate of the Banks.

## **DIRECTORS**

Pursuant to Section 256 of the Companies Act, 1956 and Articles of Association of the Company, Mr. Bhagwan Dass Narang and Mr. Anil Kumar Gupta retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

The re-appointments form part of the Notice of the sixth Annual General Meeting and the relevant Resolutions are recommended for your approval.

Profiles of these Directors, as required by the Listing Agreement provisions, are given in the Notice / Corporate Governance Report forming part of this Annual Report.

Mr. Vijay Munjal has resigned from the directorship of the company with effect from 28<sup>th</sup> May, 2011. The Board records its appreciation for the services rendered by Mr. Vijay Munjal as Director of the company.

## **INTERNAL CONTROL SYSTEMS**

The Company has in place a proper, efficient & adequate system of internal control. This ensures that all assets of the company are safeguarded and protected against loss from unauthorized use or disposition and the transactions are authorized, recorded and reported correctly.

An extensive programme of internal audit supplements the process of internal control. The internal control system has been designed so as to ensure that the financial and other records of the company are reliable for preparing the financial and other statements and for maintaining accountability of assets of the Company.

## **AUDITORS AND AUDITORS' REPORT**

M/s. S.S. Kothari Mehta & Co., Chartered Accountants, existing Statutory Auditors' will retire at the conclusion of the ensuing Annual General Meeting and seek re-appointment as Statutory Auditors of the Company at the ensuing Annual General Meeting.

The company has received certificate from M/s. S.S. Kothari Mehta. & Co. to the effect that their appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

The Board of Directors recommends to the shareholders the appointment of M/s. S.S. Kothari Mehta & Co. as Statutory Auditors of the Company.

The observations and comments given in the report of the Auditors read together with notes to the accounts are self explanatory. *The observation of the Auditors in the Audit Report under point no. 17 of the Annexure to the Auditors Report about deployment of some of the funds raised on short term basis as long term investments.* These investments have been made in the fixed assets and the company is in the process of arranging suitable long term funds to replace these short term funds.

## **COST AUDIT**

The Directors have appointed M/s Gurdeep Singh & Associates, Cost Accountants, as Cost Auditors to audit the accounts relating to "Engineering Industries" for the year ending 31<sup>st</sup> March 2012.

## **ENVIRONMENT, HEALTH & SAFETY**

Your company continues to give priority in the field of Safety, Health and Environment. Considering the emerging need of addressing the climate change initiatives your company has taken a two step process in the organization viz. a) Awareness across its stakeholders including its community; b) Process improvements by introducing energy efficient operations. Your company takes efforts to minimize generation of waste for the protection of the environment. Efforts are also made to minimize generation of liquid effluent and save precious natural resources like water.

The company gives priority to the health and safety of its employees. The following activities are implemented continually:-

- Imparting basic safety training to all the employees.
- Work place inspections by Senior Executives and Managers at all levels.
- Reduce waste generation and improve environment management by collection, treatment and disposal of all waste in an environment friendly manner.
- Waste water management and recycling and recharging the ground water.
- Development of green cover by tree plantation across premises and factory.
- Audit by outside agencies regularly to address any inadequacies in the system.

Your company also continues to be a constituent of a very important and responsible initiative of Hero Honda Motors Limited toward the commitment to environment, viz.

## **GREEN SUPPLY-CHAIN MANAGEMENT PROGRAMME.**

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

Information required under Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given as per Annexure – ‘D’ and forms an integral part of this Report.

## **PARTICULARS OF EMPLOYEES**

As required under the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the Annexure – ‘C’ included in this report.

## **HUMAN RESOURCE DEVELOPMENT**

Our Associates are our most valued assets and we shall continue to invest in enhancing their skill set as we strongly believe that a highly engaged, inspired and disciplined workforce will bring the best results and help us reach our objectives.

The employer-employee relations throughout the year remained cordial. Measures for training, development, safety of the employees and environmental awareness received the top priority of the Management.

The company has in place well-established Performance Management Systems and the Talent Review Mechanisms for providing due recognition to the performance of the employees and rewarding them suitably. Training needs are identified with two pronged approach. Firstly, a structured questionnaire indicating the key result areas of various key functions is circulated among employees to seek training needs of individuals. Secondly, a committee consisting of Heads of Departments examines the individual needs in terms of competencies and the gaps thereof. After a detailed discussion with key functionaries of various departments, individual training needs are determined after verification of the same with their Annual Appraisal Reports.

An effective work culture has been established in the organization through empowerment, transparency, decentralization, practice of participative management, etc.

## **ACKNOWLEDGMENTS**

The Directors express their appreciation for the sincere co-operation and assistance of Central and State Government Authorities, Bankers, Customers, Suppliers and Business Associates. Your Directors also wish to place on record their deep sense of appreciation for the committed services by your Company’s employees. Your Directors acknowledge with gratitude the encouragement and support extended by our valued shareholders.

For and on behalf of the Board

**NEERAJ MUNJAL**  
**MANAGING DIRECTOR**

**SURINDER LAL KAPUR**  
**DIRECTOR**

Place: New Delhi  
Date: August 08, 2011

# ANNEXURE 'A' TO DIRECTORS' REPORT

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

At macroeconomic level, the Indian economy has been experiencing strong growth. The strong economy, coupled with improving consumer confidence and a good monsoon, helped spark strong demand for vehicles. Growth is expected to accelerate to 9% p.a. in the next 2-3 years, driven by surge in domestic demand and improving exports.

### INDUSTRY STRUCTURE AND DEVELOPMENT

A robust economic development and the fast growing demand for vehicles in India are propelling the auto component industry as well. Driven by global competition and the recent shift in focus of global automobile manufacturers, business rules are changing and liberalization has had sweeping ramifications for the industry. The global auto components industry is estimated at USD 1.2 trillion. Today, global auto makers and Tier I auto component producers have no alternative but to outsource systems and components to low-cost countries such as India, Thailand and China in order to cut costs and become competitive. India is well positioned to leverage this opportunity, particularly in complex and high precision components, for which the industry can offer end to end services from design to manufacturing.

Till the 1990s, the auto component industry was solely dependent on the domestic automobile industry to drive the demand for ancillary products. This composition of the market however is undergoing radical changes with global outsourcing gaining momentum. In recent times, exports has emerged as a significant driver of growth, and the demand emanating from global OEMs and Tier I manufacturers has opened new opportunities for the auto component industry in India. At the same time, a bright outlook for the domestic automobile industry also offers significant growth potential, given the fast rising income levels with a rapidly growing middle and high income consumers.

The industry is transforming, and the boost in demand will see the emergence of several new players in the industry. The vast market for auto components, and the diverse products and technology involved ensures a place and role for many. At the same time, the entry of several global automobile manufacturers will bring in more regulation into the industry and see a pruning of the spurious market. Among the smaller players in the unorganized segment, this implies moving away from being standalone companies, to entering into either contract manufacturing or being ancillary units. The newly defined rules are specialization, development and delivery that hold the key to success in the auto component industry.

### OPPORTUNITIES, CHALLENGES, RISK & CONCERN

The Auto Component Manufacturers Association (ACMA) vision 2020 delineates that the auto component sector has the potential to grow fourfold from the current levels of USD 26 Billion to over USD 110 Billion by the year 2020. Of this the turnover from the domestic market would be around USD 80 Billion and an export potential of around USD 30 Billion. The auto component

industry in India in fiscal 2009-10 recorded a turnover of USD 22 Billion and is expected to grow by about 25%.

While the industry appears to be growing at a healthy rate, fast rising imports especially from China and the rapidly increasing costs due to infrastructure deficiencies are significantly denting the competitiveness of the industry. Profit margins of the industry continue to remain under pressure, mainly due to rising input costs and ever rising interest costs.

It is critical to mention that in order to achieve the growth envisaged in the vision 2020, as also to stay competitive, challenges of access to capital and technology, availability of skilled manpower, rapidly increasing inflation, high interest rates and lack of proper infrastructure, including power, need to be addressed immediately.

To meet these targets, the auto component industry would require an average investment of USD 3.5 Billion per annum, totaling USD 38 Billion of additional investment by 2020. Currently the investment stands at USD 9 Billion.

### OUTLOOK

The Indian auto component industry is one of the few sectors in the economy that has a distinct global advantage in terms of cost and quality. The value in sourcing auto components from India includes low labour cost, raw material availability, technically skilled manpower and quality assurance. An average cost reduction of nearly 25-30% has attracted several global automobile manufacturers to set base in India. India's process engineering skills, applied to re-designing of production processes, have enabled reduction in manufacturing costs of components. Today, India has become the outsourcing hub for several global automobile manufacturers.

The company's main customer Hero Honda Motors Limited continues to be the market leader and has grown by 17.44% in terms of volume in the year 2010-11 by selling 54,02,444 two wheelers in the year 2010-11. This augurs well for our company also going forward. The company is now also concentrating on adding new products and new businesses and is confident of growing further in the coming years.

### CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis describing the company's objectives, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. It can not be guaranteed that these assumptions and expectations are accurate or will be realized. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand / supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

## ANNEXURE 'B' TO DIRECTORS' REPORT

### REPORT ON CORPORATE GOVERNANCE

#### A. MANDATORY REQUIREMENTS

##### 1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company's philosophy on corporate governance is to meet the aspirations and expectations of all stakeholders with an ultimate aim of enhancing the trust and confidence of the stakeholders. This helps the company to perform better thus culminating into higher productivity of the corporate resources. The company has constantly striven to implement the best corporate governance practices, reflecting its strong values and ethical business conduct aimed at maximizing value for shareholders, while ensuring fairness to all stakeholders – customers, employees, investors, vendors, state and central governments, and society at large. The corporate governance is not merely a destination but a continuous journey.

##### 2. BOARD OF DIRECTORS

###### (a) Composition of the Board

The present strength of the Board as on 31<sup>st</sup> March, 2011, is ten Directors. The Chairman of the Board is a non-executive Director. The Board comprises of one executive Director and nine non-executive Directors, of whom five are independent.

Two Directors namely Mr. Satyanand Munjal (Non-Executive Director) and Mr. Neeraj Munjal (Managing Director) belong to the promoter family, which owns 74.80% equity in the Company. Apart from these, the rest of the Board constitutes of Non-Executive Directors. The directors bring to the Board wide range of experience & skills.

###### (b) Board / Committee Meetings and procedure

###### Board Meetings and Attendance of each Director at the Board Meetings and the last Annual General Meeting

During the Financial Year 2010-11, five meeting of the Board of Directors were held on 29<sup>th</sup> April 2010, 31<sup>st</sup> July, 2010, 29<sup>th</sup> September, 2010, 9<sup>th</sup> November 2010 and 12<sup>th</sup> February, 2011. The maximum interval between any two meetings during this period was 92 days and the gap between any two Board Meetings did not exceed four months.

The details of attendance of Directors in the Board meetings are as under:

Name of Directors	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM
Mr. Satyanand Munjal	5	-	No
Mr. Brijmohan Lall Munjal	5	1	No
Mr. Om Prakash Munjal	5	-	No
Mr. Vijay Munjal	5	-	No
Mr. Sunil Kant Munjal	5	4	Yes
Mr. Neeraj Munjal	5	5	Yes
Mr. Bhagwan Dass Narang	5	5	Yes
Mr. Surrinder Lal Kapur	5	5	Yes
Mr. Vinayshil Gautam	5	5	Yes
Mr. Anil Kumar Gupta	5	5	Yes

The information as required under Annexure I A to Clause 49 of the Listing Agreement is made available to the Board of Directors. Board members are given agenda papers along with necessary documents and information in advance of each meeting of the Board. Adequate information is circulated as part of the Board papers and is also made available at the Board Meeting to enable the Board to take informed decisions.

