

## BOARD OF DIRECTORS

### CHAIRMAN

Sunil Kant Munjal

### DIRECTORS

Satyanand Munjal

Brijmohan Lall Munjal

Om Prakash Munjal

Vijay Munjal

Neeraj Munjal

Bhagwan Dass Narang

Surrinder Lal Kapur

Vinayshil Gautam

### FINANCE TEAM

Sanjay Gupta, *GM – Finance & Accounts*

Varika Rastogi, *Company Secretary*

### AUDITORS

S. S. Kothari Mehta & Co.

Chartered Accountants

146-149, Tribhuvan Complex

Ishwar Nagar, Mathura Road

New Delhi – 110065

### BANKERS

State Bank of India

HSBC Limited

IDBI Limited

ICICI Bank Limited

Citi Bank N.A.

### REGISTERED OFFICE

2A/3, Asaf Ali Road

New Delhi – 110 002

### PLANT

58<sup>th</sup> Km. Stone

Delhi – Jaipur Highway

Village: Binola – 122 413

Dist.: Gurgaon (Haryana)

### SHARE TRANSFER AGENTS

MCS Limited

Shri Venkatesh Bhawan, W-40

Okhla Industrial Area, Phase II,

New Delhi -110 020

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## NOTICE

Notice is hereby given that the 1<sup>st</sup> Annual General Meeting of the Members of **SHIVAM AUTOTECH LIMITED** will be held on Wednesday, the 20<sup>th</sup> day of September, 2006 at 11:30 A.M. at Essex Farms, 4, Aurobindo Marg, New Delhi-110016 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, 2006 and Profit & Loss Account for the period ended on that date along with the Directors and the Auditors Report.
2. To declare dividend to the equity shareholders for the period ended March 31, 2006.
3. To appoint a Director in place of Mr. Satyanand Munjal, being first Director, who retires and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Brijmohan Lall Munjal, being first Director, who retires and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Om Prakash Munjal, being first Director, who retires and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. Vijay Munjal, being first Director, who retires and being eligible, offers himself for re-appointment.
7. To appoint a Director in place of Mr. Neeraj Munjal, being first Director, who retires and being eligible, offers himself for re-appointment.
8. To appoint M/s. S. S. Kothari Mehta & Co. Auditors to hold office from the conclusion of this meeting, till the conclusion of the next Annual General Meeting of the Company and to authorise the Board of Directors to fix their remuneration.

### [B] SPECIAL BUSINESS

9. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:  
  
"RESOLVED THAT Mr. Sunil Kant Munjal, who was appointed by the Board of Directors as an Additional Director with effect from 14<sup>th</sup> February, 2006 under Article 82 of the Articles of Association of the Company and who by virtue of the provisions of Section 260 of the Companies Act, 1956, holds office till the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 together with a deposit of Rs. 500/-, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
10. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:  
  
"RESOLVED THAT Mr. Bhagwan Dass Narang, who was appointed by the Board of Directors as an Additional

Director with effect from 14<sup>th</sup> February, 2006 under Article 82 of the Articles of Association of the Company and who by virtue of the provisions of Section 260 of the Companies Act, 1956, holds office till the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 together with a deposit of Rs. 500/-, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

11. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Mr. Surrinder Lal Kapur, who was appointed by the Board of Directors as an Additional Director with effect from 14<sup>th</sup> February, 2006 under Article 82 of the Articles of Association of the Company and who by virtue of the provisions of Section 260 of the Companies Act, 1956, holds office till the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 together with a deposit of Rs. 500/-, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

12. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Dr. Vinayshil Gautam, who was appointed by the Board of Directors as an Additional Director with effect from 14<sup>th</sup> February, 2006 under Article 82 of the Articles of Association of the Company and who by virtue of the provisions of Section 260 of the Companies Act, 1956, holds office till the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 together with a deposit of Rs. 500/-, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

13. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (and/or any statutory modification or re-enactment thereof from time to time), approval of the members be and is hereby accorded to the appointment of Mr. Neeraj Munjal as Managing Director of the Company for a period of 5 (five) years commencing from 1st April, 2006 on terms and conditions as set out in Draft Agreement proposed to be entered into between the Company and Mr. Neeraj Munjal, submitted to this meeting and for identification initialed by the Chairman, with liberty to the Board of Directors to amend, alter or otherwise vary the terms and conditions of the appointment of the Managing Director from time to time, including remuneration, provided that such remuneration shall not exceed the maximum limits for payment of managerial remuneration as prescribed in

Schedule XIII to the Companies Act, 1956, or any amendment or any statutory modifications thereto and conditions, if any, as may be stipulated by the Central Government.

RESOLVED FURTHER THAT if in any Financial Year, the Company has no profits or its profits are inadequate, the minimum remuneration payable to Managing Director shall be same substantive salary and perquisites as above mentioned, subject to the ceilings set out under the provisions of Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things as may be considered necessary to give effect to this resolution."

14. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to section 293(1)(d) and other applicable provisions if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company, to borrow such sum or sums of moneys in any manner from time to time as may be required for the purpose of business of the Company with or without security and upon such terms and conditions as they may think fit, notwithstanding that moneys to be borrowed together with moneys already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board of Directors for the Company and outstanding at any time shall not exceed the sum of Rs. 100,00,00,000/- (Rupees One Hundred Crores only)."

15. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to section 293(1)(e) and other applicable provisions if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company, to contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, as it may think fit, notwithstanding that moneys to be contributed during a financial year may exceed Rupees Fifty Thousand, provided that the total amount so contributed by the Board of Directors on behalf of the Company during a financial year shall not exceed the sum of Rs. 25,00,000/- (Rupees Twenty Five Lacs only)."

By Order of the Board of Directors  
 For Shivam Autotech Limited

New Delhi  
 August 03, 2006

Varika Rastogi  
**Company Secretary**

**Registered Office:**  
 2A/3, Asaf Ali Road,  
 New Delhi – 110 002

## NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote (on a poll only) instead of himself / herself and the proxy need not be a member of the Company. Under the Companies Act, 1956, voting is by a show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least  $\frac{1}{10}^{\text{th}}$  of the total shares entitled to vote on the resolution or by those holding Paid-up Capital of at least Rs. 50,000/-. The proxy in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. Members / proxies should bring duly filled Attendance Slips sent herewith to attend the meeting.
3. Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956, which sets out details relating to Special Business, is annexed hereto.
4. The Share Transfer Books and Register of Members of the Company will remain closed from Saturday, 16<sup>th</sup> September, 2006 to Tuesday, 19<sup>th</sup> September, 2006 (both days inclusive).
5. Members are requested to notify immediately the change of address and change in saving Bank Accounts details, if any, to their Depository Participants in respect of their electronic shareholding(s), and to the Registrar and Share Transfer Agent of the Company in respect of their physical share holding(s) at the following address:  
  
 MCS Limited  
 Sri Venkatesh Bhawan  
 W – 40, Okhla Industrial Area – II  
 New Delhi – 110 020  
 Tel: +91 011 41609386, 41406149  
 Fax No: 91 011 47709881  
 E-mail: admin@mcsdel.com
6. The dividend as recommended by the Board of Directors, if approved by the members at the 1<sup>st</sup> Annual General Meeting, shall be paid after 20<sup>th</sup> September, 2006 to those members whose names appear on the Register of Members of the Company on 19<sup>th</sup> September, 2006.
7. Members, who desire to seek any information pertaining to Accounts and operations of the Company are requested to address their questions / queries to the Secretary of the Company so as to reach at least seven days before the date of the Annual General Meeting to enable the Company make the information sought available to the best extent possible.
8. The Register of Directors' shareholding maintained under Section 307 of the Companies Act, 1956 will be available for inspection by the members at the AGM.
9. The Register of Contracts maintained under Section 301 of the Companies Act, 1956 will be available for inspection by the members at the works situated at 58<sup>th</sup> Km Stone, Delhi-Jaipur Highway, Village Binola, Gurgaon – 122 413.

10. The Draft Agreement proposed to be entered into by the Company with Mr. Neeraj Munjal setting out the detailed terms and conditions of his appointment as Managing Director will be available for inspection by the members at the works situated at 58<sup>th</sup> Km Stone, Delhi – Jaipur Highway, Village Binola, Gurgaon – 122 413.

**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956, SETTING OUT THE MATERIAL FACTS RELATING TO THE SPECIAL BUSINESS REFERRED TO IN THE ACCOMPANYING NOTICE DATED AUGUST 3, 2006.**

**Item Nos. 9 to 12**

Mr. Sunil Kant Munjal, Mr. Bhagwan Dass Narang, Mr. Surrinder Lal Kapur and Dr. Vinayshil Gautam were appointed as Additional Directors at the meeting of the Board of Directors held on 14<sup>th</sup> February, 2006, to hold office upto the date of the ensuing Annual General Meeting of the Company. The Company has received Notices in writing as required under Section 257 of the companies Act, 1956 along with deposits of Rs. 500/- in each case.

None of the Directors, other than Mr. Sunil Kant Munjal, Mr. Bhagwan Dass Narang, Mr. Surrinder Lal Kapur and Dr. Vinayshil Gautam in their respective capacities and Mr. Brijmohan Lall Munjal, being relative of Mr. Sunil Kant Munjal, may be considered to be interested or concerned in the above.

The Board of Directors of your Company recommends the passing of the Ordinary Resolutions mentioned at Item Nos. 9 to 12.

**Item No. 13**

At the meeting of the Board of Directors of the held on 3<sup>rd</sup> August, 2006, on the recommendation of the Remuneration Committee at its meeting held at 2<sup>nd</sup> August, 2006, Mr. Neeraj Munjal was appointed as Managing Director for a period of 5 (five) years commencing from 1st April, 2006, subject to the approval of the members in the ensuing Annual General Meeting of the Company, pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956.

The terms and conditions of his appointment are as follows:

1. **Period of Appointment:** From 1st April, 2006 to 31st March, 2011.
2. Details of Remuneration:
  - a) **Basic Salary:** Rs. 95,000/- (Rupees Ninty Five Thousand Only) per month (with an increase of Rs. 6000/- per month on first day of each financial year)
  - b) **Commission:** Mr. Neeraj Munjal shall be allowed remuneration by way of commission subject to the condition that the amount of commission shall not exceed 1% 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;
  - c) **Perquisites and Allowances:** Perquisites and Allowances as detailed in draft agreement proposed to entered into with Mr. Neeraj Munjal.
3. **Termination:** The Agreement may be terminated by either

party by giving 180 days notice, in writing, of such termination.

4. **Duties:** Mr. Neeraj Munjal shall perform the duties as mentioned in the Draft Agreement and also such duties which from time to time may be entrusted to him by the Board of Directors of the Company.

The above may be treated as an abstract of the Draft Agreement proposed to be entered into by the Company with Mr. Neeraj Munjal, as required under Section 302 of the Companies Act, 1956.

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 Board of Directors of your Company recommends passing of the aforesaid Resolution at item no. 13.

**Item No. 14**

Now the Company is in growth phase due to the increased requirements of the customers of the Company. Therefore the company will need to substantially augment its production capacity to cater to the increased requirements of its customer(s). As on 31<sup>st</sup> March, 2006, the net worth of the Company is Rs. 43.26 Crores and total term loans availed is Rs. 35.98 Crores. For financing the capital expenditure, company needs to borrow term loans in excess of the net worth for which approval of shareholders is required in the General Meeting under Section 293 (1)(d) of the Companies Act, 1956.