###### (c) Number of other Companies or Committees the Director is a Director / Member / Chairman of

None of the Directors holds directorship in more than 10 listed companies. Further none of them holds membership of more than 10 Committees of the Boards nor is any Director a Chairman of more than 5 Committees of Board.

Name	Category	No. of Outside Directorships in Public Ltd. Companies	No. of Committee Memberships (including Chairmanship)	No. of Committee Chairmanship
Mr. Satyanand Munjal	Non-Executive	3	-	-
Mr. Brijmohan Lall Munjal	Non-Executive	6	-	-
Mr. Om Prakash Munjal	Non-Executive	5	-	-

Mr. Vijay Munjal	Non-Executive & independent	1	-	-
Mr. Sunil Kant Munjal <i>Chairman</i>	Non-Executive	14	-	-
Mr. Neeraj Munjal <i>Managing Director</i>	Executive	-	-	-
Mr. Bhagwan Dass Narang	Non-Executive & Independent	11	-	-
Mr. Surrinder Lal Kapur	Non-Executive & Independent	5	6	1
Mr. Vinayshil Gautam	Non-Executive & Independent	5	1	1
Mr. Anil Kumar Gupta	Non-Executive & Independent	-	-	-

None of the Non-Executive Directors hold any shares (as own or on behalf of other person on beneficial basis) in the Company.

**Notes:**

1. Private Limited Companies, foreign companies and companies u/s 25 of the Companies Act, 1956 are excluded for the above purposes.
2. Only audit committee and shareholder's grievance committee are considered for the purpose of committee positions as per listing agreement.

**RE-APPOINTMENT OF DIRECTORS**

Mr. Bhagwan Dass Narang and Mr. Anil Kumar Gupta, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Relevant Information pursuant to Clause 49(IV)(G)(i) regarding Directors proposed to be re-appointed at the Annual General Meeting is given in the Notice of the AGM.

**3. AUDIT COMMITTEE**

The constitution, quorum, scope, etc. of the Audit Committee is in line with the Companies Act, 1956 and provisions of Listing Agreement. All the members of Audit Committee are qualified and having insight to interpret and understand financial statements.

**(a) Composition of the Audit Committee and attendance of members**

The Audit Committee comprises mainly of Independent Directors and the composition is compatible with the Listing Agreements. Meetings of the Audit Committee were held on 29<sup>th</sup> April 2010, 31<sup>st</sup> July 2010, 9<sup>th</sup> November 2010 and 12<sup>th</sup> February, 2011.

Name	Designation	Category of Directorship	Attendance out of 4 meetings held
Mr. Surrinder Lal Kapur	Chairman	Non-Executive & Independent	4
Mr. Bhagwan Dass Narang	Member	Non-Executive & Independent	4
Mr. Vinayshil Gautam	Member	Non-Executive & Independent	4
Mr. Sunil Kant Munjal	Member	Non-Executive	3
Mr. Anil Kumar Gupta	Member	Non-Executive & Independent	4

The Company Secretary acts as the Secretary of the Committee.

Quorum of the Audit Committee is two non-executive directors. Mr. Surrinder Lal Kapur is the Chairman of the Audit Committee.

The Chairman of the Audit Committee was present at the Annual General Meeting of the Company.

**(b) Terms of Reference**

The terms of reference of the Audit Committee are wide enough to cover the matters specified for the Audit Committee under Clause 49 of the Listing Agreement as well as Section 292A of the Companies Act, 1956 and are as follows:

- Overseeing of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.

- Recommending to the Board, the appointment, re-appointment, replacement and removal of the statutory auditors and fixation of the audit fees.
- Reviewing with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - b) Changes, if any, in accounting policies and practices and reasons for the same.
  - c) Major accounting entries involving estimates based on the exercise of judgement by management.
  - d) Significant adjustments made in the financial statements arising out of audit findings.
  - e) Compliance with listing and other legal requirements relating to financial statements.
  - f) Disclosure of any related party transactions.
  - g) Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly and yearly financial statements before submission to the Board for approval.
- Reviewing the adequacy of the internal control systems, internal audit function and company's financial and risk management policies.
- Review of Foreign Exchange Exposure.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with internal auditors any significant findings and follow up thereon.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

#### 4. SHAREHOLDERS' GRIEVANCE COMMITTEE

During the year, 4 (four) meetings of the Shareholders' Grievance Committee were held on 29<sup>th</sup> April 2010, 31<sup>st</sup> July 2010, 9<sup>th</sup> November 2010 and 12<sup>th</sup> February, 2011.

The composition of the Shareholders' Grievance Committee is as follows:

Name of the Member	Designation	Category of Directorship	Attendance out of 4 meetings held
Mr. Bhagwan Dass Narang	Chairman	Non-Executive & Independent	4
Mr. Surrinder Lal Kapur	Member	Non-Executive & Independent	4
Mr. Neeraj Munjal	Member	Executive	4
Mr. Vinayshil Gautam	Member	Non-Executive & Independent	2
Mr. Anil Kumar Gupta	Member	Non-Executive & Independent	2

#### Scope of the Committee

Redressing of the Shareholders / Investors complaints like transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividend etc.

#### Compliance Officer

Mr. Davendra Ujlayan - AVP-Finance & Company Secretary

Details of shareholders' complaints received during the F.Y. 2010-11 and their status are as follows:

Nature of Complaint / Query	Total Received	Total Replied / Resolved	Pending
1. Inquiry pertaining to non receipt of shares after transfer	2	2	-
2. Request for issue of duplicate share certificates	-	-	-
3. Non receipt of dividend / Revalidation of dividend warrants	13	13	-
4. Communication relating to Transfer / Transmission / Name Deletion / Demat of Shares	1	1	-
5. Miscellaneous i.e. Credit of Shares in Demat A/c's, non receipt of Annual Report, Change of Address, Bank Details, etc.	15	15	-

## 5. REMUNERATION COMMITTEE

### (a) Terms of Reference

The Remuneration Committee reviews and recommends the payment of annual salaries, commission and other employment conditions of Executive Directors to the Board for approval. The Committee takes into consideration performance parameters, growth in business as well as profitability and practices prevailing in the similar industry, while fixing appropriate remuneration packages.

### (b) Composition of the Remuneration Committee and attendance of members

The Remuneration Committee comprises mainly of Independent Directors. During the year, the Committee met twice on 31<sup>st</sup> July, 2010 and 12<sup>th</sup> February, 2011 to consider the increase in remuneration of Mr. Neeraj Munjal, Managing Director of the Company.

Name	Designation	Category of Directorship	Attendance at two meeting held
Mr. Vinayshil Gautam	Chairman	Non-Executive & Independent	2
Mr. Bhagwan Dass Narang	Member	Non-Executive & Independent	2
Mr. Surrinder Lal Kapur	Member	Non-Executive & Independent	2
Mr. Sunil Kant Munjal	Member	Non-Executive	1

### (c) Remuneration Policy

The remuneration is fixed considering various parameters such as qualification, expertise, experience, prevailing remuneration in the industry and financial position of the Company. The remuneration structure comprises of Basic Salary, Commission, Perquisites & Allowances and Contribution to Provident Fund etc.

The Non-Executive Directors do not draw any remuneration from the Company except sitting fees of Rs. 20,000/- for each meeting of the Board and Rs. 10,000/- for each meeting of the Audit Committee, Shareholders' Grievance Committee and Remuneration Committee attended by them. The Non-Executive Independent Directors are paid sitting fees of Rs. 20,000/- for attending each meeting of Committee of Board of Directors.

However, in addition to the sitting fees, non-executive & independent directors are entitled to remuneration by way of commission up to 0.30 per cent of profits of the company or Rs.6.00 Lacs per annum, whichever is less for each year of the period of 4 years commencing on 1<sup>st</sup> April, 2009 as approved by the shareholders in the Annual General Meeting held on 30<sup>th</sup> September, 2009.

### Details of Remuneration Paid to Managing Director

(Amount in Rs. Lacs)

Executive Director(s)	Salary	Commission	Perquisites & Allowances	Contribution to PF Fund	Total
Mr. Neeraj Munjal	27.00	20.00	27.00	3.24	77.24

### Notes:

- The agreement between the Company and the Managing Director is for a period of five years. Either party is entitled to terminate the Agreement by giving not less than 180 days' notice in writing to the other party.
- \*Commission is payable @2.00% of the net profits of the Company computed in accordance with the provisions of the Companies Act, 1956 or Rs. 20 lakhs, whichever is less.
- Presently, the Company does not have Stock Option Scheme.

### Details of Remuneration Paid to Non-Executive Directors

Name of Non-Executive Directors	Sitting fees			Commission	Total
	Board Meeting	Committee Meeting			
Mr. Sunil Kant Munjal	80,000	40,000	-	120,000	
Mr. Bhagwan Dass Narang	100,000	200,000	178,509	478,509	
Mr. Surrinder Lal Kapur	100,000	200,000	178,509	478,509	
Mr. Vinayshil Gautam	100,000	160,000	178,509	438,509	
Mr. Anil Kumar Gupta	100,000	120,000	-	220,000	
Mr. Brijmohan Lall Munjal	20,000	-	-	20,000	

## 6. GENERAL BODY MEETINGS

### Annual General Meeting

Date, time and location where the last three Annual General Meetings were held are as under:

Year	Type	Date	Venue	Time	Whether Special resolution passed in previous AGM
2007-08	AGM	19.09.2008	Tivoli Garden Resort, Near Chattarpur Mandir, Chattarpur Road New Delhi-110030	11.00 A.M	Yes. Authorizing the payment of commission to non-executive independent directors as per provisions of section 198, 309, 349 & 350 of the Companies Act, 1956.
2008-09	AGM	30.09.2009	Tivoli Garden Resort, Near Chattarpur Mandir, Chattarpur Road New Delhi-110030	11.00 A.M	Yes. Authorizing the payment of commission to non-executive independent directors as per provisions of section 198, 309, 349 & 350 of the Companies Act, 1956.
2009-10	AGM	29.09.2010	Tivoli Garden Resort, Near Chattarpur Mandir, Chattarpur Road New Delhi-110030	11.00 A.M.	NO

## 7. DISCLOSURES

- There are no materially significant related party transactions entered into by the Company with its Promoters, Directors or Management, or relatives etc. that may have potential conflict with the interests of the Company at large. Transactions with related parties are disclosed in Note 12 of Notes to Accounts to the financial statements in the Annual Report.
- The guidelines / accounting standards laid down by the Institute of Chartered Accountants of India (ICAI) have been followed in preparation of the financial statements of the Company.
- There were neither any non-compliance by the Company on any matters relating to capital markets; nor did the Company attract any penalties or strictures by the Stock Exchanges, SEBI or any statutory authority.
- Presently, the Company does not have a Whistle Blower Policy. No personnel of the Company have been denied access to the Audit Committee.
- The Code of Conduct applicable to all Directors and employees of the Company has been posted on the Company's website. For the year under review, all Directors and senior management personnel of the Company have confirmed their adherence to the provisions of the said codes.

## 8. MEANS OF COMMUNICATION

- a) The quarterly results are published in widely circulating national and local newspapers such as The Economic Times, Business Standard, in English and Navbharat Times, in Hindi.
- b) The Company's results are displayed on the Company's website i.e. [www.shivamautotech.com](http://www.shivamautotech.com). The website also displays the Distribution Schedule and Shareholding Pattern pursuant to Clause 35 of the Listing Agreement.

## 9. GENERAL SHAREHOLDER INFORMATION

### Annual General Meeting

Date	30 <sup>th</sup> September, 2011
Day	Friday
Time	11.00 A.M.
Venue	Tivoli Garden Resort, Near Chattarpur Mandir, Chattarpur Road, New Delhi – 110030.

### Financial Year

April 1 to March 31
i) First Quarter Results – last week of July
ii) Second Quarter Results – second week of Nov.
iii) Third Quarter Results – second week of Feb.
iv) Fourth Quarter Results – last week of May
v) Audited Results for the year ended March 31, 2011– May 2011

### Dates of Book Closure

Friday, September 23 ,2011 to Friday, September 30, 2011  
(both days inclusive)

### Dividend Payment Dates

Within 30 days of AGM

### Listing on Stock Exchanges

The Bombay Stock Exchange Limited  
The National Stock Exchange of India Limited

The Annual Listing Fees for 2011-2012 have been paid to both the Stock Exchanges.

### Stock Code

532776 – The Stock Exchange, Mumbai  
SHIVAMAUTO – The National Stock Exchange

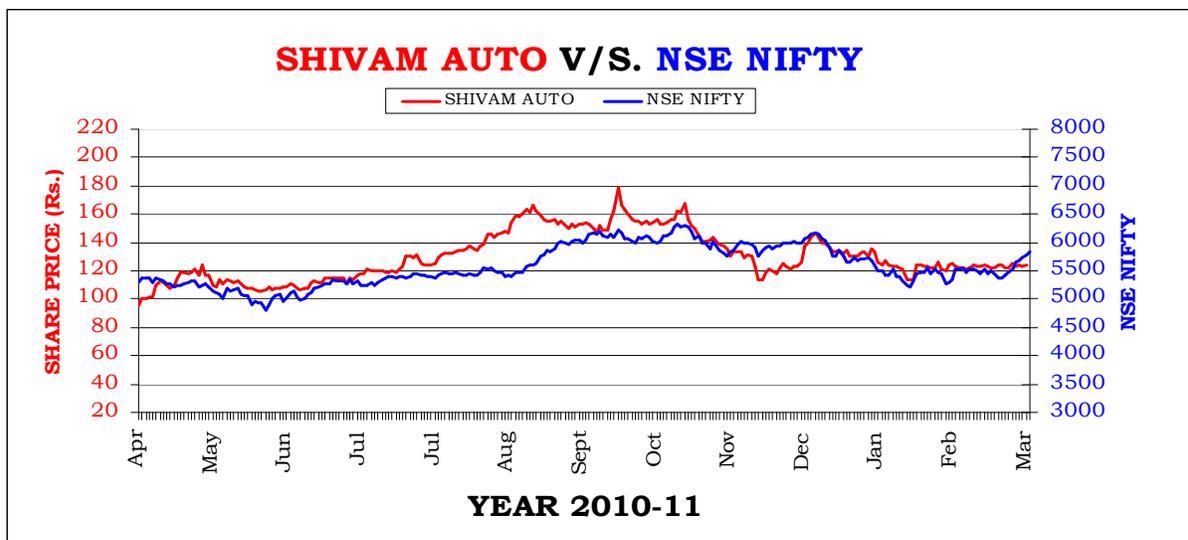
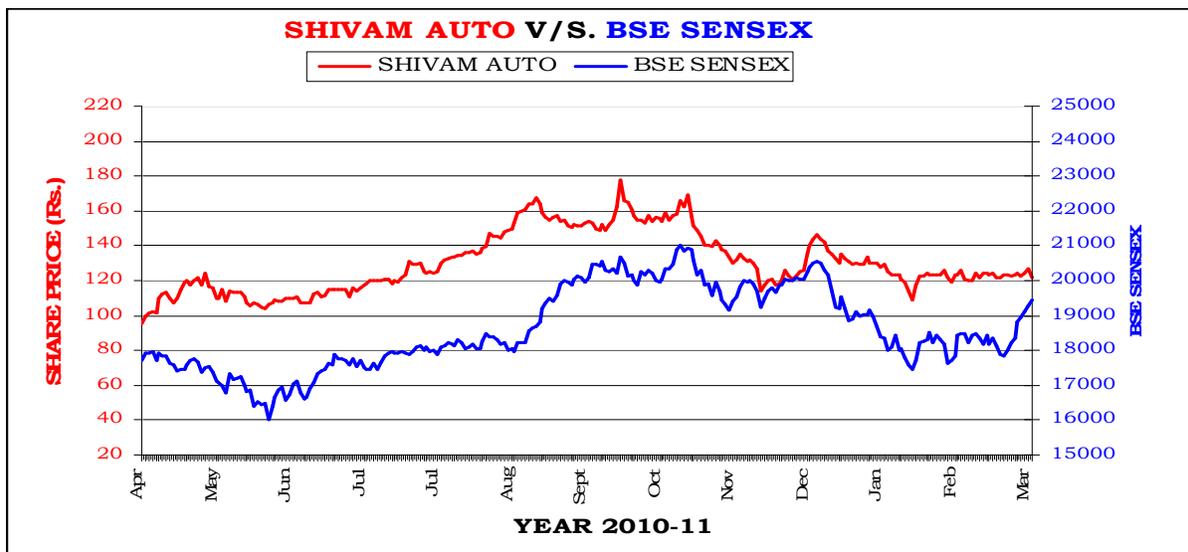
### Demat ISIN Number for NSDL and CDSL

INE 637H01016

## MARKET PRICE DATA

The monthly high and low quotations as well as the volume of shares traded on the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) are as follows:

Bombay Stock Exchange (BSE)						National Stock Exchange (NSE)				
Month	High (Rs.)	Date	Low (Rs.)	Date	Monthly Volume	High (Rs.)	Date	Low (Rs.)	Date	Monthly Volume
Apr' 10	128.00	29-04-2010	93.00	01-04-2010	780821	128.00	29-04-2010	92.30	01-04-2010	970921
May' 10	119.45	12-05-2010	100.40	05-05-2010	291620	120.00	03-05-2010	98.00	05-05-2010	435044
Jun' 10	121.90	17-06-2010	106.00	07-06-2010	173022	123.65	17-06-2010	104.00	08-06-2010	254208
Jul' 10	137.75	21-07-2010	115.25	05-07-2010	253171	138.80	21-07-2010	111.30	06-07-2010	504974
Aug' 10	158.70	31-08-2010	127.00	02-08-2010	153332	158.50	31-08-2010	127.50	02-08-2010	210176
Sept' 10	170.00	08-09-2010	150.00	23-09-2010	145523	173.00	09-09-2010	145.25	21-09-2010	137135
Oct' 10	188.40	13-10-2010	147.10	05-10-2010	439981	188.70	13-10-2010	146.00	05-10-2010	703541
Nov' 10	173.50	09-11-2010	126.05	26-11-2010	119868	173.00	09-11-2010	127.10	29-11-2010	142493
Dec' 10	148.00	31-12-2010	105.95	10-12-2010	139964	147.00	31-12-2010	105.00	10-12-2010	120407
Jan' 11	154.85	07-01-2011	122.40	31-01-2011	38167	149.80	04-01-2011	121.00	31-01-2011	41205
Feb' 11	148.00	01-02-2011	107.25	10-02-2011	47404	129.80	16-02-2011	109.00	11-02-2011	32883
Mar' 11	146.00	22-03-2011	111.00	15-03-2011	26940	130.00	01-03-2011	120.05	09-03-2011	52817

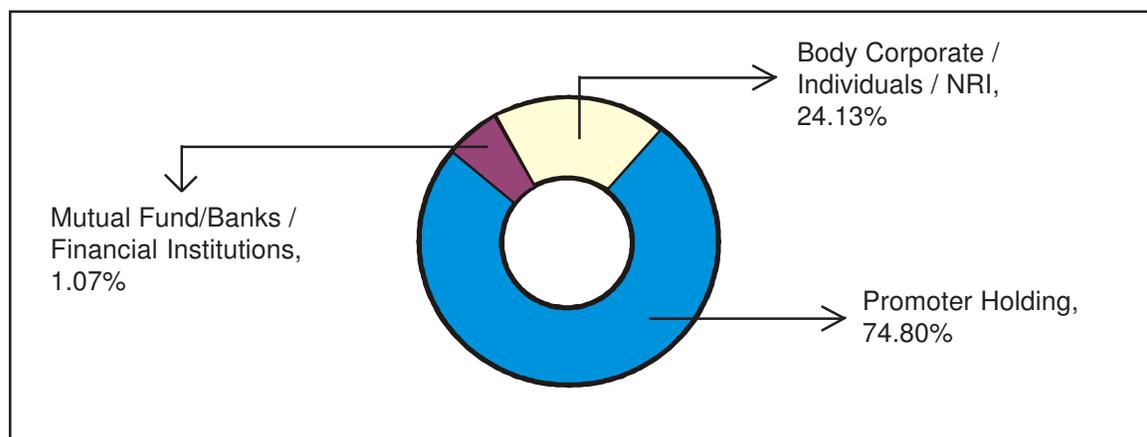


**DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2011**

No. of shares held	No. of shareholders		No. of shares	
	Numbers	%	Numbers	%
Up to 500	6929	92.58	801726	8.02
501 – 1000	266	3.55	215487	2.15
1001 – 2000	139	1.86	209817	2.10
2001 – 3000	49	0.65	126149	1.26
3001 – 4000	19	0.25	67553	0.68
4001 – 5000	23	0.31	109025	1.09
5001 – 10000	36	0.48	292579	2.92
10001 – 50000	17	0.23	345953	3.46
50001 – 100000	2	0.03	149770	1.50
100001 & above	3	0.05	7681941	76.82
<b>Total</b>	<b>7483</b>	<b>100.00</b>	<b>10000000</b>	<b>100.00</b>

**CATEGORIES OF SHAREHOLDERS AS ON MARCH 31, 2011**

Categories	Holders (No.)	No. of shares held	% of shareholding
<b>PROMOTER HOLDING</b>			
Indian Promoters (Bodies Corporate)	1	7479595	74.80
<b>Total Promoter Holding</b>	<b>1</b>	<b>7479595</b>	<b>74.80</b>
<b>PUBLIC HOLDING</b>			
Institutions			
• Mutual Funds	4	2100	0.02
• Banks, FI & FII	6	104898	1.05
Non-Institutions			
• Bodies Corporate	224	241460	2.42
• Individuals	7176	2110389	21.10
• NRIs	72	61558	0.61
<b>Total Public Holding</b>	<b>7482</b>	<b>2520405</b>	<b>25.20</b>
<b>Grand Total</b>	<b>7483</b>	<b>10000000</b>	<b>100.00</b>



### Dematerialisation of Shares and Liquidity

The Company has arrangements with National Securities Depository Ltd. (NSDL) as well as the Central Depository Services (India) Ltd. (CDSL) for demat facility. As on 31<sup>st</sup> March 2011, 88.27 % of the total Equity Capital is held in the demat form with NSDL and CDSL.

#### Physical and Demat Shares:

	As on 31/03/2011	%
No. of Shares held by NSDL	8,266,736	82.67
No. of Shares held by CDSL	560,463	5.60
Physical Shares	1,172,801	11.73
<b>TOTAL</b>	<b>10,000,000</b>	<b>100.00</b>

#### Registrar and Transfer Agents

##### **MCS Limited**

F-65, 1<sup>st</sup> Floor, Phase-I, Okhla Industrial Area, New Delhi-110 020

Tel: 011-41406149-52 Fax No: 011-41709881

E-mail: admin@mcsdel.com

#### Share Transfer System

All the transfers received are processed by the Registrar and Transfer Agents and are approved by the Share Transfer Committee, which normally meets twice in a month. Share Transfers are registered and returned within the prescribed period if documents are complete in all respects.

#### Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, Conversion Date and likely impact on Equity

Not Issued

#### Plant Location

##### **GURGAON PLANT**

58<sup>th</sup> Km Stone,  
 Delhi – Jaipur Highway  
 Village – Binola,  
 Distt. Gurgaon – 122 413, Haryana.

##### **HARIDWAR PLANT**

Plot No. 3, Industrial Park – II, Phase - I  
 Salempur Mehdood, Haridwar – 249402,  
 Uttarakhand

#### Address for correspondence

Mr. Davendra Ujlayan  
 AVP - Finance & Company Secretary  
 58<sup>th</sup> Km Stone, Delhi – Jaipur Highway  
 Village – Binola, Gurgaon – 122 413  
 Tel. Nos.: 0124-2379444-6  
 E-mail ID: davendra@shivamautotech.com

### B. NON-MANDATORY REQUIREMENTS

The Company has not adopted the non-mandatory requirements as specified in Annexure – I D of the Listing Agreement to the extent applicable except clause (2) relating to Remuneration Committee.

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## CEO & CFO CERTIFICATE

We hereby certify to the Board that:

- (a) We have reviewed financial statements and the cash flow statement for the year ended 31<sup>st</sup> March, 2011, and that to the best of our knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We are responsible for establishing and maintaining Internal Controls for financial reporting and that we have evaluated the effectiveness of Internal Control Systems of the Company pertaining to financial reporting. We have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such Internal Controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit committee:
  - (i) Significant changes in Internal Control over financial reporting during the year;
  - (ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's Internal Control System over financial reporting.

Place: New Delhi  
Date: May 28, 2011

(NEERAJ MUNJAL)  
Managing Director

(DAVENDRA UJLAYAN)  
AVP – Finance &  
Company Secretary

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## CERTIFICATE ON CORPORATE GOVERNANCE

To,

**The Members of  
SHIVAM AUTOTECH LIMITED**

We have examined the compliance of conditions of corporate governance by Shivam Autotech Limited, for the year ended on March 31, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **SATYENDER KUMAR & ASSOCIATES**  
Company Secretaries

Place: New Delhi  
Date: August 08, 2011

Satyender Kumar  
Proprietor  
C.P. No. 5189

## CERTIFICATE OF COMPLIANCE OF CODE OF CONDUCT

I, Neeraj Munjal, Managing Director of the Company hereby certify that the Board of Directors and the Senior Management Personnel have affirmed compliance with the Code of Conduct of the Company for the Financial Year 2010-11.

**(NEERAJ MUNJAL)**  
**MANAGING DIRECTOR**

Place: New Delhi  
Date: August 08, 2011

## ANNEXURE 'C' TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2011.

S. No.	Name and Qualification	Designation	Remuneration (Rs. in Lacs)	Exp. (Years)	Age (Years)	Date of Commencement of Employment	Previous Employment & Designation
1	Mr. Neeraj Munjal B.Com, DIBM	Managing Director	77.24	23	44	01.04.2006	Munjal Auto Industries Ltd. Executive Director

### Notes:

- Remuneration includes Basic Salary, Commission, other allowances and taxable value of perquisites and Company's contribution to provident fund.
- The above mentioned appointment is on contractual basis.
- Managing Director Mr. Neeraj Munjal is related to Mr. Satyanand Munjal, a Director of the Company.

## ANNEXURE 'D' TO DIRECTORS' REPORT

Information as per Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988

### (a) Conservation of Energy

The company has been laying emphasis on the conservation of energy and taking several measures like effective control on utilization of energy and regular monitoring of its consumption, etc. New areas are continuously identified and suitable investments are made, wherever necessary.

Various on-going measures for conservation of energy include (i) use of energy efficient lighting and better use of natural lighting, (ii) reduction of energy loss, and (iii) replacement of outdated energy intensive equipment with power efficient equipments.

Installation of electric control panels and high voltage control stabilizers and UPS, which has saved costs and improved the quality of power supply.

Power and Fuel Consumption	Year 2010-11	Year 2009-10
<b>ELECTRICITY(KWH)</b>		
<b>a) PURCHASED</b>		
Units (000)	21,612.17	13,769.84
Total Amount (Rs. '000)	100,604.27	64,016.82
Rate / Unit (Rs.)	4.66	4.65
<b>b) OWN GENERATION</b>		
Through Generator		
Units (000)	5,834.73	6,944.84
Fuel (HSD) Consumed (KL)	1,729.25	2,096.72
Unit/Ltr of Fuel	3.37	3.31
Cost of Fuel(HSD) (Rs.'000)	57,140.04	63,654.65
Cost/Unit (Rs.)	9.79	9.17

### (b) Technology Absorption, Adaptation and innovation

The R & D activities helped the Company to add new quality products and to improve process capabilities. These activities also enabled the Company to reduce process waste, lower the energy consumption and increase productivity.

The company carries out research and development in several areas including material and process developments towards efficiency improvements, quality improvements, waste reduction, etc. Apart from process improvements, the research and development also aims at finding equivalent substitutes of various inputs and materials to have cost savings without compromising quality.

The research and development is an ongoing exercise and suitable efforts will continue to be made in future. The company has derived benefits of cost reduction and better quality as a result of these efforts.

### (c) Foreign Exchange Earnings and outgo

(Rs. In lacs)

	F.Y. ended on March 31, 2011
(a) Total Foreign Exchange Earnings	72.28
(b) Total Foreign Exchange Outgo	1858.12

## AUDITORS' REPORT

The Members of  
SHIVAM AUTOTECH LIMITED

We have audited the attached Balance Sheet of **Shivam Autotech Limited** as at 31<sup>st</sup> March, 2011 and also the Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 (Collectively the Order) issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- b) In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;
- c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement, dealt with by this report, comply with the Accounting Standards referred to in sub - section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of written representations received from the directors as on 31<sup>st</sup> March, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2011 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the Accounting policies and Notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) In the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2011;
  - ii) In the case of Profit and Loss Account, of the Profit for the year ended on that date; and
  - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For S.S. KOTHARI MEHTA & CO.**  
Chartered Accountants  
Firm Registration No. 000756N

Place: New Delhi  
Date : 28.05.2011

**KAMAL KISHORE**  
Partner  
Membership Number - 078017

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## **ANNEXURE TO AUDITORS' REPORT**

### **(Annexure referred to in our report of even date)**

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Verification of the fixed assets is being conducted based on a phased programme by the management designed to cover all assets, which, in our opinion, is reasonable having regard to the size of the company and nature of its business. Discrepancies noticed on such verification as compared to book records were not material and have been properly adjusted in the books of account.
- (c) Fixed assets disposed off during the year were not substantial.
2. (a) The inventory has been physically verified during the year by the management at all its locations at reasonable intervals. Further stocks in the possession and custody of third parties as at 31st March 2011 have been verified by the management with reference to confirmations or statement of account or correspondence of the third parties. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the physical verification of inventory followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) In our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of account.
3. (a) As informed, the Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (b), (c) & (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (b) The company has taken unsecured loan in the nature of advance against supplies, from a Company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs 1700.00 lacs and year-end balance was Rs 500 lacs. Apart from this, the company has not taken any other loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (c) In our opinion, other terms & conditions of such loan are prima facie, not prejudicial to the interest of the Company.
- (d) In respect of the aforesaid loan, the company was regular in repayment of principal amount and interest due thereon as per the terms of the acceptance.
4. In our opinion, and according to the information and explanations given to us during the course of audit, there are adequate internal control systems commensurate with size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books & records of the company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control systems.
5. (a) Based upon the audit procedures applied by us and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.

- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rupees five lacs or more in respect of each party have been made at prices which are reasonable having regard to market prices for such transactions, prevailing at the relevant time, where such market prices are available.
6. The Company has not accepted any deposits from the public within the meaning of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 including the Companies (Acceptance of Deposits) Rules, 1975.
7. In our opinion, the Company has an internal audit system commensurate with the size & nature of its business.
8. We have broadly reviewed the Cost Accounting records, maintained by the Company pursuant to the Rules prescribed by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We are, however, not required to make a detailed examination of such books and records.
9. (a) According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-Tax, Sales-Tax, Wealth-Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues have been generally regularly deposited with the appropriate authorities during the year and there are no such undisputed statutory dues outstanding as on the date of Balance Sheet for a period exceeding six months from the date they became payable as on the date of the balance sheet.
- (b) According to the information & explanations given to us and as per the books and records examined by us, there are no dues in respect of Excise Duty, Sales Tax, Wealth Tax, Custom Duty, Income Tax and Cess which have not been deposited on account of any dispute except the following dues of Service Tax and Income Tax along with the forum where the dispute is pending :

<b>Name of the Statute</b>	<b>Nature of Dues</b>	<b>Year to which amount pertains</b>	<b>Forum</b>	<b>Amount (Rs. in lacs)</b>
Finance Act, 1994	Service Tax	2005-06 to 2009-10	Additional Commissioner Central Excise, Delhi-III	15.43
Income Tax Act, 1961	Demand raised on assessment	A.Y. 2007-08	Commissioner of Income Tax (Appeals), New Delhi	6.45

10. There are no accumulated losses of the Company as at the end of the financial year. There are no cash losses during the financial year and in the immediately preceding financial year.
11. According to the information and explanations given to us and as per the books and records examined by us, the Company has not defaulted in repayment of dues to any financial institution or bank.
12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company does not fall within the category of Chit fund / Nidhi / Mutual Benefit fund / Society and hence the related reporting requirements of the Order are not applicable.

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14. The Company is not dealing in or trading in shares, securities, debentures, and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order are not applicable to the company.
  15. The company has not given any guarantees for loans taken by others from bank or financial institution.
  16. In our opinion, and according to the information and explanations given to us, the term loans raised during the year by the Company have been applied for the purpose for which the said loans were obtained, where such end-use has been stipulated by the lender.
  17. According to the information and explanations given to us and as per the books and records examined by us, on an overall examination of the Balance Sheet of the Company, the funds raised by the Company on short-term basis have been applied for long-term investment to the extent of Rs. 1030.04 Lacs. We understand from management that the company is in the process of arranging suitable long term funds to replace these short term funds
  18. The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956.
  19. The Company has not issued any debentures during the year nor has any outstanding debentures.
  20. The Company has not raised any money by way of public issues during the year.
  21. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, noticed and reported during the year, nor have we been informed of such case by the management.