None of the Directors of your Company may be deemed to be concerned / interested in the Resolution at item no. 14.

The Board of Directors of your Company recommends passing of the aforesaid Resolution at item no. 14.

**Item No. 15**

The Company has been receiving requests from various charitable trusts and non-government organizations for financial assistance to the various programmes of social welfare undertaken by them. The Company, being a responsible corporate citizen, will require to contribute to the society for community causes in the future. In order to enable the Company to make donations to fulfill its social responsibility in excess of Rs.50,000/-. Therefore the proposed limit of Rs. 25 Lacs requires the approval of the members of the Company in their General Meeting pursuant to Section 293(1)(e) of the Companies Act, 1956.

None of the Directors of your Company may be deemed to be concerned / interested in the Resolution at item no. 15.

The Board of Directors of your Company recommends passing of the aforesaid Resolution at item no. 15.

**Additional information on Directors recommended for appointment or re-appointment at the Annual General Meeting**

**1. Mr. Satyanand Munjal**

Mr. Satyanand Munjal is Co-Chairman cum Managing Director of Hero Cycles Limited, the flagship Group Company.

Currently, he is on the Board of the following Companies.

Name of the Company	Designation
Hero Cycles Limited	Co-Chairman cum Managing Director
Rockman Industries Ltd.	Chairman and Director
Munjal Auto Industries Ltd.	Chairman and Director
Hero Honda Motors Ltd.	Director
Satyam Auto Components Ltd.	Director
Hero Investments Pvt. Ltd.	Director
Thakurdevi Investments Pvt Ltd	Director
Bhagyoday Investments Pvt Ltd	Director
Dayanand Munjal Investment Pvt Ltd	Director
Munjal Bros. Pvt Ltd	Director

## 2. Mr. Brijmohan Lall Munjal

Mr Brijmohan Lall Munjal is Chairman of the Hero Group and one of the foremost and most respected industrialists of India. He is past president of CII, the premier institution of business & industry in India. He has also been conferred the distinguished civilian honour – *Padma Bhushan* by the Government of India in recognition of his contribution to the Indian Industry and society. He also received a Lifetime Achievement Award for excellence in Corporate Governance in 2005 from the Institute of Company Secretaries of India.

Currently, he is on the Board of the following Companies.

Name of the Company	Designation
Hero Honda Motors Ltd.	Chairman and Whole-time Director
Hero Honda Finlease Ltd.	Chairman and Director
Hero Cycles Ltd.	Chairman and Director
Munjal Showa Ltd.	Chairman and Director
Sunbeam Auto Ltd.	Chairman and Director
Munjal Auto Industries Ltd.	Director
Easy Bill Ltd.	Director
Hero Financial Services Ltd.	Director
Munjal Brothers Pvt. Ltd.	Director
BCM Energies Pvt. Ltd.	Director

## 3. Mr. Om Prakash Munjal

Mr. Om Prakash Munjal is a co-founder of Hero Group. He is Co-Chairman cum Managing Director (Marketing) of Hero Cycles Limited, the flagship Group Company. He carries enriched experience and due to his rare administrative and entrepreneurial skills, Hero Cycles has found its position in the Guinness Book of World Records. In the year 1990, he was awarded the Indira Gandhi National Unity Award by the President of India.

Currently, he is on the Board of the following Companies:

Name of the Company	Designation
Majestic Auto Limited	Chairman
Hero Financial Services Ltd.	Chairman
Hero Cycles Limited	Co-Chairman cum Managing Director
Easy Bills Ltd.	Director

Highway Industries Ltd.	Director
Hero Honda Finlease Ltd.	Director
Hero Honda Motors Ltd.	Director
Roma Cycle Mfg. Co. Pvt. Ltd.	Director
Hero Global Design Ltd.	Director
Hero Motors Ltd.,	Director
Munjal Bros. Pvt. Ltd.	Director
Sunbeam Auto Ltd.	Director

## 4. Mr. Vijay Munjal

Mr. Vijay Munjal is a Graduate and has put in more than 35 years in the bicycle & automobile industries. He is Managing Director (International Marketing) of Hero Cycles Limited.

Currently, he is on the Board of the following Companies and Committees thereof:

Name of the Company	Designation
Hero Honda Motors Ltd.	Director
Hero Cycles Ltd.	Managing Director
Munjal Auto Industries Ltd.	Director
Majestic Auto Ltd.	Director
Highway Industries Ltd.	Chairman & Director
Roma Cycle Mfg. Co. Pvt. Ltd.	Director
Hero Global Design Ltd.	Director
Hero Motors Ltd.	Director
Hero Honda Finlease Ltd.	Director
Sunbeam Auto Ltd.	Director
Easy Bill Ltd.	Director
Hero Financial Services Ltd.	Director

## 5. Mr. Neeraj Munjal

Mr. Neeraj Munjal has been involved from concept to the commissioning of the project which went on stream in the year 1999. Since then, he is spearheading the operations of the Binola unit. He successfully handled the operations that have brought the Company to this level. He brings with himself experience of 18 years in auto components sector.

Mr. Neeraj Munjal holds a Diploma in Business Management from Bradford & Ilkley Community College, England, besides a Bachelors Degree in Commerce. He has been a Whole-time Director of Munjal Auto Industries Ltd. since February, 2000. Before joining Munjal Auto, he worked with Hero Exports as its Chief Executive.

Currently, he is on the Board of the following Companies:

Name of the Company	Designation
Rockman Investments Ltd.	Director

## 6. Mr. Sunil Kant Munjal

Mr Sunil Kant Munjal is a Commerce Graduate and has trained as a Mechanical Engineer. He is the Managing

Director of Hero Cycles Ltd. (C.R.Division) and Hero Management Service Limited, and the Chairman of Hero Corporate Service Limited, the services business arm of the Hero Group. He was also **President of Confederation of Indian Industry (CII)**, during 2004-05. He is a visiting faculty at various business schools and lectures on Business Studies and Holistic Management Practices.

Currently, he is on the Board of the following Companies:

Name of the Company	Designation
Hero Cycles Ltd.	Managing Director
Hero Management Service Ltd.	Managing Director
Hero Corporate Service Ltd.	Chairman
Hero Motors Ltd.	Director
Satyam Auto Components Ltd.	Director
Thakurdevi Investments Pvt. Ltd.	Director
Bahadur Chand Investments Pvt. Ltd.	Director
Munjal Acme Packaging Systems Ltd.	Director
Easy Bill Ltd.	Director
DCM Shriram Consolidated Ltd.	Director
PNB Gilts Ltd.	Director
Forum I Aviation Pvt. Ltd.	Director
Thakurdevi Hydro Pvt. Ltd.	Director
Life Insurance Corporation of India	Member

#### 7. Mr. Bhagwan Dass Narang

Mr. Bhagwan Dass Narang is a Post Graduate in Agricultural Economics and brings with him 32 years of banking experience. During this period, he also held the coveted position of the Chairman and Managing Director of Oriental Bank of Commerce. Besides Shivam Autotech Limited, he is not on the Board of any other Company.

#### 8. Mr. Surrinder Lal Kapur

Mr. Surrinder Lal Kapur is a practicing Advocate with specialization in Company Law and Industrial Laws relating to Sick Industries, Industrial Finance, Acquisitions and Mergers. He brings with him enriched and wide

experience of 46 years. Presently he is working as an honorary adviser to the President, PHDCCI. In the past he has served as member of the Board for Industrial and Financial Reconstruction (BIFR) for a period of four years.

Currently, he is on the Board of the following Companies:

Name of the Company	Designation
Dhir & Dhir Asset Reconstruction & Securitisation Company Ltd.	Director
Yes Bank Ltd.	Director
Anika International Ltd.	Director
Sara Textiles Ltd.	Director
Uniproducts (India) Ltd.	Director
Grant Thornton (India) Ltd.	Director

#### 9. Dr. Vinayshil Gautam

Dr. Vinayshil Gautam is a widely respected consultant and practitioner of Management in India and abroad. At present, he is attached with Indian Institute of Technology (IIT), Delhi as a Professor of Management.

Currently, he is on the Board of the following Companies:

Name of the Company	Designation
Export Import Bank of India	Director
KEC International Ltd.	Director
JK Industries Ltd.	Director

By Order of the Board of Directors  
For Shivam Autotech Limited

New Delhi  
August 03, 2006

Varika Rastogi  
**Company Secretary**

**Registered Office:**  
2A/3, Asaf Ali Road  
New Delhi – 110 002

## DIRECTORS' REPORT

**To  
The Members,**

The Company was incorporated on 29<sup>th</sup> July, 2005. During the year, the Binola unit (also known as Munjal Auto Components), a divisional of Munjal Auto Industries Limited was hived off into your Company effective from August 01, 2005. Therefore the first operational results of the Company have been prepared for a period of 8 months from 1<sup>st</sup> August, 2005 to 31<sup>st</sup> March, 2006.

Your Directors have pleasure in presenting their First Report on the business and operations of your Company together with its Audited Accounts for the period ended March 31, 2006.

<b>Financial Results</b>	(Rs. In Lacs)
For the period of 8 months ended	March 31, 2006
Sales & Other Income	9702.64
Profit before Depreciation and Interest	2672.74
Depreciation	592.22
Interest	173.57
Profit before Taxation	1906.95
Provision for Taxation (Deferred & Current)	648.36
Profit after Taxation	1258.59
Prior Period Expenditure	0.00
Profit available for appropriations	1258.59
Appropriations	
Proposed Dividend on Equity Shares	250.00
Tax on Dividend	35.06
Profit after Appropriations	973.53

### DEMERGER

During the period, the Binola unit of Munjal Auto Industries Limited was hived off/ demerged into the Company effective from August 01, 2005. The Hon'ble High Courts of Gujarat and Delhi had sanctioned the Scheme of Arrangement vide their Orders dated 29<sup>th</sup> March, 2006 and 30<sup>th</sup> March, 2006 respectively. Consequently, the Authorized Share Capital of the Company has increased to Rs. 12.60 Crores from Rs. 10 Lacs and the Paid-up Share Capital increased by Rs. 10 Crores from Rs. 5 Lacs. All the shareholders of Munjal Auto Industries Limited as on Record Date i.e. May 24, 2006, were issued one equity share of Shivam Autotech Limited and one equity share of Munjal Auto Industries Limited.

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Indian economy performed better than expectations in 2005-06, with GDP growing in excess of 8 per cent. At around five per cent, inflation growth was contained well within the range projected in projected by the RBI' for 2005-06. and inflation expectations have remained firmly anchored. This has been reflected in the relative stability of long-term interest rates. Financial markets were generally stable during the year, adapting to the shift in liquidity conditions from surplus to deficit with considerable resilience. The improvement in industrial activity in 2005-06 was mainly due to acceleration of manufacturing growth from 8.1 per cent in the preceding year to 9.4 per cent. Sustained expansion in domestic as well as export demand, increased capacity utilisation, augmentation of capacities and positive business and consumer confidence underpinned the strength of the manufacturing sector.

In urban India, lower taxes and good salary increments across sectors increased disposable income in the hands of consumers. A sizeable chunk of the GDP growth came from the service sector, which now contributes 54 per cent of the country's GDP. More significantly, the fastest growing segment in the service sector—information technology and IT enabled services—is being driven by youth.