For **S.S. KOTHARI MEHTA & CO.**  
Chartered Accountants  
Firm Registration No. 000756N

Place : New Delhi  
Date : 28.05.2011

**KAMAL KISHORE**  
Partner  
Membership Number - 078017

## Balance Sheet as at 31<sup>st</sup> March, 2011

		(Rs. In Lacs)	
	Schedule	As at 31st March, 2011	As at 31st March, 2010
<b>SOURCES OF FUNDS:</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	1	1,000.00	1,000.00
(b) Reserves & Surplus	2	8,882.40	7,635.86
<b>(2) Loan Funds</b>			
(a) Secured Loans	3	19,338.96	17,017.07
(b) Unsecured Loans		-	-
<b>(3) Deferred Tax Liability</b>			
<i>(Refer note 13 of Schedule 12)</i>		731.70	529.92
<b>TOTAL</b>		<b>29,953.06</b>	<b>26,182.85</b>
<b>APPLICATION OF FUNDS:</b>			
<b>(1) Fixed Assets</b>			
Gross Block	4	34,366.43	30,969.74
Less: Depreciation		9,575.22	7,481.23
Net Block		24,791.21	23,488.51
Capital Work in Progress		127.59	730.32
		24,918.80	24,218.83
<b>(2) Current Assets, Loans &amp; Advances</b>			
(a) Inventories		3,519.36	3,356.16
(b) Sundry Debtors		4,137.90	3,204.22
(c) Cash & Bank Balances		814.19	1,060.08
(d) Loans & Advances		1,449.19	1,203.94
		9,920.64	8,824.40
<b>Less: Current Liabilities &amp; Provisions</b>			
(a) Current Liabilities	6	4,519.61	6,636.21
(b) Provisions		366.77	224.17
<b>Net Current Assets</b>		5,034.26	1,964.02
<b>TOTAL</b>		<b>29,953.06</b>	<b>26,182.85</b>
<b>Notes to Accounts &amp; Accounting Policies</b>	12		

As per our report of even date

for **S.S. KOTHARI MEHTA & CO.**

Chartered Accountants

**KAMAL KISHORE**

Partner

Membership No.078017

For and on behalf of the Board

Neeraj Munjal,  
Bhagwan Dass Narang,  
Anil Kumar Gupta,  
Davendra Ujlayan,

Sanjeev Chaba,

Managing Director  
Director  
Director  
AVP - Finance &  
Company Secretary  
DGM (Finance & Accounts)

Place: New Delhi  
Date: 28th May, 2011

## Profit & Loss Account for the year ended 31<sup>st</sup> March, 2011

	Schedule	As at 31st March, 2011	As at 31st March, 2010
(Rs. In Lacs)			
<b>INCOME</b>			
Gross Sales		27,885.75	20,715.44
Less:- Excise duty		1,541.44	1,299.23
Net Sales		26,344.31	19,416.21
Other Income	7	27.67	7.13
Increase/(Decrease) in Stocks of Finished goods and Work in progress	8	6.65	563.65
		<b>26,378.63</b>	<b>19,986.99</b>
<b>EXPENDITURE</b>			
Raw Material & Components Consumed		8,040.16	6,322.04
Remuneration and Benefits to Employees	9	2,078.81	1,717.38
Manufacturing & Other Expenses	10	10,122.63	7,299.83
Interest & Other Financial Charges	11	2,083.05	1,676.70
Depreciation	4	2,365.44	1,865.93
		<b>24,690.09</b>	<b>18,881.88</b>
<b>Profit for the period before Taxation</b>		<b>1,688.54</b>	<b>1,105.11</b>
Less: Provisions for-			
Income Tax-Current (MAT)		334.71	187.81
Less MAT entitlement Credit		(334.71)	(186.51)
Deferred Tax		201.78	(52.54)
Wealth Tax		0.83	0.97
Tax adjustment of earlier years		8.18	-
<b>Profit After Tax</b>		<b>1,477.75</b>	<b>1,155.38</b>
Add: Profit brought forward from previous year		3,816.20	3,135.73
<b>Net Profit available for appropriation</b>		<b>5,293.95</b>	<b>4,291.11</b>
<b>Less: Appropriations</b>			
Amount transferred to General Reserve		300.00	300.00
Proposed Dividend on Equity Shares		250.00	150.00
Provision for Income Tax on Dividend Distribution		40.56	24.91
<b>Balance carried over to Balance Sheet</b>		<b>4,703.39</b>	<b>3,816.20</b>
<b>Basic &amp; Diluted Earning Per Share face value Rs.10/- each</b>		<b>14.86</b>	<b>11.55</b>
<b>Notes to Accounts &amp; Accounting Policies</b>	12		

As per our report of even date

for **S.S. KOTHARI MEHTA & CO.**

Chartered Accountants

**KAMAL KISHORE**

Partner

Membership No.078017

For and on behalf of the Board

Neeraj Munjal,  
Bhagwan Dass Narang,  
Anil Kumar Gupta,  
Davendra Ujlayan,

Sanjeev Chaba,

Managing Director  
Director  
Director  
AVP - Finance &  
Company Secretary  
DGM (Finance & Accounts)

Place: New Delhi

Date: 28th May, 2011

## Cash Flow Statement for the year ended 31<sup>st</sup> March, 2011

	Year ended 31.03.2011	(Rs.in Lacs) Year ended 31.03.2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net Income before tax</b>	1,688.54	1,105.11
Adjusted for:		
Depreciation	2,365.44	1,865.93
(Profit)/ Loss on sale of fixed assets	1.75	3.14
Interest on deposits	(4.16)	(4.10)
Interest paid	1,966.92	1,585.00
Liability / provisions no longer required, written back	(1.93)	-
<b>Operating profit before working capital changes</b>	6,016.56	4,555.08
Adjusted for:		
Accounts Receivable	(933.68)	(1,907.37)
Loans & Advances	181.41	55.99
Inventories	(163.21)	(1,546.31)
Current Liabilities & Provisions	(1,984.67)	3,714.00
<b>Cash generated from operations</b>	3,116.41	4,871.39
Income Tax Paid (Including taxes deducted at source)	(432.13)	(449.39)
<b>NET CASH FROM/(USED IN) OPERATING ACTIVITIES : (TOTAL - A)</b>	2,684.28	4,422.00
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(3,044.63)	(4,791.90)
Proceeds from sale of Fixed Assets	2.22	2.41
Interest on deposits	4.16	4.10
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES : (TOTAL - B)</b>	(3,038.25)	(4,785.39)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend Paid	(147.18)	(147.24)
Tax on Dividend	(24.91)	(25.49)
Interest paid on Loans	(2,101.06)	(1,655.32)
State Sales Tax Subsidy	59.34	44.98
Working Capital Borrowings from Banks	640.07	2,890.58
Proceeds from Long Term Borrowings (Net of repayments)	1,681.82	256.41
<b>NET CASH FROM/(USED IN) FINANCING ACTIVITIES : (TOTAL - C)</b>	108.08	1,363.92
<b>Net (Decrease)/Increase in Cash &amp; Cash Equivalents (A + B + C)</b>	(245.89)	1,000.53
<b>Cash and cash Equivalents at the beginning of the year</b>	1,060.08	59.55
<b>Cash and Cash Equivalents at the end of the year</b>	814.19	1,060.08

### Notes to Accounts & Accounting Policies

12

As per our report of even date

**for S.S. KOTHARI MEHTA & CO.**

Chartered Accountants

**KAMAL KISHORE**

Partner

Membership No.078017

**For and on behalf of the Board**

Neeraj Munjal,  
Bhagwan Dass Narang,  
Anil Kumar Gupta,  
Davendra Ujlayan,

Sanjeev Chaba,

Managing Director  
Director  
Director  
AVP - Finance &  
Company Secretary  
DGM (Finance & Accounts)

Place: New Delhi  
Date: 28th May, 2011

## Schedule to the Financial Statement

	As at 31st March, 2011	(Rs. In Lacs) As at 31st March, 2010
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
1,26,00,000 (Previous Year 1,26,00,000 ) Equity Shares of Rs.10/- each	1,260.00	1,260.00
	<u>1,260.00</u>	<u>1,260.00</u>
<b>Issued, Subscribed &amp; Paid Up</b>		
1,00,00,000 (Previous Year 1,00,00,000) Equity Shares of Rs.10/- each fully paid up	1,000.00	1,000.00
	<u>1,000.00</u>	<u>1,000.00</u>
<b>SCHEDULE - 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>(i) Capital Redemption Reserve</b>		
Opening	5.00	5.00
Add:- Transfer from General Reserve	-	-
Closing Balance	5.00	5.00
<b>(ii) Sales Tax Subsidy from the Government of Haryana</b> (Refer note 6 of Schedule 12 )		
Balance as per last Year	546.04	501.06
Add:- During the Year	59.35	44.98
Closing Balance	605.39	546.04
<b>(iii) General Reserve</b>		
Balance as per last Account	3,268.62	2,968.62
Add:- Transferred from Profit & Loss account	300.00	300.00
<b>Closing Balance</b>	3,568.62	3,268.62
<b>(iv) Profit &amp; Loss Account</b>	<u>4,703.39</u>	<u>3,816.20</u>
<b>Total (i)+(ii)+(iii)+(iv)</b>	<u>8,882.40</u>	<u>7,635.86</u>
<b>SCHEDULE - 3</b>		
<b>SECURED LOANS</b>		
<b>A. Term Loans- Gurgaon Plant</b>		
i) from IDBI Bank Ltd.	1,814.06	2,109.38
ii) from Axis Bank -Corporate Loan	2,020.81	-
<b>Sub Total: Term Loans</b>	<u>3,834.87</u>	<u>2,109.38</u>
<b>B. Term Loans- Haridwar Plant</b>		
i) from Punjab National Bank	5,848.43	3,866.20
ii) from ICICI Bank Ltd	2,023.55	3,035.33
iii) from Hong Kong & Shanghai Bank Ltd. (HSBC)	1,521.19	2,535.31
<b>Sub Total: Term Loans</b>	<u>9,393.17</u>	<u>9,436.84</u>
<b>C. Working Capital borrowings- Gurgaon Plant</b>		
i) from IDBI Bank Ltd.	2,282.65	2,120.60
ii) from Axis Bank	370.73	-
<b>Sub Total Working Capital borrowings</b>	<u>2,653.38</u>	<u>2,120.60</u>
<b>D. Working Capital borrowings- Haridwar Plant</b>		
i) from Punjab National Bank	2,471.56	1,643.01
ii) from IDBI Bank Ltd.	985.98	1,707.24
<b>Sub Total: Working Capital Borrowing</b>	<u>3,457.54</u>	<u>3,350.25</u>
<b>Total</b>	<u>19,338.96</u>	<u>17,017.07</u>

**Details of Securities:**

- A (i) Term Loan from IDBI Bank Ltd are secured by exclusive charge on the fixed assets created under expansion project.  
(ii) Term Loan from Axis Bank are secured by exclusive charge on specific movable machineries of Binola Plant.
- B (i), (ii), (iii) Terms loans availed for Haridwar Plant is having Pari Passu charge over the entire fixed assets of Haridwar Plant both, present and future .
- C (i), (ii) Working Capital from IDBI Bank Ltd & Axis Bank at Gurgaon is secured by first pari passu charge on the current assets of Gurgaon Plant
- D (i), (ii) Working Capital from Punjab National Bank & IDBI Bank Ltd at Haridwar is secured by first pari passu charge on the current assets of Haridwar Plant

**SCHEDULE- 4  
FIXED ASSETS**

PARTICULARS	(Amount in lacs)									
	AS ON 4/1/2010	ADDITIONS	GROSS BLOCK DEDUCTION/ ADJUSTMENTS	AS AT 3/31/2011	AS ON 4/1/2010	FOR THE PERIOD	DEDUCTION/ ADJUSTMENTS	DEPRECIATION TOTAL UPTO 3/31/2011	AS AT 3/31/2011	NET BLOCK AS AT 3/31/2010
FIXED ASSETS										
LAND	3,324.62	-	-	3,324.62	-	-	-	-	3,324.62	3,324.62
BUILDING	3,004.09	81.88	10.76	3,075.21	201.89	103.78	-	305.67	2,769.54	2,802.20
PLANT & MACHINERY	23,962.75	3,688.94	443.39	27,208.30	6,992.40	2,205.80	267.23	8,930.97	18,277.33	16,970.35
COMPUTER	101.47	14.47	2.26	113.68	63.13	11.51	1.66	72.98	40.70	38.34
OFFICE EQUIPMENTS	149.43	12.45	-	161.88	39.14	7.71	-	46.85	115.03	110.29
FURNITURE & FIXTURE	120.83	32.43	0.70	152.56	36.30	8.31	0.04	44.57	107.99	84.53
VEHICLES	214.04	18.58	6.49	226.13	69.96	21.88	2.52	89.32	136.81	144.08
INTANGIBLE ASSET Software Licences (Bought out)	92.51	11.54	-	104.05	78.41	6.45	-	84.86	19.19	14.10
<b>TOTAL A</b>	<b>30,969.74</b>	<b>3,860.29</b>	<b>463.60</b>	<b>34,366.43</b>	<b>7,481.23</b>	<b>2,365.44</b>	<b>271.45</b>	<b>9,575.22</b>	<b>24,791.21</b>	<b>23,488.51</b>
Previous Year	15,782.02	16,059.45	871.73	30,969.74	6,054.47	1,865.93	439.17	7,481.23	23,388.51	10,166.20
<b>Capital Work in Progress</b>									<b>127.59</b>	<b>730.32</b>

**Notes:-**

- Capital Works in progress includes preoperatives expenditure pending allocation Rs. Nil (Previous year Rs.16.11 Lacs)
- Building includes leased assets of Rs. 28.31 Lacs (Previous year Rs.28.31 Lacs) which have been depreciated according to the lease terms.

	(Rs. In Lacs)	
	As at 31st	As at 31st
	March, 2011	March, 2010
<b>SCHEDULE -5</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A. Inventories</b>		
<i>(As taken, valued and certified by management)</i>		
Raw Materials	936.62	1,080.39
Work in Process	995.88	952.92
Finished Goods	14.52	55.35
Consumable stores, Spares Dies & Tools	1,552.65	1,225.99
Packing Material	0.94	3.19
Stock in Transit	9.99	34.08
Scrap	8.76	4.24
	<b>3,519.36</b>	<b>3,356.16</b>
<b>B. Sundry Debtors (Unsecured)</b>		
<b>i) Exceeding six months</b>		
-considered good	19.86	7.56
<b>ii) Others</b>		
considered good	4,118.04	3,196.66
	<b>4,137.90</b>	<b>3,204.22</b>
<b>C. Cash &amp; Bank Balances</b>		
Cash in hand	4.03	2.41
<b>Balance with Scheduled Banks</b>		
i) in current accounts	231.96	922.33
ii) in fixed deposit account*	578.20	135.34
* (pledged with Banks Rs. 78.20 Lacs (previous year Rs. 135.34 Lacs)		
	<b>814.19</b>	<b>1,060.08</b>
<b>D. Loans &amp; Advances</b>		
<i>(Unsecured, considered good unless otherwise stated)</i>		
Advances recoverable in cash or in kind or value to be received		
-considered good [includes Rs.150.08 Lacs (Previous year Rs. 318.26 Lacs) against capital supplies	566.79	616.71
Advance Tax and Tax deducted at source	103.42	11.47
[net of provisions Rs. 1125.65 Lacs (previous year 1479.94 Lacs, net of fringe benefit tax provision of Rs. 46.32 Lacs)]		
Balance with Govt. departments and others	165.95	295.66
Security Deposits	91.81	93.59
Minimum Alternative Tax (MAT)	521.22	186.51
<b>Total (D)</b>	<b>1,449.19</b>	<b>1,203.94</b>
<b>Total (A+B+C+D)</b>	<b>9,920.64</b>	<b>8,824.40</b>
<b>SCHEDULE - 6</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors	3,753.87	4,614.64
[includes Rs.911.56 Lacs (Previous year Rs. 503.10 Lacs) creditors for capital supplies ]		
<b>Total (A)</b>	<b>3,753.87</b>	<b>4,614.64</b>
Advances From Customers	520.43	1,706.50
Due to Directors	2.62	2.53
Security Deposit	0.40	-
Other Liabilities	88.93	52.27
Interest accrued but not due	137.54	247.27
Unpaid dividend *	15.82	13.00
<b>Total (B)</b>	<b>765.74</b>	<b>2,021.57</b>
<b>Total (A+B)</b>	<b>4,519.61</b>	<b>6,636.21</b>
*There is no amount due and outstanding to be credited to Investor Education and Protection Fund		
<b>Provisions</b>		
For Proposed Dividend	250.00	150.00
For Corporate Tax on Dividend	40.56	24.91
For Retirement Benefits	76.21	49.26
	<b>366.77</b>	<b>224.17</b>

	As at 31st March, 2011	(Rs. In Lacs) As at 31st March, 2010
<b>SCHEDULE - 7</b>		
<b>OTHER INCOME</b>		
Miscellaneous receipts	6.94	3.03
interest (TDS Rs.0.29 Lacs/-, previous year Rs 0.41 Lacs)	4.16	4.10
Cash Discount	0.07	-
Gain on Foreign Exchange Rate Fluctuations	14.57	-
Liability / provisions no longer required, written back	1.93	-
	<b>27.67</b>	<b>7.13</b>
<b>SCHEDULE - 8</b>		
<b>INCREASE/(DECREASE) IN STOCKS</b>		
<b>Closing Stocks</b>		
Finished Goods	14.52	55.35
Work in Process	995.88	952.92
Scrap	8.76	4.24
	<b>1,019.16</b>	<b>1,012.51</b>
<b>Opening Stocks</b>		
Finished Goods	55.35	5.86
Work in Process	952.92	440.76
Scrap	4.24	2.24
	<b>1,012.51</b>	<b>448.86</b>
Net Increase/ (Decrease) in Stocks	<b>6.65</b>	<b>563.65</b>
<b>SCHEDULE - 9</b>		
<b>REMUNERATION &amp; BENEFITS TO EMPLOYEES</b>		
Salaries & Wages (Including Managerial Remuneration)	1,611.71	1,411.57
Contribution to Provident Fund and other Funds	140.82	111.96
Retirement Benefits	97.10	40.38
Staff & Labour Welfare Expenses	229.18	153.47
	<b>2,078.81</b>	<b>1,717.38</b>
<b>SCHEDULE - 10</b>		
<b>MANUFACTURING &amp; OTHER EXPENSES</b>		
Stores, Spares, Tools & Dies consumed	3,692.16	2,135.02
Power & Fuel	1,577.44	1,276.71
Packing Materials consumed	39.94	33.37
Rent (including lease rent)	60.44	46.81
Repair & Maintenance:		
- To Building	41.50	48.32
- To Machinery	163.87	63.93
- To Others	8.62	16.96
Insurance	94.90	78.33
Rates & Taxes	6.88	7.52
Wages to contractors	1,397.83	763.07
Job work charges	2,417.71	2,289.96
Travelling & Conveyance	212.69	167.89
Auditors Remuneration	6.73	3.82
Professional charges	44.12	32.96
Freight outward	38.80	60.85
Donation	2.06	0.37
Miscellaneous expenses	269.87	233.81
Loss on sale of Fixed Assets	1.75	3.14
Loss on Foreign Exchange Rate Fluctuations	-	-
Sundry balances written off/ (back) (Net)	0.03	-
Security service charges	43.60	32.32
Excise duty difference on stocks of finished goods (Net)	1.69	4.67
	<b>10,122.6</b>	<b>7,299.83</b>
<b>SCHEDULE - 11</b>		
<b>INTEREST &amp; FINANCIAL CHARGES</b>		
<b>Interest :</b>		
-On Fixed Loans	1,198.36	1,044.74
-On working capital borrowings	768.56	540.26
Bank Charges & Commission	116.13	91.70
	<b>2,083.05</b>	<b>1,676.70</b>

## SCHEDULE FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

### Schedule -12

#### SIGNIFICANT ACCOUNTING POLICIES, NOTES TO ACCOUNTS AND INFORMATION PURSUANT TO PROVISIONS OF SCHEDULE VI OF THE COMPANIES ACT,1956

##### I. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

##### 1) System of Accounting

The Company follows mercantile system of accounting and recognises income & expenditure on accrual basis to the extent measurable and where there is certainty of ultimate realisation in respect of income.

##### 2) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Difference between the actual result and estimates are recognised in the period in which the results are known/ materialized.

##### 3) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

##### Intangible assets

Assets are recognised on the basis of recognition criteria as set out in the relevant Accounting Standard.

##### Expenditure during construction period

Expenditure related to and incurred during implementation of new/expansion projects is included under Capital Work -in-progress and the same is allocated to the respective Fixed Assets on completion of its construction/ erection. Interest on borrowing costs relating to the qualifying asset is worked out on the basis of actual utilisation of funds out of project specific loan and/ or other borrowings to the extent identifiable with the qualifying asset and are capitalised with the cost of qualifying assets.

##### 4) Depreciation/Amortisation

Depreciation is provided on fixed assets over the useful lives of the assets estimated by the management, which are equivalent to the rates prescribed in Schedule XIV to the Companies Act, 1956. The following methods of depreciation are used by the Company for fixed assets:

Plant and machinery	Straight Line Method.
Leasehold Land	Amortised over the period of lease
Intangible Assets	Amortised over a period of four years on a Straight line basis.
Remaining Fixed Assets	Straight Line Method.

Fixed Assets costing Rs.5000/- or less are fully depreciated in the year of acquisition.

##### 5) Impairment of Assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

Previously recognised impairment losses are reversed to the extent the recoverable amount exceeds the carrying amounts.

#### **6) Government grants and subsidies**

Grants and subsidies from the government are recognised when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

#### **7) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **8) Segment reporting**

##### **Identification of segments**

The Company's operating businesses are organized and managed separately according to the nature of products manufactured and services provided, with each segment representing a strategic business unit that offers different products. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

##### **Inter segment transfers**

The Company accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

##### **Allocation of common costs**

Common allocable costs are allocated to each segment on reasonable basis.

##### **Unallocated items**

It includes general corporate income and expense items which are not allocable to any business segment.

##### **Segment Policies**

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

#### **9) Employee Benefits**

- a) Employee benefits in the form of the Company's contribution to provident fund, pension fund and ESI are considered as defined contribution plan and charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contributions payable to the respective funds.
- b) Retirement benefits in the form of gratuity are defined benefit plans. Gratuity is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.
- c) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation at the year end. The actuarial valuation is done as per projected unit credit method.
- d) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

#### **10) Inventories**

- a) Finished goods are valued at lower of cost or net realisable value. Scrap is valued at estimated net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.
- b) Work in progress is valued at lower of cost or net realisable value. Cost is determined on an average basis.
- c) Raw Materials, Stores and Spares, Packing Materials and Componentets are valued at lower of cost or net realisable value. However materials & other items held for use in the production of inventories are not written below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost of purchases is assessed on first in first out (FIFO) method.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

- d) Excise duty liability on Finished Goods lying in factory is accounted for and the corresponding amount is considered for the valuation thereof.

## 11) Tools & Dies

The consumable Tools & Dies are charged to profit & loss account in the year they are put to use.

## 12) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined for each category separately. Long-term investments are carried at cost on individual investment basis. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments in case of long term investments.

## 13) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

### Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Excise Duty deducted from turnover (gross) are the amount that is included in the amount of turnover (gross) and not the entire amount of liability arising during the year. Sale is net of trade discount and sales tax.

### Dividends

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

### Insurance Claim

Claims lodged with the insurance Companies are accounted on accrual basis to the extent these are measurable and ultimate collection is reasonably certain.