This growing segment of the population offers a huge window of opportunity for the automobile industry, especially in emerging Tier 2 and Tier 3 cities spread over different corners of the country.

Overall, the auto industry clocked a 14% growth over the previous year. Good times in the automobile industry as far as volumes are concerned have been continuing and there are no signs of let up at least in the near future, given the trend of rising consumer incomes and relatively low penetration levels of automobiles. This 'feel-good' factor pervading the automobile industry has prompted several automakers to line up fresh investments to ramp up their operational capacities.

### INDUSTRY STRUCTURE AND DEVELOPMENT

The Indian Two-wheeler industry volumes rose 18.3% year to year on the back of 21.3% year to year increase in motorcycle volumes.

Hero Honda Motors Limited (HHML) – our principal customer—continued to lead the motorcycle segment with a over all market share of 48.1%, and a lead of more than one million over its nearest rival.

The healthy growth of the two wheeler industry and in particular the continuing dominance of our principal customer HHML formed the backbone of your Company's impressive operational performance during the year. Your Company is confident that the current trends will be sustainable in the near term.

### COMPANY PERFORMANCE

The Company is presently engaged in the manufacturing of Forging and Gear Components at its plants located at Binola near Gurgaon in Haryana.

### OPERATIONS

The financial year 2005-06 was challenging for the Indian Automobile Industry. There was pressure on margins on the back of steep increases in commodity prices, especially steel and aluminum. During the period of 8 months, the Sales of the Company were Rs. 9658.99 Lacs. Operating Profit (PBDIT) of the company for the period under review was Rs. 2672.74 Lacs. The Profit Before Tax (PBT) was Rs. 1906.95 Lacs and Profit After Tax (PAT) was Rs. 1258.59 Lacs.

### OPPORTUNITIES AND THREATS

Currently, your Company is heavily dependent on the prospects of growth of the two-wheeler industry and within that, the business of HHML. Any changes in the fortunes of HHML, therefore, could directly impact the prospects of your company. However, given HHML's growth potential, a reversal of fortunes would seem unlikely at this juncture.

Steel is the major raw material being used by your Company. The rise in steel prices could really prove to be a challenge to the Company and can exert pressure on the operating margins. Your Company can offset the price increase by increasing the

production capacities and volumes, but in the face of a continual rise, the impact of scale economics could be limited.

### **CAPACITY EXPANSION AND OUTLOOK**

The Company has planned an aggregate investment of Rs. 20.17 Crores for expanding the capacities of existing forging / gear components in order to cater to the increased demand of Hero Honda Motors Limited. These expansions are scheduled to be completed by September, 2006. Your Company has further stepped up its investment to enhance the operational capacities and to embrace the new and exciting opportunities for additional business within the focused segments of automobile industry. Ongoing efforts to improve in all areas of operations and greater focus on the core values of its business should augur well for the future of your Company.

In other words, we expect that we would continue to grow, barring unforeseen contingencies, in the years ahead.

### **RISKS AND CONCERNS**

Though guidelines and controls are in place to manage and mitigate downside business risks, the role played by external factors like inflation and high input costs cannot be underestimated. While your Company continues to derive benefit from the impressive growth and performance of its principal customer HHML, this also makes us more vulnerable to any adverse development or slow down in the growth of business of HHML.

### **CAUTIONARY STATEMENT**

Statements in the Management Discussion and Analysis are forward looking in nature, based on certain assumptions and expectations of the future events that are subject to risks / uncertainties and unanticipated travails. Therefore, the actual performance / results and trends may differ substantially from those expressed or implied.

### **INTERNAL CONTROLS AND ADEQUACY**

Your Company has an adequate system of internal controls that commensurate with the size and nature of business of the Company. Attempts have been made to ensure adequate protection of the Company's resources, provision of accurate and speedy financial statement agencies, Bankers, our valued customers and our vendors. The Board wishes to place on record its sincere appreciation of the efforts put in by the Company's workers, staff and executives.

Your Company has a balanced organization structure, well defined authority levels and set guidelines and rules for conducting business transactions and to promote ethical conduct. The Company's Internal Auditors conduct audit to ensure adequacy of internal control systems, adherence to management instructions and policies and compliance with laws and regulations of the country. The Internal Audit Reports are circulated to the Management which initiates action where necessary and the action taken reports of the management is considered and discussed by the Audit Committee.

### **DIVIDEND**

The Directors are pleased to recommend a dividend of 25% on equity shares of the Company for the period ended 31<sup>st</sup> March, 2006. The dividend, if approved by the members in the forthcoming Annual General Meeting, would absorb Rs. 285.06 Lacs (inclusive of Corporate Dividend Tax of Rs. 35.06 Lacs) out of the profits available for the period.

### **MATERIAL CHANGES AND COMMITMENTS**

No material changes and commitments affected the financial position of the Company between March 31, 2006 and the date in which this report has been signed.

### **BOARD OF DIRECTORS**

Mr. Satyanand Munjal, Mr. Brijmohan Lall Munjal, Mr. Om Prakash Munjal, Mr. Vijay Munjal and Mr. Neeraj Munjal, First Directors of the Company, retire at the ensuing Annual General Meeting. All of them, being eligible, offer themselves for re-appointment.

Mr. Sunil Kant Munjal, Mr. Bhagwan Dass Narang, Mr. Surrinder Lal Kapur and Dr. Vinayshil Gautam were appointed as Additional Directors of the Company with effect from February, 14, 2006. They hold office upto the date of the forthcoming Annual General Meeting.

The Board of Directors of your company in its meeting held on August 3, 2006, subject to the approval of Members of the Company, appointed Mr. Neeraj Munjal as Managing Director of the Company for a period of 5 (five) years commencing from 1st April, 2006. Mr. Neeraj Munjal is spearheading the operations of the Binola unit. He successfully handled the operations that have brought the Company to this level. He brings with himself experience of 18 years in auto components sector. Directors feel his appointment as Managing Director is desirable and hence commend his appointment for a term of 5 (five) years. An appropriate resolution to that end is set out at item no.13 of the accompanying Notice of the Annual General Meeting.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

To the best of their knowledge and belief and according to the information and explanations obtained by them, your directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956:

- (i) that in the preparation of the account for the period ended March 31, 2006, the applicable accounting standards have been followed;
- (ii) that appropriate accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs as at March 31, 2006 and of the profit of the Company for the period ended on that date;
- (iii) that proper and sufficient care has been taken to maintain adequate accounting standards in accordance with the provisions of the Companies Act, 1956 so that the assets of the Company are safeguarded and frauds and other irregularities are detected or prevented.
- (iv) that the accounts for the period ended March 31, 2006 have been prepared on a going concern basis.

### **CORPORATE GOVERNANCE**

Your Company is committed to benchmark itself with the highest standards in all areas including appropriate standards for good Corporate Governance. Your Company has put a structure of Corporate Governance in place, which ensures that the provisions and Guidelines contained in Clause 49 of the Listing Agreement with Stock Exchanges are duly complied with.

A report on Corporate Governance is alongwith the Auditors' Certificate on its compliance annexed hereto as **ANNEXURE – I**.

### **AWARDS AND RECOGNITIONS**

The Board places on record its deep appreciation for the distinguished civilian honour – Life Time Achievement Award – bestowed upon Mr. Brijmohan Lall Munjal, Hero Group Chairman

and Member of the Board of your Company by the Institute of Company Secretaries of India, New Delhi in recognition for excellence in Corporate Governance in the Indian Industry. This honour is a recognition of the achievements of the entire Hero Group of which your company is a member.

#### **FIXED DEPOSITS**

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.

#### **AUDITORS**

M/s. S. S. Kothari Mehta & Co., Chartered Accountants, New Delhi, Statutory Auditors of the Company will retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

#### **AUDITORS' REPORT**

As for the Auditors' Report, the respective notes to the accounts are self-explanatory and therefore do not call for any comments.

#### **LISTING**

After the Scheme of Demerger, your company has issued 1,00,00,000 equity shares of Rs. 10/- each to the shareholders of Munjal Auto Industries Limited (MAIL) as on Record Date i.e. 24<sup>th</sup> May, 2006 and these shares are to be listed on The Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE) where the shares of MAIL are listed. In view of this, your company has made application to The Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE) for getting its shares listed and approval from both the Stock Exchanges is awaited.

#### **QUALITY**

Your Company has been certified for its quality standards as per ISO/TS 16949:2002. Efforts have been made to improve, qualitative aspects of all operational areas by adopting the tools like *KAIZEN* -for Continuous Improvement, *Total Productive Maintenance (TPM)* - for improving overall equipment effectiveness, 5 "S" - for work place management, Six Sigma approach for reducing the manufacturing process variation and *GEMBA KAIZEN* – a systematic approach by cross functional teams for improvements in plants. Your Company was recognized as a **Direct on Line** supplier by Hero Honda Motors Limited – a major customer. This reflects the commitment of your company towards achieving the highest quality standards. Continuing with these high quality standards, your company also received the "Excellence in Performance" award from MICO-BOSCH, another important customer.

#### **ENVIRONMENT**

Your Company is committed to maintain the highest standards of environment compliances and has adopted a systematic approach towards environment management. Your Company has been certified for its environmental management system as per ISO 14001:2004. Your Company has also been accredited with "**Occupational Health and Safety Assessment Series**" (OHSAS 18001:1999).

Your Company has complied with the applicable environmental regulations and all effluents and wastes are treated properly and monitored before safely disposing them off in conformity with the environmental regulations prescribed by statutory authorities. Further, the Company has been following all procedural requirements and has been granted all necessary clearances / consents by the State Pollution Control Board. The Company maintains all its pollution control facilities in good condition and upgrades them from time to time in line with the enhanced volume

of discharge.

#### **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 – II** and forms an integral part of this Report.

#### **PARTICULARS OF EMPLOYEES**

A statement showing Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is given as per **ANNEXURE – III** and forms an integral part of this Report.

#### **HUMAN RESOURCES / INDUSTRIAL RELATIONS**

Our employees are future, and the organization continues to develop the internal capabilities of its people through various training and development initiatives.

During the period under review, Company continued with initiatives to develop its employees at professional and personal levels. A sizeable number of employees have undergone training that accord an opportunity to sharpen their skills, improve their performance and widen their perspective.

Company has also put in place a system of performance appraisal to ensure a direct link between employees' performance and their variable pay as well as training needs. Company has a strong belief to attract, retain and nurture the optimal talent, effective management of human capital is imperative and to that end, it consistently strives toward improvement in the standards of improvement, occupational health and safety of all its employees as well as at the work place. This not only improves productivity but also provides a safe and healthy environment and an atmosphere of congeniality.

Industrial relations have remained cordial in the Company.

#### **HEALTH AND SAFETY**

Your Company is committed towards the safety of every employee and other persons who may be affected by its operations. We believe that the safe working practices lead to motivated workforce and higher productivity. We strive to eliminate accidents at our factory. We have a safety culture in the organization by:

- Integrating safety and health in all our activities
- Ensuring compliance with all applicable legislative requirements.
- Encouraging employees to ensure safety at their workplace.
- Continuous improvement in safety performance through precautions besides participation and training of employees.

#### **ACKNOWLEDGEMENTS**

Your Directors acknowledge with sincere gratitude the co-operation and assistance extended by the Customs and Excise Departments, the State Government and other Government agencies, Bankers, our valued customers and our vendors.

The Board wishes to place on record its sincere appreciation of the efforts put in by the Company's workers, staff and executives.

For and on behalf of the Board

Place: New Delhi  
August 3, 2006

Sunil Kant Munjal  
Chairman

## ANNEXURE – I TO DIRECTORS’ REPORT

### Report on Corporate Governance

#### A. Company’s philosophy on Code of Corporate Governance

“Corporate Governance” refers to a combination of laws, regulations, procedures and practices that enable companies to attract financial and human capital, perform efficiently and thereby maximize long term value for shareholders, including society at large.

The essence of Corporate Governance lies in the phrase “Your Company”. It is “Your” Company because it belongs to you, the shareholders. The Chairman and Directors are “Your” fiduciaries and trustees. Their objective is to take the business forward to maximize the long-term value/wealth.

#### B. Board of Directors

##### Board Structure

The business of the Company is managed by the Board of Directors. The Board formulates the strategy, regularly reviews the performance of the Company and ensures that the previously agreed objectives are met on a continuous basis.

The Company’s Board of Directors consists of nine Directors which includes one Executive Director, five Non-Executive Directors and three Non-Executive Independent Directors under the Chairmanship of Non-Executive Director. The Board of Directors, thus has an ideal composition with majority of Directors being Non-Executive Directors and one – third of Directors being Independent Directors.

Name	Category	No. of Outside Directorship/Chairmanship Held in Public Ltd. Companies as on 31.03.2006	Membership in No. of Board Committees of other Public Ltd. Companies#	Chairperson in No. of Board Committees of other Public Ltd. Companies
Mr. Satyanand Munjal	Director - Non-Executive	5	-	-
Mr. Brijmohan Lall Munjal	Director - Non-Executive	8	-	-
Mr. Om Prakash Munjal	Director - Non-Executive	10	-	-
Mr. Vijay Munjal	Director -Non-Executive	6	1	-
Mr. Sunil Kant Munjal*	Chairman -Non-Executive	10	1	1
Mr. Neeraj Munjal	Director -Executive	2	-	-
Mr. Bhagwan Dass Narang*	Director -Non-Executive & Independent	-	-	-
Mr. Surrinder Lal Kapur *	Director -Non-Executive & Independent	5	2	2
Dr. Vinayshil Gautam*	Director -Non-Executive & Independent	3	2	2

# Membership does not include Chairmanship.

\* These Directors were appointed as Additional Directors at the Board Meeting held on 14<sup>th</sup> February, 2006.

#### Attendance of Directors for the period from 29<sup>th</sup> July, 2005 to 31<sup>st</sup> March, 2006

##### Board Meeting

During the period under review, 4 meetings of the Board of Directors were held on 30<sup>th</sup> July, 2005, 10<sup>th</sup> August, 2005, 4<sup>th</sup> October, 2005 and 14<sup>th</sup> February, 2006. Four Board Meetings were held during the period under review. However the maximum time gap between the two Board Meetings exceeds period of 4 months. The details of attendance of Directors in the Board meetings were as under:

Name of Directors	No. of Board Meetings held	No. of Board Meetings attended
Mr. Satyanand Munjal	4	2
Mr. Brijmohan Lall Munjal	4	4
Mr. Om Prakash Munjal	4	0
Mr. Vijay Munjal	4	0
Mr. Sunil Kant Munjal*	4	0
Mr. Neeraj Munjal	4	4
Mr. Bhagwan Dass Narang*	4	1
Mr. Surrinder Lal Kapur*	4	0
Dr. Vinayshil Gautam*	4	0

\* These Directors were appointed as Additional Directors at the Board Meeting held on 14<sup>th</sup> February, 2006.

### Information supplied to the Board of Directors

Board members are given agenda papers alongwith necessary documents and information in advance of each meeting of the Board and Committee(s). The following information is regularly placed before the Board to the extent applicable:

- Annual Operating Plans and budgets, Capital Budgets, updates
- Quarterly and half yearly results of the Company
- Minutes of the Audit Committee and other Committees' meetings
- Information on recruitment and remuneration of Senior Officers just below the Board level, including appointment or removal of finance head and Company Secretary
- General Notices of Interest
- Materially important litigations, show cause, demand, prosecution and penalty notices
- Fatal or serious accidents or dangerous occurrences, any material effluent or pollution problems
- Details of foreign exchange exposure and the steps taken by the management to limit the risks of adverse exchange rate movement
- Any materially relevant default in financial obligations to and by us;
- Any issue that involves possible public or product liability claims of a substantial nature
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property
- Significant labour problems and their proposed solutions. Any significant development in Human Resources / Industrial relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
- Insurance claims data
- Details of any joint venture or collaboration agreement and
- Non-compliance of any regulatory, statutory or listing requirements as well as shareholder services such as non-payment of dividend and delay in share transfer, if any.

### Materially significant related party transactions

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its directors, management or relatives except for those disclosed in the financial statements for the period ended March 31, 2006.

### C. Committees of Board:

The Board has constituted following Committees of Directors:

(a) Audit Committee

At Board Meeting held on 14<sup>th</sup> February, 2006, Audit Committee was constituted.

*Committee Members:*

Name of Director	Position held in the Committee
Mr. Surrinder Lal Kapur	Chairman
Mr. Bhagwan Dass Narang	Member
Dr. Vinayshil Gautam	Member
Mr. Sunil Kant Munjal	Member

Audit Committee consists of all Non-Executive Directors with the majority of Independent Directors. Mr. Surrinder Lal Kapur, the Chairman of the Committee, is a practicing Advocate with specialization in Company Law and Industrial Laws relating to Sick Industries, Industrial Finance, Acquisitions and Mergers. He brings with him enriched and wide experience of 46 years.

No meeting of Audit Committee was held during the period under review.

### Functions of Audit Committee

The functions of the Audit Committee include:

- Reviewing the quarterly, half-yearly and annual financial results before submission to the Board etc.;

- Recommending appointment of the Statutory Auditors and overseeing their work (including resolving disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
- Reviewing the adequacy of Internal Control Systems and the Internal Audit Reports and their compliances thereof;
- Reviewing the disclosure of Company's financial information to ensure that the financial statements are correct, sufficient and credible;
- Reviewing the Company's financial and risk management policies;
- Review of Foreign Exchange Exposure.

#### (b) Shareholders' Grievance Committee

At the Board Meeting held on 14<sup>th</sup> February, 2006, Shareholders' Grievance Committee was constituted. This Committee primarily focuses on the shareholders' grievances and strengthening the investors' relations.

##### Committee Members:

Name of Director	Position held in the Committee
Mr. Bhagwan Dass Narang	Chairman
Mr. Surrinder Lal Kapur	Member
Mr. Neeraj Munjal	Member

##### Name & Designation of Compliance Officer

Ms. Varika Rastogi	Company Secretary
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No meeting of Shareholders' Grievance Committee was held during the period under review.

#### (c) Remuneration Committee

"Remuneration Committee" has overall responsibility for recommending and evaluating the Executive Directors' remuneration. Remuneration Committee consists of all Non-Executive Directors with the majority of them being Independent Directors.

##### Committee Members :

Name of Director	Position held in the Committee
Dr. Vinayshil Gautam	Chairman
Mr. Bhagwan Dass Narang	Member
Mr. Surrinder Lal Kapur	Member
Mr. Sunil Kant Munjal	Member

No meeting of Remuneration Committee was held during the period under review.

#### Remuneration Policy:

Remuneration Committee reviews the compensation structure for the Executive Directors and recommends to the Board revision in remuneration of Executive Directors from time to time based on certain performance parameters, growth in business as well as profitability and in line with the practices prevailing in the industry.

No sitting fees were paid to the Non-Executive Directors for attending Board meetings.

Details of remuneration paid to Directors for the period of 8 months from August 01, 2005 to March 31, 2006 is as under:

	Amount in Rs.
Name of Directors	Mr. Neeraj Munjal*
Fixed Salary	680000
Perquisites / Allowances	680000
Retiral Benefits #	82000
Commission	1000000
Total Compensation	2442000
Notice Period (in days)	180

*\*Remuneration to Mr Neeraj Munjal for a period of 8 months from 1<sup>st</sup> August, 2005 to 31<sup>st</sup> March, 2006 has been paid on the basis of agreement for appointment of Whole-time Director executed by Munjal Auto Industries Limited because pursuant to the Scheme of Demerger, all agreements pertaining to the Binola unit of Munjal Auto Industries Limited shall be executed by Shivam Autotech Limited.*

*#Expenses towards gratuity and leave encashment provisions are determined actuarially on an overall company basis at the end of each year and accordingly, have not been considered in the above.*

The Company does not have any stock option scheme. None of the directors hold any shares in the Company.

Save as disclosed, none of the directors had a material beneficial interest in any contract of significance to which the Company was a party, during the period ended March 31, 2006.

#### **D. General Body Meetings**

No Annual General Meeting was held during the period ended March 31, 2006, because the Company was incorporated on 29<sup>th</sup> July, 2005. Accordingly, the Company will hold its first AGM on 20<sup>th</sup> September, 2006.

Pursuant to Section 165 of the Companies Act, 1956, Statutory Meeting of the members of the Company was held on 17<sup>th</sup> March, 2006 at 3:30 P.M. at 37, Community Centre, Basant Lok, Vasant Vihar, New Delhi – 110 057.

#### **E. Material Disclosures and Compliance**

##### **Disclosures**

The details of material transactions entered into with related parties have been disclosed in point no.13 of Schedule –13 forming part of Accounts for the period ended 31<sup>st</sup> March, 2006. None of the transactions of the Company of material value with directors or their relatives had any potential conflict with the interests of the Company.

##### **Compliance**

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.

#### **F. Means of communication**

The Company's website [www.shivamautotech.com](http://www.shivamautotech.com) contains information about the Company and its products for the benefits of its shareholders and the public at large.

#### **G. Compliance**

##### **Mandatory Requirements**

The Company came into existence only in the last year i.e. 29<sup>th</sup> July, 2005 and its shares were not listed on any recognised Stock Exchange of India as on 31<sup>st</sup> March, 2006 as a result of which the Company is not required to comply with the revised Clause 49.

##### **Adoption of Non-mandatory requirements**

Although it is not mandatory, a Remuneration Committee of the Board has been constituted details of which are provided in the "Remuneration Committee" section.

The Company's financial statements are free from any qualification by the Auditors.

#### **GENERAL SHAREHOLDER INFORMATION**

##### *Annual General Meeting*

Date	20 <sup>th</sup> September, 2006
Day	Wednesday
Time	11:30 A.M.
Venue	Essex Farms, 4, Aurobindo Marg, New Delhi-110016

Information on Directors Retiring by Rotation and Recommended for Reappointment at the Ensuing Annual General Meeting

Pursuant to the relevant provisions of the Companies Act, 1956, Mr. Satyanand Munjal, Mr. Brijmohan Lall Munjal, Mr. Om Prakash Munjal, Mr. Vijay Munjal and Mr. Neeraj Munjal, all the first Directors retire at the first Annual General Meeting and being eligible, offer themselves for re-appointment. The Board has recommended the re-appointment of all the first Directors. The detailed resumes of all these Directors are provided in the *Notice to the Annual General Meeting*.