## 14) Foreign Currency Transactions

### (i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

### (ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

### (iii) Forward Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

## 15) Income Taxes

Tax expense comprises of current and deferred. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the Minimum Alternative Tax (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

## **16) Earnings Per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, share split, and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

## **17) Provisions, Contingent Liabilities and Contingent Assets**

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are shown by way of Notes to Accounts in respect of obligations where based on the evidence available, their existence at the Balance Sheet date is considered not probable. Contingent assets are not recognised in the accounts nor disclosed.

## **18) Leases**

### **Where the Company is the lessee**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss account on a straight-line basis over the lease term.

### **Where the Company is the lessor**

Assets subject to operating leases are included in fixed assets. Lease income is recognised in the profit and loss account on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the profit and loss account. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the profit and loss account.

## **19) Cash and Cash Equivalents**

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

## II. NOTES TO ACCOUNTS

### 1 Contingent Liabilities (not provided for) in respect of:- (Rs. In lacs)

Particulars	2010-11	2009-10
a) Unexpired Letter of Credit	1,095.91	1,938.29
b) Claims against the Company not acknowledged as debts	113.25	102.20

Based on legal opinion taken by the Company, discussions with the solicitors etc, the Company believes that there is a fair chance of decisions in respect of the items listed above and hence no provision is considered necessary against the same.

### 2 Capital Commitment (Rs. In lacs)

Particulars	2010-11	2009-10
Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances)	2,854.80	412.31

### 3 Loans falling due for repayment within one year (Rs. In lacs)

Particulars	2010-11	2009-10
Secured	4,259.20	3,254.02
Unsecured	-	-

4 There are no present obligations requiring provision in accordance with the guiding principles as enunciated in Accounting Standard AS 29-"Provisions, Contingent Liabilities and Contingent Assets " as it is not probable that an outflow of resources embodying economic benefits will be required.

### 5 The details of Pre-operative Expenditure pending allocation included in the Capital Work in Progress : (Rs. In lacs)

Particulars	2010-11	2009-10
Carried forward as part of Capital Work in Progress	16.11	1,679.78
Expenditure incurred during the year	-	-
Financial Charges	24.41	16.11
Capitalised in Fixed Assets	40.52	1,679.78
<b>Carried forward as part of Capital Work In Progress</b>	<b>-</b>	<b>16.11</b>

6 Company has availed sales tax incentive amounting to Rs. 605.39 lacs (Previous Year Rs. 546.04 lacs) by the end of 31st March, 2011 in the form of deferment, to be converted later into Capital Subsidy, in accordance with the scheme of the Govt. of Haryana for development of Industries. Considering the nature of incentive and legal opinion taken by the Company, the amount is treated as Capital Receipt and disclosed as such in the Balance Sheet.

7 Expenditure on insurance includes Rs.6.30 lacs (Previous Year Rs.6.30 lacs) being the premium paid under Keyman Insurance Schemes to cover risks on life of Key Management personnel. Benefits to the Company under the said scheme depend on various factors including resignation/survival of the said personnel or premature surrender of the policy. Such benefits will be accounted in the year in which they become due.

### 8 Micro Small & Medium Enterprises Development Act,2006

The Company has so far not received information from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amounts unpaid as at the year -end together with interest paid /payable under this Act has not been given.

**9 Computation of net profit in accordance with the provisions of Section 349 of the Companies Act, 1956 for calculation of commission payable to Directors:-**

**a) Executive and Non executive directors**

(Rs. In lacs)

Particulars	2010-11	2009-10
<b>Profit before tax as per Profit &amp; Loss account</b>	1,688.54	1,105.11
Add: Non- Executive Director's Commission	5.36	3.47
Director's Sitting Fees	12.20	10.50
Managing Director's remuneration	77.24	62.08
(Profit) / Loss on sale/ discard of Fixed Assets (Net)	1.75	3.14
<b>Net Profit for calculating Directors' Commission</b>	<b>1,785.09</b>	<b>1,184.30</b>
<b>Maximum Commission Payable To:-</b>		
Non-Executive Directors 0.30% on Rs. 1785.09 Lacs (Rs. 1184.30 Lacs)	5.36	3.47
Executive Directors 2% (Previous year 1.25%) on Rs. 1785.09 Lacs (Rs. 1184.30 Lacs)	35.70	14.80
Commission Paid to:-		
Non- Executive Directors	5.36	3.47
Executive Director restricted to:	20.00	11.20

Director's Commission (restricted in terms of the agreement with reference to salaries, allowances and limits prescribed under the Companies Act)

**b) Managerial Remuneration**

(Rs. In lacs)

Particulars	2010-11	2009-10
Salaries	27.00	24.00
Commission	20.00	11.20
Contribution to PF and other Funds	3.24	2.88
Other Allowances	27.00	24.00
	<b>77.24</b>	<b>62.08*</b>

\* Net of recovery of Rs.3.20 lacs.

As the liabilities for gratuity and leave encashment are provided on an actuarial basis for the Company as a whole, the amounts pertaining to the director are not included above.

**10 Earning Per Share (EPS) as per Accounting Standard -20**

(Rs. In lacs)

Particulars	2010-11	2009-10
Net Profit After Taxation	1,477.75	1,155.38
Add: Tax adjustment of earlier years	8.18	-
Profit attributable to ordinary shareholders	1,485.93	1,155.38
Number of Equity Shares (in nos)	10,000,000	10,000,000
Nominal Value of Equity shares	10.00	10.00
<b>Basic &amp; Diluted Earnings Per Share (Rs.)</b>	<b>14.86</b>	<b>11.55</b>

**11 Remuneration paid to auditors: (included in Miscellaneous Expenses) (Rs. In lacs)**

Particulars	2010-11	2009-10
<b>a) Statutory Auditor</b>		
i) Audit Fee	5.00	2.50
ii) For Other services	1.32	0.90
iii) For Expenses	0.41	0.42
<b>b) Cost Auditor</b>		
i) Audit Fee	0.48	0.20
ii) For Expenses	0.35	0.09

**12 AS 15 Employees Benefits**
**Gratuity and Other Post Employment Benefit Plans**
**Gratuity**

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The Scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summaries the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

**(Rs. In lacs)**

Particulars	2010-11	2010-11	2009-10	2009-10
Change in present value of the defined obligation	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
- Present value of obligations as at 01.04.2010	69.83	49.26	52.66	37.07
- Interest Cost	5.59	3.94	4.22	2.97
- Past Service Cost	2.92	-	-	-
- Current Service Cost	25.41	19.68	15.72	14.3
- Benefits Paid	(5.44)	(16.36)	(2.60)	(5.19)
- Actuarial loss on obligations	28.50	19.69	(0.17)	0.04
Present value of obligations as at 31.03.2011	126.81	76.21	69.83	49.26

**(Rs. In lacs)**

Particulars	2010-11	2010-11	2009-10	2009-10
Changes in fair value of plan assets	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
- Fair value of plan assets at the beginning of the year	77.87	<b>Not Applicable</b>	52.33	<b>Not Applicable</b>
- Acquisition adjustment	-		-	
- Expected return on plan assets	7.12		4.71	
- Contributions	50.18		28.14	
- Benefits paid	(5.44)		(2.60)	
- Actuarial gain/(loss) on plan assets	7.68		(4.71)	
Fair value of plan assets at the end of the year	137.41	-	77.87	-

(Rs. In lacs)

Particulars	2010-11	2010-11	2009-10	2009-10
Liability recognised in Balance Sheet	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
- Present value of obligations at the end of the year	126.81	76.21	69.83	49.26
- Fair value of plan assets as at the end of the year	137.41		77.87	
- Funded Status / Difference	10.60		8.04	
- Excess of actual over estimated	7.68		(4.71)	
- Unfunded status	-	76.21		49.26
- Unrecognised Actuarial (Gain). Loss	-		-	
- Net Assets/ (Liabilities) recognised in Balance Sheet	<b>10.60</b>	<b>(76.21)</b>	<b>8.04</b>	<b>(49.26)</b>

(Rs. In lacs)

Particulars	2010-11	2010-11	2009-10	2009-10
Expenses recognised in Profit and Loss Account	Gratuity (Funded)	Leave Encashment (Unfunded)	Gratuity (Funded)	Leave Encashment (Unfunded)
- Current Service Cost	25.41	19.68	15.72	14.36
- Past Service Cost	2.93	-	-	-
- Interest Cost	5.59	3.94	4.22	2.97
- Expected return on Plan assets	(7.12)	-	(4.71)	-
- Net Actuarial (Gain). Loss recognised during the year	20.82	19.69	4.54	0.04
<b>Total Expenses</b>	<b>47.63</b>	<b>43.31</b>	<b>19.77</b>	<b>17.37</b>

Amounts for the current and previous three periods in respect of gratuity are as follows:

**Gratuity**

(Rs. In lacs)

Particulars	2010 -11	2009 - 10	2008 - 09	2007 - 08
Defined benefit obligation	126.81	69.83	52.66	42.88
Plan Assets	137.41	77.87	48.27	37.02
Surplus/ (deficit)	10.60	8.04	(4.39)	(5.86)
Experience adjustment on plan assets	7.80	(4.71)	(3.33)	-
Experience adjustment on plan liabilities	(25.57)	0.17	(2.81)	-

**LEAVE ENCASHMENT**

(Rs. In lacs)

Particulars	2010 -11	2009 - 10	2008 - 09	2007 - 08
Defined benefit obligation	76.21	49.26	37.07	30.71
Plan Assets	-	-	-	-
Surplus/ (deficit)	(76.21)	(49.26)	(37.07)	(30.71)
Experience adjustment on plan assets	-	-	-	-
Experience adjustment on plan liabilities	(19.69)	(0.04)	(2.44)	-

The principal assumptions used in actuarial valuation are shown below:

(Rs. In lacs)

Particulars	2010-11	2009-10
- Discount rate	8.00%	8.00%
- Expected rate of return on assets	9.15%	9.00%
- Expected rate of future salary increase	5.50%	5.50%
-Retirement age	58 years	58 years

### Provident Fund and Employees State insurance

The Company makes contribution to statutory provident fund and Employee State Insurance in accordance with Employees Provident Fund and Miscellaneous Provision Act, 1952 and Employee State Insurance Act, 1948 respectively. This is post employment benefit and is in the nature of defined contribution plan. Contribution made by the Company during the year is Rs.140.82 lacs. (Previous year Rs. 111.96 lacs)

### 13 Deferred Tax Liabilities on taking into account the impact of timing differences between financial statements and estimated taxable income.

The breakup of Deferred Tax Liabilities/ (Assets) (Net) is as under:

(Rs. In lacs)

	2009-10		2010-11		
	Balance as on 01.04.2009	Charge (Credit) during the year to P & L	Balance as on 01.04.2010	Charge(Debit) during the Year to P & L	Balance as on 31.03.2011
<b>A. Deferred Tax Liabilities</b>					
Tax Effect of excess Net Block of Fixed assets as per the books of account over written down value as per the income tax computation	596.55	(51.78)	544.77	534.84	1,079.61
<b>B. Deferred Tax Assets</b>					
Retirement benefits *	(14.09)	(0.76)	(14.85)	(6.06)	(20.91)
Brought forward Losses	-	-	-	(327.00)	(327.00)
<b>Net Deferred Tax Liabilities (A-B)</b>	<b>582.46</b>	<b>(52.54)</b>	<b>529.92</b>	<b>201.78</b>	<b>731.70</b>

\* Net of deferred tax charge on transitional provision of revised AS-15 on Employee Benefits adjusted in opening reserves.