**Financial Calendar for the Financial Year 2006-07**

Particulars	Date
First quarter results	By the 1 <sup>st</sup> week of August, 2006
Second quarter results	On or before October 30, 2006
Third quarter results	On or before January 31, 2007
Fourth quarter results	On or before June 30, 2007

**Dates of Book Closure:**

Saturday, 16<sup>th</sup> September, 2006 to Tuesday, 19<sup>th</sup> September, 2006 (both days inclusive)

**Listing on Stock Exchanges:**

Equity shares of the Company are proposed to get listed on following stock exchanges pursuant to the Scheme of Demerger:

Stock Exchange	Address
The Bombay Stock Exchange Limited	25 <sup>th</sup> floor, Sir P J Towers, Dalal Street, Mumbai – 400023.
National Stock Exchange of India Limited	'Exchange Plaza', Bandra-Kurla Complex Bandra (E), Mumbai – 400051

**Stock Code**

International Securities Identification Number (ISIN) for NSDL & CDSL

**INE637H01016**

**Registered Office:**

2A/3, Asaf Ali Road,  
New Delhi – 110 002  
Tel: +91 011 23282230  
Website: [www.shivamautotech.com](http://www.shivamautotech.com)

**Plant Location:**

58<sup>th</sup> Km Stone, Delhi – Jaipur  
Highway, Village – Binola,  
Distt. Gurgaon – 122 413,  
Haryana  
Tel: +91 0124 2379444-6  
Fax: +91 0124 2379447

**Stock Market Data** As the Company is not listed presently; stock market data is not available.

**Distribution of Shareholding as on March 31, 2006**

Holding range No. of shares	No. of Holders	Holding No. of Shares	Percentage of, Total Shares
Up to 500	NIL	NIL	NIL
501 – 1000	NIL	NIL	NIL
1001 – 2000	NIL	NIL	NIL
2001 – 3000	NIL	NIL	NIL
3001 – 4000	NIL	NIL	NIL
4001 – 5000	NIL	NIL	NIL
5001 – 10000	6	37500	75.00
10001 & above	1	12500	25.00
Total	7	50000	100.00

**Categories of Shareholders as on March 31, 2006**

Description	Holders	Total Holding	Percentage of Total Equity Shares
Promoters	7	50000	100.00
Financial Institutions	NIL	NIL	NIL
Mutual Fund	NIL	NIL	NIL
Private Corporate Bodies	NIL	NIL	NIL
Resident Individuals	NIL	NIL	NIL
Non Resident Indians	NIL	NIL	NIL
Foreign Financial Institution	NIL	NIL	NIL
Clearing Member	NIL	NIL	NIL
Fractional Shares (Trust)	NIL	NIL	NIL
<b>Total</b>	<b>7</b>	<b>50000</b>	<b>100.00</b>

**Investors' correspondence**

For queries relating to:

**Shares**

Ms. Varika Rastogi  
Company Secretary, Shivam Autotech Limited  
58<sup>th</sup> Km Stone, Delhi – Jaipur Highway  
Vill. Binola, Gurgaon – 122 413  
Tel: +91 0124 2379444-6  
Fax: +91 0124 2379447  
E-mail: varika@shivamautotech.com

**Financial statements**

Mr. Sanjay Gupta  
General Manager – Finance & Accounts  
Shivam Autotech Limited, 58<sup>th</sup> Km Stone  
Delhi – Jaipur Highway  
Vill. Binola, Gurgaon – 122 413  
Tel: +91 0124 2379444-6  
Fax: +91 0124 2379447  
E-mail: sanjaygupta@shivamautotech.com

**Registrar and Transfer Agent**

MCS Limited  
Sri Venkatesh Bhawan, W – 40,  
Okhla Industrial Area – II, New Delhi – 110 020  
Tel: +91 011 41609386, 41406148  
Fax: 91 011 47709881  
E-mail: admin@mcsdel.com

**Dematerialisation of Equity Shares as on March 31, 2006**

There are no equity shares of the Company in dematerialised form.

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

Not Applicable

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## AUDITORS' 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 period ended March 31, 2006, as stipulated in Clause 49 of the Listing Agreement of the said company entered into with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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-referred 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 S S KOTHARI MEHTA & CO.  
Chartered Accountants

New Delhi  
Date: 3<sup>rd</sup> August, 2006

ARUN K. TULSIAN  
(PARTNER)  
Membership No. 89907

## ANNEXURE 'II' TO THE 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

### 1. Conservation of Energy

Considerable emphasis is put on energy conservation especially for hard core manufacturing processes of the Company, Optimal utilization of various energy resources like power, fuel and oil is ensured through a series of ongoing measures.

### 2. Technology Absorption, Adaptation and innovation

The Engineering Departments of the Company is continuously working on development of components and also development of alternate processes to enhance quality and to reduce cost.

The following measures were adopted by the Company during the period under review:

- Development of Gear Primary Driven – a new product, produced through forging, machining and broaching route against CKD route of sintered earlier adopted by HHML resulting in indigenization and cost reduction of the above said component.
- Establishment of state-of-the-art Metrological Laboratory with “3D Co-ordinate Measuring Machine – 3D CMM” is in process
- Automation at CNC Machining process through introduction of imported machines has been started for productivity enhancement and quality improvement.

### 3. Foreign Exchange Earnings and outgo

(Rs. In Lacs)

For the period of 8 months ending on March 31, 2006

(a) Total Foreign Exchange Earnings	—
(b) Total Foreign Exchange Outgo	978.45

## ANNEXURE 'III' TO THE 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 period ended March 31, 2006

Sl. No.	Name and Qualification	Designation	Remuneration (In Rs.)	Exp. (Years)	Age (Years)	Date of Commencement of Employment	Previous Employment & Designation
1	Mr. Neeraj Munjal B.Com, DIBM	Director	24,40,000/-	18	39	01.02.2000	Hero Exports Chief Executive

**Notes:**

1. Information has been furnished on the basis of employee employed for the part of the financial year, who were in receipt of remuneration for any part of the year at a rate which, in aggregate was not less than Rs. 2,00,000/- (Rupees Two Lacs only) per month.
2. Remuneration includes salary, commission, other allowances and taxable value of perquisites and Company's contribution to provident fund.
3. The abovementioned appointment is on contractual basis.
4. Mr. Neeraj Munjal, Director is related to Mr. Satyanand Munjal, Director of the Company.
5. Remuneration to Mr Neeraj Munjal for a period of 8 months from 1<sup>st</sup> August, 2005 to 31<sup>st</sup> March, 2006 has been paid on the basis of agreement for appointment of Whole-time Director executed by Munjal Auto Industries Limited because pursuant to the Scheme of Demerger, all agreements pertaining to the Binola unit of Munjal Auto Industries Limited shall be executed by Shivam Autotech Limited.

## AUDITORS' REPORT

### To the members of Shivam Autotech Limited

We have audited the attached Balance Sheet of Shivam Autotech Limited as at 31<sup>st</sup> March, 2006 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. These 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, 2006 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, 2006 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 31st March, 2006;
  - 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

Place: New Delhi  
 Dated: 03 August, 2006

**(ARUN K. TULSIAN)**  
 Partner  
 M.No.89907

## 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) The Company has a phased programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Management has physically verified certain fixed assets during the year. There were no discrepancies noticed on such verification between the physical balances and fixed assets records.

(c) Fixed assets disposed off during the year were not substantial.
2. (a) As explained to us, physical verification has been conducted by the management at reasonable intervals in respect of inventory. Further stocks in the possession and

custody of third parties and stock in transit as at 31<sup>st</sup> March 2006 have been verified by the management with reference to confirmations or statement of account or correspondence of the third parties or subsequent receipt of goods. 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) The Company has not granted any loan, secured or

- unsecured, to Companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) The company has not taken any loan, secured or unsecured, from Companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (c) Since there are no such loans, the comments regarding terms and conditions, repayment of the principal amount & interest thereon and overdue amount are not required.
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 Act 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 Act and aggregating during the year to Rupees five lakhs 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 Act, 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.  
  
(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, Service Tax, Custom Duty, Income Tax and Cess which have not been deposited on account of any dispute.
  10. The company is in existence for less than 5 years. However, there are no accumulated losses of the Company at the end of the financial year. There are no cash losses in the current 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 are not applicable.
  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.
  17. According to the information and explanations given to us and as per the books and records examined by us, as on the date of balance sheet, the funds raised by the Company on short-term basis have not been applied for long term investments.
  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 nor has any outstanding debentures during the year.
  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

Place: New Delhi  
Dated: 03 August, 2006

**(ARUN K. TULSIAN)**  
Partner  
M. No. 89907

## BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2006

	Schedule	(Amount in Rs.) As at 31st March, 2006 (8 Months)
<b>I. SOURCES OF FUNDS:</b>		
(1) Shareholders' funds:		
(a) Share Capital (Including equity share capital suspense account)	1	100,500,000.00
(b) Reserves & Surplus	2	336,909,830.08
(2) Loan Funds:		
Secured Loans	3	428,019,460.33
(3) Deferred Tax Liability (Refer note 8 of Schedule 13 )		64,403,657.33
<b>TOTAL</b>		<b><u>929,832,947.74</u></b>
<b>II. APPLICATION OF FUNDS:</b>		
(1) Fixed Assets:		
(a) Gross Block	4	918,146,675.98
(b) Less: Depreciation		<u>232,592,756.28</u>
(c) Net Block		685,553,919.70
(d) Capital Work in Progress		<u>5,229,051.00</u>
		<b><u>690,782,970.70</u></b>
(2) Investments:	5	30,018,043.40
(3) Current Assets, Loans & Advances:	6	
(a) Inventories		67,382,354.32
(b) Sundry Debtors		210,738,159.41
(c) Cash & Bank Balances		1,685,320.23
(d) Loans & Advances		<u>130,651,138.41</u>
		<b><u>410,456,972.37</u></b>
Less: Current Liabilities & Provisions	7	
(a) Current Liabilities		114,390,318.73
(b) Provisions		<u>87,034,720.00</u>
Net Current Assets		<b><u>209,031,933.64</u></b>
<b>TOTAL</b>		<b><u>929,832,947.74</u></b>
<b>Notes on Accounts</b>	13	

As per our report of even date  
for **S S KOTHARI MEHTA & CO.**  
Chartered Accountants

**ARUN K. TULSIAN**  
Partner  
Membership No. 89907

New Delhi  
August 03, 2006

For and on behalf of the Board

Sunil Kant Munjal	Chairman
Brijmohan Lal Munjal	Director
Neeraj Munjal	Director
Bhagwan Dass Narang	Director
Surrinder Lal Kapur	Director
Vinayshil Gautam	Director
Sanjay Gupta	GM - Finance
Varika Rastogi	Company Secretary

## PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2006

(Amount in Rs.)

Schedule

For the period 1st  
August, 2005 to 31st  
March, 2006 (8 months)

### INCOME

Gross Sales		965,898,969.16
Less:- Excise duty		135,692,003.00
Net Sales		830,206,966.16
Other Income	8	4,364,900.39
Increase/(Decrease) in Stocks of Finished goods & WIP	9	7,554,988.00
		<b>842,126,854.55</b>

### EXPENDITURE

Raw Material & Component Consumed		235,755,024.47
Remuneration and Benefits to Employess	10	43,773,919.39
Manufacturing & Other Expenses	11	295,323,906.14
Interest & Other Financial Charges	12	17,356,600.34
Depreciation	4	59,222,396.50
		<b>651,431,846.84</b>
<b>Profit/ (Loss) For The Period Before Taxation</b>		<b>190,695,007.71</b>

Less: Provision for Deferred Taxation		7,958,306.00
Less: Provision for Income Tax		56,187,939.00
Less: Provision for Wealth Tax		28,350.00
Less: Provision for FBT		661,512.00
<b>Profit after Tax</b>		<b>125,858,900.71</b>

### Appropriations/Accretions:

Less: Amount transferred to General Reserve		-
Less: Proposed Dividend on Equity Shares		25,000,000.00
Less: Provision for Dividend Distribution Tax		3,506,250.00
		-

**Net Profit** **97,352,650.71**

Profit/ (Loss) brought forward from the previous year -

**Balance carried over to Balance Sheet** **97,352,650.71**

**Basic & Diluted Earning Per Share face value Rs. 10/- each** **12.52**

**Notes on Accounts** 13

As per our report of even date  
for **S S KOTHARI MEHTA & CO.**  
Chartered Accountants

For and on behalf of the Board	
Sunil Kant Munjal	Chairman
Brijmohan Lal Munjal	Director
Neeraj Munjal	Director
Bhagwan Dass Narang	Director
Surrinder Lal Kapur	Director
Vinayshil Gautam	Director
Sanjay Gupta	GM - Finance
Varika Rastogi	Company Secretary

**ARUN K. TULSIAN**  
Partner  
Membership No. 89907

New Delhi  
August 03, 2006

## CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2006

(Amount in Rs.)

As at 31st March, 2006 (8 Months)

<b>A. Cash Flow from operating activities</b>		
<b>Net Profit Before Tax and extra ordinary items</b>		<b>190,695,007.71</b>
Adjustments for :		
<b>Add</b>		
Depreciation		59,222,396.50
Loss on sold/discarded assets		140,088.53
Lease Rent paid		1,148,580.21
Interest Expenses		17,356,600.34
Miscellaneous Expenditure Amortized		175,000.00
		<u>268,737,673.29</u>
<b>Less</b>		
Gain on Foreign Exchange Rate Fluctuations		204,257.23
Interest Income		381,159.00
Profit on Sale of Investments		152,614.35
Dividend Income		1,569,697.73
		<u>2,307,728.31</u>
<b>Operating Profit before working capital changes</b>		<b>266,429,944.98</b>
<b>Add</b>		
<u>Increase in Current Liabilities / Decrease in Current Assets</u>		
Other Current Assets		10,182,191.71
Sundry Creditors		9,341,762.73
		<u>19,523,954.44</u>
<b>Less</b>		
<u>Decrease in Current Liabilities / Increase in Current Assets</u>		
Inventories		8,545,719.32
Debtors		139,955,432.41
Working Capital Finance from Banks		4,634,875.96
		<u>153,136,027.69</u>
Less Direct Taxes Paid		101,663,424.00
<b>Net Cash from Operating Activities</b> .....A		<b>31,154,447.73</b>
<b>B. Cash Flow from operating activities</b>		
<b>Add</b>		
Sale of Fixed Assets		1,424,758.44
Sale of Investment		113,786,151.95
Dividend Income		1,569,697.73
Interest Income		381,159.00
Gain on Foreign Exchange Rate Fluctuations		204,257.23
		<u>117,366,024.35</u>
<b>Less</b>		
Purchases of Fixed Assets & Capital Advances		182,191,655.25
Lease Rent paid		1,148,580.21
		<u>183,340,235.46</u>
<b>Net Cash used in Investing Activities</b> .....B		<b>(65,974,211.11)</b>
<b>C. Cash Flow from Financing activities</b>		
<b>Add</b>		
Proceeds from Long Term Borrowings		90,750,000.04
Sales Tax Subsidy Received		3,680,984.91
Increase in Share capital		500,000.00
		<u>94,930,984.95</u>
<b>Less</b>		
Interest paid		17,356,600.34
Repayment of Long Term Borrowings		58,426,324.00
		<u>75,782,924.34</u>
<b>Net Cash from Financing Activities</b> .....C		<b>19,148,060.61</b>
<b>Net increase/(decrease) in Cash &amp; Cash equivalents</b>		<b>(15,671,702.77)</b>
<b>Cash and Cash Equivalents at the beginning of the period</b>		<b>17,357,023.00</b>
<b>Cash and Cash Equivalents at the end of the period</b>		<b>1,685,320.23</b>

Notes on Accounts

13

As per our report of even date  
for **S S KOTHARI MEHTA & CO.**  
Chartered Accountants

**ARUN K. TULSIAN**  
Partner  
Membership No. 89907

New Delhi  
August 03, 2006

For and on behalf of the Board

Sunil Kant Munjal  
Brijmohan Lal Munjal  
Neeraj Munjal  
Bhagwan Dass Narang  
Surrinder Lal Kapur  
Vinayshil Gautam  
Sanjay Gupta  
Varika Rastogi

Chairman  
Director  
Director  
Director  
Director  
Director  
GM - Finance  
Company Secretary

## SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rs.)

As at 31st March,2006 (8 Months)

### SCHEDULE -1

#### SHARE CAPITAL

Authorised

1,26,00,000 Equity Shares of Rs.10/- each

126,000,000.00

126,000,000.00

Issued, Subscribed & Paid Up

50,000 Equity Shares of Rs.10/- each fully paid up

500,000.00

Equity Share Capital Suspense account

100,000,000.00

(Refer note 1(d) of Schedule 13)

100,500,000.00

### SCHEDULE -2

#### RESERVES & SURPLUS

**Sales Tax Subsidy from the Government of Haryana**

(Refer note 3 of Schedule 13)

Balance as per last Year

29,052,359.00

Add:- During the Year

3,680,984.91

Closing Balance

32,733,343.91

#### General Reserve

Balance as per last Account

-

Add:- Transferred pursuant to the Scheme of Arrangement

206,823,835.46

**Closing Balance**

206,823,835.46

**Profit & Loss Account**

97,352,650.71

**336,909,830.08**

### SCHEDULE -3

#### SECURED LOANS

##### A. Term Loans

I. From Banks:

from IDBI Bank Ltd.- Loan-1

52,377,460.00

from IDBI Bank Ltd.- Loan-2

18,688,350.00

from Hong Kong & Shanghai Bank Loan-1

120,000,000.00

from Hong Kong & Shanghai Bank Loan-2

168,750,000.04

**Sub Total:**

359,815,810.04

##### B. Short Term Loans form banks

from IDBI bank Ltd.

40,000,000.00

##### C. Working Capital Loans

From Banks

(i) IDBI Bank Cash Credit Account

18,565,740.46

(ii) Citi Bank Cash Credit Account

9,637,909.83

**Sub Total:**

28,203,650.29

**Total:**

**428,019,460.33**

Details of Securities:

1. Term Loans availed from Banks are secured by an exclusive charge on the machinery financed by the said loans.
2. Amount due with in one year Rs. 16,76,39,486.
3. Working Capital facilities availed from the Banks are secured by a first charge on inventories, receivables and all other current assets of the company.

Schedule - 4

Detail of additions to fixed assets for the period 01.08.2005 to 31.03.2006

(Amount in Rs.)

PARTICULARS	Opening Balance 01.08.2005	Transferred pursuant to the Scheme of Arrangement	Additions during the period	Deductions/ Adjustments	Gross Block as on 31.03.2006	Tr. Persuance to the SOA	DEPRECIATION			NET BLOCK As At 31.03.2006
							For The Period	Deduction/ Adjustments	Total Upto 31.03.2006	
<b>A. FIXED ASSETS</b>										
BUILDING	-	45,795,763.21	7,041,315.27	-	52,837,078.48	3,331,678.52	1,076,311.69	-	4,407,990.21	48,429,088.27
PLANT & MACHINERY	-	666,712,771.59	170,775,003.45	2,957,936.05	834,529,838.99	163,249,525.09	55,047,145.70	1,393,089.08	216,903,581.71	617,626,257.28
COMPUTER	-	5,096,532.29	445,005.34	-	5,541,537.63	2,304,577.25	615,778.70	-	2,920,355.95	2,621,181.68
SOFTWARE	-	6,389,670.05	-	-	6,389,670.05	2,327,790.22	1,034,106.06	-	3,361,896.28	3,027,773.77
OFFICE EQUIPMENTS	-	5,584,980.75	1,083,576.20	-	6,668,556.95	1,189,269.98	377,029.52	-	1,566,299.50	5,102,257.45
FURNITURE & FIXTURE	-	3,026,456.89	1,864,289.99	-	4,890,746.88	811,006.31	620,252.60	-	1,431,258.91	3,459,487.97
VEHICLES	-	6,802,621.00	486,626.00	-	7,289,247.00	1,549,601.49	451,772.23	-	2,001,373.72	5,287,873.28
<b>TOTAL A</b>	-	<b>739,408,795.78</b>	<b>181,695,816.25</b>	<b>2,957,936.05</b>	<b>918,146,675.98</b>	<b>174,763,448.86</b>	<b>59,222,396.50</b>	<b>1,393,089.08</b>	<b>232,592,756.28</b>	<b>685,553,919.70</b>

(Amount in Rs.)

**SCHEDULE-5**  
**INVESTMENTS- NON TRADE( UNQUOTED) (At Cost)**

Name of Mutual Fund Scheme	Face Value Per Unit Rs.	As at 31st March,2006 (8 Months)
<b>Current Mutual Fund Schemes (No. of Units)</b>		
Deutsche Floating rate Fund <b>(Number of Units)</b>	10/-	12,147.13 <b>(1,180.6620)</b>
Birla Sun Life Mutual Fund <b>(Number of Units)</b>	10/-	5,896.27 <b>(586.6640)</b>
DSP Saving plus Fund -Growth-Aggressive <b>(Number of Units)</b>	10/	10,000,000.00 <b>(804,725.35)</b>
HDFC MIP Long term Growth <b>(Number of Units)</b>	10/	10,000,000.00 <b>(746,179.56)</b>
DSP Merrill Lynch Bal- Fund <b>(Number of Units)</b>	10/	5,000,000.00 <b>(154,178.23)</b>
ICICI Balanced regular growth fund <b>(Number of Units)</b>	10/	5,000,000.00 <b>(168,010.7527)</b>
		<u>30,018,043.40</u>

**Details of purchase and sales of Mutual Fund units during the period:**

	Purchases		Sales	
	No. of Units	Amount (Rs.)	No. of Units	Amount (Rs.)
DSP Merrill Lynch Floating Rate Fund	1,099,075.1640	11,029,778.74	7,715,295.1640	77,381,072.19
Prudential ICICI Floating Rate Plan	522,040.3380	5,228,102.98	4,448,878.3600	44,586,820.33
Deutsche Floating rate regular plan -Weekly dividend	2,023.3960	22,502.97	126,352.2120	1,297,570.40
HDFC Floating rate income Fund - Short Term Plan	857.1820	10,148.25	55,263.9270	581,259.97
UTI-Floating rate fund - weekly dividend	1,597,725.2780	16,111,567.27	1,597,725.2780	16,107,176.51
Birla cash plus -sweep plan dividend -reinvestment	74,146,536.8700	745,227,887.50	75,897,235.6000	762,821,119.70
Templeton Floating rate fund	2,002,519.4500	20,084,565.10	2,589,241.1800	25,976,873.05
Templeton Treasury Management	9,713.4798	12,083,298.17	14,627.8587	18,201,961.29
DSP Merrill Lynch Floating rate fund	2,900,415.9290	29,500,412.82	3,544,887.2460	36,267,389.62
Prudential ICICI Floating Rate Plan	1,229,593.6960	14,558,267.68	1,229,593.6960	14,565,653.63
DSP Merrill Lynch Floating rate fund	16,134.2120	16,135,825.65	16,134.2120	16,139,344.87
Reliance Floating Rate Fund	497,497.9760	5,014,829.35	497,497.9760	5,021,242.18
DSP Merrill Lynch Bal Fund	154,178.2300	5,000,000.00	-	-
DSP saving Plus Fund -Growth-Aggressive	804,725.3472	10,000,000.00	-	-
HDFC MIP Long term growth	746,179.5606	10,000,000.00	-	-
ICICI Balanced Regular growth Fund	168,010.7527	5,000,000.00	-	-