14 As the Company's business activity falls within a single primary business segment viz. Motorcycles Parts, the disclosure requirements of Accounting Standard (AS-17) "Segment Reporting" notified by Companies (Accounting Standards) Rules, 2006, (as amended) are not applicable.

### 15 Related parties disclosure:

#### a) Key Managerial Personnel

Mr. Neeraj Munjal, Managing Director

#### b) Enterprises which are able to exercise significant influence over the company

Dayanand Munjal Investments Pvt Ltd  
Hero Cycles Limited (Till 31.03.2010)

#### c) Enterprises over which key management personnel and their relatives are able to exercise significant influence

Hero Honda Motors Limited  
Hero Corporate Services Limited  
Munjal Showa Limited  
Arow Infrastructure Limited  
Rockman Industries Limited (Till 31.03.2010)  
Puja Investments Private Limited (Till 31.03.2010)  
Anadi Investments Private Limited (Till 31.03.2010)  
Hero Investments Private Limited (Till 31.03.2010)  
Munjal Auto Industries Ltd. (Till 31.03.2010)  
Satyam Auto Components Limited (Till 31.03.2010)  
Highway Industries Limited (Till 31.03.2010)  
Dayanand Munjal Investments Limited (Till 31.03.2010)  
Bahadur Chand Investments Private Limited (Till 31.03.2010)  
Thakurdevi Investments Private Limited (Till 31.03.2010)  
Bhagyoday Investments Private Limited (Till 31.03.2010)  
Munjal Investments Private Limited (Till 31.03.2010)  
Highway Industries Limited (Till 31.03.2010)  
Munjal Acme Packaging Systems Ltd. (Till 31.03.2010)  
Sunbeam Auto Ltd. (Till 31.03.2010)

d) Transaction with the related parties during the year  
i) Key Managerial Personnel

(Rs. In lacs)

To the Managing Director:	2010-11	2009-10
Remuneration	57.24	50.88
Commission	20.00	11.20
<b>Total</b>	<b>77.24</b>	<b>62.08</b>

(Rs. In lacs)

To other Directors:	2010-11	2009-10
As sitting Fee	12.20	10.50
Commission Paid/Payable	5.36	3.47
<b>Total</b>	<b>17.56</b>	<b>13.97</b>

ii) Enterprises which are able to exercise significant influence over the Company

(Rs. In lacs)

Particulars	2010-11	2009-10
Miscellaneous Purchases and other Services	-	1.75
Balance outstanding at the end of the year payables	-	0.15

iii) Enterprises over which key management personnel and their relatives are able to exercise significant influence

(Rs. In lacs)

Particulars	2010-11	2009-10
Sale of Goods (inclusive of Excise Duty & Sales Tax)	26,717.45	20,117.96
Purchase of Goods (inclusive of Fixed Assets)	-	120.61
Miscellaneous Purchase and other Services	69.31	20.26
Advances against supplies	-	2,000.00
Advances refunded	1,200.00	300.00
Interest paid on advances	123.12	97.26
<b>Balance outstanding at the end of the year</b>		
Receivables	3,912.47	3,064.03
Payables	7.36	19.32
Advances payable	500.00	1,700.00

16 Future commitments in respect of minimum lease payments payable for non cancelable operating leases (other than land) entered into by the Company:

(Rs. In lacs)

Particulars	2010-11	2009-10
Not later than one year	48.22	36.11
Later than one year and not later than five years	301.19	144.44
Later than five years	198.50	105.32
	<b>547.91</b>	<b>285.87</b>

## 17 Unhedged Foreign Currency Exposures

The amount of foreign currency exposures that are not hedged by a derivative instrument or otherwise are as under:-

(Rs. In lacs)

Particulars	2010 - 11			2009 - 10	
	Foreign Currency	Amount in FC	Amount in INR	Amount in FC	Amount in INR
Receivables	EURO	29,250	18.29	31,020	17.70
Receivables	USD	2,410	1.07	-	-

18 In the opinion of the Board and to the best of their knowledge and belief, the value on realisation of loans, advances and current assets in the ordinary course of business will not be less than the amount at which they are stated in the Balance Sheet.

19 Previous year figures have been regrouped/ rearranged wherever considered necessary to facilitate comparison with current year figures

### III. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF 3, 4C and 4D OF PART II OF SCHEDULE VI OF THE COMPANIES ACT,1956

#### 1. Particulars in respect of licenced and installed capacities:

in nos.

Class of Goods	Licensed Capacity		Installed Capacity	
	2010-11	2009-10	2010-11	2009-10
Forging Components	N.A.	N.A.	141600000	123,600,000
Gear Blank Machining	N.A.	N.A.	50250000	50,250,000
Gear Finishing	N.A.	N.A.	35700000	35,700,000

(i) The installed capacity is on annualised basis and is as certified by the management and relied upon by the auditors being a technical matter . The installed capacity is calculated on triple shift basis.

(ii) Actual production of Forging Components and Gear blanks Machining depends on exact specification of the product. The quantities are indicative of production ,with specifications, which are considered representative of estimated average product mix.

#### 2. Particulars in respect of opening and closing stock of finished goods produced

Opening Stock	2010-11		2009-10	
Class of Goods	Qty.(in Nos.)	Value (in Lacs)	Qty.(in Nos.)	Value (in Lacs)
Gear Components	135243	55.35	12594	5.86

Closing Stock	2010-11		2009-10	
Class of Goods	Qty.(in Nos.)	Value (in Lacs)	Qty.(in Nos.)	Value (in Lacs)
Gear Components	31841	14.52	135243	55.35

#### 3. Details of Production and sales

Production	2010-11	2009-10
Class of Goods	Qty. (in Nos.)	Qty.(in Nos.)
Gear Components	41,145,570	33,175,699

Sales	2010-11		2009-10	
Class of Goods	Qty.(in Nos.)	Value (in Lacs)	Qty.(in Nos.)	Value (in Lacs)
Gear Components	41,248,972	27,885.75	33,053,050	20,715.44

\* includes sales of Scrap of Rs. 489.38 lacs (Previous Year Rs.255.22 lacs) and Export Sales of Rs. 72.28 lacs (Previous Year Rs.29.67 lacs)

**4. Raw Material, processing materials and components consumption:**
**(Amt. In lacs)**

Particulars	2010-11		2009-10	
	Qty.	Value	Qty.	Value
Alloy Steel (Qty. in MT)	11,779	7,629.73	9,895	5,982.90
Bought out parts (Nos.)	565,834	410.43	1,373,861	339.14
		<b>8,040.16</b>		<b>6,322.04</b>

**5. Value of Imported and Indigenous Raw Materials and Class of Goods**
**(Amt. In lacs)**

Raw Material and Components	2010-11		2009-10	
	Value	%age	Value	%age
Imported	-	0%	1.89	0%
Indigenous:	8,040.16	100%	6,320.15	100%
	<b>8,040.16</b>		<b>6,322.04</b>	

Stores, spares, Tools & Dies consumed	2010-11		2009-10	
	Value	%age	Value	%age
Imported	638.47	17%	183.49	9%
Indigenous	3,053.69	83%	1,951.53	91%
	<b>3,692.16</b>		<b>2,135.02</b>	

**6. Expenditure in foreign Currency (on cash basis)**
**(Amt. In lacs)**

	2010-11	2009-10
Foreign Traveling	17.45	19.09
Consultancy Charges	-	7.16
	<b>17.45</b>	<b>26.25</b>

**7. CIF Value of Imports**
**(Amt. In lacs)**

	2010-11	2009-10
Spares	753.86	310.25
Capital Goods	1,086.81	1,212.03
	<b>1,840.67</b>	<b>1,522.28</b>

**8. Earning in Foreign Exchange**
**(Amt. In lacs)**

	2010-11	2009-10
FOB value of Exports	72.28	29.67

As per our report of even date

**for S.S. KOTHARI MEHTA & CO.**

Chartered Accountants

**KAMAL KISHORE**

Partner

Membership No.078017

**For and on behalf of the Board**

Neeraj Munjal,  
Bhagwan Dass Narang,  
Anil Kumar Gupta,  
Davendra Ujlayan,

Sanjeev Chaba,

Managing Director  
Director  
Director  
AVP - Finance &  
Company Secretary  
DGM (Finance & Accounts)

Place: New Delhi

Date: 28th May, 2011

## ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956

### Balance Sheet Abstracts and Company's General Business Profile

#### I. Registration Details

Registration No.

1 3 9 5 6 3

State Code

5 5

Balance Sheet Date

3 1 0 3 2 0 1 1

#### II. Capital raised during the year (Amount in Rs.'000)

Public Issue

N I L

Rights issue

N I L

Bonus Issue

N I L

Private Placement

N I L

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs.'000)

**Total Liabilities**

29 9 5 3 0 6

**Total Assets**

29 9 5 3 0 6

##### Sources of Funds

Paid up capital

1 0 0 0 0 0

Reserve & Surplus

8 8 8 2 4 0

Secured Loans

1 9 3 3 8 9 6

Unsecured Loans

N I L

Deferred Tax Liability

7 3 1 7 0

##### Application of Funds

Net Fixed Assets

2 4 9 1 8 8 0

Investments

N I L

Net Current Assets

5 0 3 4 2 6

Misc. Expenditure

N I L

#### IV. Performance of Company (Amount in Rs.'000)

Turnover

2 7 8 8 5 7 5

Total Expenditure

2 4 6 9 0 0 9

Profit Before Tax

1 6 8 8 5 4

Profit After Tax

1 4 7 7 7 5

Earning Per Share in Rs.

14.86

Dividend in %

25%

#### V. Generic Name of Three Principal Products of Company (as per monetary terms)

Item Code No.

8 7 1 4 1 9 0 0

Product description

M O T O R C Y C L E P A R T S

# SHIVAM AUTOTECH LIMITED

Regd. Office: 303, Square One, Saket, New Delhi – 110 017

## 6<sup>th</sup> Annual General Meeting ATTENDANCE SLIP

Folio No. \_\_\_\_\_

No. of Shares(s) Held: \_\_\_\_\_

D.P. ID.\*

Client ID.\*

Name(s) in full	Father/Husband's Name	Address as registered with the company
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____

I/We hereby record my/our presence at the 6th Annual General Meeting of the Company being held at The Tivoli Garden Resort, Near Chattarpur Mandir, Chattarpur Road, New Delhi – 110017 on Friday, the 30<sup>th</sup> September, 2011 at 11.00 A.M.

Signature of the Member(s)/Proxy

1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_

\*Applicable for members holding share(s) in electronic form

Notes:

1. A member / proxy attending the meeting must complete this Attendance Slip and hand it over at the entrance of meeting hall.
2. A member intending to appoint a proxy, should complete the Proxy Form printed below and deposit it at the Company's Registered Office not later than 48 hours before the commencement of the meeting.

# SHIVAM AUTOTECH LIMITED

Regd. Office: 303, Square One, Saket, New Delhi – 110 017

## 6<sup>th</sup> Annual General Meeting PROXY FORM

Folio No. \_\_\_\_\_

No. of Shares(s) Held: \_\_\_\_\_

D.P. ID.\*

Client ID.\*

Name(s) in full	Father/Husband's Name	Address as registered with the company
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____

being a member(s) of Shivam Autotech Limited hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or falling him / her \_\_\_\_\_ of \_\_\_\_\_ as my / our proxy to vote for me / us on my / our behalf at the 6<sup>th</sup> Annual General Meeting of the Company at 11.00 A.M. and any adjournment thereof.

Signature of the Member(s)

1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_

\*Applicable for members holding share(s) in electronic form

Note:

1. The proxy should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.

**Affix  
1 Rupee  
Revenue  
Stamp**