For the period 1st August,2005 to 31st March, 2006 (8 months)

**SCHEDULE-6**  
**CURRENT ASSETS, LOANS & ADVANCES**
**A. Inventories**

(As taken, valued and certified by management)

Raw Materials	16,513,673.00
Work in Process	21,650,629.00
Finished Goods	4,153,357.00
Consumable stores, Spares Dies & Tools	24,980,927.32
Packing Material	600.00
Scrap	83,168.00
<b>Total (A)</b>	<u><b>67,382,354.32</b></u>

**B. Sundry Debtors**

(Unsecured, considered good unless otherwise stated)

For a period exceeding six months	596,080.00
Other Debts	210,142,079.41
<b>Total (B)</b>	<u><b>210,738,159.41</b></u>

**C. Cash & Bank Balances**

Cash in hand	341,906.16
Balances with scheduled Banks:	
on current accounts	868,414.07
FDRs with Banks	475,000.00
<b>Total (C)</b>	<u><b>1,685,320.23</b></u>

(Amount in Rs.)

<b>D. Loans &amp; Advances</b>	
(Unsecured, considered good unless otherwise stated)	
Loans & Advances to Employess	348,780.00
Advances recoverable in cash or in kind or value to be received	14,226,526.56
Advance Tax 2005-06	83,151,424.00
Advance Tax - FBT 2005-06	655,000.00
Balance with central excise	27,264,313.85
Deposits & Security	5,005,094.00
<b>Total (D)</b>	<b>130,651,138.41</b>
<b>Total (A+B+C+D)</b>	<b>410,456,972.37</b>

For the period 1st August,2005 to 31st March, 2006 (8 months)

**SCHEDULE - 7**
**CURRENT LIABILITIES & PROVISIONS**
**a. Current Liabilities**

Sundry Creditors:	
Small Scale Industries	12,464,927.90
Others	82,813,686.03
Total	95,278,613.93
Advances From Customers	103,835.17
Interest accrued but not Due	
Due to Directors	1,662,499.50
Security Deposit	548,981.00
Other Liabilities	16,796,389.13
Total Other Liabilities	19,111,704.80
<b>Total</b>	<b>114,390,318.73</b>

**b. Provisions**

Proposed Dividend on equity shares	25,000,000.00
For Dividend Tax	3,506,250.00
For Income Tax	56,187,939.00
For Wealth Tax	28,350.00
For FBT	661,512.00
for Gratuity & Leave Encashment	1,650,669.00
for Income tax (Net of Prepaid taxes)	
	<b>87,034,720.00</b>

**SCHEDULE - 8**
**OTHER INCOME**

Miscellaneous receipts	142,446.00
Interest (TDS Rs.42424 /-)	381,159.00
Dividend received current investment (non trade)	1,569,697.73
Cash Discount	1,730,378.08
Profit on Sale of Current Investments	152,614.35
Gain on Foreign Exchange Rate Fluctuations	204,257.23
Notice Pay	184,348.00
	<b>4,364,900.39</b>

**SCHEDULE - 9**
**INCREASE/(DECREASE) IN STOCKS OF FINISHED GOODS & WORK IN PROCESS**

<u>Closing Stocks</u>	
Finished Goods	4,153,357.00
Work in Progress	21,650,629.00
Scrap	83,168.00
	<b>25,887,154.00</b>
<u>Opening Stock (Transferred pursuance to Scheme of Arrangement)</u>	
Finished Goods	4,265,116.00
Work in Progress	13,992,022.00
Scrap	75,028.00
	<b>18,332,166.00</b>
<b>Increase/ (Decrease)</b>	<b>7,554,988.00</b>

For the period 1st August,2005 to 31st March, 2006 (8 months)

**SCHEDULE - 10**
**REMUNERATION & BENEFITS TO EMPLOYEES**

Salaries & Wages (Including Managerial Remuneration)	35,460,904.86
Contribution to Provident Fund and other Funds	2,601,483.00
Staff & Labour Welfare Expenses	5,711,531.53
	<b>43,773,919.39</b>

**SCHEDULE - 11**
**MANUFACTURING & OTHER EXPENSES**

Stores, Spares, Tools & Dies consumed	70,160,540.10
Power & Fuel	55,110,449.24
Packing Materials consumed	461,834.24
Rent (including lease rent)	1,148,580.21
Repair & Maintenance:	
- To Building	1,988,702.77
- To Machinery	5,158,966.29
- To Others	590,277.05
Insurance Premium	3,361,143.60
Rates & Taxes	17,834.00
Wages to contractors	14,349,720.75
Job work charges	125,804,900.92
Travelling & Conveyance	7,268,672.74
Auditors Remuneration	
- As Audit fess	100,000.00
- Out of pocket expenses	-
Cost Auditors Remuneration	
- As Audit Fee	15,000.00
Professional charges	1,410,201.00
Printing & Stationery	957,843.81
Telephone & Telex Charges	873,229.84
Freight outward	457,654.00
Advertisement	99,444.00
Miscellaneous expenses (include Demerger Exps. Of Rs.10.20 lacs)	4,515,379.93
Loss on disposal of Fixed Assets	140,088.53
Sundry balances written off/ (back) (Net)	4,219.80
Security service charges	1,309,601.32
Excise duty difference on stocks of finished goods (Net)	19,622.00
	<b>295,323,906.14</b>

**SCHEDULE - 12**
**INTEREST & FINANCIAL CHARGES**

Interest :	
- On Fixed Loans	16,740,103.04
- Int. on working capital	512,833.31
Bank Charges & Commission	103,663.99
	<b>17,356,600.34</b>

## SCHEDULES FORMING PART OF ACCOUNTS FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH, 2006

**SCHEDULE - 13**
**SIGNIFICANT ACCOUNTING POLICIES, NOTES ON ACCOUNTS AND INFORMATION PURSUANT TO PROVISIONS OF SCHEDULE VI OF THE COMPANIES ACT, 1956**
**I. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Company are prepared under Historical Cost Convention in accordance with applicable accounting standards issued by the The Institute of Chartered Accountant of India and relevant requirements of the Companies Act, 1956. The accounting policies not specifically referred to otherwise are consistent and in consonance with the generally accepted accounting principles

**1) System of Accounting**

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

**2) Fixed Assets**

- a) All fixed assets are valued at cost and stated net of depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.
- b) Depreciation has been provided for on straight -line method in the manner and at the rates as prescribed in Schedule XIV of the Companies Act, 1956 except that in case of expenditure on software, including licence fees and implementation cost , it is provided at the rate of 25% considering estimated life thereof.

**3) Investments**

Current Investments are valued at cost or fair value whichever is lower.

**4) Inventories**

- a) Raw material, stores and spares, packing materials, components, work in progress and finished goods are valued at cost or net realisable value, whichever is lower. Cost of purchases is ascertained on first in first out (FIFO) method
- b) Scrap is valued at estimated net realisable value.

**5) Tools & Dies**

The consumable Tools & Dies are charged to Profit & Loss Account in the year they are put to use.

**6) Sales & Purchases**

- (i) Domestic sales are accounted for inclusive of excise duty but net of sales tax. Sales net of excise duty is also disclosed separately.
- (ii) Sales are accounted on date of removal of goods from the factory.
- (iii) The cost of purchase consists of purchase price including duties and taxes and other expenditure directly attributable to acquisition but net of Cenvat, Service Tax, trade discount and rebates.

**7) Retirement Benefits**

In respect of Gratuity, the liability is estimated annually and the premium is deposited with LIC based on their demand notice. The funding with LIC is updated based on actuarial valuation done by LIC periodically.

In respect of Leave Encashment provision for leave encashment is made in respect of eligible employees as per actual calculation done at the balance sheet date

**8) Taxation**

The provision for Current Tax and Fringe Benefit Tax is computed in accordance with the provisions of the Income Tax Act 1961

Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

**9) Foreign Currency Transactions**

Transactions in foreign currency are recorded at the rate of exchange prevailing on the date of the transaction. Assets and liabilities denominated in foreign currency are converted into rupee at the closing rate of the last day of the financial year and the exchange rate difference is recognised as revenue / expenses for the year except in respect of liability for fixed assets in which case such differences are adjusted in the cost of the respective fixed assets which are purchased from a country outside India.

**II. Notes to Accounts**
**1 Demerger**

- a) Pursuant to the Scheme of Arrangement sanctioned by the Hon'ble High Courts of Gujarat and Delhi, Binola unit of Munjal Auto Industries Limited (MAIL) stands transferred to and vested in Shivam Autotech Limited w.e.f. 1st August,2005 along with all the corresponding assets, liabilities, reserves & Surplus, obligations and all the permanent employees of MAIL with continuity of their services.
- b) The said Court Orders have been filed with the Registrar of Companies, Gujarat on 13.04.2006 and the Registrar of Companies, NCT of Delhi & Haryana on 27.04.2006 which is the effective date of the Scheme of Arrangement.
- c) Following assets and liabilities have been transferred to the company w.e.f August 1, 2005

Particulars	(Rs. In lacs)
<b>Fixed Assets</b>	<b>7394.08</b>
- Gross Block	1747.63
- Depreciation	5646.45
- Net Block	47.33
<b>Capital work In Progress</b>	5693.78
<b>Investements</b>	1436.52
<b>Curent Assets</b>	
(a) Inventories	588.37
(b) Sundry Debtors	707.83

## NOTES ON ACCOUNTS (Continued)

(c) Cash & Bank Balances	173.57
(d) Loans & Advances	570.26
<b>Gross Current Assets</b>	<b>2040.03</b>
<b>Demerger Expenses not written off</b>	<b>1.75</b>
<b>Total Assets</b>	<b>9172.08</b>
<b>Secured Loans</b>	<b>4003.31</b>
<b>Current Liabilities &amp; Provisions</b>	
(a) Current Liabilities	1057.69
(b) Provisions	187.87
	<b>1245.56</b>
<b>Deferred Tax Liability (Net)</b>	<b>564.45</b>
<b>Total Liabilities 5813.32</b>	<b>564.45</b>
<b>Net Worth</b>	<b>3358.76</b>

- d) Pursuant to the Scheme, authorised capital of MAIL of Rs.25 Crores divided into 2,50,00,000 Equity Shares of Rs.10/- each has been sub-divided into Rs.12.50 Crores each divided into 1,25,00,000 equity shares of Rs.10/- each between MAIL and Shivam Autotech Limited. Similarly, the Paid-up Capital of MAIL of Rs 20 Crore divided into 2 Crore Equity Shares of Rs. 10/- each out of which Rs. 10 Crore divided into 1 Crore Equity Shares has been transferred to Shivam Autotech Limited. Shivam Autotech Limited has since allotted of 1,00,00,000 equity shares as per Scheme of Rs.10/- each fully paid on 31.05.2006. Pending allotment of these shares, the amount of Rs.10 Crores representing 1,00,00,000 equity Shares of Rs.10/- each has been shown under Equity Share Capital Suspense Account in Balance Sheet.
- e) Pursuant to the Scheme of Arrangement, the shareholders of Munjal Auto Industries Limited who are holding 2 equity shares of Rs. 10/- each, will get 1 equity share of Rs, 10/- each of Munjal Auto Industries Limited and 1 equity share of Rs, 10/- each of Shivam Autotech Limited
- f) On allotment of equity shares as per Scheme, existing 50,000 equity shares of Rs.10/- each will be converted into redeemable preference shares to be redeemed immediately. The Capital redemption reserve of Rs.5 lacs is to be created on such redemption which will be adjusted out of General Reserve as per Scheme, at the time of allotment of redeemable preference Shares.
- g) Upon the said scheme of Arrangement becoming effective, existing charges in favour of bankers and financial institutions will continue in the same form until these are readjusted, apportioned and reallocated between MAIL and Shivam Autotech Limited at a later date.
- 2 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" issued by the Institute of Chartered Accountants of India have not been furnished.
- 3 Company has availed sales tax incentive amounting to Rs.327.33 Lacs by the end of 31st March,2006 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. The amount is payable to the Government if specified conditions are not fulfilled. Considering the nature of incentive and legal opinion taken by the company, the amount is treated as Capital Receipt and disclosed as Capital Reserve in the Balance Sheet.
- 4 Expenditure on insurance includes 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 the 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.
- 5 There are no previous year figures as the company was incorporated in July,2005 and the Binola unit of Munjal Auto Industries was Demerged in this company from the appointed date i.e. 1st August,2005. The accounts for the current period are therefore drawn up for the 8 months period
- 6 There are no prior period income/expenditure.
- 7 **Names of the SSI Units having outstanding amount for a period exceeding 30 days**
- (i) ADARSH FABRICATORS
  - (ii) BIHANI RAJASTHAN CO.LTD.
  - (iii) DEL GEARS LIMITED
  - (iv) HI-TECH ELEC. AUTO PVT. LTD.
  - (v) KDR FORGINGS PRIVATE LTD.
  - (vi) N.K.MICRO PVT. LTD.
  - (vii) S D ENGINEERS
  - (viii) UNITOOLS (ADIV. OF MARS ASSO. P.LTD)
  - (ix) VARUN PRECISION COMPONENTS PVT. LTD.

However, the Company does not have any liability under Interest to Small Scale and Ancillary Undertakings Act,1993 as the payments are made within the period stipulated by the parties.

### 8 Details of Contingent Liabilities

	<b>(Rs. In lacs)</b>
Unexpired Letter of Credit	41.93
Bank Guarantees (Net of margin Money)	NIL
Estimated amount of contracts remaining to be executed on Capital Account and not provided for (Net of advances)	707.22
Estimated amount on account of pending cases under Labour Laws	NIL
Unexpired Lease obligation	222.06

### 9 Managerial Remuneration

	<b>(Rs. In lacs)</b>
Salaries	6.80
Commission	10.00
Contribution to PF and other Funds	0.82
Other Allowances	6.80
	<b>24.42</b>

### 10 Computation of net profit in accordance with the provisions of Section 349 of the Companies Act, 1956

	<b>(Rs. In lacs)</b>
<b>Profit as per Profit &amp; Loss Add</b>	1,258.59
Managerial Remuneration	24.42
Provision for Deferred Taxation	79.58

## NOTES ON ACCOUNTS (Continued)

Provision for Current Taxation	561.88
Provision for Wealth Tax	0.28
Provision for FBT	6.62
	672.78
<b>Net Profit pursuant to Section 349 for the purpose of Director Remuneration</b>	<b>1,931.37</b>
Director's Commission (restricted in terms of the agreements with reference to salaries, allowances and limits prescribed under the Companies Act)	
1% of Net Profit to Mr. Neeraj Munjal	19.31
Commission restricted to	10.00
<b>11 Computation of Earning Per Share</b>	<b>(In Rs.)</b>
Net Profit After Taxation as per Profit & Loss Account ( 8 months)	1,259
Basic/ Weighted Average Number of Equity Shares outstanding during the year	10,050,000
Nominal Value of Equity shares	10.00
<b>Basic &amp; Diluted Earnings Per Share</b>	<b>12.52</b>
<b>12 Deferred Tax Liable on taking into account the impact of timing differences between income as financial statements and estimated taxable income. The breakup of Deferred Tax Liabilities/ (Assets) (Net) is as under:</b>	
<b>A. Deferred Tax Liabilities</b>	<b>(Rs. In lacs)</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	649.59
<b>B. Deferred Tax Assets</b> Tax effect on Provision for Gratuity	0.50
Tax effect on Leave encashment	5.06
	0.00
Tax effect on disallowances under Section 43B	-
Total (B)	5.56
<b>Net Deferred Tax Liabilities (A-B)</b>	<b>644.03</b>
<b>13 Related parties disclosure:</b>	
<b>Key Managerial Personnel</b>	
Mr. Neeraj Munjal	
<b>Enterprises which are able to exercise significant influence over the company</b>	
Hero Cycles Limited	
Sunbeam Auto Limited	
<b>Enterprises over which key management personnel and their relatives are able to exercise significant influence</b>	
Hero Honda Motors Limited	
Rockman Industries Limited	
Puja Investments Private Limited	
Anadi Investments Private Limited	
Hero Investments Private Limited	
Hero Corporate Services Limited	
Munjal Auto Industries Ltd.	
Satyam Auto Components Limited	
Highway Industries Limited	
Dayanand Munjal Investments Limited	
Bahadur Chand Investments Private Limited	
Thakurdevi Investments Private Limited	
Bhagyoday Investments Private Limited	
Munjal Investments Private Limited	
Highway Industries Limited	
Munjal Acme Packaging Systems Ltd.	
<b>13 Transaction with the related parties during the year</b>	
<b>a) Key Managerial Personnel</b>	<b>(Rs. In lacs)</b>
Remuneration	14.42
Commission	10.00
	24.42
<b>b) Enterprises which are able to exercise significant influence over the Company</b>	<b>(Rs. In lacs)</b>
Purchase of Goods	-
Rent , Miscellaneous Purchases and other Services	12.46
Balance outstanding at the end of the year payables	0.21
<b>c) Enterprises over which key management personnel and their relatives are able to exercise significant influence</b>	
Sale of Goods	(90.29)
Purchase of Goods	32.75
Rent, Miscellaneous Purchase and other Services	11.01
Balance outstanding at the end of the year	
Receivables	2,059.04
Payables	2.45

## NOTES ON ACCOUNTS (Continued)

### 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 licensed and installed capacities:

Class of Goods	Licensed Capacity (in No's)	Installed Capacity (in No's)
<b>Gear Components:</b>		
Forging Components	Not Applicable	14,250,000
Gear Blank Machining	Not Applicable	17,000,000
Gear Finishing	Not Applicable	9,000,000

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.

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

Value in Rs. Lacs	Opening Stocks as on 01.08.2005		Closing Stock on on 31.03.2006	
Class of Goods	Qty.(in No's)	Value	Qty.(in No's)	Value
Gear Components	101401	42.66	100329	33.42

#### Details of Production and sales

Class of Goods	Production Qty. 01/08/05	Sales Qty. 31/3/2006	Sales Value
Gear Components	14319688	14320760	9,564.05*

\* includes sales of Scrap of Rs. 95.91 lacs

#### 3 Raw Material, processing materials and components consumption:

Class of Goods	Qty(in MT)	Value (in Rs. Lacs)
Alloy Steel (Qty. in MT)#	4623	2,044.06
Bought out parts (Nos.)	1727883	313.49
		<b>2,357.55</b>

#### 4 Value of Imported and Indigenous Raw Materials and Stores consumed

Class of Goods	(Rs. In lacs)
<i>Raw Material and Components</i>	
Imported	0
Indigenous:	2357.55
	<u>2,357.55</u>
<i>Stores,spares, Tools &amp; Dies consumed</i>	
Imported	102.25
Indigenous	599.36
	<u>701.61</u>

#### 5 Expenditure in foreign Currency (on cash basis)

Particulars	Amount in Rs. Lacs
Raw Materials, BOP & spares	90.24
Capital Goods	878.05
Foreign Travels	10.15
	<u>978.45</u>

#### 6 CIF Value of Imports

Particulars	Amount in Rs. Lacs
Raw Materials, BOP & spares	102.25
Capital Goods	1053.05
	<u>1155.30</u>

#### 7 Earning in Foreign Exchange

FOB value of Exports	Nil
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As per our report of even date  
for **S S KOTHARI MEHTA & CO.**  
Chartered Accountants

**ARUN K. TULSIAN**  
Partner  
Membership No. 89907

New Delhi  
August 03, 2006

For and on behalf of the Board

Sunil Kant Munjal  
Brijmohan Lall Munjal  
Neeraj Munjal  
Bhagwan Dass Narang  
Surrinder Lal Kapur  
Vinayshil Gautam  
Sanjay Gupta  
Varika Rastogi

Chairman  
Director  
Director  
Director  
Director  
Director  
GM - Finance  
Company Secretary

## 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 0 6

**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**

9 2 9 8 3 3

**Total Assets**

9 2 9 8 3 3

**Sources of Funds**
*Paid up capital*

5 0 0

*Reserve & Surplus*

3 3 6 9 0 9

*Secured Loans*

4 2 8 0 1 9

*Unsecured Loans*

N I L

*Deferred Tax Liability*

6 4 4 0 4

**Application of Funds**
*Net Fixed Assets*

6 9 0 7 8 3

*Investments*

3 0 0 1 8

*Net Current Assets*

2 0 9 0 3 2

*Misc. Expenditure*

N I L

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

9 6 5 8 9 9

*Total Expenditure*

6 5 1 4 3 2

*Profit Before Tax*

1 9 0 6 9 5

*Profit After Tax*

1 2 5 8 5 9

*Earning Per Share in Rs.*

12.52

*Dividend in %*

2 5

**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: 2A/3, Asaf Ali Road, New Delhi – 110 002

## 1<sup>st</sup> Annual General Meeting ATTENDANCE SLIP

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

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

Client ID.*	
-------------	--

D.P 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 1<sup>st</sup> Annual General Meeting of the Company being held at Essex Farms, 4, Aurobindo Marg, New Delhi – 110 016 on Wednesday, the 20<sup>th</sup> September, 2006 at 11.30 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: 2A/3, Asaf Ali Road, New Delhi – 110 002

## 1<sup>st</sup> Annual General Meeting PROXY FORM

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

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

Client ID.*	
-------------	--

S.P 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 1<sup>st</sup> Annual General Meeting of the Company to be held on Wednesday, the 20<sup>th</sup> September, 2006 at 11.30 A.M. and any adjournment thereof.

Signature of the Member(s)

Signature of Proxy

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

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

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

Affix a 15 paisa Revenue Stamp
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